



---

Comptroller of the Currency  
Administrator of National Banks

---

## **Public Disclosure**

September 10, 1997

# **Community Reinvestment Act Performance Evaluation**

**First National Bank in Cleburne  
Charter Number: 13107**

**403 North Main Street  
Cleburne, Texas 76031**

**Office of the Comptroller of the Currency  
Dallas Duty Station  
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.**

## Table of Contents

<b>General Information</b> .....	2
<b>Definitions and Common Abbreviations</b> .....	3
<b>CRA Rating</b> .....	4
<b>Description of Institution</b> .....	5
<b>Description of the Assessment Area</b> .....	5
<b>Conclusions with Respect to Performance Tests</b>	
Lending Test .....	7
Investment Test .....	11
Service Test .....	12
<b>Fair Lending Review</b> .....	13
<b>Appendix A: Scope of Examination</b> .....	14

## **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 CRA performance of **First National Bank in Cleburne (FNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **September 10, 1997**. The agency evaluates performance in the assessment area, as it is delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Community Reinvestment Act (CRA)** - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Metropolitan Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Census Tract (CT)** - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

**Home Mortgage Disclosure Act (HMDA)** - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

**Median Family Income (MFI)** - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Low-Income** - Income levels that are less than 50% of the MFI.

**Moderate-Income** - Income levels that are at least 50% and less than 80% of the MFI.

**Middle-Income** - Income levels that are at least 80% and less than 120% of the MFI.

**Upper-Income** - Income levels that are 120% or more of the MFI.

**Small Business Loans** - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

**Small Farm Loans** - Loans with an original amount of \$500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

## CRA Rating

**Institution’s CRA Rating:** This institution is rated “Satisfactory.”

The major factors which support this rating include:

- ▶ Satisfactory responsiveness to the credit needs of FNB’s assessment area, as reflected in the volume of small business, consumer and home mortgage loan originations within the assessment area.
- ▶ Reasonable penetration of FNB’s home mortgage loan originations throughout assessment area geographies and good penetration among home mortgage loan customers of different income levels.
- ▶ FNB’s satisfactory record of serving the credit needs of low- and moderate-income individuals and small businesses, consistent with safe and sound banking practices.
- ▶ The bank has been innovative in developing and providing alternative loan products. These products are more convenient and allow more freedom for the consumer.
- ▶ A service delivery system that is accessible to essentially all portions of FNB’s assessment area.

The following table indicates the performance level of FNB with respect to the lending, investment, and service tests:

Performance Levels	First National Bank in Cleburne Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	✓		✓
Low satisfactory		✓	
Needs to improve			
Substantial noncompliance			

\* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

## Description of Institution

FNB's main office is located in Cleburne, Texas with one branch in Cleburne and one in Burleson, Texas. Total assets of the bank, as of June 30, 1997, were \$98,276,000.

FNB's asset mix consists of 52% loans and 40% investment securities. FNB is owned by First Financial Bankshares, Inc. (FFBI), Abilene, Texas, a multi-bank holding company. FFBI also owns national banks located in Abilene, Eastland, Sweetwater and Weatherford, and state chartered banks in Hereford, San Angelo and Stephenville.

FNB is a retail bank which offers a variety of credit products including consumer, real estate and commercial credits. The composition of the loan portfolio is as follows; commercial real estate and business loans 47%, 1-4 family mortgage and construction loans 12%, and other consumer loans 41%.

FNB is the second largest of the independent banks in the assessment area, with approximately 17% of total area commercial bank deposits. Primary competition consists of two national banks and five state banks.

FNB's financial condition does not inhibit its ability to meet credit needs in its assessment area. Additionally, the bank has no legal impediments that would inhibit its ability to meet community credit needs.

## Description of the Assessment Area

First National Bank in Cleburne, Cleburne, Texas, Johnson County															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
Census Tracts		Families		Census Tracts		Families		Census Tracts		Families		Census Tracts		Families	
0	0%	0	0%	2	13%	1,420	5%	12	80%	24,011	90%	1	7%	1,351	5%

Source: CRA Wiz™ Demographic Data - 1990 U.S. Census

FNB's assessment area is Johnson County, which is part of MSA 2800 - Fort Worth/ Arlington, Texas. The assessment area contains fifteen census tracts: two are moderate income, twelve are middle income and one is upper income. The two moderate income tracts are located in the eastern portion of Cleburne. The one upper tract is located in the southwestern portion of Cleburne.

The assessment area has a diverse mixture of agriculture, industry and retail. Each of the communities served in this area are actually bedroom communities of the Dallas/Fort

Worth metroplex. The population of the assessment area is just over 97,000 (according to 1990 U.S. Census data). These communities offer the lifestyle of a smaller community with easy access to the metroplex. Unemployment remains low at 3%.

According to 1990 U.S. Census data, the median family income for the Fort Worth/Arlington MSA is \$35,571. This is the income used to determine the income category of the geographies within the MSA. HUD's 1996 updated median family income for the MSA is \$47,500. This is the income used to determine the income category of borrowers in the MSA. Low- and moderate-income families are dispersed throughout the assessment area and, as a result, are concentrated primarily in the middle-income CTs (88%). The rest of these families are divided between the moderate-income CTs (9%), and upper income CTs (3%).

The 1990 U.S. Census data reflects 90 farms and 2,609 businesses in the Johnson County assessment area. Of these entities, small farms and small businesses represent 93% and 78% respectively.

Approximately 89% of the housing units in the assessment area are occupied, with 68% of those being owner occupied. The median housing value is \$54,500. The median year built is 1976. A substantial 21% of total housing units are comprised of mobile homes or trailers.

The economic conditions in Johnson County are good. This area has a wide array of retail and manufacturing businesses. The area also enjoys the benefit of close proximity, and easy access, to a large metropolitan area (Dallas/Fort Worth metroplex). The school districts of the various communities in Johnson County remain the largest employers. Other large employers include city governments and various manufacturers.

Community contacts conducted by our office, as well as one conducted by another federal banking regulator, included meetings with a local Realtor and civic leaders. The contacts indicated, in general, that local financial institutions are doing a good job of meeting the most pressing needs for agricultural, small business, consumer and residential home loans. We did not identify any unmet community credit needs through these contacts.

## Conclusions with Respect to Performance Tests

### LENDING TEST

- ▶ FNB's lending level reflects a satisfactory responsiveness to assessment area credit needs.
- ▶ The distribution of FNB's home mortgage loans reflects reasonable penetration throughout assessment area geographies and good penetration among borrowers of different income levels. The distribution of FNB's small business and farm loans also reflects reasonable penetration throughout assessment area geographies and among businesses and farms of all sizes.
- ▶ FNB exhibits a satisfactory record of serving the credit needs of low-income individuals and small businesses, consistent with safe and sound banking practices.
- ▶ FNB developed innovative lending products to address the credit needs of the low and moderate income borrower.

FNB has collected and reported loan data for small business and small farm loan originations in 1996 and year-to-date (YTD) 1997. We verified the accuracy of the reported data through review of limited samples. In addition, FNB has maintained and analyzed data regarding loans outstanding on the bank's mortgage, consumer and commercial loans for 1996 and YTD 1997.

#### *Lending Activity / Assessment Area Concentration*

Based on bank prepared reports, FNB originated 252 small business and small farm loans totaling approximately \$15 million in 1996 and YTD 1997. A substantial majority of these loans, in terms of both numbers and dollars, were made within FNB's assessment area. The level of total originations reflects good responsiveness to assessment area credit needs. The following table illustrates the volume of originations and their location relative to the assessment area by loan product:

<p style="text-align: center;"><b>Volume of Small Business and Small Farm Loan Originations in 1996 and YTD 1997 Within the Assessment Area</b></p>
---



Loan Product	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Small Business	134	\$5,908	121	90%	\$5,233	89%
Small Farm	21	\$756	19	90%	\$730	97%
Total 1996	155	\$6,664	140	90%	\$5,963	89%
Small Business	80	\$7,300	58	73%	\$4,877	67%
Small Farm	17	\$1,248	16	94%	\$1,198	96%
Total YTD 1997	97	\$8,548	74	76%	\$6,075	71%
<b>Grand Total</b>	<b>252</b>	<b>\$15,212</b>	<b>214</b>	<b>85%</b>	<b>\$12,038</b>	<b>79%</b>

Source: Bank prepared Small Business and Small Farm Data Collection Registers

The bank also generated 126 mortgage loans totaling \$5 million in 1996 and YTD 1997. Of these loans, 98 (79%) for \$2.3 million (48%) were made in the bank's assessment area. These numbers are reflected in the following chart.

Volume of Home Mortgage Loan Originations in 1996 and YTD 1997 Within the Assessment Area						
Product	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Home Purchase/Refinance	47	\$1,712	37	79%	\$1,258	73%
Home Improvement	34	\$744	26	76%	\$276	37%
Multifamily	3	\$72	3	100%	\$72	100%
Total 1996	84	\$2,528	66	79%	\$1,606	64%
Home Purchase/Refinance	24	\$1,330	19	79%	\$595	45%
Home Improvement	15	\$70	13	87%	\$63	90%
Multifamily	3	\$1,091	0	0%	\$0	0%
Total YTD 1997	42	\$2,491	32	76%	\$658	26%
<b>Grand Total</b>	<b>126</b>	<b>\$5,019</b>	<b>98</b>	<b>78%</b>	<b>\$2,264</b>	<b>45%</b>

Source: HMDA Loan Application Registers

### *Geographic Distribution of Loans within the Assessment Area*

The geographic distribution of small business and farm loans in 1996 and YTD 1997 reflects reasonable penetration throughout FNB’s assessment area. A majority of the geographies in the assessment area were successfully penetrated. No significant gaps in lending activity were identified. The distribution of loan originations is reflective of the location of small businesses and farms throughout assessment area geographies. The following table illustrates the geographic distribution of small business and farm loans:

<b>Distribution of Small Business and Farm Loan Originations in 1996 and YTD 1997 Within the Assessment Area By Income Level of the Census Tract</b>								
<b>Assessment Area Data</b>	<b>Low-Income</b>		<b>Mod-Income</b>		<b>Middle-Income</b>		<b>Upper-Income</b>	
Census Tracts	0	0%	2	13%	12	80%	1	7%
Census Tracts Penetrated (% of tracts in income group)	0	0%	2	100%	10	83%	1	100%
Loans to Businesses / Farms	0	0%	56	26%	139	65%	19	9%

Source: CRA Wiz™ Business Demographic Data and bank prepared Small Business and Farm Loan Data Collection Register

The geographic distribution of mortgage loans in 1996 and YTD 1997 also reflects reasonable penetration throughout FNB’s assessment area. The bank successfully penetrated all geographies in its assessment area. No gaps in lending activity were identified. The distribution of loan originations is reflective of the location of mortgage loans throughout assessment area geographies. The following table illustrates the geographic distribution of mortgage loans:

<b>Distribution of Mortgage Loan Originations in 1996 and YTD 1997 Within the Assessment Area By Income Level of the Census Tract</b>								
<b>Assessment Area Data</b>	<b>Low-Income</b>		<b>Mod-Income</b>		<b>Middle-Income</b>		<b>Upper-Income</b>	
Census Tracts	0	0%	2	13%	12	80%	1	7%
Census Tracts Penetrated (% of tracts in income group)	0	0%	2	100%	12	100%	1	100%
Mortgage Loans	0	0%	10	10%	85	87%	3	3%

Source: CRA Wiz™ Business Demographic Data and bank prepared Small Business and Farm Loan Data Collection Register

***Distribution by Borrowers’ Income within the Assessment Area***

The distribution of borrowers for small business and small farm loans within FNB’s assessment area reflects reasonable penetration among business customers of different sizes. About 77% of loans extended in 1996 and YTD 1997 were to businesses with revenues of less than \$1 million. The following table illustrates the distribution of FNB’s small business and farm loan originations by loan size and business revenues:

Distribution of Small Business and Farm Loan Originations in 1996 and YTD 1997 By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	224	89%	\$7,361	48%	182	81%	NA	0%
\$100,000 to \$250,000	21	8%	\$3,551	23%	10	48%	NA	0%
\$250,000 to \$1,000,000	7	3%	\$4,300	28%	1	14%	NA	0%
Totals	252	100%	\$15,212	100%	193	77%	\$0	0%
<b>Distribution of Businesses and Farms by Annual Revenues of the Business or Farm:</b>				< 1 Million	77%	*As a percentage of loans of the size category		
				> 1 Million	19%			
				Unknown	4%			

Source: CRA Wiz™ Business Demographic Data and bank prepared Small Business and Farm Data Collection Register.

Aggregate annual revenues are not available due to the method used to gather/report income information.

FNB exhibits a good record of serving the home mortgage needs of low- and moderate-income families in its assessment area, consistent with safe and sound banking practices. The following table illustrates the distribution of borrowers for home mortgage loans within FNB's assessment area:

Distribution of Home Mortgage Loan Originations in 1996 and YTD 1997 Within the Assessment Area By Income Level of the Borrower								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	9	26%	5	14%	10	29%	11	31%
Home Improvement	8	31%	2	8%	6	23%	10	38%
Total 1996 *	17	28%	7	11%	16	26%	21	34%
Home Purchase/Refi	4	21%	9	47%	1	5%	5	26%
Home Improvement	5	38%	7	54%	0	0%	1	8%
Total YTD 1997	9	28%	16	50%	1	3%	6	19%
<b>Grand Total</b>	26	28%	23	25%	17	18%	27	29%

Source: CRA Wiz™ Demographic Data and HMDA Loan Application Registers

\* Income information was not available on five loans therefore they are not included in these totals.

### ***Community Development Lending***

We identified no eligible community development (as defined by the regulation) lending opportunities in the assessment area during the evaluation period.

### ***Product Innovation and Flexibility***

As identified by our community contacts, small consumer loans are one of the primary credit needs in the community. FNB uses flexible lending practices in order to meet these needs. The bank has no minimum loan amount and has clearly demonstrated its ability and willingness to meet the needs of low- and moderate-income individuals. In an effort to meet the needs of these individuals, in addition to standard bank products, FNB offers the following:

- Overdraft Protection - while the bank offers this product to all qualifying deposit customers, it also uses the product to make available small revolving consumer lines of credit. Instead of making a loan for a specific amount, the bank will set up this product allowing the borrower to overdraw his/her account for any purpose, at any amount, up to the limit established. There is no maturity date and the repayment program is similar to a credit card. The rate applied on this account is the same rate that would be applied on a small consumer loan.
- “First Rate” Line Of Credit - this product is for the consumer who needs more than what would be afforded through overdraft protection. These loans are another source of unsecured, revolving consumer credit. Repayment is similar to credit card requirements. The interest rate is indexed to the Wall Street Journal published prime.

Both of these products are considered innovative as they make available additional types of credit to low- and moderate-income borrowers. Without these products, applicants would have to seek alternative types of credit through another lender or through a credit card. The “Overdraft Protection” account provides some flexibility as underwriting basically consists of verification of applicant’s status through a local check-collection service. Other underwriting criteria, utilized on other types of loan applications, are generally not required.

Internal reports for the first six months of 1997 show that the bank has generated a large volume of small-dollar loans. During this period the bank has originated and/or renewed a total of 962 loans. Of this number, 176 (18%) were for amounts of \$1,000 or less. An additional 161 loans (17%) were for amounts between \$1,000 and \$2,500. We noted numerous other small loans other than the overdraft protection and the “First Rate” products. These loans were for as little as \$300. This information indicates that management and the Board understand the needs of low- and moderate-income individuals and has made exceptional efforts to meet these needs.

## **INVESTMENT TEST**

We did not identify any community development investment opportunities in FNB's assessment area. This is based on the community contacts, discussions with bank management and a review of activities conducted by competing financial institutions. As of this examination, the bank had \$300 thousand in City of Cleburne general obligations. These bonds are for the betterment of the community as a whole. FNB has indicated its willingness to invest in community development projects and qualified investments if and when they become available.

## **SERVICE TEST**

- ▶ FNB's delivery systems are accessible to essentially all portions of its assessment area.
- ▶ Services offered at FNB offices do not vary in a way that would inconvenience any portions of the assessment area.
- ▶ FNB has not closed any branches since the last CRA evaluation. The Loan Production Office in Burleson, Texas was converted to a full-service branch in May 1997.

### ***Retail Banking Services***

The quantity, quality and accessibility of FNB's service-delivery systems within its assessment area are good, given the bank's size and scope of operations. FNB's delivery systems are accessible to all portions of its assessment area. In addition to the main office, FNB has two branches located in the assessment area. FNB operates three proprietary ATMs in Cleburne.

FNB provides a wide range of products at the main office and branch office locations. These products include low-cost and "free" checking. Also, the bank offers a "First Line" Savings account with no minimum balance requirements. This is a benefit for first-time, and low- and moderate-income borrowers. Products among office locations do not vary in a way that would inconvenience portions of the assessment area, particularly the moderate-income geographies.

Business hours vary slightly by location and are based on the needs of the customer base that the location serves. The main office is the center of all lending services. The hours open to the public for loan services are equitable bank wide. Bankwide, the hours are 9:00 a.m. to 6:00 p.m. to accommodate customer needs. This is the only bank in the assessment area that maintains full service to the community for these daily extended hours. The Cleburne branch is open 9:00 a.m. to 3:00 p.m. on Saturdays while the Burleson branch is open 9:00 a.m. to 12:00 noon on Saturdays.

FNB provides a community service to the local business community by hosting a quarterly business luncheon. At these meetings, the bank discusses issues that affect local businesses and the community.

## **Fair Lending Review**

The OCC conducted a fair lending examination concurrent with the CRA examination of the bank. The examination reviewed applications for 1-4 family purchase and refinance loans from Hispanics and white, non-Hispanics for activity in 1997. The review identified no violations of the substantive provisions of antidiscrimination laws and regulations (Equal Credit Opportunity Act or Fair Housing Act).

## **Appendix A: Scope of Examination**

The scope of our evaluation focused on FNB's activities in its assessment area, Johnson County. We utilized the CRA Examination Procedures section of the *Comptroller's Handbook* to perform the evaluation. We evaluated activities from January 1, 1996 to June 30, 1997.

FNB has collected and reported loan data for small business and small farm loan originations in 1996 and 1997 YTD. We also reviewed data on home mortgage originations collected and reported for the same period.