



Comptroller of the Currency
Administrator of National Banks

(LARGE BANK)

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Community Reinvestment Act Performance Evaluation

**FirstBank Southwest, National Association
Charter Number: 8769**

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Office of the Comptroller of the Currency

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NOTE: 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.

Table of Contents

General Information	3
Definitions	4
Community Reinvestment Act Rating	5
Description of Institution	7
Conclusions with Respect to Performance Tests	10
Lending Test	10
Investment Test	17
Service Test	19
Fair Lending Review	21
Assessment Areas	21
Institution's Operations in the Amarillo Assessment Area	22
Institution's Operations in the Non-MSA Areas	26
Appendix A: Scope of Examination	31

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **FirstBank Southwest, National Association**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **October 5, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, and not a strict legal definition.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties or parishes, including large population centers and nearby communities that have a high degree of interaction.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage loan application activity. The reports include such data as applicant race, gender and income, the amount of the loan requested, and its disposition (e.g., approved, denied, withdrawn).

Federal Home Loan Bank (FHLB) - The former regulator of savings and loan institutions now dedicated to providing funds and services to member financial institutions. It provides grants to certain organizations on application for affordable housing and community development.

Community Development Corporation (CDC) - An entity organized to provide affordable housing and other community development services to a designated area.

Automated Teller Machine (ATM) - A machine offering limited banking services including dispensing cash and accepting deposits or loan payments.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. The median income determined by the United States Department of Housing and Urban Development (HUD) annually is used to determine the income level category of individuals. The median is the point at which half of the families have income above it and half below it.

Low-Income - Income levels that are less than 50% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Upper-Income - Income levels that are 120% or more of the MFI.

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loans with an original amount of \$500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Institution's CRA Rating: This institution is rated "**Satisfactory.**"

The major factors which support this rating include:

- ▶ A good responsiveness to credit needs in the assessment areas given the bank's resources.
- ▶ A substantial majority (85%) of HMDA-related, small business and small farm loans originated within the assessment areas.
- ▶ A reasonable dispersion of small business and small farm loans throughout the assessment areas. The bank lends to borrowers across economic lines. Approximately 82% of commercial and agricultural loans were made to small businesses and small farms.
- ▶ A reasonable level of community development lending (\$1.4 million), given the bank's resources and opportunities available within the assessment areas.
- ▶ A good level of qualified community development investments (\$821 thousand), given the bank's resources and opportunities available within the assessment areas.
- ▶ Reasonable access to delivery systems for all segments of the assessment areas through branch locations and telephone banking services.
- ▶ An adequate level of community development services provided.

The following table indicates the performance level of **FirstBank Southwest, National Association**, with respect to the lending, investment, and service tests.

Performance Levels	FirstBank Southwest, National Association Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory			
Low satisfactory	X	X	X
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

FirstBank Southwest, National Association (FBSW), is a \$386 million institution with its main office in Amarillo, Texas. It is wholly owned by First Perryton Bancorp, Inc., a one-bank holding company. FBSW is the result of the 1995 merger of five independent community banks serving the northern panhandle of Texas. It operates in two assessment areas; the Amarillo assessment area equals the Amarillo MSA, consisting of Potter and Randall Counties, and the non-MSA area includes those counties in which the bank operates branches, namely Deaf Smith, Gray, Lipscomb and Ochiltree Counties. The non-MSA assessment area accounts for approximately 75% of the loans and 70% of bank deposits.

FBSW entered the Amarillo market in 1993 through the acquisition of mostly deposits and one branch. Amarillo is heavily banked and some of the state's largest banks maintain large presences. There are 26 HMDA reporters with market shares greater than 1%, and there are 34 active commercial lenders. Major competitors include Amarillo National Bank, First American Bank, Plains National Bank, First National Bank, Nations Bank, Bank One, and credit unions. The bank held only 5% of deposits in Amarillo in 1997, but ranked fourth in small business and farm lending in 1997, behind banks of much greater size.

The bank reported an average aggregate loan to deposit ratio of 51% since the previous CRA evaluation. The bank is adequately capitalized and operates profitably. There are no financial impediments which limit the bank's ability to help meet the credit needs of its assessment areas. FBSW offers a full range of financial and credit services throughout its assessment areas. These include commercial, real estate, and consumer loan products. FBSW increased total loans by 20% since Year-end 1996. The following table shows the portfolio composition and changes since that time.

Loan Portfolio Composition (in 000s)					
Loan Type	12/31/96		6/30/98		% change during period
	\$	% of portfolio	\$	% of portfolio	
Real Estate	40,830	24.4%	59,577	29.6%	+46%
Commercial	36,210	21.7%	45,563	22.7%	+26%
Individuals	27,250	16.3%	21,047	10.5%	-23%
Agricultural	55,699	33.3%	66,311	33.0%	+19%
Other	7,162	4.3%	8,647	4.3%	+20%
TOTAL GROSS LOANS	167,151	100	201,145	100	+20%

The increases in real estate and commercial loans, and the decrease in consumer loans, are the direct result of local competition for loans, and bank management's focus on increasing loan volume. The increase in agricultural loans emphasizes the bank's commitment to the cattle industry and farming in its non-MSA assessment area.

FBSW's CRA performance was last evaluated as of June 1996. At that time the bank's overall level of performance was rated "Satisfactory."

DESCRIPTION OF THE ASSESSMENT AREAS

Amarillo MSA

The Amarillo MSA consists of Randall and Potter Counties in the Texas Panhandle. The economy is supported by agricultural crop production, beef production and slaughter, oil and gas production, Department of Defense contracting, health care, and public education. The top five employers are the Amarillo Independent School District, Iowa Beef Processors, Baptist St. Anthony's Health Systems, Mason and Hanger Corp., and Northwest Texas Healthcare Systems. The local and regional economies have rebounded after declines in the farm, energy, and real estate sectors in the 1980s. Areas of economic strength in 1997 included new job growth and strong real estate construction activity. Areas of economic weakness included unfavorable agricultural conditions, sluggish retail sales and a high level of bankruptcy filings. Farming has been hurt by poor crop production due to drought, and low commodity prices for crops and cattle.

The following table presents certain data regarding the Amarillo MSA.

Amarillo MSA	
Population	187,547
Households	72,252
Median Housing Value / Median Year Built	\$54,547 / 1964
Median Family Income - 1997 HUD updated amount	\$39,800

Source: 1990 U.S. Census Demographic Data

Four community contacts were conducted prior to the examination. The purpose of these contacts was to develop a community profile, identify community credit needs, and determine opportunities for participation by financial institutions in helping to meet local credit needs. These contacts included city government and local organizations that assist low- and moderate- income segments of the population. All of these contacts identified the lack of affordable housing as a significant need. It was pointed out that there is no public housing in the City of

Amarillo and that the average value of new home construction is about \$120,000. Additionally, several contacts cited other needs such as rental assistance, redevelopment of decaying neighborhoods, home ownership education, child care, and programs that target “at risk” youths.

The Amarillo MSA contains geographies and households as shown below.

Amarillo MSA				
	Low-Income	Moderate-Income	Middle-Income	Upper-Income
Census Tracts	7	17	26	18
Households	3,803	15,427	32,908	20,114

Source: 1990 U.S. Census Demographic Data

Non-MSA Counties

Deaf Smith, Gray, Lipscomb and Ochiltree Counties are located in the northern panhandle of Texas. The bank operates one branch in each county. The economy of Deaf Smith, Lipscomb and Ochiltree Counties is predominantly agricultural. Hereford, Texas, in Deaf Smith County, is a major cattle feeding center. The area has experienced drought conditions recently which have adversely affected farm and beef production, but has not negatively impacted loan demand. Gray County, the largest of the four with a population of 24,000 persons, is economically dependent on oil and gas exploration and production. FBSW faces significant competition in these rural areas from local banks. The following table combines certain data regarding the non-MSA assessment area.

Non-MSA Counties Combined	
Population	55,391
Households	20,410
Median Housing Value / Median Year Built	\$38,491 / 1961
Median Family Income - 1997 HUD updated amount	\$31,500

Source: 1990 U.S. Census Demographic Data

Opportunities for financial institutions to participate in community development in these counties are limited. Local chambers of commerce assist the small business community. We contacted a regional outreach program dedicated to building sustainable agriculture and rural communities in this area. The primary credit need identified related to the financing of new microenterprise ventures established through the program.

The non-MSA assessment area contains geographies and households as shown below.

Non-MSA Counties Combined				
	Low-Income	Moderate-Income	Middle-Income	Upper-Income
Census Tracts	0	3	11	7
Households	0	3,214	8,568	8,628

Source: 1990 U.S. Census Demographic Data

Conclusions with Respect to Performance Tests

SCOPE OF REVIEW

This review covered the time period January 1, 1997, when the bank began collecting data, to August 28, 1998, for the Lending Test. For the Investment and Service Tests, the review period covers July 1, 1996, through October 5, 1998, the time period since the prior CRA evaluation. Banks are not required to collect and report data on consumer loan activity, and FBSW elected not to report this information. Therefore, consumer loans, which comprise only 10% of the loan portfolio, are not evaluated here. FBSW is predominantly a commercial, non-residential real estate, and agricultural lender.

LENDING TEST - ALL ASSESSMENT AREAS COMBINED

Lending Activity

Lending levels reflect a good responsiveness to credit needs in the FirstBank Southwest assessment areas. A substantial majority of the bank's loans were originated within its assessment areas; 85% of the number and 79% of the dollar volume of originations were made within these assessment areas.

Given the bank's history and competitive factors, FBSW's loan-to-deposit ratio is reasonable. The bank's average loan-to-deposit ratio since the previous CRA examination equals 51%, which is significantly lower than the ratio of its competitors, most of which are much larger than FBSW and have average loan-to-deposit ratios closer to 70%. However, the bank has increased its loan portfolio more than 20% since Year-end 1996, and increased its overall loan-to-deposit ratio to 57% as of June 30, 1998.

The bank's HMDA-related, small business and small farm lending levels are reasonable when compared to available demographic data which shows the number of individuals and businesses located in low-, moderate-, middle-, and upper-income census tracts within the bank's assessment areas. The bank lends

to borrowers across all economic lines, and a substantial majority of commercial and agricultural loans are made to small businesses and small farms.

Assessment Area Concentration

Small Business and Farm Loans

FBSW originated 2,381 small business and small farm loans totaling more than \$207 million during the review period. A high percentage of these loans, both in number and dollar amounts, were made in the assessment areas. The following table illustrates the number and dollar volume of small business and farm loans made inside of the assessment areas in 1997 and Year-to-date in 1998.

Volume of Small Business and Small Farm Loan Originations in 1997 and YTD 1998 Within the Assessment Areas						
Loan Product	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Small Business	1,167	\$79,459	1,058	91%	\$58,966	74%
Small Farm	758	\$106,084	587	77%	\$82,430	78%
Total 1997	1,925	\$185,543	1,645	85%	\$141,396	76%
Small Business	537	\$38,158	490	91%	\$32,965	86%
Small Farm	346	\$42,047	246	71%	\$32,949	78%
Total YTD 1998	883	\$80,205	736	83%	\$65,914	82%
Grand Total	2,808	\$265,748	2,381	85%	\$207,310	78%

Source: Bank-prepared Small Business and Small Farm Data Collection Registers

Home Mortgage Loans

From January 1, 1997 through August 28, 1998, FBSW originated 421 mortgage related loans totaling more than \$16 million. The vast majority of these loans are originated inside the assessment areas, as illustrated in the table below.

Volume of Home Mortgage Loan Originations in 1997 and YTD 1998 Within the Assessment Areas						
	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
1997	252	\$9,602	222	88%	\$8,730	91%
YTD 1998	169	\$6,672	156	92%	\$5,978	90%
Total	421	\$16,274	378	90%	\$14,708	90%

Source: Bank affiliate FFIEC HMDA Loan Application Registers and Bank internal reports

The bank also accepts applications for mortgage loans originated by third party investors, which are not counted in this analysis. In 1997, 57 additional mortgage loans were processed, totaling \$4.2 million, and so far in 1998, 42 loans for \$3.4 million have been processed. Please refer to the Community Development Lending section of this evaluation for information on bank efforts in providing for affordable housing and community development.

Geographic Distribution of Loans within the Assessment Area

Overall, given the bank's portfolio composition, branch network and competition, the geographic distribution of loans originated by FBSW during the review period is reasonable. The bank does not arbitrarily exclude any geographies in its lending practices. Approximately 12% of loans originated in 1997, and 18% Year-to-date in 1998, were originated in low- or moderate-income census tracts, which tracts represent 30% of all census tracts in the bank's combined assessment areas. FBSW operated only one branch in the Amarillo area and one branch in each of the non-MSA counties during the review period. We reviewed the nature and location of census tracts where the bank did not originate loans and found that tracts not served by the bank are distant from the branch locations and are served by a number of other financial institutions.

Small Business and Farm Loans

The geographic distribution of small business loans reflects a reasonable dispersion throughout the assessment areas. The following chart shows the number of small business/farm loans originated within the assessment areas in 1997 and Year-to-date 1998. The chart also displays the number and percentage of businesses located in low, moderate, middle, and upper income census tracts.

Distribution of Small Business and Farm Loan Originations in 1997 & YTD 1998 Within the Combined Assessment Areas By Income Level of the Census Tract								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	7	8%	20	22%	37	42%	25	28%
Number of Businesses	1,118	11%	1,994	19%	4,560	44%	2,624	25%
Number of Farms	19	5%	42	11%	213	54%	117	30%
Loan Product	#	%	#	%	#	%	#	%
Small Business	32	3%	152	14%	334	32%	540	51%
Small Farm	2	0%	12	2%	257	44%	316	54%
Total 1997	34	2%	164	10%	591	36%	856	52%
Small Business	14	3%	84	17%	182	37%	210	43%
Small Farm	1	0%	40	16%	94	38%	111	45%
Total 1998 YTD	15	2%	44	7%	276	42%	321	49%
Grand Total	49	2%	208	9%	867	38%	1,177	51%

Source: Dun & Bradstreet Business Demographic Data and bank-prepared Small Business and Farm Loan Data Collection Register

The number of business loans made in upper-income and middle-income census tracts is significantly higher than the number of loans made in low-income and moderate-income census tracts, but is similar to the larger number of businesses and farms in those census tracts. However, only 11% of the bank's loans were originated in low- or moderate-income census tracts, where 30% of businesses and farms are located. All of the low-income tracts and all but three of the moderate-income tracts are located in Amarillo, but the bank operated only one branch in Amarillo during the review period, and the MSA accounts for only 25% of the bank's loan originations. Given the high level of competition for loans in the areas and the bank's limited presence in the Amarillo MSA, the dispersion of loans is reasonable.

Please refer to the Community Development Lending section of this evaluation for information on the bank's community development loans.

Home Mortgage Loans

Although the number of home loan originations is small, the distribution shows a willingness to lend in all types of geographies in the assessment areas. The following chart shows residential lending patterns by the income level of the census tracts located within the assessment areas.

Distribution of Home Mortgage Loan Originations in 1997 and YTD 1998 Within the Assessment Areas By Income Level of the Census Tracts			
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Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	7	8%	20	22%	37	42%	25	28%
Number of 1-4 Family Units (Owner Occupied)	1,707	3%	11,209	18%	27,240	45%	20,620	34%
Median Year Built of Housing	1966		1961		1971		1978	
	#	%	#	%	#	%	#	%
1997	1	0%	15	7%	66	30%	140	63%
1998 YTD	1	1%	16	10%	51	33%	88	56%
Total	2	1%	31	8%	117	31%	228	60%

Source: 1990 Census Data, U.S. Census Bureau and Bank affiliate HMDA Loan Application Registers

The bank's ability to serve the affordable housing needs of low-income census tracts is limited by its branch locations. The bank originated 10% of its mortgage loans in low- and moderate-income census tracts where 21% of the areas' owner-occupied housing is located. Five of the seven low-income census tracts were not penetrated, but three of these census tracts have little owner-occupied housing, and all are in Amarillo. It should also be noted that this analysis does not include any applications processed for third party investors. Again, given competitive and location factors, the bank's lending patterns are reasonable.

Distribution by Borrowers' Income within the Assessment Areas

FBSW originates loans across all economic lines. Small business and farm loans comprise 88% of the loans evaluated in this review. The bank's lending patterns are very consistent with the number and type of businesses in the assessment areas. Approximately 82% of these loans were to small businesses and small farms; demographic data reveals that approximately 77% of the businesses and farms located in the combined assessment areas are small, as defined earlier. HMDA-related loans are also well-distributed among borrowers of different income levels. These lending patterns indicate the bank has a very good record serving borrowers of all income levels in its communities.

Small Business and Small Farm Loans

FBSW is very responsive to small business/farm credit needs within its assessment areas. The following chart shows the bank's willingness to make loans of varying sizes and to businesses of different revenue levels.

Distribution of Small Business/Farm Loan Originations in 1997 and YTD 1998 Within the Assessment Areas By Loan Size and Business Revenues	
Loan Size	Annual Revenues < \$1 Million

		#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	small business	769	87%	\$18,527	39%	738	96%	\$17,529	95%
	small farm	425	79%	\$11,829	31%	424	100%	\$11,814	100%
\$100,000 to \$250,000	small business	78	9%	\$12,585	27%	68	87%	\$10,670	85%
	small farm	76	14%	\$13,335	35%	73	96%	\$12,665	95%
\$250,000 to \$1,000,000	small business	35	4%	\$16,163	34%	17	49%	\$7,224	45%
	small farm	35	7%	\$12,893	34%	31	89%	\$11,184	87%
TOTALS	small business	882	100%	\$47,275	100%	823	93%	\$35,423	75%
	small farm	536	100%	\$38,057	100%	528	99%	\$35,663	94%
Distribution of Businesses in the Assessment Areas by Annual Revenues of the Business or Farm:					< 1 Million	77%	*As a percentage of loans of the size category		
					> 1 Million	7%			
					Unknown	16%			

Source: Dun & Bradstreet Business Demographic Data and bank-prepared Small Business and Farm Data Collection Registers

Given the aggressive competition for loans in the assessment areas and the limited number of FBSW branches, small business lending performance is very good. As noted in the above chart, a substantial majority of the number of small business loans have original loan amounts of \$100 thousand or less, and a very high percentage of the number and dollar amount of loans less than \$100 thousand were to small businesses with annual revenues of less than \$1 million.

Home Mortgage Loans

FBSW originates home related loans to individuals and families across economic lines. The following table reflects the distribution of HMDA reportable loans originated during the review period. For comparison, it also shows the distribution of families living in the assessment areas by income level.

Distribution of Home Mortgage Loan Originations in 1997 and YTD 1998 Within the Assessment Areas By Income Level of the Borrower										
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income		Unknown	
Characteristics of Families	3,803	4%	18,641	20%	41,476	45%	28,742	31%	0	0%
Loan Product	#	%	#	%	#	%	#	%	#	%
1997	8	4%	33	15%	50	23%	122	55%	9	4%
1998 YTD	7	4%	17	11%	27	17%	102	65%	3	2%
Grand Total	15	4%	50	14%	77	21%	224	59%	12	3%

Source: 1990 Census, U.S. Census Bureau, and bank HMDA Loan Application Registers

Although the number of HMDA related loans is relatively small, the overall distribution of these loans basically reflects the income characteristics of the assessment areas. The distribution of loans to low-income borrowers compares favorably to the demographics. The distribution of loans to moderate-income

borrowers is also reasonable. Demographics indicate the middle-income group is the largest, yet more than half of the bank's loans were originated to upper-income borrowers. Peer data for 1997 indicates this is a trend in the area, as the price of housing has increased with the active construction of new housing stock.

Community Development Lending

FBSW has originated a reasonable amount of community development loans, given competitive factors and the opportunities available within its assessment areas. Community development loans are those loans whose primary purpose meets the definition of community development lending contained in the CRA regulation and that have not been considered in the review of small business, small farm or home mortgage loans.

Two community development loans totaling nearly \$1.4 million were made during the review period, one for the purpose of providing affordable housing and the second for revitalization of moderate-income geographies. In late 1996, FBSW provided construction and permanent financing totaling \$414 thousand for the rehabilitation of a 48-unit low-income housing complex in Amarillo. There is an identified shortage of affordable housing in Amarillo and this complex is approximately 50% leased.

FBSW lent \$1 million this Year to the Hereford Independent School District at a very favorable interest rate to repair two schools in Hereford which are located in a moderate- and a middle-income census tract. Both schools serve predominantly minority students, and have significant numbers of students from low- and moderate-income families.

Product Innovation and Flexibility

Basic loan products offered by the bank meet the competition. However, the bank is involved in certain loan programs which offer flexible products. In 1997 and Year-to-date 1998, FBSW originated 146 FHA and 20 VA mortgage loans totaling nearly \$8.2 million. The bank also originated 99 conventional mortgage loans for \$7.6 million which are not included in the preceding lending analysis because they were sold on the secondary market.

FBSW participates in SBA lending programs, including the Women's Prequalification Loan Program which is in organization. As of August 31, 1998, the bank recorded 37 SBA loans for \$2.9 million on its books. It also recorded 12 loans totaling \$1.1 million through the Farm Services Administration (FSA) loan guarantee program. Bank management expects the number of FSA loans to increase significantly as a result of the adverse agricultural conditions in the

areas. FBSW also originated 318 loans totaling \$713 thousand through the Panhandle-Plains Student Loan Center.

The bank offers accounts receivable financing to small businesses by purchasing accounts receivable at a discount in the form of modified lines of credit. This financing allows small businesses quicker access to working capital. FBSW also allowed consumers to borrow very small loan amounts, generally less than \$1,000, through the "Credit Write Now" line of credit product. However, this product was terminated in 1998.

In addition to the below-market rate offered on the aforementioned community development loan, the bank also reduced the interest rate on its loan to a rural fuel cooperative to assist it during the recent drought.

INVESTMENT TEST - ALL AREAS COMBINED

The bank's level of qualified community development grants and investments is reasonable for an institution of its size in markets where opportunities for community development investments are limited. Qualifying investments are investments, deposits, membership shares or grants that have as their primary purpose community development, as defined in the CRA regulation. Based on information provided by the bank, FBSW made 30 qualifying community development grants and in-kind contributions totaling \$75,857, and held a qualifying public bond with a remaining balance of \$745,000. The bond, which was to finance a nursing home serving predominantly low-income individuals in Booker, Texas, was purchased in 1987 and called during the review period.

Donations were made in all but one of the counties in which the bank operates branches, as shown below.

Distribution of Qualified Investments by Geography			
Location	Population	Number	Dollar
Amarillo MSA	187,547	14	\$30,945
Gray County/Pampa	23,967	4	\$16,150
Deaf Smith County/Hereford	19,153	7	\$13,900
Ochiltree County/Perryton	9,128	5	\$14,862

United Way contributions account for 48% of the donations and grants, and the bank maintains documentation that the funds are used for community development purposes which meet the regulatory definition of qualified investments. Very limited qualifying opportunities for donations exist in Lipscomb County, however this is where the qualifying bond was purchased.

In Amarillo, FBSW contributed to Habitat for Humanity, for the construction of affordable housing; to the Amarillo Center City project, dedicated to revitalization and stabilization of the downtown area; and to local crises centers, among other community groups. In Pampa, the bank sponsored a small business lending workshop. Another example of contributions in Pampa is the contribution to the building of a classroom center for the Pampa Center Foundation, which focuses on vocational programs to raise the job skills levels of the unemployed and underemployed in the community.

In Hereford, the bank is involved in the Promised Land Network to promote microenterprises in targeted neighborhoods. This program is explained in detail in the Community Development Services section of this evaluation. FBSW also provided rent credits totaling \$7,700 to women- and minority-owned small businesses housed in bank-owned property in downtown Hereford. The bank provided funds to the Perryton Economic Development Corporation and the Perryton Chamber of Commerce, to foster economic development and improve housing. The Chamber has organized the Impact 2000 Housing Committee to address affordable housing issues in the area.

SERVICE TEST - ALL AREAS COMBINED

Retail Banking Services

Delivery systems are reasonably accessible to essentially all portions of the assessment areas. The bank provides basic banking services through its branch and ATM network. There is no variance in services offered by office locations. All offices have drive-up facilities, and most have ATM services. Only the Booker office does not have an ATM, but these services are offered at the Perryton office, ten miles away. Hours of operation vary slightly, with three of the six drive-up facilities open on Saturdays. Banking by telephone and ATMs are accessible 24 hours per day.

No portions of the assessment areas are inconvenienced. The current branch network satisfactorily serves all geographies in the assessment areas. The Amarillo office is well centered; although it is in an upper-income census tract, a low-income census tract is adjacent, and one low- and four moderate-income tracts are within three miles of the branch. New branches are being opened in the Western portion of Amarillo and are accessible to the majority of the population due to the small geographic span of the Amarillo assessment area. The non-MSA branches are located in the main towns (Booker, Perryton, Pampa, and Hereford) of the counties they serve. No offices were opened or closed during the review period.

Banking by telephone is easily accessible to all customers through a free access phone line. Loan and deposit account information are offered by telephone, as well as other services, including loan application processing. Bilingual services, particularly in Spanish, are readily available at all branches except for the Pampa office. The Pampa area population is only 7% Hispanic.

Community Development Services

FBSW provides an adequate level of services related to the provision of financial services with the primary purpose of community development in all of its assessment areas. These services include providing technical assistance on financial matters to nonprofit organizations that serve low- and moderate-income individuals and families, and to other groups which promote community revitalization and development, or affordable housing. FBSW also provides financial planning and home ownership counseling to individuals and groups.

FBSW has taken a leadership role in the development of the Promised Land Network's microenterprise program in Hereford. The program provides financing to sole proprietorships, partnerships and family businesses with fewer than five employees. It also provides mandatory business training to participants. Two low-income neighborhoods in Hereford have been targeted by the program.

Other examples of the bank's community development services include:
Technical Assistance - The bank is involved in the Perryton Economic Development Corporation. Also, an officer chairs an investment committee for the Wesley Community Center which provides assistance, including financial education, to LMI individuals and families.

Financial Education Programs - A bank officer conducts monthly home ownership counseling classes in Amarillo for LMI individuals and families for Catholic Family Services. Also, a bank employee participates as a panel member for an affordable housing program entitled, "Financing Home Repairs," sponsored by the Texas Agricultural Extension Service.

Fair Lending Review

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified in a review of home improvement lending conducted during the Fair Lending Examination of the bank. The examination focused on home improvement loan applications processed by the bank. FBSW has established adequate policies, procedures and training programs to ensure compliance with antidiscrimination laws and regulations.

Assessment Areas

DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE AMARILLO ASSESSMENT AREA

FBSW has designated Randall and Potter Counties, which represent the entire Amarillo Metropolitan Statistical Area (MSA), as one of its assessment areas (AA). During the review period, the bank operated one full-service branch in Amarillo. This office is well centered; although it is in an upper-income census tract, a low-income census tract is adjacent, and one low- and four moderate-income tracts are within three miles of the branch. New branches are being opened in the Western portion of Amarillo and are accessible to the majority of the population due to the small geographic span of the Amarillo assessment area.

Deposits originating from the Amarillo AA represent 30% of the bank's total deposits. FBSW has approximately 5% of the market share of deposits. Local banking competition is aggressive and includes several large national banking companies, regional banks, numerous community banks, credit unions and non-bank financial service providers. Loans originated by the bank in Amarillo comprise approximately 25% of the bank's entire loan portfolio. FBSW ranked fourth in small business and small farm lending in 1997, behind banks of much greater size.

Internal reports indicate the bank's loan-to-deposit ratio in Amarillo was 63% as of June 30, 1998, while the average ratio of local competitors exceeds 70%. FBSW entered the Amarillo market in 1993 by acquiring mostly deposits and its one branch. The ratio is reasonable given the bank's branch network and competitive factors, and the fact that loan originations have not yet caught up to the deposit retention rate from the bank's entry into this market.

Please refer to the description of the assessment areas on page 7 for details on the Amarillo Assessment Area.

DISCUSSION OF PERFORMANCE TESTS IN THE AMARILLO AA

Lending Test - Amarillo

Lending Activity

Lending volume and dispersion in the Amarillo AA is reasonable. The geographic distribution of the bank's loans appears to favor middle- and upper-income census tracts, but given the bank's single branch location, and competitive and demographic factors, the bank's lending patterns are reasonable.

Geographic Distribution of Loans within the Amarillo AA

The bank’s loans are not well disbursed throughout the Amarillo AA, however, the lending pattern is consistent with the branch location. The following chart shows the number of loans by type originated within the AA in 1997 and Year-to-date 1998. The chart also displays the number and percentage of owner-occupied family units, businesses and farms located in low-, moderate-, middle-, and upper-income census tracts.

Distribution of Loan Originations in 1997-YTD 1998 Within the Combined Assessment Areas By Income Level of the Census Tract								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	7	10%	17	25%	26	38%	18	26%
Number of 1-4 Family Units (Owner Occupied)	178	1%	3,563	13%	16,639	62%	6,624	25%
Number of Businesses	1,118	14%	1,506	18%	3,676	45%	1,913	23%
Number of Farms	19	8%	27	11%	119	50%	71	30%
Loan Product	#	%	#	%	#	%	#	%
HMDA	2	3%	6	8%	29	39%	38	51%
Small Business	46	8%	91	16%	241	42%	196	34%
Small Farm	3	8%	2	5%	28	72%	6	15%
Grand Total 1997+1998	51	7%	99	14%	298	43%	240	35%

The number of loans made in upper- and middle-income census tracts is more than three times the number of loans made in low-and moderate-income census tracts. However, no geographies are excluded. The percentage of loans made in low-income census tracts is reasonable considering the number of census tracts, the location of the bank’s branch, and competitive and demographic factors. The percentage of small business loans in moderate-income tracts is reasonable compared to the percentage of businesses in those tracts, but the percentage of HMDA and farm loans originated within these tracts appears low. However, the bank’s lending patterns are consistent with its branch network.

The FBSW branch is centrally located in the city of Amarillo and cannot be expected to adequately serve all of Randall and Potter counties, particularly when one considers that the farms are located in outlying areas a good distance from the branch and considering the number of branches operated by the much larger competitors in the area. Many moderate-income census tracts are not near the FBSW location and are served by branches of Amarillo National Bank and others.

FBSW does an adequate job of lending in low- and moderate-income census tracts in proximity to its branch.

Distribution by Borrowers' Income within the Amarillo AA

Small business and farm loans originated during the evaluation period are reasonably distributed among borrowers of different revenue levels. However, HMDA-related loans are not as reasonably distributed among borrowers of different income levels. Small business and farm loans represent approximately 88% of the loans reviewed for this evaluation, therefore, it is concluded that the bank has a satisfactory record serving all segments of the Amarillo AA, particularly near its branch.

Small Business and Small Farm Loans

FBSW has been responsive to small business credit needs within the Amarillo AA. The following chart shows the bank's willingness to make loans of varying sizes and to businesses of different revenue levels.

Distribution of Small Business and Farm Loan Originations in 1997-YTD 1998 Within the Assessment Area By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	505	83%	\$13,702	33%	367	73%	\$9,848	72%
\$100,000 to \$250,000	73	12%	\$11,442	27%	56	77%	\$8,599	75%
\$250,000 to \$1,000,000	33	5%	\$16,623	40%	18	55%	\$7,699	46%
Totals	611	100%	\$41,767	100%	441	72%	\$26,146	63%
Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:			< 1 Million	77%	*As a percentage of loans of the size category			
			> 1 Million	13%				
			Unknown	10%				

Source: Dun & Bradstreet Business Demographic Data and bank prepared Small Business and Farm Data Collection Register

As noted in the above chart, a large majority of the number of these loans had original loan amounts of \$100 thousand or less, and a reasonable percentage of the number and dollar amount of those loans were to businesses with annual revenues of less than \$1 million. Demographic data reveals that approximately 77% of the businesses located in the Amarillo AA have revenues of less than \$1 million. FBSW small business lending patterns are consistent with the number of small businesses.

Home Mortgage Loans

FBSW primarily originates home related loans to middle- and upper-income borrowers. The following table reflects the distribution of HMDA-reportable loans originated in the Amarillo AA during the review period. For comparison, it also shows the distribution of families living in the assessment areas by income level.

Distribution of Home Mortgage Loan Originations in 1997 and YTD 1998 Within the Assessment Areas By Income Level of the Borrower								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Characteristics of Families	10,518	21%	9,036	18%	11,685	23%	19,790	39%
Loan Product	#	%	#	%	#	%	#	%
1997	1	3%	0	0%	14	35%	25	63%
1998 YTD	3	9%	4	12%	6	18%	20	61%
Grand Total	4	5%	4	5%	20	27%	45	62%

Source: 1990 Census, U.S. Census Bureau, and bank HMDA Loan Application Registers

FBSW ranked 30th in market share, with 0.77% of the market, in Amarillo in 1997. The percentage of loans to upper-income borrowers is reflected in peer data for 1997. There has been significant new construction in Amarillo which has increased the price of housing. Therefore, the bank's lending patterns are reasonable given competitive and economic factors. Also, it is important to note that this data does not include residential mortgage loans processed for third party investors.

Community Development Lending

There are a limited number of opportunities for bank participation in community development projects in Amarillo, and there is stiff competition for those few opportunities. In 1996, FBSW provided construction and permanent financing totaling \$414 thousand for the rehabilitation of a 48-unit low-income housing complex in Amarillo. There is an identified shortage of affordable housing in Amarillo and this complex is approximately 50% leased. Although this is the bank's only community development loan in Amarillo, given competitive factors and the bank's single branch presence, the bank's performance is adequate.

Investment Test - Amarillo AA

Again, there are a limited number of opportunities in Amarillo for financial institutions to participate in community development investments, and competition is strong. However, the bank made 14 qualifying community development grants and in-kind contributions totaling \$30,945, since the prior evaluation. These grants were to a variety of agencies and groups, including the United Way, Habitat for Humanity, and the Amarillo City Center Project. This level of grants represents approximately 40% of all grants by the bank during the review period,

which exceeds the percentages of the bank's deposits and loans in Amarillo. Therefore, this level of community development investment is reasonable.

Service Test - Amarillo AA

The quantity, quality and accessibility of the bank's service-delivery systems are adequate. One full service branch, with drive-up and ATM facilities, is located in the city of Amarillo. Because of the small geographic span of the Amarillo AA, this branch is accessible to all portions of the AA. There were no branches opened or closed during the review period, however, a branch was opened in October 1998. Services offered by FBSW in the Amarillo AA reflect those offered by the overall bank.

The bank provides a reasonable level of community development services in the Amarillo AA. These services are typically in the form of participation in financial education programs targeted to low- and moderate-income individuals and families. Opportunities for banks to participate in community development services in Amarillo are limited. For more information, please refer to page 17, where the bank's overall performance under the Service Test is discussed.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NON-MSA AREAS

The non-MSA area includes those counties outside the Amarillo MSA in which the bank operates branches, namely Deaf Smith, Gray, Lipscomb and Ochiltree Counties. This area accounts for approximately 75% of the loans and 70% bank deposits. Internal reports indicate the bank's loan-to-deposit ratio in the non-MSA counties ranges from 36% to 90%, with an average of 54% as of June 30, 1998. Competitors' ratios in each market are similar. The ratio is reasonable given the bank's branch network and competitive factors.

Local banking competition is aggressive, primarily from similarly situated state chartered banks and credit unions in each county, and in three of the four towns in which the bank has branches (excluding Booker). However, the bank is the leader in two of the four counties (Deaf Smith and Ochiltree). Please refer to the description of the assessment areas on page 7 for details on the non-MSA area.

DISCUSSION OF PERFORMANCE TESTS IN THE NON-MSA AREA

Lending Test - Non-MSA Area

Lending Activity

Lending volume and the dispersion of loans in the non-MSA counties is good. Nearly 90% of small business and farm loans are made to enterprises that are small. Less emphasis is placed on the geographic distribution of loans since none of the counties contain low-income census tracts, two counties have no moderate-income tracts, and only two counties contain three moderate-income census tracts. The analysis of the bank's lending to borrowers of different incomes and to businesses and farms of different sizes was given more emphasis.

Geographic Distribution of Loans within the non-MSA Area

The bank's small business loans are reasonably disbursed throughout the area. No geographies are excluded, and the lending patterns are consistent with FBSW branch locations. The following chart shows the number of loans originated within the non-MSA area in 1997 and Year-to-date 1998. The chart also displays the number and percentage of housing units, businesses and farms located in low-, moderate-, middle-, and upper-income census tracts.

Distribution of Small Business Loan Originations in 1997-YTD 1998 Within the Assessment Area By Income Level of the Census Tract									
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income		
Census Tracts	0	0%	3	14%	11	52%	7	33%	
Number of 1-4 Family Units (Owner Occupied)	0	0%	2,023	14%	6,316	43%	6,305	43%	
Number of Businesses	0	0%	488	23%	884	42%	711	34%	
Number of Farms	0	0%	15	10%	94	61%	46	30%	
	#	%	#	%	#	%	#	%	
HMDA Loans	n/a	0%	25	8%	88	29%	190	63%	
Small Business Loans	n/a	0%	145	15%	275	28%	554	57%	
Small Farm Loans	n/a	0%	56	18%	107	34%	152	48%	
Totals	n/a	0%	201	16%	382	30%	706	55%	

The percentage of loans made in moderate-income census tracts is reasonable given that only two of the four branches included in this review are located in counties containing moderate-income census tracts. The bank is consistently high in originations in upper-income tracts, as discussed earlier. However, with

so few moderate-income, and no low-income, census tracts, little emphasis was placed on this analysis.

Distribution by Borrowers' Income within the non-MSA Area

Loans originated during the evaluation period are well distributed among borrowers of different income/revenue levels. Business and farm loans, which comprise approximately 88% of the loans evaluated, are very well distributed among businesses of different sizes. These lending patterns indicate the bank reasonably serves all segments of its community, particularly near its branches.

Small Business and Small Farm Loans

FBSW is very responsive to small business and small farm credit needs in the non-MSA area. The following chart shows the bank's willingness to make loans of varying sizes and to businesses of different revenue levels.

Distribution of Small Business and Farm Loan Originations in 1997-YTD 1998 Within the Assessment Area By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	1,487	86%	\$37,612	38%	1,295	87%	\$32,417	86%
\$100,000 to \$250,000	176	10%	\$30,489	31%	156	89%	\$27,192	89%
\$250,000 to \$1,000,000	73	4%	\$29,706	30%	57	78%	\$22,182	75%
Totals	1,736	100%	\$97,807	100%	1,508	87%	\$81,791	84%
Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:			< 1 Million	78%	*As a percentage of loans of the size category			
			> 1 Million	6%				
			Unknown	16%				

Source: Dun & Bradstreet Business Demographic Data and bank prepared Small Business and Farm Data Collection Register

As noted in the above chart, a very high percentage of the number of small business loans had original loan amounts of \$100 thousand or less, and a very substantial majority of the number of these loans were to small businesses with annual revenues of less than \$1 million. Demographic data reveals that approximately 78% of the businesses and farms located in the non-MSA counties served by the bank have revenues of less than \$1 million. The percentage of FBSW loans to businesses and farms that are small far exceeds the number of small businesses located within the assessment area. The bank has an excellent record of meeting the credit needs of the commercial and agricultural segments of the non-MSA area.

Home Mortgage Loans

FBSW primarily originates home related loans to middle- and upper-income borrowers. The following table reflects the distribution of HMDA-reportable loans originated in the non-MSA counties during the review period. For comparison, it also shows the distribution of families living in the assessment areas by income level.

Distribution of Home Mortgage Loan Originations in 1997 and YTD 1998 Within the Assessment Areas By Income Level of the Borrower								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Characteristics of Families	2,701	17%	2,427	16%	3,212	21%	7,290	47%
Loan Product	#	%	#	%	#	%	#	%
1997	7	4%	31	18%	44	25%	94	53%
1998 YTD	4	3%	13	11%	21	18%	82	68%
Grand Total	11	4%	44	15%	65	22%	176	59%

Source: 1990 Census, U.S. Census Bureau, and bank HMDA Loan Application Registers

No reasonable peer data was available for the non-MSA area, to compare with FBSW's performance. The level of lending to moderate-income borrowers is reasonable compared to the demographics, however, the percentage of loans to low-income borrowers does not compare favorably to the demographics. HMDA-related loans represent less than 10% of the loans reviewed here, and it is noted that loans processed for third party investors are not included here. Therefore, it is concluded that the bank needs to improve its performance in lending to low-income borrowers, but otherwise serves its community well.

Community Development Lending

FBSW has participated in a reasonable amount of community development lending projects given the bank's resources. There are a limited number of opportunities for bank participation in community development projects in the non-MSA counties, as discussed previously.

The bank lent \$1 million to the Hereford Independent School District to repair schools located in moderate- and middle-income census tracts. Both schools serve predominantly minority students and have large enrollments of students from low- and middle-income families.

Investment Test - Non-MSA Area

Although opportunities for bank participation in qualifying community development investments are limited in the non-MSA counties, as discussed previously, the bank has a good record of investments in this assessment area.

The bank held a bond in the amount of \$745,000 which financed the construction of a nursing home facility serving predominantly low- and moderate-income persons. In addition, the bank made 16 qualifying community development grants and in-kind contributions totaling \$44,912. Please refer to page 15, the Investment Test section of the evaluation of the bank's overall performance, for more detail.

Service Test - Non-MSA Area

The quantity, quality and accessibility of the bank's service-delivery systems are adequate. FBSW operates one branch in each county; three branches are located in the county's major town. There were no branches opened or closed during the review period. Services offered in the non-MSA branches reflect those offered by the overall bank.

The bank provides a reasonable level of community development services in the non-MSA area. FBSW has taken a leadership role in the development of the Promised Land Network's microenterprise program in Hereford. The program provides financing to sole proprietorships, partnerships and family businesses with fewer than five employees. It also provides mandatory business training to participants. Two low-income neighborhoods in Hereford have been targeted by the program.

Other community development services include providing technical assistance on financial matters to nonprofit organizations that serve low- and moderate-income individuals and families, and to other groups which promote community revitalization and development, or affordable housing. For example, the bank is involved in the Perryton Economic Development Corporation and local chambers of commerce which promote job growth, job training, and assistance to small businesses. For more information, please refer to page 17, where the bank's overall performance under the Service Test is discussed.

Appendix A: Scope of Examination

Time Period Reviewed	January 1, 1997 to October 5, 1998		
Financial institution FirstBank Southwest, National Association Amarillo, TX			Products reviewed Small business, Small farm, HMDA-related Loans (home purchase and refinance, home improvement)
Affiliate(s)	Affiliate relationship		Products reviewed
Covenant Title Company	Real estate title company affiliate		None
First Perryton Bancorp, Inc.	Holding Company		None
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
Amarillo Non-MSA	on-site on-site	1 1	The examination scope was the same for each assessment area.