



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**February 05, 2008**

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

Lamar National Bank  
Charter Number 17106

200 S. Collegiate Drive  
Paris, TX 75461-1097

Office of the Comptroller of the Currency  
Longview Field Office  
1800 West Loop 281, Suite 306  
Longview, TX 75604-2516

**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.**

Lamar National Bank (LNB) has a satisfactory record of meeting community credit needs. This rating is based upon the following:

- The bank's loan-to-deposit ratio is reasonable based on the bank's performance context and lending opportunities.
- A substantial majority of the loans sampled, roughly 90% by number and 97% by dollar amount, were originated within the bank's assessment area.
- Credit activity is reasonably distributed to borrowers of different income levels.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

**SCOPE OF EXAMINATION**

This Performance Evaluation (PE) is an assessment of Lamar National Bank's ability to meet the credit needs of the communities in which it operates. The bank was evaluated under the small bank performance criteria. Conclusions regarding the bank's lending performance are based on residential real estate and consumer installment loans originated from January 1, 2006 to January 31, 2008. Our sample included 80 loans of each of the bank's primary loan types.

**DESCRIPTION OF INSTITUTION**

LNB is a \$103 million dollar bank located in Paris, Texas and is wholly owned by Lamar Bancorporation, Inc., a one-bank holding company. LNB serves Lamar County through two banking locations. The main office located at 200 Collegiate Drive in Paris, Texas, and its Reno Branch located at 6270 Lamar Road in Reno Texas. Both locations have drive-up facilities with weekend hours and onsite ATMs.

LNB offers a full array of loan and deposit products as well as credit cards and transactional online banking ([www.lamarnational.com](http://www.lamarnational.com)). As of September 30, 2007, loans totaled \$59 million and represented 57% 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>
Real Estate Loans	34,414	58.86%
Commercial Loans	10,913	18.66%
Individual Loans	9,934	16.99%
Agriculture Loans	3080	5.27%
Other	127	0.22%
<b>Total</b>	<b>58,468</b>	<b>100%</b>

While the above chart addresses the overall distribution of the loan portfolio, our sample was based on the lending activities of the bank between January 1, 2006 and January 31, 2008. During this time period, we determined that the primary lending products of the bank were Residential Real Estate Mortgages (37% by dollar amount) and Consumer Loans (52% by number). There are no legal impediments or other factors that inhibit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Performance Evaluation dated December 2, 2003.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The Board of Directors has designated Lamar County as the bank's assessment area for CRA purposes. Both the main bank in Paris and the branch in Reno are located within the assessment area. The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude any low or moderate income census tracts.

### **Lamar County**

Lamar County consists of three moderate income tracts, four middle income tracts, and three upper income tracts. The local economy is considered stable and diverse. The largest employers in the bank's assessment area are the Paris Regional Medical Center, Kimberly-Clark, Campbell Soup, Sara Lee Bakery Group, TCIM, and Turner International. The largest industries are manufacturing and retail trade. The level of competition is considered high with fifteen banking offices, 6 pawn shops, and at least 6 "payday lenders" within the city limits. Contact with a local business group did not reveal any credit needs that were not being met by local financial institutions. Following are the demographic and economic characteristics of Lamar County.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
Population	
Number of Families	13,584
Number of Households	19,048
Geographies	
Number of Census Tracts/BNA	10
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	3
% Middle-Income Census Tracts/BNA	4
% Upper-Income Census Tracts/BNA	3
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$36,380
2006 HUD-Adjusted MFI	\$43,100
Economic Indicators	
Unemployment Rate	2.51
2006 Median Housing Value	\$54,796
% of Households Below Poverty Level	16.42

## **CONCLUSIONS WITH RESPECT TO 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 the geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

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

Lamar National Bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly loan-to-deposit ratio has averaged 60.81% since the prior CRA examination in December 2003. The average loan-to-deposit ratio of other banks with headquarters within Lamar County, regardless of size since December 2003 was 65.31%.

<b>Institution</b>	<b>Assets (as of 09/30/2007)</b>	<b>Average LTD Ratio</b>
First Bank of Roxton TX	\$21,644	68.90%
Peoples Bank	\$99,448	94.05%
Liberty National Bank	\$228,249	37.48%
<i>Lamar National Bank</i>	<i>\$102,961</i>	<i>60.81%</i>
<i>Average LTD</i>		<i>65.31%</i>

**Lending in Assessment Area**

A substantial majority of the bank’s lending is within its assessment area. The breakdown by loan category is illustrated in the following table:

<b>Lending in Lamar County</b>										
LOAN TYPE	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Mortgages	19	95.00%	1	5.00%	20	\$1,178	98.08%	\$23	1.92%	\$1,201
Consumer	17	85.00%	3	15.00%	20	\$159	88.33%	\$21	11.67%	\$180
Totals	36	90.00%	4	10.00%	40	\$1,337	96.81%	\$44	3.19%	\$1,381

*Source: Sample of loans.*

**Lending to Borrowers of Different Incomes**

Lamar National Bank’s distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels. While the distribution of consumer loans to low income borrowers is below that of the assessment area demographics, the percentage of consumer loans to moderate income households exceed the area’s demographics. Further, although the ratio of residential mortgages to low income families is significantly below the area’s demographics, the distribution of residential mortgages to moderate income families is near the assessment area’s demographics. We consider the following information mitigating factors in our analysis of loans to low income borrowers. The median cost of housing in the assessment area is \$48 thousand with little low income housing stock available. Moreover, approximately 66% of low income households have income levels below the poverty level. 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 Lamar County								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
1-4 Family	20.38%	6.58%	16.81%	11.84%	19.87%	22.37%	42.94%	59.21%

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

Borrower Distribution of Consumer Loans in Lamar County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	24.93%	16.22%	15.14%	25.68%	16.48%	17.57%	43.45%	40.54%

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

### Geographic Distribution of Loans

LNB has a reasonable dispersion of loans throughout the assessment area, although the dispersion of consumer loans in moderate income tracts are significantly lower than the percentage of households residing there. While residential real estate loan dispersion within moderate income tracts is somewhat low, mitigating factors include the following:

- Forty-three percent of the households within these tracts are below poverty level, making it more difficult to qualify for a residential loan.
- Housing stock is limited as industrial sites occupy a significant portion of these tracts.
- Approximately 47% of the residences in these tracts are rental properties, with only 15% of available residences being owner occupied.

Additionally, the level of competition is high with a large concentration of financial institutions within the market area. There are fifteen bank sites, six pawn shops, and six “payday lenders” within the city limits.

Geographic Distribution of Residential Real Estate Loans in Lamar County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
1-4 Family	0.00%	0.00%	15.45%	5.26%	34.99%	40.79%	49.56%	53.95%

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

### Geographic Distribution of Consumer Loans in Lamar County

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00%	0.00%	23.25%	6.76%	33.20%	45.95%	43.55%	47.30%

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

**Qualified Investments and CD Services**

Investment and CD services were not reviewed during this examination.

**Responses to Complaints**

The bank has had no complaints since our last CRA examination.

**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.