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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

February 23, 1998

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Panola National Bank  
Charter Number 17967**

**1510 West Panola  
P.O. Box 1139  
Carthage, Texas 75633**

**Office of the Comptroller of the Currency  
Southwestern District  
1600 Lincoln Plaza  
500 North Akard  
Dallas, Texas 75201-3394**

**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.**

## **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 Community Reinvestment Act (CRA) performance of **Panola National Bank** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of February 23, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

Panola National Bank has a satisfactory record of meeting community credit needs. This satisfactory rating is based upon:

- ▶ The bank's loan-to-deposit ratio of 57.88% is comparable to the ratios of other area banks.
- ▶ A substantial majority of the bank's core loan products are extended within its assessment area.
- ▶ Credit activity is reasonably distributed to borrowers of different income levels.

The following table indicates the performance level of **Panola National Bank** with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b><u>PANOLA NATIONAL BANK</u> PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Analysis would not be meaningful.		
Response to Complaints	No complaints have been received since the previous CRA examination		

**DESCRIPTION OF INSTITUTION:**

Panola National Bank is a \$48 million community bank located at 1510 West Panola, Carthage, Texas. The institution is retail oriented and offers a range of retail and commercial deposit and loan products. The primary business focus consists of retail (consumer and residential real estate), commercial, and agricultural lending. As of December 31, 1997, outstanding loans totaled \$25 million and were distributed as follows: consumer 39%; residential real estate 28%; commercial 22%; agricultural 9%; and other 2%. There are no legal impediments which limit the bank's ability to meet the credit needs of the assessment area. The bank was rated satisfactory during the previous CRA examination conducted as of December 5, 1995.

**DESCRIPTION OF PANOLA COUNTY:**

The Board has designated the bank's assessment area as Panola County. The designated assessment area includes Block Numbering Areas (BNA's) 9501, 9502, 9503, 9504, 9505, and 9506. These BNA's consist of the communities of Carthage, Beckville, De Berry, Long Branch, and Gary. Within the assessment area, one of the six BNA's is designated as an upper income tract (9503) with the remaining BNA's designated as middle income areas. The county's population is 22,035 according to 1990 Census Bureau data. Approximately 23% of the families are low income, 16% are moderate income, 14% are middle income, and 47% are upper income. The 1997 Department of Housing and Urban Development (HUD) median family income in Panola County is \$31,500. The area economy is stable with an unemployment rate of approximately 3%. Local employment opportunities are centered in the following industries: Services (health, education, finance), manufacturing, retail, oil and natural gas, and agriculture. Major area employers include: Union Pacific Resources, Texas Utilities, Tyson, Louisiana Pacific, East Texas Medical Center, Panola Community College, and Carthage Independent School District. A recent contact with a local real estate broker indicated that area financial institutions have been responsive to the needs of the community. The contact also believes there is a need for affordable low- and moderate-income housing within Panola County.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### LOAN TO DEPOSIT RATIO:

The loan-to-deposit ratio of Panola National Bank is comparable to the ratios of other area banks. As of December 31, 1997, Panola National Bank's loan-to-deposit ratio equaled 57.88%. The loan-to-deposit ratio has averaged 57.38% since our previous assessment of the bank's CRA activities dated December 4, 1995. The average loan-to-deposit ratio of the two other financial institutions (one national and one state chartered bank) located in Panola County was 47.83% during the same time period. Individual loan-to-deposit ratios for these banks averaged from a low of 31.35% to a high of 56.30%.

### LENDING IN ASSESSMENT AREA:

A substantial majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 24 residential mortgages, 25 consumer loans, and 25 business loans originated in 1997 and year-to-date 1998. The combined sample reflected approximately 89% of loans by number and 88% of loans by dollar amount were extended within the bank's assessment area. The breakdown by loan category is illustrated in the tables below.

Analysis of Lending Inside and Outside Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$ (000)	%	#	%	\$ (000)	%
Mortgage	23	96%	1,319	98%	1	4%	33	2%
Consumer	22	88%	143	90%	3	12%	16	10%
Commercial	21	84%	799	76%	4	16%	251	24%
Total	66	89%	2,261	88%	8	11%	300	12%

**LENDING TO BORROWERS OF DIFFERENT INCOME AND TO BUSINESSES OF DIFFERENT SIZES:**

The distribution of loans within the assessment area reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. We performed an analysis based on a sample of consumer, residential, and business loans originated within the bank’s assessment area in 1997 and 1998. The distribution of loans within each income category approximates the income characteristics of the assessment area’s population. Consumer loans represents the banks’s primary loan product. The distribution of consumer loans to low and moderate income families reflects the bank’s lending significantly exceeds the income characteristics for families in these categories. In addition, 86% of the commercial loans sampled were to small businesses with revenues of less than \$1 million. The disbursement of lending to low and moderate income families for residential mortgages is below the income characteristics of the assessment area population. Residential loans for low and moderate income individuals are available through Federal Housing Authority (FHA) programs offered by FHA approved financial institutions in the area. The following table details the results of our income analysis.

<b>Lending to Borrowers of Different Income Levels</b>										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	23%		16%		14%		47%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	1	5%	7	30%	15	65%	23	100%
Consumer	8	36%	5	23%	4	18%	5	23%	22	100%
Revenue Ranges	Less than \$100,000		\$100,000-\$500,000		\$500,000--\$1,000,000		Over \$1,000,000			
Commercial	4	19%	13	62%	1	5%	3	14%	21	100%

**GEOGRAPHIC DISTRIBUTION OF LOANS:**

The geographic analysis of lending activity within the bank's assessment area was not performed as it would not provide meaningful information. All of the BNA's within the assessment area are considered middle and upper income with no low- or moderate-income geographies located within the assessment area.

**RESPONSE TO COMPLAINTS:**

Management has not received any written complaints related to CRA performance since the prior CRA Examination. A Fair Lending Examination was performed in conjunction with this examination. Based on the samples reviewed, no discriminatory practices were noted. Furthermore, we did not identify any substantive violations involving anti-discrimination laws or regulations.