



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 9, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Farmers National Bank of Newcastle
Charter Number 14154**

**722 Broadway Avenue
Newcastle, Texas 76372**

**Comptroller of the Currency
1600 Lincoln Plaza
500 North Akard Street
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 **Farmers National Bank of Newcastle** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 11, 1997. 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**.

The lending performance of Farmers National Bank of Newcastle reflects satisfactory responsiveness to its community's credit needs. The loan to deposit ratio is reasonable in comparison to other institutions in Young County. In addition, a substantial majority of the bank's lending is within the Young County assessment area. Finally, the lending pattern shows a reasonable penetration among borrowers of all income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Farmers National Bank of Newcastle 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	Distribution not performed as it would not be meaningful.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Farmers National Bank of Newcastle (FNB) is located in the city of Newcastle, Young County, Texas. The bank is owned by a small local group of individuals, centered in the directorate. The bank has one main office location in Newcastle, Texas. As of September 30, 1997, assets totaled approximately \$12 million.

The bank offers a standard variety of retail products including consumer and mortgage loans. The loan portfolio is comprised of consumer (40%), home mortgage (9%), agriculture-related (31%), and commercial (20%). FNB's primary lending focus is on local consumer needs. In 1997, the bank has extended 367 loans under \$1,000 for various consumer purposes. The current outstanding balance of these loans is \$193,000. The home mortgage portfolio of approximately \$454,000 consists of 67 loans with an average outstanding balance of \$7,000. Only one of these loans exceeded \$50,000 at origination.

There are no financial impediments which would hamper FNB's ability to help meet the credit needs of its assessment area. FNB's CRA performance was last evaluated as of January 17, 1995. At that time, FNB's overall performance was rated "satisfactory".

DESCRIPTION OF YOUNG COUNTY

The Board has designated Young County as the bank's assessment area. Young County consists of six block numbering areas (BNAs). This designation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

According to 1990 census data, five of the BNAs in Young County are middle-income areas, and one is an upper-income area. There are no low- or moderate-income BNAs in the bank's assessment area. The population of the county is 18,126, and the updated weighted average median family income is \$31,500. According to this same data, low-income families comprise 20% of all families in the county, while another 16% are moderate-income families, 20% are middle-income families, and 44% are upper-income families.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB's lending performance is satisfactory. The bank makes consumer, real estate, small business, and agriculture loans throughout the assessment area to individuals and businesses with differing income levels. Our review of fair lending regulations revealed no evidence of discriminatory practices, and no violations of the substantive provisions of antidiscrimination laws.

We conducted interviews with two area civic organization leaders. These interviews were helpful in understanding the context of the bank, the community, and local competitors. These community representatives responded favorably to the bank's presence in the community in providing the assessment area's credit needs.

Assessment Area Concentration

A substantial majority of FNB's loans are made within the Young County assessment area. As of September 30, 1997, 89% of the number of loans, and 89% of the dollar volume of loans on the books are within the assessment area.

Loan to Deposit Ratio

Over the past five quarters dating back to September 30, 1996, the average loan to deposit ratio for FNB is 55%. This is a reasonable level of lending when compared to other area financial institutions whose loan to deposit ratios range from 13% to 76%.

Geographic Distribution of Loans

Because the bank's assessment area does not contain any low- or moderate-income areas, a geographic analysis of the loan portfolio was not performed as such an analysis would not render meaningful data.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

FNB's loan distribution reflects a satisfactory penetration among borrowers of different income levels and to businesses of different sizes. Approximately 73% of the consumer loans we sampled and 56% of the home mortgage loan portfolio within the assessment area were to borrowers of low- or moderate-income. The bank is also an active small business and small farm operation lender. All commercial loans currently on the books are to businesses with less than \$1 million in gross annual revenues. Likewise, all agriculture-related loans currently booked are to farming operations with less than \$500,000 in gross annual revenues.

Response to Substantiated Complaints

FNB has received no complaints concerning its performance in meeting assessment area credit needs.