



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**December 20, 2001**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Gladewater National Bank  
Charter Number 17290**

**678 North Main  
Gladewater, TX 75647**

**Comptroller of the Currency  
Longview Field Office  
1800 West Loop 281, Suite 306  
Longview, TX 75604**

**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.**

## TABLE OF CONTENTS

<u>INSTITUTION'S CRA RATING</u> .....	1
<u>DESCRIPTION OF INSTITUTION</u> .....	1
<u>DESCRIPTION OF ASSESSMENT AREA</u> .....	1
<u>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</u> .....	3

## INSTITUTION'S CRA RATING

**This institution is rated Satisfactory.**

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

- The bank's loan-to-deposit ratio is reasonable when compared to other area banks.
- A majority of the bank's loans are extended within its assessment area.
- Credit activity is reasonably distributed to borrowers of different income levels.

## DESCRIPTION OF INSTITUTION

Gladewater National Bank is a \$31 million bank located at 678 North Main, Gladewater, Texas. The bank is wholly owned by East Texas Financial Corporation which also owns two affiliated state banks: Citizens State Bank, located in Kilgore, Texas and Spring Hill State Bank located in Longview, Texas. In addition to the main office, the bank has a motor bank branch located in Gladewater and a full service branch located in Hawkins, Texas. The bank also has one automated teller machine (ATM) which is located at the bank's main office. As of September 30, 2001, loans totaled \$22 million and represented 71% of the bank's total assets. The following chart reflects the distribution of the bank's loan portfolio.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	6,205	28%
Commercial Loans	2,701	12%
Residential Real Estate Loans	7,231	33%
Consumer Loans	6,087	27%
<b>Total</b>	<b>22,224</b>	<b>100%</b>

There are no legal impediments or other factors that inhibit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Examination dated May 7, 1997.

## DESCRIPTION OF ASSESSMENT AREA NAME

The Board has designated specific block numbering areas (BNA) and census tracts located in Gregg, Upshur and Wood Counties as its assessment area. These BNAs and census tracts make up a contiguous assessment area and include BNAs 9503, 9505, 9506 and 9507 in Upshur

County, BNA 9506 in Wood County and census tracts 102 and 104 in Gregg County. Each of these tracts has been designated as middle-income areas. The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low and moderate-income geographies.

The following table provides a description of the bank's assessment area based on census data and 2000 Department of Housing and Urban Development (HUD) information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	10,092
Number of Households	13,049
<i>Geographies</i>	
Number of Census Tracts/BNA	7
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$28,049
2000 HUD-Adjusted MFI	\$39,843
2001 HUD-Adjusted MFI	\$40,685
<i>Economic Indicators</i>	
Unemployment Rate	3.31%
2001 Median Housing Value	\$46,341
% of Households Below Poverty Level	18.08%

The bank's designated assessment area has a total population of 36,330. The distribution of families by income level, regardless of census tract location, consists of the following: 22.47% are low income, 16.93% are moderate income, 22.52% are middle income, and 38.07% are upper income. Major employers in the Gladewater area include Caddx-Controls and Texas Die Casting. Competition within the assessment area is strong with numerous banks, credit unions and savings associations in the Longview-Marshall MSA. The local economy is considered stable with an unemployment rate of 3.31%.

Contacts with a local business organization and a local realtor revealed the primary community credit needs for the assessment are small business loans and residential mortgages. The business organization also noted the lack of availability of low-income housing.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan-to-deposit ratio of Gladewater National Bank is reasonable given the bank's size, financial condition and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 63.37% since the prior CRA examination in May of 1997. The average loan-to-deposit ratio of banks within the assessment area for the same time period was 59.93%.

Institution	Assets (as of 9/30/01)	Average LTD Ratio
White Oak State Bank	35,423	74.80%
First National Bank, Gilmer	175,047	54.98%
Gilmer National Bank	155,105	50.01%
Gladewater National Bank	30,505	63.37%

### Lending in Assessment Area

A majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 98 residential mortgages, 31 commercial loans and 30 consumer loans which originated since January 1999. This sample reflected that approximately 71% of the number of loans and 61% of the dollar amount of loans were extended within the bank's assessment area. The breakdown by loan category is illustrated in the following table:

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential RE	71	72.45	3,359	59.84	27	27.55	2,254	40.16
Commercial	22	70.97	3,003	59.79	9	29.03	2,019	40.21
Consumer	20	66.67	204	95.09	10	33.33	11	4.91
Total Reviewed	113	71.07	6,565	60.52	46	28.93	4,284	39.48

### Lending to Borrowers of Different Incomes 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. Gladewater National Bank's primary product lines are commercial and commercial real estate, residential and consumer loans. Our sample of loans inside the assessment area included 71 residential loans totaling \$3.3 million, and 20 consumer loans totaling \$204M. The distribution of home purchase and consumer loans generally approximates the income characteristics of the assessment area. While home purchase loans to low-income families are at a low level compared to the demographics of the assessment area, consumer loans exceed the percentage by number of low-income families. Borrowing for home purchases by low-income individuals is limited due to the

low level of affordable housing stock available in the area.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families <sup>1</sup>	22.5%		16.9%		22.5%		38.1%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	11.00	6.04	21.13	22.57	67.61	71.39

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households <sup>2</sup>	27.0%		13.9%		18.3%		40.7%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	30.00	6.82	25.00	12.63	20.00	27.96	25.00	52.60

The distribution of business loans reflects a reasonable penetration among businesses of different sizes. Based on U.S. Census information, there are 1,093 businesses in the assessment area with revenues less than \$1 million. This number represents 92.63% of all businesses within the assessment area. Our sample of commercial loans inside the assessment area included 22 loans totaling \$3 million. The distribution of commercial loans generally approximates the income characteristics of the assessment area.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses <sup>3</sup>	92.63%	7.37%
% of Bank Loans in AA #	90.91%	9.09%
% of Bank Loans in AA \$	85.01%	14.99%

### Geographic Distribution of Loans

All block numbering areas and census tracts within the bank's assessment area are middle-income geographies. There are no low- or moderate-income geographies in the assessment area. Therefore, we did not complete a review of the bank's geographic distribution of loans.

## **Responses to Complaints**

Management has not received any written complaints related to CRA performance since the prior CRA examination.

## **Fair Lending Review**

An analysis of 2000 and 2001 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in May 2000.