



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

January 20, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Edgewood
Charter Number 10624**

**119 Front Street
Edgewood, Texas 75117**

**Comptroller of the Currency
Dallas Field Office
500 North Akard Street, Suite 1600
Dallas, Texas 75201-3323**

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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The following factors support the overall rating:

- First National Bank of Edgewood's (FNBE) quarterly average loan to deposit ratio of 51% meets the standards for satisfactory performance given its asset size, financial condition, and assessment area credit needs.
- FNBE originated a majority of the home and consumer loans sampled within the designated assessment area (AA). Based on a total of forty loans used in our analysis, the bank's in/out ratio is 90%.
- The bank's lending performance reflects a reasonable distribution of credit to borrowers of different income levels.

DESCRIPTION OF INSTITUTION

FNBE is a \$15 million financial institution with its only banking office located in the downtown area of the city of Edgewood, Texas. FNBE has a drive-up facility that is located on north Main Street one block west of the main bank location. FNBE also offers ATM services at J's Chevron located at 207 W. Pine in Edgewood.

FNBE continues to be a niche lender in residential mortgage and consumer lending. The bank offers additional credit products, including commercial, small business and agricultural lending, however, there are few opportunities for this type of lending within the county. FNBE is the only bank within the city limits of Edgewood. The bank's main competition stems from other small local and national or state banks within Van Zandt County. FNBE does not have any financial or significant legal obstacles affecting its ability to meet the credit needs of the community it serves. The chart below reflects the bank's loan mix as of December 31, 2003:

Loan Category	\$ (000)	%
Residential Real Estate Loans	3,122	40.88%
Commercial Real Estate Loans	1,592	20.84%
Consumer Loans	1,191	15.59%
Construction & Land Loans	848	11.10%
Commercial Loans	701	9.18%
Agricultural Loans	95	1.24%
Municipal Loans	89	1.17%
Total	\$7,638	100.00%

DESCRIPTION OF VAN ZANDT COUNTY

FNBE's designated assessment area (AA) is described as Van Zandt County, which is not in a Metropolitan Statistical Area (MSA). The assessment area meets regulatory guidelines. Based on 1990 and 2000 U. S. Census Bureau data, there are no low- or moderate-income census tracts within the AA. U. S. Census Bureau data for 2000 reflects a total of ten census tracts within Van Zandt County. Eight of these ten are described as middle-income and the remaining two are designated as upper-income census tracts. Low- and moderate-income borrowers are mixed amongst the middle- and upper-income census tracts of the AA.

An estimated 50,664 residents live within Van Zandt County. The median family income is \$42,000 based on HUD 2003 estimates for non-MSA areas of Texas. The median housing value is \$66,493, with the median age of the housing stock at 22 years. Total owner occupied housing units for the AA are 70.41%, while 16.66% of the housing stock are rentals. Vacant housing units in the AA are 12.93%.

According to the U. S. Bureau of Labor Statistics, the unemployment rate for Van Zandt County was relatively low at 4.0% as of December 2003 when compared to the state of Texas unemployment rate of 6.5%. The majority of residents commute to the Dallas/Fort Worth metroplex or Tyler area for employment. The largest employers in the AA are local school districts.

We determined the credit needs of the community through discussions with bank management and by contacting a local business leader in the Edgewood area. The primary credit needs continue to be real estate and consumer loans. Based on our discussion with the community contact that is associated with the Edgewood Economic Development Corporation, we determined that there are no unmet credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This review covers a sample of forty loans which were randomly selected to determine FNBE's lending performance. Twenty consumer loans and twenty real estate loans made during the period June 1, 2000 through December 31, 2003 were used. We also compared the bank's average loan-to-deposit ratio to that of two similarly situated competing banks that are located within the AA.

Loan-to-Deposit Ratio

FNBE's average quarterly loan-to-deposit ratio was determined over sixteen quarters (2000-2003) and compares reasonably to that of two competing banks located in Van Zandt County. FNBE's average ratio of 51% is satisfactory given the bank's size, financial condition and assessment area credit needs. See the comparison in the chart on the next page:

Institution	Assets (as of 12/31/03)	Average LTD Ratio
Citizens National Bank of Wills Point	\$69,860	64.92%
First National Bank of Canton	\$65,640	53.74%
<i>First National Bank of Edgewood</i>	<i>\$15,527</i>	<i>51.47%</i>

Lending in Assessment Area

Based on the sample of forty bank loans, thirty-six of the forty loans reviewed were made within the bank's designated AA. The in/out ratio for the number of loans originated based on this sample is 90%. A majority of the total loan amount based on the sample was made to residents within the AA. The total loan amount for both loan types is \$1,310 of which 86.11% were loaned to residents with the AA. This exceeds the standard for satisfactory performance.

TOTAL LOANS REVIEWED (June 2000 – December 2003)								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Real Estate	17	85.00%	856	82.55%	3	15.00%	181	17.45%
Consumer	19	95.00%	272	99.63%	1	5.00%	1	0.37%
Total Reviewed	36	90.00%	1,128	86.11%	4	10.00%	182	13.89%

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

Overall, the bank's lending to borrowers of different incomes meets the standards of satisfactory performance.

Based on a sample of twenty residential real estate loans, penetration to borrowers of different incomes is adequate. Management stated that the demand for mortgage loans from low- and moderate-income borrowers is low. Borrowers in these income groups have historically not been able to meet the requirements of closing costs and down payments, which are more feasible for middle- and upper-income borrowers when purchasing a home. The bank does not offer a special mortgage loan program geared towards low- and moderate-income borrowers.

Based on the consumer loan sample, the penetration of loans to borrowers of different incomes is excellent. See the charts on the following page:

RESIDENTIAL REAL ESTATE (June 2000 – December 2003)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families ¹	16.98%		15.37%		21.07%		46.58%	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1-4 Family	10.00%	6.00%	5.00%	2.00%	20.00%	17.00%	65.00%	75.00%

¹The percentage of AA families information is taken from the 2000 U. S. Census Bureau.

CONSUMER (June 2000 – December 2003)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households ²	21.55%		14.02%		17.22%		47.21%	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Consumer	20.00%	6.60%	25.00%	30.40%	20.00%	13.92%	35.00%	49.08%

²The percentage of households information is taken from the 2000 U. S. Census Bureau.

Geographic Distribution of Loans

A meaningful analysis of the geographic distribution of loans could not be performed because there are no low- or moderate-income census tracts within the bank's assessment area.

Responses to Complaints

The bank has not received any consumer complaints related to the bank's CRA performance.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.