



PUBLIC DISCLOSURE

November 30, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**East Texas National Bank of Marshall
Charter Number 18297**

**501 South Washington Avenue
Marshall, Texas 75671**

**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 **East Texas National Bank of Marshall** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of November 30, 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.

East Texas National Bank of Marshall has a satisfactory record of meeting community credit needs. This assessment is based upon the following factors:

- ▶ The bank's average loan-to-deposit ratio of 79.27% exceeds that of other bank's within its assessment area.
- ▶ A substantial majority of the bank's loans are extended to customers within its assessment area.
- ▶ The distribution of credit to borrowers of different income levels and businesses of different sizes is reasonable.
- ▶ The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	EAST TEXAS NATIONAL BANK 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		X	
Response to Complaints	No written complaints have been received since our prior CRA Examination.		

DESCRIPTION OF INSTITUTION:

East Texas National Bank is a \$144 million bank, which is wholly owned by First Marshall Corporation. The bank's main office is located at 501 South Washington Avenue, Marshall, Texas and is in a moderate income census tract. In addition to the main office, the bank has two branch offices with the following locations: 1101 East Pinecrest, Marshall, Texas and 17025 Highway 154, Harleton, Texas. The Pinecrest and Harleton branches are located in middle income census tracts. The bank also has two automated teller machines (ATMs) located at each of the branch office sites.

The institution is retail oriented and offers full service banking. Primary loan products offered include commercial loans, consumer loans, and real estate loans. Outstanding loans on September 30, 1998 totaled \$107 million and were distributed as follows: 56% commercial and commercial real estate loans, 27% consumer loans and 17% residential real estate. There are no legal impediments or other factors which inhibit the bank's ability to meet the credit needs of the community. The bank was rated Satisfactory during our prior CRA examination conducted as of May 31, 1996.

DESCRIPTION OF HARRISON COUNTY:

The Board has designated Harrison County as the bank's assessment area. In addition to the city of Marshall, Harrison County includes the communities of Hallsville, Harleton and Waskom. The population of this area totals 57,483 according to the 1990 Census Bureau data. Approximately 24% of the families are low income, 17% are moderate income, 22% are middle income, and 37% are upper income. Harrison County includes no census tracts designated as low income areas, 2 tracts designated as moderate, 6 are considered middle income areas and 1 tract designated upper income. The 1997 Department of Housing and Urban Development (HUD) median family income for this area is \$37,600. Local employment opportunities are centered in manufacturing, service and retail trade industries. Major employers include BICC Cable Co., Marshall Pottery, and Republic Industries.

As part of our examination, we contacted a local real estate agent. This person stated in his/her opinion, the primary community need was for small business and startup business loans businesses. The contact stated the local financial institutions serve the community well and they are not aware of any unmet credit needs within the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO:

The loan-to-deposit ratio of East Texas National Bank exceeds the ratios of other area banks. As of September 30, 1998, East Texas National Bank's loan-to-deposit ratio equaled 82.27%. The loan-to-deposit ratio has averaged 79.27% since our previous assessment of the bank's CRA activities dated May 31, 1996. The average loan-to-deposit ratio of other financial institutions located in Harrison County was 55.91% during the same time period. Individual average loan-to-deposit ratios for these banks ranged from a low of 30.29% to a high of 79.27%.

LENDING IN ASSESSMENT AREA:

A substantial majority of the bank's loans are extended within the bank's designated assessment area. We reviewed a sample of 25 residential mortgages, 25 consumer loans, and 25 commercial loans originated since January 1998. Approximately 87% of the number of loans and 82% of the dollar amount of loans in our sample were originated within the assessment area.

Analysis of Lending Inside and Outside Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$ (000)	%	#	%	\$ (000)	%
Mortgage	23	92%	805	71%	2	8%	324	29%
Consumer	20	80%	133	81%	5	20%	32	19%
Commercial	22	88%	4,321	84%	3	12%	794	16%
Totals	65	87%	5,259	82%	10	13%	1,149	18%

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 borrowers of different income levels and businesses of different sizes. The distribution of loans approximates the income characteristics of the assessment area. In addition, the distribution of business loans also reflects a reasonable penetration among businesses of different sizes. Based on our review, 59% of the business loans we sampled which were originated within the bank’s assessment area were to small businesses with gross annual revenues of less than one million dollars. The following table details the results of our analysis.

Lending to Borrowers of Different Income Levels										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	24%		17%		22%		37%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	7	30%	5	22%	11	48%	23	100%
Consumer	2	10%	14	70%	1	5%	3	15%	20	100%
Revenue Ranges	Less than \$100,000		\$100,000-\$500,000		\$500,000--\$1,000,000		Over \$1,000,000			
Commercial	3	14%	7	31%	3	14%	9	41%	22	100%

GEOGRAPHIC DISTRIBUTION OF LOANS:

The distribution of loans reflects a reasonable penetration throughout the assessment area. The following table details the results of our analysis.

Geographic Distribution of Loans										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	0%		14%		71%		15%		100%	
Count	0		2		6		1		9	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	3	13%	20	87%	0	0%	23	100%
Consumer	0	0%	2	10%	18	90%	0	0%	20	100%
Commercial	0	0%	4	18%	17	77%	1	5%	22	100%

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. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.