

PUBLIC DISCLOSURE

February 11, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of McGregor
Charter #4076**

**401 South Main Street
McGregor, Texas 76657**

**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 CRA performance of **The First National Bank of McGregor** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 11, 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 assessed a rating of **Satisfactory**.

The First National Bank of McGregor's (FNB) lending performance reflects a satisfactory responsiveness to community credit needs. The following highlights the bank's performance:

- C The loan-to-deposit ratio is in line with most area banks' ratio and meets the standard for satisfactory performance. FNB's loan-to-deposit ratio averaged 57.7% from January 1996 to December 1998, local competition averaged 49.5% for the same period.
- C A majority of the number and dollar volume, of loans originated from January 1996 through February 1999 are in the bank's assessment area.
- C The distribution of borrowers reflects a significant level of lending to low- and moderate-income families and small businesses and small farms within the bank's assessment area.
- C FNB's assessment area does not contain any low- or moderate-income census tracts. Therefore, an assessment of the geographic distribution of loans in the bank's assessment area would not be meaningful.
- C The bank received no consumer complaints concerning its CRA performance since the April 30, 1996 examination.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	THE FIRST NATIONAL BANK OF MCGREGOR 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	Not assessed as there are no low- or moderate-income census tracts in the bank's assessment area.		
Response to Complaints	There have been no complaints received since the last examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of McGregor has total assets of \$42 million with loans totaling \$22 million. The bank has one office with a drive-through facility and an automated teller machine located in downtown McGregor, Texas. FNB's business focus has been on commercial, residential mortgage, and consumer lending. In addition to these loan products, the bank has a significant agricultural lending base as well. FNB also provides trust services for its customers.

Loans make up 52% of the bank's total assets. As of December 31, 1998, the loan portfolio consists of the following primary categories.

Loan Portfolio Composition		
Loan Type	Amount (000's)	Percentage of Gross Loans
1 -4 Family Residential Loans	\$ 5,783	26%
Commercial Loans	\$ 5,048	23%
Commercial Real Estate Loans	\$ 2,935	13%
Consumer Loans	\$ 4,446	20%
Agricultural Loans	\$ 3,872	17%
Other Loans	\$ 317	1%
Total	\$ 22,401	100%

Ownership of the bank is vested in 66 shareholders. Three local businessmen own the majority of the bank's outstanding stock. The bank is affiliated through common ownership with: Oglesby State Bank, Oglesby, Texas; Ennis Bancshares, Inc., which controls Ennis State Bank, Ennis, Texas; The State National Bank of West, West, Texas; and Centrabank Corporation which controls Central National Bank, Woodway, Texas.

There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its assessment area. The previous CRA examination is dated April 30, 1996.

DESCRIPTION OF ASSESSMENT AREAS

FNB's assessment area includes four census tracts in the Southwest portion of McLennan County, Texas and one census tract in the eastern portion of Coryell County, Texas. The assessment area includes the communities of McGregor, Moody, Crawford, and Oglesby. Based on 1990 Census data, two of the census tracts in McLennan County are middle-income and two are upper-income. The census tract in Coryell County is also middle-income. With the exception of the small communities included in the assessment area, the vast majority of the surrounding land is tied to farming and ranching.

The bank's assessment area has a population of 22,507, based on 1990 Census data. However, the area has experienced significant growth recently due to its proximity to Waco, Texas, and what is commonly referred to as "urban flight." Waco is located approximately twenty miles east of McGregor, Texas. The 1990 median family income for FNB's assessment area is \$28,448. The HUD 1998 updated median family income for the area \$39,560. Census data indicates that 88% of housing units are occupied and 12% are unoccupied. Less than half of 1% of available housing units are uninhabitable.

Credit needs identified by community contacts in FNB's assessment area included affordable housing, home improvement, consumer, and small business/small farm loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management is performing satisfactorily in meeting the credit needs of the assessment areas, including low- and moderate-income individuals, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is in line with most area banks' ratio and meets the standard for satisfactory performance. FNB's loan-to-deposit ratio averaged 57.7% from January 1996 to December 1998, local competition averaged 49.5% for the same period. The bank's loan-to-deposit ratio, as of December 31, 1998, is 58.9%.

Lending in the Assessment Area

A majority of the number and dollar volume of loans originated from January 1996 through December 1998 are in the bank's assessment area. Based on information provided by the bank, 90% of the number and 73% of the dollar amount of loans were within FNB's assessment area. Loan sampling during the examination supported these figures. HMDA data for January 1996 through December 1998 reflected 75% of the number and 67% of the dollar amount of residential loans originated were in the bank's assessment area.

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

The loan distribution to individuals with different income levels within the assessment area exceeds the standard for satisfactory performance. Our review of HMDA data for January 1996 through December 1998, and a sample of consumer loans, indicated that lending activity to low- and moderate-income families significantly exceeded demographic characteristics of the assessment area. The details of our review are reflected in the following table.

Loan Sample Distribution by Income Group										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
Area Demographic Characteristics	14%		18%		23%		45%		100%	
# of Families	921		1,144		1,475		2,938		6,478	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	17	42%	12	30%	8	20%	3	8%	40	100
Residential	11	11%	26	26%	24	24%	39	39%	100	100
Total	28	20%	38	27%	32	23%	42	30%	140	100

We also reviewed 39 commercial and agricultural loans to determine the distribution among businesses and farms of different income levels. Our analysis reflected a good dispersion, given the bank's emphasis on small business and small farm lending, with 82% of commercial and agricultural loans being granted to entities having gross revenues of less than \$1 million. Details of our review are reflected in the following table.

Lending to Businesses of Different Sizes										
Gross Revenues \$	Less than 100,000		100,000-250,000		250,000-1,000,000		More than 1,000,000		Total	
Loan Type	#	%	#	%	#	%	#	%	#	%
Commercial	10	42%	2	8%	6	25%	6	25%	24	100
Agricultural	11	73%	2	13%	1	7%	1	7%	15	100
Total	21	54%	4	10%	7	18%	7	18%	39	100

Geographic Distribution of Loans

FNB's assessment area does not contain any low- or moderate-income level census tracts or block numbering areas. An analysis of the geographic distribution of the bank's loan would not provide any meaningful information.

Response to Complaints

The bank received no consumer complaints concerning its CRA performance since the April 30, 1996 examination.

Other Pertinent Information

A Fair Lending examination was performed in conjunction with this evaluation and found no evidence of disparate treatment or discriminatory practices.