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Comptroller of the Currency  
Administrator of National Banks

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500 N. Akard  
1600 Lincoln Plaza  
Dallas, Texas 75201-3394

## **PUBLIC DISCLOSURE**

March 23, 1998

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank of Trenton  
Trenton, Texas  
Charter Number 5737  
106 Hamilton  
Trenton, Texas 75490**

**Office of the Comptroller of the Currency  
Southwestern District  
500 North Akard  
1600 Lincoln Plaza  
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 **First National Bank of Trenton, Trenton, Texas**, prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of March 23, 1998. 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 "**Satisfactory**"

**First National Bank of Trenton, (Trenton)** is actively seeking to make loans in the assessment area. Loan to value ratios of 80% and maximum loan terms of 20 years may make real estate loans offered by the bank unaffordable to all segments of the assessment area. A referral relationship with mortgage lenders that make higher loan to value ratio loans and longer terms has been established. The loan-to-deposit ratio is commensurate with other national and state chartered banks in the assessment area. Banking facilities and hours are reasonable and serves the needs of the assessment area.

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

<b>Small Institution Assessment Criteria</b>	<b>First National Bank of Trenton 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>
<b>Loan-to-deposit ratio</b>		<b>X</b>	
<b>Lending in assessment area</b>		<b>X</b>	
<b>Lending to borrowers of different incomes and to businesses of different sizes</b>			<b>X</b>
<b>Geographic distribution of loans</b>		<b>X</b>	
<b>Response to complaints</b>	<b>No complaints were received since the prior examination</b>		

## **Description of Institution**

First National Bank of Trenton, (Trenton) is a \$78 million full-service financial institution. Trenton is wholly-owned by Trenton Bankshares, Incorporated. In the previous CRA public evaluation dated February 28, 1995, Trenton was rated **Outstanding**.

Trenton has four locations. The main office and a drive-up facility are located in Trenton, Texas. One branch is located in Bonham, Texas approximately 15 miles east of Trenton on State Highway 121. Another branch is located in Leonard, Texas approximately 8 miles south on State Highway 69. Hours of operation vary at each location with the Trenton drive-up and Bonham branch open six days weekly. Automatic teller machines are located in Leonard, Bonham and Whitewright providing 24-hour withdrawal services.

Various loan products are offered to the assessment area. Long-term fixed rate residential loans have been developed through an active residential mortgage lending program. Loans secured by one-to-four family residential properties, represent 60% of total loans outstanding as of 12/31/97.

Consumer loans secured by automobiles, consumer products and those originated on an unsecured basis are also available to borrowers residing in the assessment area. Consumer loans totaled 11% of gross loans as of 12/31/97.

There are no financial, legal or economic impediments impacting Trenton's ability to meet the requirements of the CRA.

## Description of Assessment Area

Trenton's assessment area is census tract 301 in Collin County, and six block numbering areas (BNA's) in Fannin County, Texas. Two BNA's 9501 and 9508 which are located in the far eastern corridor of Fannin County have been left out of the assessment area. These two BNA's are not low income BNA's. Bonham, Texas is the largest city in the county and is the county seat. Several other small cities and towns are located within the assessment area including Trenton, Leonard and Windom. There are several financial institutions that serve the assessment area.

There are several companies doing business in the assessment area. The State of Texas Department of Corrections is the largest employer, Schlumberger, Sam Rayburn Veterans Memorial Hospital, General Cable, Clayton Mobile Homes, Super Sack and Northeast Medical Center are large employers for the area.

The average income of \$34,471 for the assessment area is based upon the weighted average family income for the one census tract included in the Dallas MSA and the average income of non-metropolitan areas in the State of Texas. The income information is based on the 1996 Housing and Urban Development (HUD) data. Trenton's assessment area does not arbitrarily exclude low-or-moderate income census tracts. The assessment area meets the requirements established by the Community Reinvestment Act. The chart below illustrates a breakout of the census tract and block numbering areas by income characteristics.

### Source: 1990 Census Bureau Statistics

Block Characteristics	# of Tracts	% of Total Tracts	# of Households	% of Total Households
Low	0	0%	0	0
Moderate	1	14%	1,005	15%
Middle	6	86%	8,728	85%
Upper	0	0%	0	0%
Totals	7	100%	9,733	100%

As illustrated in the chart above, a substantial majority of households in the assessment area are in middle income census tract and BNA's. The total population for the assessment area was approximately 25 thousand as of the 1990 census. Approximately 82% of the total households in the assessment area are one-to-four family units. The average housing cost is approximately \$37 thousand. Average monthly rental cost is approximately \$333 according to 1990 census data.

The chart below illustrates the income of households within the census tract and block number areas. Although there are no low income census tracts or BNA's in the assessment area, there are low income households.

**Source: 1990 Census Bureau Statistics**

Block Characteristics	Low Income Households	Moderate Income Households	Middle Income Households	Upper Income Households
Low	0	0	0	0
Moderate	514	258	179	443
Middle	2,523	1,384	1,620	4,249
Upper	0	0	0	0
Totals	3,037 27%	1,642 15%	1,799 16%	4,692 42%

There are approximately 27% low and 15% moderate income households in the moderate and middle income census tract and BNA's.

**Conclusions with Respect to Performance Criteria**

Trenton's average loan-to-deposit ratio is *satisfactory* when compared to other national and state banks chartered in and near the assessment area. Trenton's average loan-to-deposit ratio is 71.7% for the previous 12 quarterly periods ending 12/31/97. The quarterly average loan-to-deposit ratio for other banks chartered in the assessment area ranges from 44.8% to 72.3%. Trenton's actual loan-to-deposit ratio is 80.8% as of 12/31/97.

*Satisfactory* performance is also noted in lending to borrowers residing in the assessment area. The majority of loans originated during 1996 and 1997 are within the assessment area. A sample of 248 mortgage loans originated between 1/1/96 and 12/31/97 showed 78% are within the assessment area. A sample of 31 commercial loans originated between 1/1/96 and 12/31/97 indicated 77% of the number of loans and 74% of the total dollar amount are to businesses located in the assessment area. The chart below illustrates the numbers, dollars and percentages of loans in the assessment area from the loan samples.

**Source: Mortgage Loan Sample**

Loan Type	Number in Assessment Area	Percentage in Assessment Area
One-to-Four Family	193	78%
Business Loans	24	77%

Trenton does *not meet the standards* of satisfactory performance in lending to borrowers and businesses of different income levels. Loans to low income borrowers secured by one-to-four family dwellings totaled 5% (10 of 188) of the number of loans sampled. This compares unfavorably to 1990 census information when 27% of the households were considered low income. Loans to moderate income borrowers totaled 9% (17 of 188) of the number of loans sampled. This also compares unfavorably to 1990 census information when 15% of households were considered moderate income.

The percentages of loans to small businesses shows better penetration. However, in the rating of this factor more weight was given to the level of one-to-four family loans originated since the majority of loans originated during the review period are secured by one-to-four family dwellings. Additionally, the majority of loans outstanding as of 12/31/97 are secured by one-to-four family dwellings.

One factor contributing to the low penetration of low and moderate income borrowers is a change in the demographics of the area. There has been an influx of higher income individuals into the assessment area seeking home loans. With this influx of higher income individuals, census statistics should reflect an increase in income levels of households from the 1990 data.

**Source: Mortgage Loan Sample**

Borrower Income Characteristics	Number of Loans	Percentage of Loans	Dollars of Loans	Percentage of Total Dollars	Percentage of Total Households
Low	10	5%	196M	2%	27%
Moderate	17	9%	479M	4%	15%
Middle	46	25%	1,878M	18%	16%
High	115	61%	8,180M	76%	42%

Lending to small businesses shows satisfactory results. Small businesses are defined by the CRA regulations as a business with annual gross revenues of \$1 million dollars or less. Approximately 84% of all commercial loans reviewed, are to small businesses.

**Source: Commercial Loan Sample**

Distribution of Commercial Loans By Gross Revenues January 1996- December 1997				
	Number of Loans	Percentage of Total Number	Total Dollars	Percentage of Total Dollars
Gross revenues less than \$1 million	26	84%	2,881	84%
Gross revenues greater than \$1 million	5	16%	558	16%
Totals	31	100%	3,439	100%

Trenton has demonstrated *satisfactory* performance in the distribution of loans in the assessment area. One-to-four family mortgages and commercial loans are disbursed in all census tracts and BNA's in the assessment area. The largest numbers are nearest to the office locations.

There were no formal complaints pertaining to the Community Reinvestment Act received during the review period.

A review of compliance with the Equal Credit Opportunity Act, Fair Housing Act and Home Mortgage Disclosure Act were reviewed concurrently with this examination. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified. Trenton has a good record of complying with anti-discrimination laws and regulations.