



**SMALL BANK**

---

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

---

## **PUBLIC DISCLOSURE**

**January 26, 2004**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Canadian  
Charter Number 6826**

**200 Main  
Canadian, TX 79014**

**Comptroller of the Currency  
ADC Debra Garland - Lubbock (West Texas)  
5225 South Loop 289, Suite 108  
Lubbock, TX 79424**

**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.**

The First National Bank of Canadian (FNBC) has a satisfactory record of performance under the Community Reinvestment Act (CRA). This is based on the following:

- The bank's loan-to-deposit ratio is reasonable and averaged 35 percent during the evaluation period. This is reasonable given the competition for loans in the bank's assessment area and the economic condition of the community.
- The majority of loans are within the bank's assessment area. Based on the sample of loans, 50 percent of the number of loans and 80 percent of the dollar volume of loans were to borrowers within the assessment area.
- FNBC has an excellent penetration of loans to farms of different sizes, and individuals of different income (including low- and moderate-income) levels.
- An analysis of the geographic distribution of loans is not meaningful because there are no low-or-moderate income geographies in the assessment area.
- There have been no complaints with respect to FNBC's CRA performance.

## **DESCRIPTION OF INSTITUTION**

FNBC is a \$58 million institution operating from its main office in Canadian (Hemphill County), Texas, and with a single branch in Higgins (Lipscomb County), Texas. The bank also has a Loan Production Office in Canyon, Texas. The bank has drive up facilities with extended hours of service, and customers have additional access to their accounts through ATM or debit cards. The bank is owned by First Canadian Bancorp, Inc., which is owned primarily by local shareholders. At the last CRA examination in July 1999, FNBC was rated Satisfactory.

This bank is primarily an agricultural lender. In addition to farm and ranch operating lines, FNBC lends for agricultural real estate, business operations or commercial real estate, consumer purposes, and residential real estate. Management has developed a residential mortgage loan product with reduced cost. FNBC also makes home improvement loans and has made loans for non-owner occupied homes for rental or commercial purposes.

FNBC is primarily an agricultural lending bank making loans for agriculture operations, both crop lines and cattle lines, in the northern and eastern Texas Panhandle and extending loans in the adjacent counties of Roger Mills and Ellis in Oklahoma. In addition to agricultural loans, the bank makes a variety of loans available to borrowers, including residential construction loans, commercial operating and capital loans, residential purchase loans, and home improvement loans as well as other consumer purpose loans. There are no legal impediments to the bank's service, although the size of the bank somewhat may impact the size of credits available to a single borrower due to regulatory lending limits.

The bank also makes a variety of deposit products available to customers. These products are comparable to other institutions in the community. There are offices of two other banking institutions in Canadian, as well as an agricultural loan office, and branches of banks in several communities within the four county assessment area served by FNBC. FNBC holds over 36 percent of the deposits in the Hemphill-Lipscomb County area even considering this level of competition. Loans comprise 36 percent of Total Assets, and agricultural loans vary throughout the year because of the crop and cattle cycles.

<b>Loan Portfolio Composition</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Loans	6,594	31.51
Agriculture Operating Loans	5,099	24.36
Residential Real Estate Loans	3,295	15.75
Consumer Loans	2,998	14.33
Commercial Real Estate Loans	2,008	9.60
Agriculture Real Estate Loans	932	4.45
<b>Total</b>	<b>20,926</b>	<b>100.00</b>

**Table 1-** Source: Report of Condition December 31, 2003

## **DESCRIPTION OF FOUR COUNTY ASSESSMENT AREA**

FNBC has designated four counties as the assessment area (AA). This includes Hemphill and Lipscomb counties in the Texas Panhandle and Ellis and Roger Mills counties in western Oklahoma.

The AA meets regulatory guidelines, including the communities where the bank has its offices, consisting of whole geographies, and not exclusive of low- or moderate-income areas. The bank's office in Higgins is very near the Texas/Oklahoma state line, and loans are made to borrowers who may farm or reside in Oklahoma. The counties consist of eleven tracts, with nine designated as middle-income and two designated as upper-income. No low- or moderate-income tracts are identified in the AA, but low- or moderate-income households or persons reside throughout the AA.

One community member was contacted for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. The individual noted that the local economy has been strong, especially in Canadian, over the last one to two years. This is mainly due to good agricultural trends, favorable oil and gas prices, and the presence of a large number of workers in the area to work on the rail lines through the panhandle area. Unemployment has been low. The individual identified the primary credit need as loans for agriculture purposes, commercial loans for oil and gas purposes and service businesses as well as other commercial purposes, and consumer purpose loans including residential loans. The individuals stated that local financial institutions meet the needs of the community. This information supports the viewpoint of FNBC regarding the types of loans needed in the area and corresponds with their loan products and those of most other financial institutions in the area.

<b>Demographic and Economic Characteristics of Assessment Area</b>	
<i>Population</i>	
Number of Families	4,467
Number of Households	5,993
<i>Geographies</i>	
Number of Census Tracts/BNA	11
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	82
% Upper-Income Census Tracts/BNA	18
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	26,300
2002 HUD-Adjusted MFI	35,063
<i>Economic Indicators</i>	
Unemployment Rate	1
2002 Median Housing Value	33,785
% of Households Below Poverty Level	15

**Table 2** - Source: 1990 U.S. Census data and HUD updated income data)

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

The loan-to-deposit ratio reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 35.7 percent since the prior CRA examination in July 1999. The average loan-to-deposit ratio of similarly situated banks within or close to the assessment area for the same period was 62.5 percent. There is a high level of competition for deposits and loans in the area because of the large number of banks and banking branches located throughout the four-county AA. Our examination did not identify any unmet credit needs. Management also states a decline in the level of borrowing of some of their traditional borrowers due to higher income from other sources, including oil and gas revenues.

<b>Loan-to-Deposit Ratios</b>		
<b>Institution</b>	<b>Total Assets \$(000's) As of 09/30/2003</b>	<b>Average Loan To Deposit Ratio</b>
FSB, Canadian, N.A.	67,671	90.65
Perryton National Bank	71,215	45.22
FSB Spearman	62,937	47.41
FNB Spearman	73,888	66.65
<i>FNB Canadian</i>	58,032	35.75

**Table 3** - Source: Institution Reports of Condition.

### Lending in Assessment Area

Based on our review of new loans originated in 2003, consumer loans represent the largest number of loans made, and agriculture loans represent the largest dollar volume. These two primary products were used to evaluate the bank's performance under the lending test.

Based on our review of a sample of agricultural loans and consumer loans made since the last CRA examination in July 1999, we concluded that FNBC makes a majority of loans to borrowers in the AA.

Lending in the Assessment Area								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	22	88	198,157	88	3	12	26,121	12
Agriculture	18	72	2,477,864	48	7	28	2,660,716	52
Total Reviewed	40	80	2,676,021	50	10	20	2,686,837	50

Table 4 – Source: Loan sample

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

The bank's loan portfolio reflects an excellent distribution of loans to individuals of various income levels (including low- and moderate-income) and farms of different sizes. To perform our analysis, we reviewed income information of 20 consumer-purpose loans and 20 agriculture-purpose loans.

Borrower Distribution of Consumer Loans in the Assessment Area								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households <sup>2</sup>	19.9		14.6		19.6		45.9	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	20	11.23	15	15.61	55	55.21	10	17.95

Table 5 – Source: Loan sample

We also compared lending to small farms in the AA to the demographic information on income levels of farms in the AA. We again found that the bank's lending to small farms exceeds the standard for satisfactory performance with 100 percent of the loans in our sample to farms reporting gross revenues of less than \$1 million annually.

Borrower Distribution of Loans to Farms in the Assessment Area		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses <sup>3</sup>	96.36	3.64
% of Bank Loans in AA #	100	0
% of Bank Loans in AA \$	100	0

Table 6 – Source: Loan sample

**Geographic Distribution of Loans**

Because there are no low- or moderate-income areas in the assessment area, a review of FNBC's loan distribution would not provide meaningful information.

**Responses to Complaints**

There have been no complaints received regarding FNBC's performance under the CRA. There is a procedure in place to address complaints if any should be received.

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

We found no evidence of illegal discrimination or other illegal credit practices.