



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**June 18, 2007**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Linden  
Charter Number 10476**

**124 East Rush  
Linden, TX 75563**

**Comptroller of the Currency  
Longview Field Office  
1800 West Loop 281 Suite 306  
Longview, TX 75604**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

First National Bank of Linden, Texas has a satisfactory record of meeting community credit needs. This rating is based on the following:

- The bank's loan-to-deposit ratio is reasonable based on the bank's performance context and lending opportunities within its assessment areas.
- A substantial majority of the bank's loans are extended within its assessment areas.
- Credit activity is reasonably distributed to borrowers of different income levels and businesses of different sizes within its assessment areas.

## **DESCRIPTION OF INSTITUTION**

First National Bank of Linden is a \$63 million bank with two office locations. The bank is wholly owned by Linden Bancshares. The bank's main office is located at 124 Rush Street, Linden, Texas. Further, they opened the Texana branch during 2006 which is located at 3814 Gilmer Road, Longview, Texas. They also have an automated teller machine (ATM) located at 201 North Main Street, Linden, Texas. As of March 31, 2007, loans totaled \$34 million and represented 54% of the bank's total assets. The following chart reflects the distribution of the bank's loan portfolio.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Loans	\$17,703	51.79%
Residential Real Estate Loans	\$11,200	32.77%
Consumer Loans	\$4,886	14.29%
Agricultural Loans	\$394	1.15%
<b>Total</b>	<b>\$34,183</b>	<b>100.00%</b>

There are no legal impediments or other factors, which inhibit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Examination dated January 6, 2003.

## DESCRIPTION OF ASSESSMENT AREAS

The Board has designated two assessment areas for CRA purposes. The first assessment area consists of census tract 9506 in Cass County. This census tract has been identified as a middle income geography and includes the city of Linden along with several surrounding rural communities. This assessment area meets the requirements of the Community Reinvestment Act and no low or moderate income geographies are arbitrarily excluded. The second assessment area is located in Longview, Texas and includes census tract 6, the location of their Texana Branch, along with the surrounding contiguous census tracts 4; 5.01; 7; 101; and 103.01. Our review of the bank's performance under the Community Reinvestment act only considered the Linden assessment area, as their Texana Branch was just opened in 2006.

The following table provides a description of the bank's Linden, Texas assessment area based on census data and 2006 Department of Housing and Urban Development (HUD) information. This assessment area has a total population of 6,009. There are no other banks located within First National Bank of Linden's assessment area. However, competition is moderate as there are several banks located in the surrounding communities within Cass County. Major employers in Cass County include International Paper Company, Guard-Line, Inc., Stanco Manufacturing, and Anthony Forest Products

Contact with a representative of the Linden Economic Development Corporation revealed that one of the primary credit needs in Linden, Texas is small business loans. They stated that First National Bank of Linden is meeting this need.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF LINDEN ASSESSMENT AREA</b>	
<b>Population</b>	
Number of Families	1,660
Number of Households	2,499
<b>Geographies</b>	
Number of Census Tracts/BNA	1
% Low-Income Census Tracts/BNA	0.00
% Moderate-Income Census Tracts/BNA	0.00
% Middle-Income Census Tracts/BNA	100.00
% Upper-Income Census Tracts/BNA	0.00
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	36,380
2006 HUD-Adjusted MFI	43,100
<b>Economic Indicators</b>	
Unemployment Rate	2.70
2000 Median Housing Value	48,100
% of Households Below Poverty Level	17.37

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The bank's overall lending performance is satisfactory. The bank's loan-to-deposit ratio is reasonable and a substantial majority of loans are within the bank's assessment area. Additionally, the distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels and business of different sizes.

### Loan-to-Deposit Ratio

The loan-to-deposit ratio of First National Bank of Linden is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 46.00% since the prior CRA examination in January 2003. The bank's loan-to-deposit ratio was 64.89% as of March 31, 2007. The average loan-to-deposit ratio of other banks with headquarters within Cass County, regardless of size since January 2003 was 62.82%.

Institution	Assets (000s) (as of 12/31/06)	Average LTD Ratio
Bloomberg State Bank	11,503	64.78%
The First National Bank of Hughes Springs	159,316	61.19%
The First National Bank of Linden	62,576	46.00%
The First State Bank of Avinger	15,007	79.30%

### Lending in Assessment Area

A substantial majority of the bank's lending activity is located within its assessment area. Major lending products included residential mortgages, business, and consumer loans. Our sample included these loan types that were originated during the past three years. The breakdown by loan category is illustrated in the following table.

Lending in Linden Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
1-4 Family	17	85.00	3	15.00	20	703	94.62	40	5.38	743
Business	13	65.00	7	35.00	20	159	70.35	67	29.65	226
Consumer	16	80.00	4	20.00	20	545	90.68	56	9.32	601
Totals	46	76.67	14	23.33	60	1,407	89.62	163	10.38	1,570

Source: Indicate source, i.e., data reported under HMDA, sample of loans.

## Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

First National Bank's distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. The distribution of consumer loans generally approximates the demographics for low income borrowers and exceeds that for moderate income borrowers. Further, while there were no residential mortgages to low income families, the distribution of residential mortgages to moderate income families exceed the assessment area's demographics for moderate income families. Additionally, the median cost of housing in the assessment area is \$48 thousand with little low income housing stock available. A low-income family earns less than \$22 thousand based on the 2006 updated HUD median family income with 17% of the households in the assessment area living below the poverty level. We considered these mitigating factors in our analysis of loans to low income borrowers. The tables below reflect the distribution of loans as they relate to borrowers of different income levels.

Borrower Distribution of Residential Real Estate Loans in Linden Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Families	20.84		18.01		22.35		38.80	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0.00	0.00	30.00	21.98	25.00	10.93	45.00	67.10

Source: Loan sample; U.S. Census data.

Borrower Distribution of Consumer Loans in Linden Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Households	28.45		15.45		17.93		38.18	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	20.00	23.65	40.00	23.65	25.00	29.88	15.00	31.54

Source: Loan sample; U.S. Census data.

The distribution of business loans reflects a reasonable penetration among businesses of different sizes. Based on Dun and Bradstreet data, there are 358 businesses in the assessment area, although revenue information was not reported for 169. Due to the large number of businesses that did not report revenues, the demographics may not accurately reflect the true number of small businesses within the assessment area. Our sample of commercial loans inside the

assessment area revealed a substantial majority of the bank’s commercial loans were to businesses with revenues less than \$1 million.

<b>Borrower Distribution of Loans to Businesses in Linden Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	48.88	3.91	47.21	100%
% of Bank Loans in AA by #	85.00	15.00	0.00	100%
% of Bank Loans in AA by \$	70.54	29.46	0.00	100%

*Source: Loan sample; Dun and Bradstreet data.*

### **Geographic Distribution of Loans**

A geographic analysis of lending activity within the Linden Assessment Area was not performed. As there are no low or moderate-income geographies within the assessment area, an analysis would not be meaningful.

### **Responses to Complaints**

There have been no CRA related complaints received during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.