



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 25, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Tahoka
Charter Number 8597**

**1601 South First
Tahoka, Texas 79373**

**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 CRA performance of **The First National Bank of Tahoka** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 28, 1997. 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**.

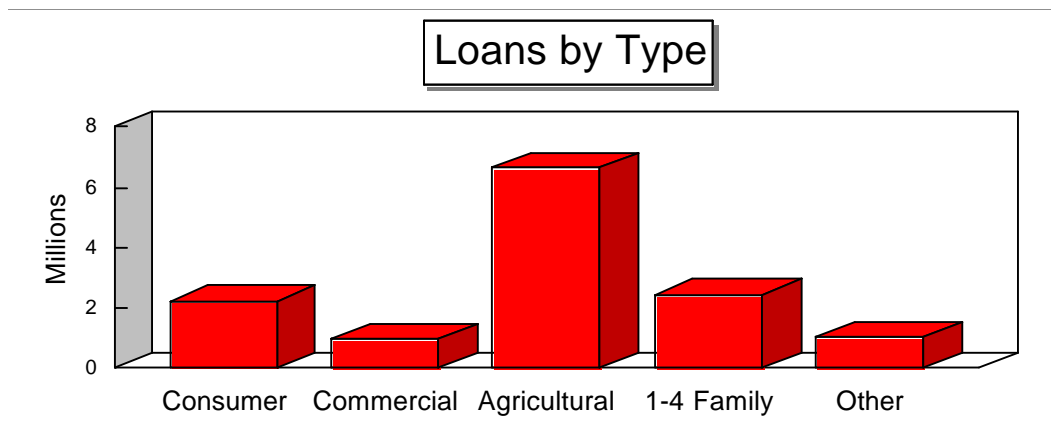
- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of loans are in the bank's assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- A rating of the geographic distributions of the bank would not be meaningful.
- The bank has received no consumer complaints since the last examination concerning its Community Reinvestment Act performance.

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

The First National Bank of Tahoka 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 were received since the prior examination		

Description of Institution

The First National Bank of Tahoka is a \$48 million financial institution located in Lynn County, Texas. The only office is located in the City of Tahoka. The bank has no Automatic Teller Machines. First National Bank offers traditional deposit products including checking, savings, money market deposit accounts, and certificates of deposit. Net Loans equal 30% of Total Assets. Agricultural, consumer, and commercial lending activities reflect the bank's primary business focus. The bank's loan mix as of June 30, 1997 is shown below.



The bank does not face any legal impediments or other factors which prevent it from meeting the credit needs of the assessment area. The bank's prior CRA rating was "Satisfactory."

Description of Lynn County

The Board of Directors has designated Lynn County as the assessment area. The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- and moderate-income geographies. Lynn County has three Block Numbering Areas, none of which are low-income. According to the 1990 U.S. Census, Lynn County has a population of 6,758. This represents a 21.5% decline from the 1980 population total. 1994 estimates show continued population decline. The statewide medium family income is \$24,586. The medium family income for Lynn County is \$21,435. The population of Lynn County is characterized as follows:

- Fifty-six percent of the housing units are owner occupied; 23% are rental occupied; and 19% are vacant.
- Sixty-eight percent of the households in the assessment area derive their income from wages and salaries and 28% are self-employed.
- Twenty- six percent of the households are below the poverty level.

The economy of the assessment area is dominated by cotton production. Major employers include rural school districts, a local hospital, a rural electric co-op, and a telephone co-op. The bank's competition includes a national bank in O'Donnell and a state bank in Wilson. Both are locally owned.

We performed one community contact in conjunction with this performance evaluation. The purpose of this contact was to develop a community profile, evaluate opportunities for participation by local financial institutions, and determine the performance of local financial institutions. The contact and bank management indicated that credit needs in the assessment area include small farm and business loans, affordable residential real estate loans, and consumer loans. The contact indicated that the efforts of local financial institutions to meet these credit needs are viewed positively.

Conclusions with Respect to Performance Criteria

Loan to Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The ratio has averaged 32% since September 30, 1995. Fluctuations in the loan to deposit ratio reflect seasonal lending patterns attributable to the bank's agricultural loan base. The average low ratio is 25% at March 31 and the average high ratio is 34% at September 30.

We compared First National Bank's loan to deposit ratio to a group of 13 national bank's in the South Plains region of West Texas with total assets of \$100 million or less and agricultural loans greater than 40% of total loans. The average loan to deposit ratio for this group over the last four quarters ranged from a low of 34% at March 31, 1997 to a high of 46% at September 30, 1997. As of June 30, 1997, a majority of the banks in this peer group had a loan to deposit ratio less than 40%.

Lending in the Assessment Area

A substantial majority of loans are in the assessment area. The following chart illustrates lending inside versus outside the assessment area by loan category. The statistics were based on a review of loan samples during the recent examination.

Lending Inside versus Outside the Assessment Area				
Loan Type	Inside		Outside	
	#	%	#	%
<i>Agriculture/Commercial</i>	11	85%	3	15%
<i>Residential Mortgage</i>	19	95%	1	5%
<i>Consumer Installment</i>	23	74%	8	26%

Lending to Borrowers of Different Incomes and to 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. We based our conclusion in this area on loan sampling and analysis of loan size. Our review of twenty residential mortgage loans made between September 1996 and August 1997 showed only one loan to a low- or moderate-income individual. Fifteen percent of the loans were to middle-income individuals, and 70% were to high-income individuals. However, our analysis of consumer installment loans by original amount shows a higher concentration of smaller loans that likely reflect borrowers of lower income. The results of this analysis are shown in the following table.

Installment Loans by Size		
Original Amount	Number of Loans	Percent
Less than \$1,000	50	13%
\$1,000 - \$2,500	75	20%
\$2,500 - \$5,000	74	19%
Greater than \$5,000	184	48%

Our commercial loan review included thirteen borrowers. Using \$1 million in gross annual revenues as the distinction between small and large businesses and farms, 77% of the number of borrowers were small businesses/farms, 15% were large businesses/farms, and 8% were uncertain. Additionally, the bank participates in government loan programs for farmers. These programs typically benefit small operations. Sixteen percent of total agricultural loans are supported by Farm Service Agency guarantees or subordinations.

Geographic Distribution of Loans

We did not analyze the geographical distribution of lending patterns throughout the assessment area. The assessment area encompasses a large geographical area that includes a diverse population representing all income levels. There are no well-defined low- or moderate-income areas. Therefore, a geographical lending analysis would not be meaningful.

Response to Complaints

The bank has not received any complaints about its performance under the Community Reinvestment Act since the previous examination. The bank has a satisfactory record of complying with antidiscrimination laws. We did not identify any violations involving illegal discrimination or discouragement.