



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 06, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Woodsboro
Charter Number 11379**

**320 First Street
Woodsboro, TX 78393**

**Comptroller of the Currency
San Antonio South Field Office
10101 Reunion Place Blvd. #402
San Antonio, TX 78216**

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 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.

First National Bank of Woodsboro's lending performance reflects a satisfactory response to community credit needs, including low- and moderate-income individuals. The primary factors supporting the bank's overall rating are as follows:

- A majority of loans, representing 87 percent of the number and 81 percent of the dollar volume, are within the bank's assessment area (AA).
- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, market focus, and lending opportunities available in the AA.
- The distribution of loans reflects reasonable penetration of loans to individuals of low- and moderate-incomes and businesses of different sizes.
- The bank's AA of Woodsboro and Refugio, Refugio County, Texas does not have any low- or moderate-income areas. For that reason, an analysis of the geographical distribution of the bank's lending efforts would not be meaningful.
- There have been no consumer complaints regarding the bank's Community Reinvestment Act (CRA) performance during this evaluation period.

DESCRIPTION OF INSTITUTION

The First National Bank of Woodsboro (FNB) is a community bank with one office located in Woodsboro, Texas. Woodsboro is located 55 miles north of Corpus Christi, Texas in Refugio County. The bank is locally owned and operated. Competition in the AA consists of the First National Bank of Refugio (FNB Refugio) and the Olympic Savings Association in Refugio, Texas, both located about 8 miles from Woodsboro.

As of June 30, 2002, FNB had total assets of \$29 million with net loans of \$10 million representing 35 percent of total assets. The previous CRA Performance Evaluation rating, dated March 30, 1998, was satisfactory. There are no legal or other impediments that limit the bank's ability to meet the credit needs of the AA. FNB's loan portfolio is mixed, with the following table showing the bank's lending activities.

Loan Category	\$ (000)	%
Commercial Real Estate Loans	2,497	25
Residential Real Estate Loans	2,072	21

Consumer Loans	2,005	21
Commercial Loans	1,642	17
Farm and Farmland	1,616	16
Total	9,832	100

The bank participates in two government guaranteed lending programs. As of June 30, 2002, FNB had eight Farm Service Agency loans with an outstanding balance of \$1.3 million and unfunded commitments of \$355 thousand. The bank also has two Small Business Administration loans totaling \$89 thousand.

DESCRIPTION OF ASSESSMENT AREA

FNB's AA is made up of the two Block Numbering Areas (BNAs) 9502 and 9503. These include the towns of Woodsboro, Refugio, and Bayside in Refugio County, Texas. The AA is not located within a Metropolitan Statistical Area (MSA). These towns are rural, about 45 miles south of Victoria, Texas and 55 miles north of Corpus Christi, Texas. Refugio County has a population of about 8,000. Both BNAs are identified as middle-income. The AA reasonably represents the bank's lending and service area. The designation meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The family income distribution in Refugio County is 26 percent low-income, 14 percent moderate-income, 18 percent middle-income, and 42 percent upper-income. The following table reflects additional demographic information:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	1,922
Number of Households	2,556
Geographies	
Number of Census Tracts/BNA	2
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	24,220
2000 HUD-Adjusted MFI	34,700
2001 HUD-Adjusted MFI	35,800
2002 HUD-Adjusted MFI	36,100
Economic Indicators	
Unemployment Rate	4.03
1990 Median Housing Value	39,285
% of Households Below Poverty Level	21.91

The largest area employers are the Woodsboro and Refugio Independent School Districts, the county government in Refugio, and the city governments. The local economy is dependent on farming, ranching, and oil and gas production. Although close enough to work in nearby

communities like Beeville, Victoria and Corpus Christi, the economy has declined and economic growth in the AA has been limited in recent years.

During our examination we contacted a city office in the local community and reviewed two recently completed community contacts in Refugio County, done as part of another CRA examination. The two recently completed contacts included a community development organization and a county governmental office. All contacts indicated economic activity was relatively flat in the area, but had favorable impressions of the local bank's efforts to meet the credit needs of the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable and commensurate with its size, competition, available resources and demographics of the AA. The average loan-to-deposit ratio for the last seventeen quarters, ending June 30, 2002, was 35.84 percent. The ratio fluctuates with seasonal loan demand from about 30 percent at year-end, to 40 percent at the end of the second quarter. The following chart compares FNB's ratio to that of its peer.

Institution	Assets (as of 6/30/2002)	Average LTD Ratio
<i>First National Bank Woodsboro</i>	29,300	35.84%
First National Bank Refugio	57,069	24.63%

Lending in Assessment Area

A substantial majority of the bank's residential and consumer lending is within the AA. Due to limited local businesses, the percentage of small business and farm loans made within the AA was lower. However, as illustrated in the following table, the overall majority of our sample of loans (87 percent of the number and 81 percent of the dollar amount) was made within the AA. The following table depicts the location of our sample of 61 residential, consumer and small business and farm loans originated in 2000, 2001 and 2002.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential RE	21	100	1034	100	0	0	0	0
Consumer	18	90	95	92	2	10	8	8
Small business and farm	14	70	807	65	6	30	440	35
Total Reviewed	53	87	1936	81	8	13	448	19

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

The distribution of loans reflects, given the demographics of the AA, reasonable penetration

among individuals of different income levels and businesses of different sizes.

A sample of 21 residential home purchase loans shows that the bank made residential loans to low-income families, but at a proportionally lower level compared to the percentage of low-income families in the AA. There is limited home growth in the area, with most people living in older homes. The bank makes efforts to provide small, unsecured home improvement loans to consumers.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	26.4		14.5		18		41.1	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2000	0	0	14	4	29	14	57	82
2001	0	0	14	16	57	48	29	36
2002	14	12	0	0	14	7	72	81
Total	5	4	10	6	33	22	52	68

The sample of 20 consumer loans reflects that the bank has a good record of making consumer loans to low- and moderate-income borrowers.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	26.7		13.6		16.9		42.8	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2001	50	28	25	18	13	37	12	17
2002	38	16	23	7	8	25	31	52
Total	42	23	24	14	10	32	24	31

Our sample of 20 small business and farm loans shows that the bank is doing a good job in the number of loans to businesses and farms with revenues less than or equal to \$1 million.

BORROWER DISTRIBUTION OF LOANS TO SMALL BUSINESSES & FARMS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	94	6
% of Bank Loans in AA #	90	10
% of Bank Loans in AA \$	90	10

Geographic Distribution of Loans

This criterion was not rated. The bank's AA is composed of two middle-income block-numbering areas, which would not result in a meaningful geographic analysis.

Responses to Complaints

The bank has not received any complaints since the last evaluation regarding its performance under the CRA.

Fair Lending Review

An analysis of 1998 through 2002 public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed as of March 30, 1998.