

PUBLIC DISCLOSURE

July 6, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of O'Donnell
Charter Number 12831**

**709 9th Street
O'Donnell, Texas 79351**

**Comptroller of the Currency
Lubbock Field Office
5225 South Loop 289, Suite 108
Lubbock, Texas 79424**

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 **The First National Bank of O'Donnell** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 6, 1999. 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.*

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

- The bank’s loan-to-deposit ratio is reasonable, averaging 74% from June 30, 1997, to March 31, 1999.
- A majority of business and consumer loans sampled during the examination are within the bank’s assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes.
- A rating of the geographic distribution of loans would not be meaningful.
- There have been no consumer complaints regarding the bank’s CRA performance.

The following table indicates the performance level of **The First National Bank of O'Donnell** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of O'Donnell</u> PERFORMANCE LEVELS		
	Exceeds Standards For Satisfactory Performance	Meets Standards For Satisfactory Performance	Does Not Meet Standards For Satisfactory Performance
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	An analysis of the geographical distribution of loans would not be meaningful		
Response to Complaints	No complaints relative to the bank's CRA performance have been received since the last examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of O'Donnell (FNB) is located in O'Donnell, Texas, and reported total assets of \$37 million at March 31, 1999. FNB has two full-service banking locations, one in the City of O'Donnell at the southern edge of Lynn County, and one in the City of Lamesa, which is 18 miles away in Dawson County. The bank does not have any Automated Teller Machines. FNB is a subsidiary of O'Donnell Bancshares, Inc., a one-bank holding company located in O'Donnell, Texas. The bank has no other affiliates.

FNB is primarily an agricultural lender. At March 31, 1999, FNB's loan portfolio totaled \$22 million representing 59% of total assets. The following table provides a general breakdown of the loan portfolio.

Loan Portfolio Composition		
LOAN TYPE	LOAN TOTAL	% OF PORTFOLIO
Agricultural (including those secured by farmland)	15,327	71%
Commercial (including Commercial Real Estate)	3,927	18%
Consumer	1,514	7%
1-4 Family Residential	352	2%
Other	486	2%
TOTAL	21,606	100%

Source: March 31, 1999, Report of Condition, Schedule RC-C

The bank has no legal or financial impediments that interfere with its ability to make credit available in its assessment area. The bank's CRA performance was rated "Satisfactory" in the last Public Evaluation dated March 31, 1997. The evaluation period for this examination is from April 1, 1997, to July 5, 1999. We placed primary emphasis on 1998 and year-to-date 1999.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area is Lynn, Dawson, and Borden Counties. This three-county area is south of the Lubbock, Texas Metropolitan Statistical Area (MSA). The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Lynn County includes the communities of O'Donnell, Tahoka, Wilson, and New Home. The estimated current population of Lynn County is 6,706, which is virtually unchanged from the 1990 Census. Dawson County includes the communities of Lamesa and Patricia, and has a current estimated population of 14,700, most of which live in the City of Lamesa. The county population has grown 2.4% since 1990. Borden County includes the community of Gail and has a population of 758.

The 1990 Census non-MSA median family income for the State of Texas is \$24,586. The 1998 updated median family income is \$33,900. The assessment area contains ten Block Numbering Areas (BNA). The following table shows the income distribution of BNAs by number and percent.

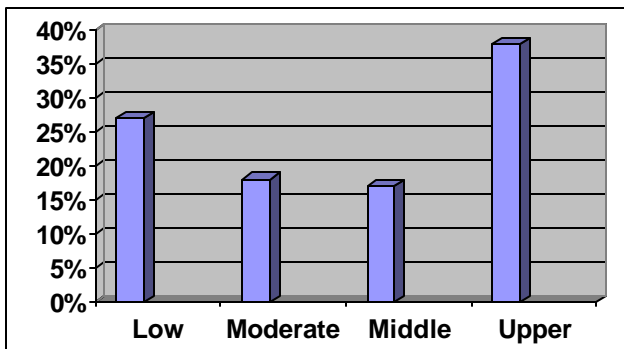
Income Distribution of BNAs		
Income Category	Number	Percent
Low	0	0%
Moderate	2	20%
Middle	5	50%
Upper	3	30%
TOTAL	10	100%

Source: 1990 US Census

Demographic characteristics of the assessment area include:

- The median housing value is \$32,110.
- Sixty percent of the housing units are owner-occupied.
- Twenty-six percent of the number of households are below the poverty level.
- Forty-five percent of the families are categorized as low- or moderate-income. The following chart shows the distribution of income levels by families.

Family Income Level
Source: 1990 U.S. Census



The economies of Lynn and Dawson Counties are heavily influenced by agricultural production, including cotton and peanuts. Cattle ranching is predominant in Borden County. Over the last several years low agricultural commodity prices and unpredictable weather conditions have adversely affected the local economy. Public schools are major employers in each of the three counties. Other significant employers in Lynn County include a hospital, an electric cooperative, and a telephone cooperative.

Other major employers in Dawson County include a Texas Department of Corrections facility and a hospital. Employment in retail and light manufacturing businesses is more prevalent in Lamesa than elsewhere in the assessment area.

FNB offers traditional loan products including agricultural, small business, residential mortgage, and consumer loans. Deposit products are limited to certificates of deposit and demand deposit accounts. Competition is provided by four commercial banks, two federal credit unions, offices of the Federal Land

Bank and Production Credit Association, and several personal finance companies.

We performed one community contact during this examination. This contact was with a member of the clergy. The purpose of community contacts is to assist in developing a community profile, identifying opportunities for participation by local financial institutions, and evaluating the performance of those institutions. In general terms, the contact felt that the following issues should be addressed by financial institutions in the assessment area:

- Greater willingness to lend to individuals with little or no credit history;
- Increased lending for establishing small businesses;
- Contact with low- and moderate-income segments of the community to determine credit needs; and
- Eliminating cultural barriers to credit for the Hispanic population (for example, the lack of Spanish speaking loan officers is perceived as a cultural barrier given that 14% of the households are non-English speaking).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

• **Loan-to-Deposit Ratio**

FNB's loan-to-deposit (LTD) ratio is reasonable. The quarterly LTD ratio averaged 74% during this evaluation period and reflects typical seasonal agricultural lending patterns. We compared this ratio to thirteen similarly situated banks located in the assessment area and the contiguous counties of Gaines, Crosby, Garza, Hockley, and Terry. These are all community banks with agricultural loan concentrations and not located in an MSA. These thirteen banks have an aggregate average LTD ratio of 46%. Four of these banks have an average LTD ratio of 65% or higher.

• **Lending in the Assessment Area**

A majority of business and consumer loans sampled during the examination are within the bank's assessment area. Our sample included 3 business loans, 18 agricultural loans, and 53 consumer loans originated since the March 31, 1997 examination. The following table summarizes the bank's record of lending in the assessment area based on our loan sample.

Loans in the Assessment Area				
	\$ Amount of Loans		Number of Loans	
<i>Business and Agricultural:</i>				
In assessment area	\$1,618,000	77%	17	81%
Outside assessment area	\$486,000	23%	4	19%
Total reviewed	\$2,104,000	100%	21	100%

<i>Consumer:</i>				
In assessment area	\$48,240	87%	49	92%
Outside assessment area	\$7,174	13%	4	8%
Total reviewed	\$55,414	100%	53	100%

Source: Sample of loans reviewed during the examination

- **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

FNB has a reasonable penetration among individuals of different income levels and businesses and farms of different sizes. The bank is primarily an agricultural lender with 71% of its loan portfolio in loans to farmers and ranchers. FNB has been responsive to the credit needs of small businesses and farming/ranching operations. All of the small business loan originations we sampled were to companies and agricultural operations with annual revenues under \$1 million. The following table indicates a good responsiveness by FNB to the credit needs of businesses and farms/ranches of varying sizes.

Lending to Businesses of Different Sizes (Based on Sample Reviewed)										
Annual Rev. of the Business	Less than \$100,000		\$100,001 - \$250,000		\$250,001 - \$500,000		\$500,001 - \$1,000,000		Total	
	#	%	#	%	#	%	#	%	#	%
Number of Loans	4	19%	7	33%	8	38%	2	10%	21	100%
Avg. Loan Size (\$000s)	\$103		\$74		\$108		\$155		\$100	

Source: Sample of loans reviewed during the examination

FNB has a good record of making unsecured consumer loans to individuals of different incomes. The percentage of the number of loans to low- and moderate-income individuals exceeds the percentages of families in those income categories as shown in the following table.

Distribution of Loans to Individuals by Borrower Income								
Income Level	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Consumer Loans	27	51%	14	26%	8	15%	4	8%
Distribution of Families in the Assessment Area	1,587	27%	1,074	18%	1,040	17%	2,244	38%

Source: Sample of loans reviewed during the examination and 1990 US Census

- **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans would not be meaningful. There are only ten BNAs in

the three county assessment area, none of which are low-income. The two moderate-income BNAs are in the communities of O'Donnell and Lamesa, whereas the bank's lending focus is on agricultural producers whose operations are largely in the rural parts of the assessment area.

- **Response to Complaints**

FNB has not received any complaints regarding its CRA performance during this evaluation period.

RECORD OF COMPLIANCE WITH ANTIDISCRIMINATION LAWS

We performed a Fair Lending review at this examination. Based on a comparative file review of approved unsecured consumer loans to male and female borrowers, we did not identify any evidence of disparate treatment or discriminatory practices.