

PUBLIC DISCLOSURE

April 19, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Crockett
Charter Number 4684**

**415 E. Goliad
Crockett, Texas 75835**

**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 operations 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 **First National Bank of Crockett** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 19, 1999. 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**.

First National Bank of Crockett has a satisfactory record of meeting community credit needs. This satisfactory rating is based on the following:

- The bank's average loan-to-deposit ratio of 59.74% is reasonable and significantly above the average for similarly situated banks.
- A majority of the bank's loans are extended to customers within its assessment area.
- Credit activity is reasonably distributed to borrowers of different income levels.
- The geographic distribution of loans shows reasonable dispersion throughout the assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST NATIONAL BANK OF CROCKETT</u> 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 complaints have been received since the prior CRA examination.		

DESCRIPTION OF INSTITUTION:

First National Bank of Crockett is a \$74 million financial institution located in Crockett, Houston County, Texas, approximately 100 miles north of Houston, Texas. The bank's main office is located at 415 E. Goliad in Crockett, Texas, the largest town of Houston County. The bank has one small branch located approximately three miles from the main bank. The bank operates one Automatic Teller Machine (ATM) at its main office and one at its branch "mini-bank."

The institution offers a variety of consumer and commercial deposit and loan products. As of December 31, 1998, gross loans were \$44 million and were distributed as follows: 50% commercial and commercial real estate; 20% 1-4 family residential mortgages; 19% consumer related; and, 11% agricultural. There are no legal or other impediments which limit the bank's ability to help meet the credit needs of the community. The financial condition of the bank does not hinder the bank's ability to make loans or provide banking services. The bank was rated satisfactory during the previous CRA Examination conducted as of April 4, 1996.

DESCRIPTION OF HOUSTON COUNTY:

The Board has designated Houston County as the bank's assessment area. The designated assessment area includes seven Block Numbering Areas (BNA): 9501, 9502, 9503, 9504, 9505, 9506, and 9507, all of which are in Houston County. These BNAs include Crockett, the county seat of Houston County, with the next most significant city being Grapeland. The population of the assessment area is 27,375 according to 1990 Census Bureau Data. Approximately 26% of the families are low income, 17% are moderate income, 18% are middle income, and 39% are upper income. All of the BNAs are designated as middle income areas with the exception of moderate-income BNA 9502 and BNA 9504, which are located in the Porter Springs area and in southern Crockett, respectively. The 1997 Department of Housing and Urban Development (HUD) median family income for this area is \$32,100. Local employment opportunities are centered in agriculture, manufacturing, service, and retail trade industries. Major employers include Northcutt Woodworks, Crockett ISD, Crockett State School, East Texas Medical Center, and Vulcraft.

Competition within the assessment area is moderate with the presence of three bank main office sites, along with one bank branch site.

As part of our examination, we contacted a local official of a community development corporation. This official stated in his/her opinion, the primary community need was loans for small businesses and for affordable residential housing. The contact also stated that area financial institutions are responsive to the credit needs of the community as well as many other projects that benefit the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO:

The loan-to-deposit ratio of First National Bank of Crockett is reasonable and significantly above the ratios of other area banks. As of March 31, 1999, First National Bank of Crockett's loan-to-deposit ratio was 66.45%. The bank's loan-to-deposit ratio has averaged 59.74% since our previous CRA examination dated April 4, 1996. Over this same period, the average loan-to-deposit ratio of four other financial institutions located within the bank's assessment area was 39.86%. The individual average loan-to-deposit ratios for these banks ranged from a low of 31.31% to a high of 51.63%.

LENDING IN ASSESSMENT AREA:

A 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 24 commercial loans originated since the previous examination. Approximately 81% of the number of loans and 67% of the dollar amount of loans in our sample were originated in the assessment area, with an exceptional 100% of 1-4 family residential mortgages and 80% of consumer loans made within the assessment area.

Further, while our loan sample reflects that only 35% of the dollar amount of business loans were made in the assessment area, this figure is somewhat misleading. An internal bank report indicates approximately 51% of the entire business loan portfolio has been extended within the bank's assessment area. The result of our sample is misleading as it included one large loan at \$606 thousand, which was not originated by First National Bank of Crockett but purchased from another financial institution. This single loan comprised approximately 39% of our total business loan sample, although all loans purchased from other financial institutions only represent 19% of the total business loan portfolio. All purchased loans originate outside the bank's assessment area.

The tables on the following page reflect the distribution of loans by loan type.

Residential Mortgages	Number	Percent	Dollar Amt. (000's)	Percent
Inside Assessment Area	25	100.00%	1,399	100.00%
Outside Assessment Area	0	0.00%	0	0.00%

Business Loans	Number	Percent	Dollar Amt. (000's)	Percent
Inside Assessment Area	15	62.50%	553	35.40%
Outside Assessment Area	9	37.50%	1,009	64.60%

Consumer Loans	Number	Percent	Dollar Amt. (000's)	Percent
Inside Assessment Area	20	80.00%	161	80.90%
Outside Assessment Area	5	20.00%	38	19.10%

Total Loans	Number	Percent	Dollar Amt. (000's)	Percent
Inside Assessment Area	60	81.08%	2,113	66.87%
Outside Assessment Area	14	18.92%	2,047	33.13%

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, 80% of the business loans we sampled that were originated within the bank's assessment area were to small businesses with gross annual revenues of less than one million dollars.

Although our sample did not include any credit extended to low-income borrowers for residential mortgages, management provided us reports which evidence that the bank has extended credit to low-income borrowers for mortgage loans. In addition, management stated that the number of applications received from low-income borrowers by First National Bank of Crockett is limited as a result of the presence of Texas American Mortgage Company in Crockett, who actively markets affordable Federal Housing Administration (FHA) loans. FHA specifically targets low-income applicants in Crockett, including a large established retirement community. Among other benefits, this program requires a smaller downpayment on home loans and a lower interest rate; consequently, many low-income borrowers in the bank's assessment area are enticed to apply for mortgage loans with other institutions that offer FHA and similar loan programs.

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	26.07%		17.34%		17.71%		38.88%		100%
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	5	20%	3	12%	17	68%	25	100%
Consumer	5	20%	9	36%	5	20%	6	24%	25	100%
Revenue Ranges	Less than \$100,000		\$100,000-\$500,000		\$500,000--\$1,000,000		Over \$1,000,000		Total	
Commercial	7	47%	5	33%	0	0%	3	20%	15	100%

GEOGRAPHIC DISTRIBUTION OF LOANS:

The distribution of loans reflects a reasonable penetration throughout the assessment area. This area includes two moderate BNAs. One moderate BNA is located in the southern portion of Crockett and the other moderate BNA is located in the southwest portion of Houston County in the small community of Porter Springs.

Geographic Distribution of Loans	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
	Area Demographic Characteristics	0.00%		22.28%		77.72%		0.00%		100%
Count	0		4,763		16,612		0		21,375	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	6	24%	19	76%	0	0%	25	100%
Consumer	0	0%	5	25%	15	75%	0	0%	20	100%
Commercial	0	0%	5	33%	10	67%	0	0%	15	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 anti-discrimination laws and regulations.