

PUBLIC DISCLOSURE

January 5, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Amherst
Charter Number 12619**

**1001 Main Street
Amherst, Texas 79312**

**Office of the Comptroller of the Currency
Lubbock Field Office
5225 S. Loop 289, Suite 108
Lubbock, Texas 79702**

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 the **First National Bank of Amherst** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 10, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Needs to Improve**.

- The loan-to-deposit ratio is less than reasonable, averaging 17% from December 31, 1997, to September 30, 1999
- A majority of the loans sampled during the examination are within the assessment area of the bank: 86% of the number of loans and 85% of the dollar volume.
- The lending pattern reflects a satisfactory penetration among individuals of different income levels and businesses of different sizes.
- An analysis of the geographic distribution of loans would not be meaningful.
- There have been no consumer complaints regarding the bank's CRA performance.

DESCRIPTION OF INSTITUTION

The First National Bank of Amherst (FNB) is located in Amherst, Texas, and reported total assets of \$22 million at December 31, 1999. FNB has one full-service banking location in the city of Amherst and no drive-up facility or automated teller machine.

FNB is wholly owned by a one-bank holding company located in Amherst, Texas, and it has no other affiliates.

The bank is primarily an agricultural lender, and it faces competition from other financial institutions within the assessment area.

At December 31, 1999, FNB's loan portfolio totaled \$3.4 million, which represents 15% of total assets. Figure 1 shows the portfolio composition.

LOAN TYPE	LOAN BALANCE (000's)	% OF PORTFOLIO
Agricultural (Including those secured by Farmland)	2,197	64.26%
Agricultural Business	874	25.56%
Consumer	306	8.95%
1-4 Family Residential	40	1.17%
Other	2	0.06%
TOTAL	3,419	100.00%

Source: December 31, 1999 Report of Condition

Figure 1

The bank has no legal or financial impediments that interfere with its ability to make credit available in the assessment area. The evaluation period for this examination is December 10, 1997, to January 10, 2000. The last CRA rating dated December 9, 1997, rated the bank's performance as Needs to Improve.

DESCRIPTION OF BANK S ASSESSMENT AREA

The Board of Directors has designated Lamb County as the assessment area of the bank. This assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The county is not located within a Metropolitan Statistical Area.

LAMB COUNTY

Lamb County is located approximately 50 miles northwest of Lubbock. The 1990 census reflects a county population of 15,072, which is a 20% decline from the 1980 census. The 1990 census counted 742 people in the city of Amherst. Information obtained from local organizations estimates that the population has been declining over the last several years. The economic base of Lamb County is agriculture. Eighty percent of total county land is dedicated farming, with most farms considered small acreage operations. Agricultural products include; cotton, corn, feed grain production,

and cattle feeding.

Major employers include American Cotton Growers in Littlefield (denim mill that employees about 500 people), Southwestern Public Service, Lowes Pay-n-Save, and the various independent school districts. Unemployment levels tend to reflect the local agricultural economy.

The 1990 Census median family income for Lamb County is \$24,586. The 1999 non-MSA statewide HUD median family income is \$33,900. Lamb County contains six Block Numbering Areas (BNA), including one moderate-income (17%), four middle-income (66%) and one upper-income BNA (17%). There are no low-income BNAs in the assessment area. Forty-four percent of the families have been identified as low- or moderate-

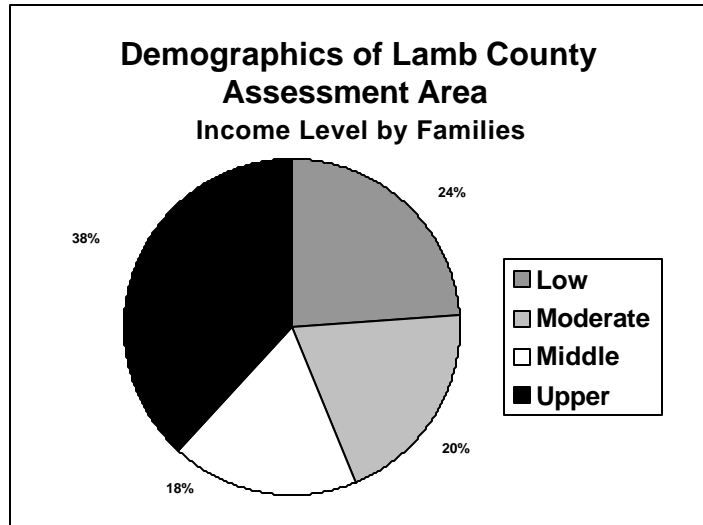


Figure 2

income. Figure 2 shows the demographic composition of Lamb County.

The Lamb County economy is heavily influenced by agricultural production. Over the last several years, the local economy has been adversely affected by low agricultural commodity prices and by adverse weather conditions.

Other financial institutions located in Lamb County consist of three locally owned commercial bank and three branches of out-of-area commercial banks. All three local banks have total assets of less than \$100 million. In addition, there is one credit union and one savings and loan.

Two community contacts were completed. These contacts were with an economic development specialist and a local church representative. The purpose of the community contacts is to assist in developing a community profile, in identifying opportunities for participation by local financial institutions, and in evaluating the performance of those institutions. In general terms, the contacts did not identify any unmet credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Analysis

FNB's loan-to-deposit ratio is less than reasonable. The quarterly ratio averaged 17% during this evaluation period and reflected seasonal agricultural lending patterns. We compared this ratio to the three other similarly situated agricultural banks located in the bank's assessment area. Each of banks used in the comparison had total assets of less than \$65 million. The average loan-to-deposit ratio during the same period for these banks was 57%.

In response to the December 9, 1997 Performance Evaluation, the Board approved a five year plan to help ensure that the needs of the community are met. This plan detailed efforts the bank would take to increase lending activity. The plan included utilizing government guaranteed loan programs and purchasing loans from other banks in the assessment area. This plan has not been implemented has no loans have been purchased and no government guaranteed loans have been made. As evidenced by the stagnant loan-to-deposit ratio, little progress has been made in addressing the plan's objectives.

Lending in Assessment Area

A majority of the loans sampled during this examination are in the bank's assessment area. Because the bank's information systems did not provide sufficient information to allow for a review of all loans originated since the last evaluation, our sample included all loans currently on the bank's books. Figure 3 summarizes the bank's record of lending in the assessment area based on our loan sample.

LOANS IN THE ASSESSMENT AREA				
Loan Location	\$ Amount of Loan (000's)		# of Loans	
In Assessment Area	\$2,555	85%	148	86%
Outside Assessment Area	\$ 461	15%	24	14%
Total Reviewed	\$3,016	100%	172	100%

Source: Loan Sample

Figure 3

The level of loans originated within the assessment area is reasonable and meets the criteria for satisfactory performance.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

There is reasonable penetration among individuals of different income levels and businesses and farms of different sizes. FNB is primarily an agricultural lender, with 64% of its loan portfolio in loans to farmers. FNB has been responsive to the credit needs of businesses of different sizes.

FNB's lending performance reflects the business demographic composition of the

assessment area. As shown in Figure 4, 93% of the agricultural loans sampled in the assessment area are to borrowers with annual revenues under \$1 million. This compares favorably to the demographic composition of the assessment area where 88% of agricultural businesses have annual revenues under \$1 million.

DISTRIBUTION OF AGRICULTURAL LOANS SAMPLED WITHIN THE ASSESSMENT AREA BY BUSINESS REVENUES								
Sampled Loans in the Assessment Area					Annual Revenues < \$1 Million			
	#	%	\$(000)	%	#	%*	\$(000)	%*
Agricultural Loans	27	100%	\$2,392	100%	25	93%	\$1,704	70%
Distribution of Businesses in the Assessment Area by Annual Revenues of the Business:		< 1 Million	88%	*As a percentage of commercial loans sampled within the Assessment Area				
		> 1 Million	5%					
		Unknown	7%					

Source: Business Demographic Data and sampled loans in the assessment area reviewed during the examination.

Figure 4

The distribution of lending to businesses of different income levels is reasonable. The bank does not perform a commercial loan income analysis. However, our review of 27 loans showed that many small business loans are made to businesses with gross revenues of less than \$250 thousand. Figure 5 shows the lending pattern.

LENDING TO BUSINESSES OF DIFFERENT INCOME LEVELS BASED ON SAMPLE REVIEWED										
Gross Annual Revenues	< \$100,000		\$100,000 - < 250,000		\$250,000 - < 500,000		\$500,000 >		Total	
	#	%	#	%	#	%	#	%	#	%
Number of Loans	11	41%	7	26%	6	22%	3	11%	27	100%
Average Loan Size (000's)	16		85		97		117		89	

Source: Sample of loans reviewed during the examination

Figure 5

FNB has a satisfactory record of making consumer loans to individuals of different incomes. The distribution of loans to low- and moderate-income individuals exceeds the composition of families in those income categories. Figure 6 summarizes FNB's record of consumer lending to individuals of different incomes.

DISTRIBUTION OF LOANS TO INDIVIDUALS BY BORROWER INCOME \$(000)								
Income Level	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Consumer Loans	20	43%	11	23%	5	11%	11	23%
	\$	%	\$	%	\$	%	\$	%
			5					

	\$58	34%	\$42	24%	\$26	15%	\$46	27%
Distribution of Families in Assessment Area	#	%	#	%	#	%	#	%
	980	24%	827	20%	765	18%	1,557	38%

Source: Sample of loans reviewed during the examination

Figure 6

This review shows that FNB meets the criteria for satisfactory performance in lending to borrowers and businesses of different income levels.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful. There are only six BNA's in the assessment area, none of which are low-income. Geographic areas tend to not be well defined as to income level. The one moderate-income BNA in the assessment area has 38% of families categorized as middle or upper-income. Conversely, The one upper-income BNA has 26% of families in the low- or moderate-income categories. Additionally, the one moderate-income tract includes the City of Littlefield, which is 12 miles away and is served by five other financial institutions. Also, FNB's primary credit product are agricultural loans and not likely to be in high demand in the city.

Response to Complaints

FNB has not received any complaints during this evaluation period regarding their CRA performance.

Record of Compliance with Antidiscrimination Laws

A Fair Lending examination was performed at this examination. There were an insufficient number of loans to perform a comparative file review. As a result, the bank's loan policies and a select sample of diverse applications were reviewed. Based on this review, we did not identify any evidence of disparate treatment or discriminatory practices.