



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 3, 1998

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
Southwestern District
500 N. 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 Community Reinvestment Act (CRA) performance of **First National Bank of Amherst** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 8, 1997. 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 **Needs to Improve**.

The lending performance of the First National Bank of Amherst is satisfactory. The following highlights the bank's performance:

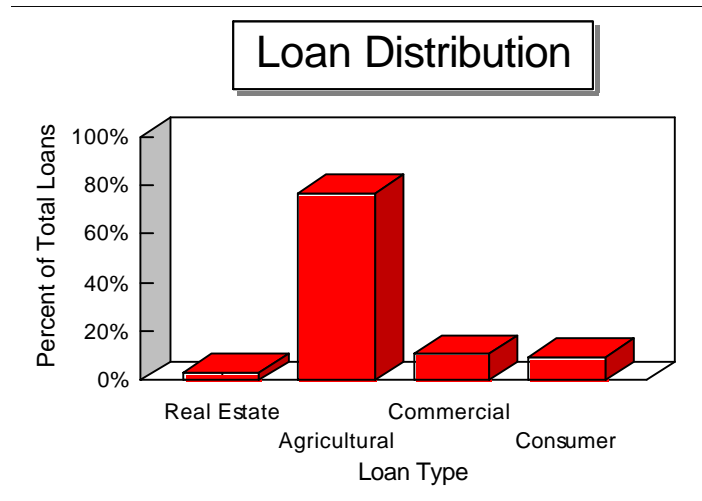
- The loan-to-deposit ratio is less than reasonable given the bank's size, financial condition, capacity to lend, and assessment area credit needs.
- A majority of loans and other lending related activities are in the bank's assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes.
- A rating of the geographic distribution of loans would not be meaningful.
- The bank has received no substantiated complaints about its performance in meeting assessment area credit needs.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank of Amherst</u> 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	An analysis of the geographic distribution of loans would not be meaningful.		
Response to Complaints	No complaints have been received since the last examination.		

DESCRIPTION OF INSTITUTION

First National Bank of Amherst is a \$22 million institution located in Amherst, Texas. The bank has no branches or Automated Teller Machines. It is owned by First Amherst Bancshares, Inc., a one bank holding company. Deposit products include certificates of deposit and demand deposit, savings, NOW, and Super NOW accounts. Loan products include agricultural, small business, and consumer loans. The bank does not make residential real estate loans. Loans represent 17% of total assets as of September 30, 1997. A breakdown of the loan portfolio by purpose is shown below.



The bank's financial condition is favorable and there are no legal impediments that interfere with its ability to make credit available in the assessment area.

DESCRIPTION OF ASSESSMENT AREA

The Board of Directors has designated Lamb County as the bank's assessment area. The county is not located within a Metropolitan Statistical Area (MSA). The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income geographies. The 1990 census reflects a county population of 15,072. This represents a 20% decline from the 1980 census. The "Total Population Estimates for Texas Counties and Places" prepared by the Texas State Data Center shows less than a 1% total population growth in the 1990s. Likewise, this study shows a stagnant population for the City of Amherst with 742 people.

The economic base of the assessment area is agricultural. Eighty percent of total county land is in farms. Most of those are relatively small acreage operations. Agricultural related activities include cotton, corn, and feed grain production, and cattle feeding. A dairy operation recently began operation in Lamb County, with reported plans for expansion. Major employers include American Cotton Growers in Littlefield (denim mill that employs about 500 people),

Southwestern Public Service, Lowe's Pay-n-Save, and the various independent school districts. Unemployment levels tend to reflect the local agricultural economy.

The median family income for the State of Texas is \$24,586. The median family income for Lamb County is \$23,270. The county contains six Block Numbering Areas (BNA's). The only low- to moderate-income BNA is in the City of Littlefield. Forty-three percent of total households on the assessment area are low- or moderate-income. Nineteen percent are middle-income, and thirty-eight percent are high-income.

Credit needs in the assessment area include farm operations, small business, and consumer. Two community contacts performed this year in Lamb County indicated a need for rental housing. There are six other commercial banks in the assessment area resulting in a highly competitive environment. Three of the banks are locally-owned unit banks, and three are branches of community banks located outside the assessment area. First National Bank of Amherst is the only financial institution located in the City of Amherst.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The loan-to-deposit ratio (L/D) is less than reasonable (considering seasonal variations) given the bank's size, financial condition, capacity to lend, and assessment area credit needs. The ratio has averaged 17% since March 31, 1995. During this period, the bank's L/D ratio has ranged from a low of 11% on March 31, 1995, to a high of 23% on September 30, 1995. Fluctuations in the LTD ratio reflect seasonal agricultural lending. The L/D ratio on September 30, 1997, the high funding point in the year, was 21%. The average L/D ratio for the other three banks with their main office in the assessment area ranges from 49% to 70%.

Management's business strategy and level of expertise are the primary reasons for the low L/D ratio.

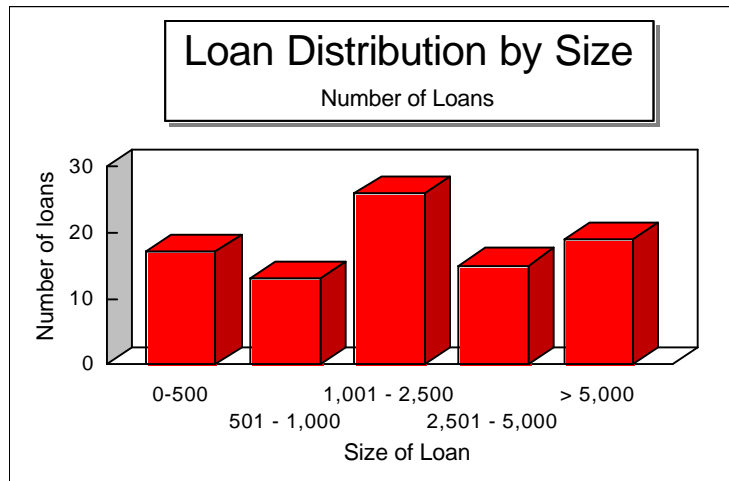
Lending in the Assessment Area

A majority of loans are in the bank's assessment area. As of December 5, 1997, eighty-seven percent of the number of loans and 94% of the dollar volume of loans were to borrowers residing within the assessment area. These percentages are not considered substantial due to limited lending activity and the large assessment area.

Loans to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. The bank does not collect income information on its consumer

borrowers. However, we observed that the bank regularly makes small dollar loans to individuals. Using loan size as a proxy for income, the following graph shows reasonable distribution of consumer loans.



During our examination, we reviewed the eight largest lending relationships to farmers. All of these commercial borrowers are categorized as small farming operations with annual revenues of less than \$1 million.

Geographic Distribution of Loans

We did not perform an income-based geographical distribution analysis of lending patterns throughout the assessment area. The assessment area encompasses a large geographical area which includes a very diverse population representing all income categories. Low- to moderate-income areas are not consistently well-defined. All BNAs in the assessment area contain segments of low- to moderate-income households ranging from 26% to 57% of total households in each BNA.

Response to Complaints

The bank has received no substantiated complaints about its performance in meeting assessment area credit needs. We did not identify any violations of the substantive provisions of antidiscrimination laws and regulations during this examination.