



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 31, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank Of Sachse
Charter Number 18125**

**6600 Murphy Road
Sachse, TX 75048**

**Comptroller of the Currency
ADC - Dallas North
17300 Dallas Parkway Suite 2020
Dallas, TX 75248**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The First National Bank of Sachse (FNBS) has a satisfactory record of meeting community credit needs given the size, financial condition, and known credit needs of its assessment area. The primary factors supporting the bank's overall rating include:

- A reasonable average net loan-to-deposit ratio of 68%.
- A majority of loans sampled, representing 73% of the number and 74% of the dollar volume, originated within the bank's assessment area.
- The distribution of sampled loans to borrowers reflects satisfactory penetration among individuals of different income levels and businesses of different sizes; and
- The geographic distribution of sampled loans reflects good dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

FNB Sachse is independently owned with no holding company structure. The bank is a full service institution providing various loan and deposit products. The banking office, which is located in Sachse, Texas, includes a drive-up that provides extended weekday and Saturday hours, and a proprietary 24-hour automatic teller machine (ATM). The bank also has five remote ATMs located in Sachse, Murphy, Lavon, Dallas, and Wylie.

The bank's main competition consists of branches of larger multi-national banks, state banks, and credit unions. As of December 31, 2002, the bank's total assets were \$70 million; gross loans were \$44 million; and total deposits were \$63 million. A summary of the loan portfolio mix is as follows:

Loan Category	\$ (000)	%
Commercial Real Estate Loans	25,152	57
Residential Real Estate Loans	10,522	24
Commercial Loans	5,373	12
Consumer Loans	3,035	7
Other	62	>1
Total	\$44,144	100%

For our analysis, we used the number of loans in each category rather than the dollar volume. FNB Sachse had a significant number of consumer loans in comparison to the other loan categories, as can be seen in the following table:

Loan Category	# (000)	%
Consumer Loans	377	39
Residential Real Estate Loans	208	21
Commercial Loans	206	21
Commercial Real Estate Loans	185	19
Total	976	100%

The bank has no legal, financial, or other factors impeding its ability to meet the credit needs of its assessment area. The bank received a “Satisfactory” rating in the previous CRA public evaluation dated December 5, 1997.

DESCRIPTION OF SOUTHEAST COLLIN, NORTH CENTRAL DALLAS AND NORTHWEST ROCKWALL COUNTY

FNB Sachse’s assessment area is made up of 126 whole census tracts located in the Dallas Metropolitan Statistical Area. These tracts are within an approximate ten-mile radius of the bank and include portions of Collin, Rockwall and Dallas Counties. Of these census tracts, there are two (2) low-income tracts, fourteen (14) moderate-income tracts, forty-five (45) middle-income tracts, and sixty-two (62) upper-income tracts. The assessment area meets regulatory guidelines, and does not arbitrarily exclude low- or moderate-income areas. The following table reflects the demographics for the assessment area:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	179,874
Number of Households	249,498
<i>Geographies</i>	
Number of Census Tracts/BNA	126
# - % Low-Income Census Tracts/BNA	2 – 2%
# - % Moderate-Income Census Tracts/BNA	14 – 11%
# - % Middle-Income Census Tracts/BNA	45 – 36%
# - % Upper-Income Census Tracts/BNA	62 – 49%
# - % N/A	3 – 2%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	38,754
1998 HUD-Adjusted MFI	54,400
1999 HUD-Adjusted MFI	58,200
2000 HUD-Adjusted MFI	60,800
2001 HUD-Adjusted MFI	64,400
2002 HUD-Adjusted MFI	66,500
<i>Economic Indicators</i>	
Unemployment Rate	5.9% *
2002 Median Housing Value	102,609
% of Households Below Poverty Level	5.6%

* Texas unemployment rate as of December 2002 per the Texas Workforce Commission

Total occupied housing units for the assessment area is at 92%, with owner-occupied housing at 56% and rental-occupied housing at 36%. Vacant housing units in the assessment area are at 8%.

Economic conditions are currently good. The Dallas per capita income level is nearly 20% greater than the US average. Moreover, the metro area has the highest income among metropolitan areas in Texas. Likewise, the Dallas metropolitan area has had one of the fastest growing populations in the state of Texas. Per the FDIC's Market Share Report as of June 30, 2002, there are approximately 27 FDIC-insured institutions with 111 offices located within the bank's primary assessment area.

From 1990 to 2000, the population grew over 31%, according to US census data. The leading industries in the Dallas MSA are computer and data processing services, telephone communications, retail trade, banking, transportation, and manufacturing (Source: BLS, Ecomony.com, 2000).

Management has identified small businesses and residential real estate as primary credit needs within the assessment area. These needs were also highlighted through our community contact with a city council member.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This evaluation of FNB Sachse's CRA performance covers the period from January 1, 1998, until December 31, 2002. The evaluation includes an analysis of the bank's designated assessment area and lending patterns.

Loan-to-Deposit Ratio

FNB Sachse's loan-to-deposit (LTD) ratio is reasonable and commensurate with its size, financial condition, and credit needs of the assessment area. The bank's LTD ratio averaged 68% over the last twenty (20) quarters from January 1998 through December 2002. This compares favorably to the ratios of the banks located within the assessment area that FNB Sachse considers its competition. Information for these financial institutions are detailed in the following table:

Institution	Assets - As of 12/31/02 (000's)	Average LTD Ratio
Security Bank	160,164	83%
Gateway National Bank	158,203	69%
First Bank	85,796	75%
Northeast National Bank	40,286	72%
National Peer Group Banks	50,000 - 100,000	72%
<i>First National Bank of Sachse</i>	68,811	68%

Lending in Assessment Area

A majority of the bank's lending activity is within its assessment area. We reviewed all (224) residential home purchase loans, and a sample of twenty (20) commercial loans and twenty (20) consumer loans that originated since January 1998. This sample revealed that 73% of the number of the loans and 74% of the dollar amount of loans were extended within the bank's assessment area. The breakdown by loan category is illustrated in the following table:

TOTAL LOANS REVIEWED (Evaluation Period)								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Purchase	160	71	13,031	73	64	29	4,778	27
Consumer	14	70	221	74	6	30	78	26
Commercial	18	90	779	92	2	10	71	8
Total Reviewed	192	73	14,031	74	72	27	4,927	26

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

FNB Sachse meets the standards for satisfactory performance with a reasonable distribution of loans to

individuals with different income levels and businesses of different sizes.

Residential real estate information was obtained from the bank's Home Mortgage Disclosure Act-Loan Activity Reports (HMDA-LAR) submitted during the review period. Based on this information, the bank's penetration of lending to low-income borrowers is small in comparison to the percentage of low-income families within the bank's assessment area. However, this is mitigated by the fact that FNB Sachse is not a large maker of home loans and that there are several branches of larger financial institutions in the area that service the same market. Despite this, the bank's lending to moderate-income borrowers is good.

HOME PURCHASE (January 1, 1998 to December 31, 2002)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	11		15		21		53	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	5	3	13	8	19	21	61	67

Sample size = 160 loans totaling \$13 million. Income information was not readily available for 3 of these loans totaling \$174 thousand or 2% of the sample size.

The bank's record of consumer lending to borrowers of different income levels is excellent, as the following table illustrates:

CONSUMER (January 1, 1998 to December 31, 2002)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	13		14		20		53	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	35	23	35	20	15	19	15	38

Sample size = 20 loans totaling \$301 thousand

The bank adequately lends to businesses of different sizes. FNB Sachse made 15 of the 20 business loans sampled (totaling \$824 thousand) to businesses with less than \$1 million in gross revenue. The table below illustrates the bank's lending penetration to businesses of different sizes:

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES (January 1, 1998 to December 31, 2002)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	92%	8%
% of Bank Loans in AA #	75%	25%
% of Bank Loans in AA \$	66%	34%

Sample size = 20 loans totaling \$824 thousand

Geographic Distribution of Loans

Based on competitive factors and the size and location of the bank, FNB Sachse has a reasonable distribution of loans in its assessment area. The following tables illustrate the geographic distribution of the bank's lending activities within its assessment area:

HOME PURCHASE (January 1, 1998 to December 31, 2002)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0		6		35		59	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0	0	6	8	56	55	38	37

Sample size = 160 loans totaling \$13 million

The number and dollar volume of residential loans made to moderate-income census tracts is good in comparison to the percentage of owner-occupied housing within the bank's assessment area.

CONSUMER (January 1, 1998 to December 31, 2002)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	1		11		38		50	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	5	6	20	15	40	33	35	46

Sample size = 20 loans totaling \$301 thousand

The number and dollar volume of consumer loans made to low- and moderate-income census tracts is excellent in comparison to the percentage of households in the assessment area.

BUSINESS LOANS (January 1, 1998 to December 31, 2002)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	1		10		31		58	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0	0	5	4	50	57	45	39

Sample size = 20 loans totaling \$824 thousand

Management has stated that the low penetration to low- and moderate-income census tracts is because the majority of these areas are not geographically accessible to the bank, which is a true assertion, based on the one location.

Community Development Services and Loans

Members of FNB Sachse's management team provide technical assistance on financial matters to various civic organizations. These organizations include, but are not limited to, the Sachse and Wylie Chamber of Commerce, the Sachse Economic Development Corporation (EDC), and Garland Salvation Army.

In addition, FNB Sachse has invested \$427,500 in Sachse EDC to finance the purchase of 6 1/2 acres of land for future economic development purposes. This is the first major purchase of property by the Sachse EDC. It will be used for either small business development or could even be used for future low income housing needs of the city.

Responses to Complaints

FNB Sachse has not received any complaints during this evaluation period.

Fair Lending Review

An analysis of five years public comments, consumer complaint and HMDA information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.