



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**September 05, 2002**

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

**The First National Bank of Evant  
Charter Number 12739**

**100 Brooks Drive  
Evant, TX 76525**

**Comptroller of the Currency  
ADC - Austin  
8310 Capital of Texas Highway North Suite 250  
Austin, TX 78731**

**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 the 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.**

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## **INSTITUTION'S CRA RATING**

**This institution is rated "Satisfactory."**

Lending performance for FNB Evant (FNB) is satisfactory given its size, financial condition, and known credit needs of its assessment area (AA).

The loan-to-deposit (LTD) ratio meets standards for satisfactory performance, averaging 48% since our last examination. This performance is in line with similarly situated banks in its AA.

A substantial majority of FNB's loans, 87% of the number, originated since August 1998, are within its AA.

FNB has demonstrated satisfactory performance in its willingness to extend loans to individuals of varying incomes and agricultural-related businesses of different sizes.

Given the absence of low-income tracts and one sparsely populated moderate-income tract, an analysis of FNB's geographic distribution was not meaningful.

There have been no complaints with respect to FNB's CRA performance since the 1998 CRA Performance Evaluation (PE).

The following pages further describe FNB's CRA performance.

## **DESCRIPTION OF INSTITUTION**

FNB has one office located at 100 Brooks Street in Evant, Texas, which is approximately 90 miles northwest of Austin, Texas. The bank is a locally owned and managed financial institution, which has \$24 million in total assets as of June 30, 2002.

FNB offers a variety of lending and deposit services, as well as safe deposit boxes, notary services, and wire transfers. Community credit needs are met through the offering of consumer, agricultural/business-related, and real estate (RE) loans. A drive-in facility is provided at the main office. The bank does not own an automated teller machine (ATM).

The bank's primary focus is to promote economic development in its assessment area through its lending programs. FNB's market niche is consumer, small business, and agricultural loan products. Loans represent 51% of FNB's total assets, an increase from 43% at the prior evaluation. With the successful 2002 opening of a Loan Production Office in Fort Worth, Texas, FNB's lending focus has shifted slightly away from agricultural lending to a more diversified portfolio. The table below reflects a detailed breakdown of FNB's loan portfolio as of June 30, 2002.

<b>Loan Type</b>	<b>Dollar Amount\$ (000)</b>	<b>% of Total Loans</b>
Agricultural Production	4,326	34.88
Commercial and Industrial	3,567	28.76
Consumer	2,044	16.48
RE Nonfarm Nonresidential	1,051	8.47
RE Farmland	881	7.10
RE Residential (1-4)	484	3.90
Other	51	0.41
<b>Total</b>	<b>12,404</b>	<b>100%</b>

## **DESCRIPTION OF ASSESSMENT AREA**

FNB's AA consists of four census tracts (CTs)/block numbering areas (BNAs). The three BNAs are located in Mills, Lampasas, and Hamilton Counties, while the sole CT is located in Coryell County. The CT in Coryell County is part of the Killeen-Temple metropolitan statistical area (MSA). The city of Evant is centrally located within the AA. The entire population of this area totals approximately 9,000. Approximately 20% of the families in the combined AA are low-income, while moderate-income families account for 18% of the population. The remaining AA is comprised of 22% middle-income and 40% upper-income families. The local economy is considered stable. Major employers in the AA include the agricultural industry, local school districts, and the Texas Department of Corrections.

FNB's AA is competitive, with primary competition stemming from Guaranty Bank and Trust and National Bank, both of Gatesville, and the Educators' Credit Union, of Waco. Brokerage firms, such as Edward D. Jones, also provide competition for deposits.

In order to gather more current information on the nature of the community and potential lending opportunities in the AA, we contacted a local small business owner/RE agent. The contact could not identify any particular credit needs in Evant that were not being met. The contact also stated that FNB is active in the community.

A review of FNB's lending practices revealed no evidence of illegal discrimination. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Based on its financial condition, resources, the local economy, product offerings, and competition, FNB has the ability to meet the various credit needs in its community. No legal impediments or other factors hinder the bank's ability to provide credit in its AA. FNB received a "Satisfactory" rating at its previous CRA examination conducted August 1998. Since the prior evaluation, there have been no complaints relating to the bank's CRA performance.

## Description of the Assessment Area — Killeen-Temple MSA #3810

The Killeen-Temple MSA consists of one middle-income CT located in Coryell County. This area includes the cities of Evant, Purmela, and Turnersville. According to figures available from the 1990 census, the population of this portion of the Killeen-Temple MSA is 5,081. The census also determined that there are 2,405 housing units. Of that number, 66% are owner occupied, 15% renter occupied, and 19% vacant. Information updated for 2002 indicates that the weighted average median family income (MFI) stood at \$39,800.

## Description of Non-MSA AA –Hamilton, Mills, and Lampasas Counties

This area includes two middle-income BNA's in Hamilton and Lampasas Counties, and one moderate-income tract in Mills County. This area includes a number of small communities such as Adamsville and Star. According to the 1990 census, the population of this area is 3,575. There are 2,196 housing units of which 52% are owner occupied, 14% are renter occupied, and 34% are vacant. Information updated for 2001 indicates the weighted average median family income is \$35,800.

Specific demographic data for the bank's AA is listed detailed below.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA*</b>		
	<i>BNA</i>	<i>MSA</i>
<i>Population</i>		
Number of Families	1,117	1,479
Number of Households	1,453	1,885
<i>Geographies</i>		
Number of CTs/BNA	3	1
% Low-Income CTs/BNA	0%	0%
% Moderate-Income CTs/BNA	33.3%	0%
% Middle-Income CTs/BNA	66.7%	100%
% Upper-Income CTs/BNA	0%	0%
<i>Median Family Income (MFI)</i>		
1990 MFI for AA	\$23,027	\$28,883
2001 HUD-Adjusted MFI	\$35,800	-
2002 HUD-Adjusted MFI	-	\$39,800
<i>Economic Indicators</i>		
Unemployment Rate	1.43%	1.93%
2001 Median Housing Value	\$39,167	-
2002 Median Housing Value	-	\$32,600
% of Households Below Poverty Level	15.69%	14.54%

\*BNA data reflects 2001 US Census, latest year for which information was received.  
MSA data has been updated to 2002.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Based on our analysis, management is performing satisfactorily in meeting the credit needs of its trade area, including low- to moderate-income (LMI) individuals, consistent with its resources and capabilities.

### Loan-to-Deposit Ratio

FNB's LTD ratio is satisfactory given its asset size, financial condition, and lending opportunities available in the AA. Since the last CRA examination, the LTD ratio has been very stable. Since August 1998, FNB's LTD ratio has averaged 48%. To better understand the bank's performance, we performed an LTD analysis of three other community banks headquartered in adjacent counties. During the period from September 1998 through June 2002, the adjacent banks had an average LTD ratio of 51%.

<b>Institution</b>	<b>Total Assets *</b>	<b>Average LTD Ratio %*</b>
First National Bank – Moody	33,407	62.18
First National Bank – Hamilton	30,824	51.77
First Texas Bank – Lampasas	88,751	39.42
<b>First National Bank – Evant</b>	<b>23,827</b>	<b>48.21</b>

\*Represents total assets as of June 30, 2002.

### Lending in Assessment Area

A substantial majority of the bank's loans are within its AA. In order to assess performance for these criteria, we utilized internally generated reports detailing the number of originations for consumer and agricultural/business loans since our last CRA evaluation. Although the bank originates very few home mortgage loans, 93% of those originated within this time period were within the AA. A randomly selected sample confirmed the reliability of bank data.

Our analysis indicated that 87% of the number of all loans originated in 2001 and 2002 were within the bank's AA. The following table provides details by product type.

<b>TOTAL LOANS REVIEWED</b>				
<b>Loan Type</b>	<b>In Assessment Area</b>		<b>Out of Assessment Area</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Consumer	1,264	86.5%	198	13.5%
AG/Small Business	686	87.2%	101	12.8%
Mortgage	13	92.9%	1	7.1%
<b>Total Reviewed</b>	<b>1,963</b>	<b>86.7%</b>	<b>300</b>	<b>13.3%</b>

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

The loan portfolio reflects a satisfactory distribution of consumer and agricultural-related loans among individuals and businesses of various income levels.

Since income data for a vast majority of consumer loans was unavailable, a proxy method had to be used to determine lending performance. To evaluate the bank's willingness to extend credit to all income levels, an analysis of loan size was conducted. Our analysis shows that FNB lends to all applicants, regardless of income category. The average loan size for all unsecured consumer loans is \$4,969. Of those loans, 32% of originations are below \$1,500. For the entire consumer portfolio, including secured loans, the average loan size is \$8,235. Loan originations below \$5,000 comprise 45% of the entire consumer portfolio.

FNB originates a satisfactory number of agricultural-related loans, the vast majority of which have been to "small businesses with revenues less than \$1 million." Management continues to focus on providing loans that will enhance the local economy. The following chart reflects the combined results of our analysis of a sample of 15 agricultural-related loans made since the last Performance Evaluation.

<b>LOANS TO SMALL FARMS/BUSINESSES</b>		
<b>Business Revenues</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>
% of AA Farms	84.9	15.1
% of Bank Loans in AA #	93.3	6.7
% of Bank Loans in AA \$	87.8	12.2

## **Geographic Distribution of Loans**

An analysis of loan distribution by geographic area was not meaningful and therefore not performed. As previously mentioned, FNB's AA consists of CTs and BNAs, which are located in an MSA and a Non-MSA. None of the tracts or BNAs has been designated as low-income. While there is one moderate-income BNA, this is a sparsely populated rural community with primarily agricultural-related credit needs.

## **Responses to Complaints**

FNB has received no complaints relating to the bank's performance under the CRA.

## **Fair Lending Review**

A review of public file comments, complaint records, and consumer files during this evaluation period was performed in accordance with the OCC's risk-based fair lending examination standards. This analysis revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with this CRA evaluation. The last fair lending examination was performed in July

1998.