

## **PUBLIC DISCLOSURE**

September 13, 1999

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

**First National Bank of Giddings  
Charter Number: 4410**

**108 East Austin  
Giddings, Texas 78942**

**Office of the Comptroller of the Currency  
Austin Field Office  
8310 Capital of Texas Highway, Suite 250  
Austin, Texas 78731-1080**

**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 the 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 Giddings (FNB), Giddings, Texas**, as prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of September 13, 1999. 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.**”

FNB's lending performance does not meet the standard for satisfactory performance given its size, financial condition, and known credit needs in its assessment area.

- C The loan-to-deposit (LTD) ratio is well below those institutions sharing similar characteristics located in and around its designated assessment area. FNB's LTD ratio averaged 17.6% since the last CRA examination dated February 18, 1997. Comparable banks' average LTD ratio was 51.1% for the same time period. This level of lending does not meet the standard for satisfactory performance.
- C A majority of FNB's loans are within its assessment area. Approximately 74% of the number of loans originated in 1999 have been within the assessment area.
- C The distribution of loans to individuals of varying incomes and small businesses and farms of different sizes reflects a reasonable penetration.
- C There have been no complaints with respect to FNB's CRA performance.

The following pages further describe FNB's CRA performance.

## DESCRIPTION OF INSTITUTION

FNB is a \$65 million bank headquartered in Giddings, Texas, approximately 60 miles east of Austin, Texas. A drive-in facility and an automated teller machine is provided at the one office. The institution's primary focus is to promote economic development in its assessment area through its lending programs and community involvement. FNB's lending emphasis has been in commercial, small business, agricultural, consumer, and real estate loans. The following reflects a detailed breakdown of FNB's loan portfolio as of June 30, 1999.

Loan Type	Dollar Amount (000's)	% of Total
Commercial and Industrial Loans	\$ 3,374	28.5%
Agricultural Loans (Real Estate & Production)	\$ 2,111	16.1%
Commercial Real Estate	\$ 1,849	14.1%
Consumer Loans	\$ 1,724	13.2%
1 - 4 Residential Real Estate	\$ 1,523	11.6%
Multifamily Real Estate	\$ 1,100	8.4%
Construction and Land Development Loans	\$ 634	4.8%
Other	\$ 428	3.3%
Total	\$13,103	100%

Complete banking services are provided Monday through Friday at the one office and Monday through Saturday at the drive-in facility. FNB faces strong competition from two community banks in the county, three branches of community banks and a branch of a regional bank in Giddings. However, based on its financial condition, the current economic conditions, and product offerings, FNB has the ability to meet the various credit needs in its community. At the last CRA examination in February 1997, the bank's CRA rating was "Satisfactory." No legal impediments or other factors hinder the bank's ability to provide credit.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB has designated all of Lee County as its assessment area. Lee County has a sparse population of approximately 14,000, of which 16% are over 65 years of age. Principal communities located in the assessment area include Giddings, Dime Box, and Lexington. The county seat is Giddings, Texas, which has a population of approximately 5,000. Lee County is made up of four block numbering areas (BNAs) which surround and include FNB's office. The 1990 census data categorizes the BNAs as one moderate-income, two middle-income, and one upper-income. The city of Giddings is designated as an upper-income BNA. Approximately 20% of the families in the assessment area are considered low-income. Moderate-income families approximate 15% of the population, while middle- and upper-income families comprise the remaining 65%. The bank's assessment area designation is in compliance with the requirements of the regulation.

The local economy is currently considered good. Oil and gas production and agriculture have traditionally had a significant influence on the local economy. More recently, the area's proximity to Austin, Texas, and being on a major thoroughfare between Austin and Houston, has sparked more light industry and related housing demands. Major employers in the assessment area include the Giddings Independent School District, the Giddings State School, local government, retail, and service-oriented organizations. The local unemployment rate is approximately 4.5%. The 1999 Texas updated median family income for non-metropolitan statistical areas is \$33,900.

According to the 1990 housing data as provided in the census, there are 5,773 housing units in the combined area, of which 63% are owner occupied, 18% are renter occupied, and 19% are vacant. The median year built for housing was 1972 and the median value is \$47,000.

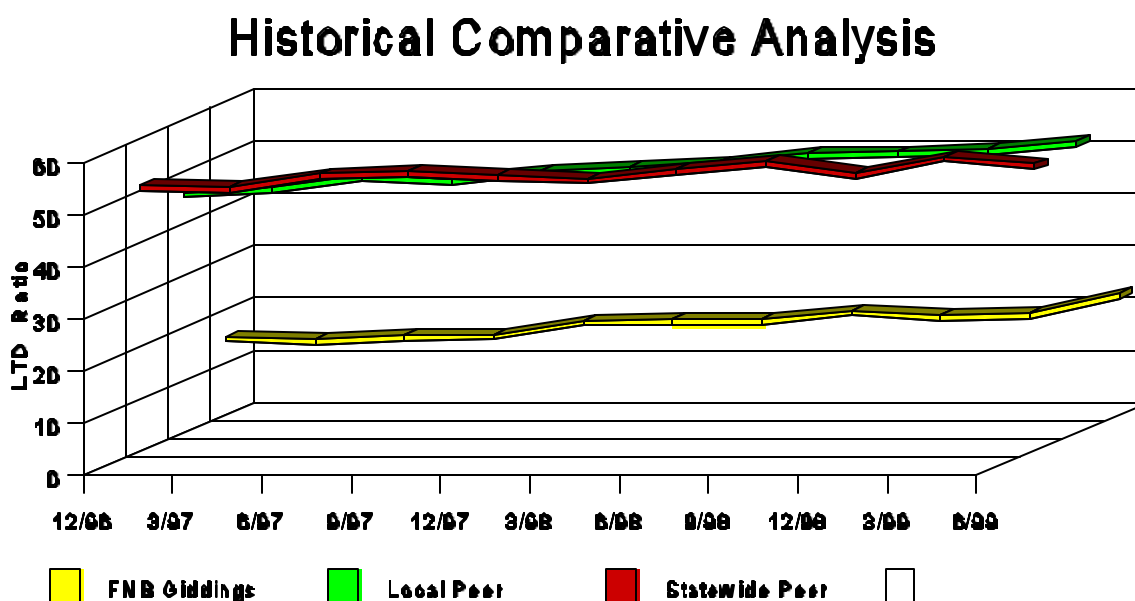
In order to gather more current information on the nature of the community and potential lending opportunities in the assessment area, we contacted three community leaders in city government and one in the agricultural industry. These contacts identified a demand for middle- to moderate- income housing with home purchase and home improvement loans as the primary credit needs. Contacts indicated that area agricultural needs were being met by local community banks.

The cyclical nature of the agricultural and oil/gas economies has limited local residential real estate development opportunities. There are also very few builders/developers in the area. However, FNB does make home purchase and home improvement loans. Although they track the number of home purchase loans, they do not currently track the number of home improvement loans they originate.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The LTD ratio is well below those institutions sharing similar characteristics located in and around its designated assessment area. The following chart reflects a historical comparison of FNB's LTD ratio in relation to banks sharing similar characteristics in and around the area, and to other similarly sized banks located within the state of Texas.



FNB's LTD ratio averaged 17.6% since the last CRA examination dated February 18, 1997. Comparable banks' average LTD ratio was 51.1% for the same time period. Since the last CRA examination, the LTD ratio has steadily increased from 14% on December 31, 1996, to 22% on June 30, 1999. Loan growth in the last year has exceeded 30%. However, the bank's LTD ratio remains well below most of the institutions located in and around Giddings, Texas.

One factor affecting the LTD ratio is that FNB is a primary holder of public funds in Giddings, Texas. Due to pledging requirements, the bank will be required to maintain a higher percentage of short-term investments to secure these deposits. Public deposits, as of June 30, 1999, total \$6,524 million or 11.5% of total deposits.



## **Lending in the Assessment Area**

To assess the bank's performance in this criteria, we reviewed an analysis prepared by management of mortgage, consumer, and commercial loans made from January 1998 through July 1999. A majority of the number of loans originated during this time period were within FNB's assessment area. Lending activity during 1999 indicated that 74.4% of the number of loans made were in Lee county, but 56.7% of the dollar volume of these loans were outside the assessment area.

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

The loan portfolio reflects a reasonable distribution of personal loans among individuals of various income levels and a good dispersion to businesses and farms of different sizes. In order to assess FNB's performance in this criteria, we reviewed all consumer vehicle purchase loans originated between January 1998 and June 1999 and all mortgage-related loans originated during the same period. All of the mortgage-related loans were for the purchase of residential real estate. As previously mentioned, the bank does not track home improvement loans although they do make these types of loans. Our analysis indicates that FNB lends to all applicants, regardless of their income category. We did note, however, that the number of mortgage-related loans reviewed are not in line with the different income levels within the assessment area. This could be attributable to the limited supply of affordable housing in the area and a lack of construction in this price range of home. It could also be attributable to the high percentage of home ownership in the area (63%), the increasing number of older residents on fixed lower incomes, and the lack of demand from these established older residents.

The level of consumer lending to low- and moderate-income families is satisfactory in relationship to the demographics of the community. The table listed below summarizes our analysis of lending activity in the assessment area by different incomes levels.



Loan Sample Distribution by Income Group										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
Area Demographic Characteristics	20.1%		14.6%		19.1%		46.2%		100%	
# of Families	694		502		660		1,591		3,447	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	10	50%	1	5%	4	20%	6	30%	21	100%
1-4 Residential Loans	0	0.0	0	0.0	3	37.5%	5	62.5%	8	100%
Total	10	34%	1	3%	7	24%	11	38%	29	100%

FNB originates a satisfactory number of commercial and agricultural loans 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 results of our analysis of a sample of agricultural and commercial loans made in 1999.

Lending to Businesses of Different Sizes										
Gross Revenues \$	Less than 100,000		100,000-250,000		250,000-1,000,000		More than 1,000,000		Total	
Loan Type	#	%	#	%	#	%	#	%	#	%
Commercial	7	35%	2	10%	6	30%	5	25%	20	100%
Agricultural	19	95%	0	0.0	0	0.0	1	5%	20	100%

### Geographic Distribution of Loans

As previously mentioned, Lee County is made up of four BNAs. With only one being designated as a moderate-income area and being sparsely populated, an analysis of loan distribution by geographic area would not provide meaningful information.

## **Response to Complaints**

FNB has received no complaints relating to its CRA performance.

## **Compliance with Fair Lending Laws and Regulations**

A fair lending examination was conducted as part of a compliance examination of FNB. Our sample included all approved and denied applications for the purchase of automobiles from January 1998 through July 1999. The bank was in compliance with the substantive provisions of the antidiscrimination laws and regulations. No fair lending violations were identified.