



## **PUBLIC DISCLOSURE**

June 22, 1998

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Gilmer National Bank  
Charter Number 5741**

**900 North Wood  
Gilmer, Texas 75644**

**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 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 **Gilmer National Bank** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of June 22, 1998. 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.

Gilmer National Bank has a satisfactory record of meeting community credit needs. This satisfactory rating is based upon the following:

- The bank's loan-to-deposit ratio is comparable to the ratio of other area banks.
- A substantial 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.
- Loan activity also reflects a reasonable distribution to geographies with different income characteristics.

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

| <b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>                                   | <b><u>Gilmer National Bank</u><br/>PERFORMANCE LEVELS</b> |                                                     |                                                             |
|--------------------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------|
|                                                                                | <b>Exceeds Standards for Satisfactory Performance</b>     | <b>Meets Standards for Satisfactory Performance</b> | <b>Does not meet Standards for Satisfactory Performance</b> |
| 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 were received since the prior examination.  |                                                     |                                                             |

**DESCRIPTION OF INSTITUTION:**

Gilmer National Bank is a \$129 million institution located in Gilmer, Texas. The main office is located at 900 North Wood in Gilmer, Texas. The bank operates an Automatic Teller Machine (ATM) at its main office and at Holly Mart Chevron located at FM 289 and CR 3920 in Hawkins, Texas. The bank does not have any branches.

The institution offers a variety of consumer and commercial deposit and loan products. As of March 31, 1998, total loans were \$56 million and were distributed as follows: 36% were 1 - 4 family residential mortgages; 36% were consumer related; 14% were commercial and commercial real estate, and 14% were agriculture and agriculture real estate. There are no legal or other impediments which limit the bank's ability to help meet the credit needs of the community. The bank was rated satisfactory during the previous CRA Examination conducted as of June 26, 1995.

**DESCRIPTION OF ASSESSMENT AREA:**

The Board has designated Upshur County and the Southeast portion of Wood County as the bank's assessment area. The designated assessment area includes Block Numbering Areas (BNA) 9501, 9502, 9503, 9504, 9505, 9506, and 9507.98 in Upshur County and BNA 9506 in Wood County. These BNAs include the communities of Gilmer, Ore City, Bettie, Big Sandy, Gladewater, Union Grove, East Mountain, Warren City, Hawkins (Holly Lake area), and Hainesville. The population of this area totals 36,338 according to 1990 Census Bureau Data. Approximately 24% of the families are low income, 18% are moderate income, 22% are middle income, and 36% are upper income. All of the BNAs within the assessment area are designated as middle income areas with the exception of BNA 9502 located in Upshur County which is designated as a moderate income area. The 1997 Department of Housing and Urban Development (HUD) median family income for the Upshur County area is \$28,627 and the median family income for the Wood County area is \$24,586. Local employment opportunities are centered in manufacturing, service and retail trade industries. Major employers include Dean Lumber, Rob Roy Industries, Gilmer Potteries, Needlecraft Shop, and Annie's Attic.

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 government official. This official

stated in his/her opinion, the primary community need was residential housing for low- and moderate income families. The contact also stated area financial institutions are responsive to community credit needs as well as other projects which benefit the community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

**LOAN TO DEPOSIT RATIO:**

The loan to deposit ratio of Gilmer National Bank is comparable to the ratios of other area banks. As of March 31, 1998, Gilmer National Bank's loan to deposit ratio was 46.45%. The bank's loan to deposit ratio has averaged 41.94% since our previous CRA examination dated June 26, 1995. The average loan to deposit ratio of four other financial institutions located within the bank's assessment area was 48.30%. The individual average loan-to-deposit ratios for these banks ranged from a low of 41.94% to a high of 56.16%.

**LENDING IN ASSESSMENT AREA:**

A substantial majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 29 residential mortgages, 33 consumer loans, and 25 commercial loans originated since January 1997. Approximately 82% of the number and 83% of the dollar amount of loans in our sample were originated within the assessment area. The following table reflects the distribution of loans by loan type.

| <b>Residential Mortgages</b> | <b>Number</b> | <b>Percent</b> | <b>Dollar Amt. (000's)</b> | <b>Percent</b> |
|------------------------------|---------------|----------------|----------------------------|----------------|
| Inside Assessment Area       | 27            | 93%            | 1,520                      | 97%            |
| Outside Assessment Area      | 2             | 7%             | 52                         | 3%             |

| <b>Business Loans</b>   | <b>Number</b> | <b>Percent</b> | <b>Dollar Amt. (000's)</b> | <b>Percent</b> |
|-------------------------|---------------|----------------|----------------------------|----------------|
| Inside Assessment Area  | 19            | 76%            | 2,315                      | 76%            |
| Outside Assessment Area | 6             | 24%            | 732                        | 24%            |

| <b>Consumer Loans</b>   | <b>Number</b> | <b>Percent</b> | <b>Dollar Amt. (000's)</b> | <b>Percent</b> |
|-------------------------|---------------|----------------|----------------------------|----------------|
| Inside Assessment Area  | 25            | 76%            | 258                        | 77%            |
| Outside Assessment Area | 8             | 24%            | 79                         | 23%            |

**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 within each income category approximates the income characteristics of the assessment area. In addition, the distribution of business loans also reflects a reasonable penetration among businesses of different sizes. Based on our review, 84% of the loans we sampled which were originated in the bank's assessment area were to small businesses with gross annual revenues of less than one million dollars. The following table details the results of our analysis.

| <b>DISTRIBUTION BY BORROWER INCOME</b> |            |        |                 |        |               |        |              |        |
|----------------------------------------|------------|--------|-----------------|--------|---------------|--------|--------------|--------|
| <b>Demographic Characteristics</b>     | Low Income |        | Moderate Income |        | Middle Income |        | Upper Income |        |
| Family Income                          | 24%        |        | 18%             |        | 22%           |        | 36%          |        |
| <b>Loan Sample</b>                     | #          | \$ Amt | #               | \$ Amt | #             | \$ Amt | #            | \$ Amt |
| Residential Loans                      | 4%         | 2%     | 15%             | 7%     | 26%           | 21%    | 55%          | 70%    |
| Consumer Loans                         | 40%        | 41%    | 40%             | 51%    | 8%            | 3%     | 12%          | 5%     |

| <b>SMALL BUSINESS DISPERSION BASED ON REVENUES</b> |                     |        |                        |        |                          |        |                  |        |
|----------------------------------------------------|---------------------|--------|------------------------|--------|--------------------------|--------|------------------|--------|
| <b>Revenue Ranges</b>                              | Less than \$100,000 |        | \$100,000 to \$500,000 |        | \$500,000 to \$1,000,000 |        | Over \$1,000,000 |        |
| <b>Loan Sample</b>                                 | #                   | \$ Amt | #                      | \$ Amt | #                        | \$ Amt | #                | \$ Amt |
| Commercial Loans                                   | 7                   | 257    | 7                      | 416    | 2                        | 50     | 3                | 1,592  |

**GEOGRAPHIC DISTRIBUTION OF LOANS:**

The distribution of loans reflects a reasonable penetration throughout the assessment area. This area includes one moderate BNA which is located in the southern portion of Upshur County. The following table illustrates our sample of the bank's geographic distribution of loans.

| <b>DISTRIBUTION BY BLOCK NUMBERING AREA</b> |                   |        |                        |        |                      |        |                     |        |
|---------------------------------------------|-------------------|--------|------------------------|--------|----------------------|--------|---------------------|--------|
| <b>Geography Characteristics</b>            | Low Income Tracts |        | Moderate Income Tracts |        | Middle Income Tracts |        | Upper Income Tracts |        |
| Population                                  | 0                 |        | 2,921                  |        | 33,417               |        | 0                   |        |
| Percentage                                  | 0%                |        | 8%                     |        | 92%                  |        | 0%                  |        |
| <b>Loan Sample</b>                          | #                 | \$ Amt | #                      | \$ Amt | #                    | \$ Amt | #                   | \$ Amt |
| Residential Loans                           | 0%                | 0%     | 11%                    | 7%     | 89%                  | 93%    | 0%                  | 0%     |
| Consumer Loans                              | 0%                | 0%     | 36%                    | 21%    | 64%                  | 79%    | 0%                  | 0%     |

**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 the antidiscrimination laws and regulations.