



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

October 15, 2012

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

The Jacksboro National Bank  
Charter Number 7814

910 North Main Street  
Jacksboro, TX 76458

Office of the Comptroller of the Currency

225 E. John Carpenter Freeway, Suite 500  
Irving, TX 75062

**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.

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory**

The Jacksboro National Bank (JNB) has demonstrated a satisfactory record given the bank's size, financial condition, and the known credit needs of its assessment area (AA). We based our conclusion on the bank's lending practices. The factors and data supporting our conclusion are as follows:

- The bank's quarterly loan to deposit (LTD) ratio is satisfactory in relationship to peer institutions.
- A substantial majority of JNB's loans are within the bank's AAs. Approximately 72% of the number and 56% of the dollar volume of loans were to loans in the bank's AAs.
- JNB demonstrates a reasonable distribution of loans to businesses of different sizes and those located within the low to moderate income (LMI) geographic.
- JNB's performance demonstrates overall satisfactory responsiveness to the community development (CD) needs of its primary AA.
- There were no consumer complaints regarding the bank's CRA performance received during the evaluation period.

## **SCOPE OF EXAMINATION**

We evaluated JNB's Community Reinvestment Act (CRA) performance under the small bank examination procedures. The Performance Evaluation (PE) represented a focused review of the bank's lending performance since 2007. Our objective was to quantify the bank's ability to meet the credit needs of the communities in which they do business. As part of our evaluation process, we evaluated the bank's primary lending products in their AA. These products include residential real estate loans and commercial loans (including commercial real estate and farms). Our evaluation placed more emphasis on the performance in Jack County assessment area since this is where the main bank is located and the largest portion of loans was noted.

## **DESCRIPTION OF INSTITUTION**

Jacksboro National Bank (JNB) is a community bank located in Jacksboro, Texas which is approximately 60 miles northwest of Fort Worth, Texas and 50 miles south of Wichita Falls, Texas. The bank has one main location in Jacksboro and a branch in Bowie, Texas approximately 35 miles northeast of Jacksboro. The bank has three Automated Teller Machines (ATM's), which operates 24 hours a day. The ATMs are in the bank's locations and the Allsup's convenience store in Jacksboro. The bank is fully owned by Jacksboro National Bancshares, Inc., a one bank holding company. There has been no

change in the bank's corporate structure since the 2007 evaluation. The bank's offices are located in the non-metropolitan counties of Jack and Montague.

The bank offers traditional products and services found in small community banks. As of September 28, 2012, loans totaled \$93 million and represented 47% of the bank's assets. The following chart reflects the distribution of the bank's lending portfolio.

<b>Jacksboro National Bank (000's)</b>		
<b>Loan Portfolio Summary</b>		
<b>Loan Category</b>	<b>Dollar Volume</b>	<b>Percentage of Dollars</b>
Commercial Real Estate	\$13,962	14.94
Commercial & Industrial	\$20,980	22.45
1-4 Family Residential Real Estate	\$19,592	20.97
Farmland	\$19,480	20.85
Other – Ag, Multi-Family, Consumer	\$19,435	20.79
<b>Total</b>	<b>\$93,449</b>	<b>100.00</b>

Source: September 28, 2012, Report of Condition

Our review included contact with local business groups in the bank's AA. These contacts indicated that the primary credit needs of the area are small business loans and 1-4 family residential loans. They indicated the lack of available housing, especially affordable housing for the low and moderate income individuals. They further emphasized the city lacked residential developments as a whole. Both stated that local financial institutions were responsive to the community needs and activities.

There are no legal, financial, or other factors which would inhibit the bank's ability to meet the credit needs of the community. The bank was rated Satisfactory during the Community Reinvestment Act (CRA) Evaluation dated May 03, 2007.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

Jacksboro NB has defined its AA as all of Jack, Montague, Wichita, and Clay Counties in northern Texas. The AA is legal and meets the requirements of the regulation. The main banking facility is located in Jacksboro in Jack County, Texas. The branch facility located in Bowie lies on the border of Montague and Clay Counties, Texas. The AA is not in a Metropolitan Statistical Area. There are 49 census tracts in the AA. Twenty-five of the census tracts are designated as middle-income, 13 are designated as moderate-income, 1 is designated as low-income and 10 are designated as upper-income.

<b>Demographic and Economic Characteristics of the AA</b>	
<b>Population</b>	
Number of Families	44,041
Number of Households	63,567
<b>Geographies</b>	
Number of Census Tracts	49
% Low-Income Census Tracts	2.04%
% Moderate-Income Census Tracts	26.53%
% Middle-Income Census Tracts	51.02%
% Upper-Income Census Tracts	20.41%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$39,105
2011 HUD-Adjusted MFI	\$53,694
<b>Economic Indicators</b>	
Unemployment Rate	3.15%
2000 Median Housing Value	\$53,906
% Households Below Poverty Level	13.29%

*Source: 2000 U.S. Census data and HUD updated income data.*

The population of the AA is approximately 170,550 based on 2000 U.S. Census data. There are 71,826 housing units in the AA, of which 58.81% are owner-occupied, 29.71% renter-occupied and 11.48% vacant. The median housing value is \$61,714 and the median year built is 1966. Approximately 18.42% of the families in the AA are considered low-income, 18.84% moderate-income, 24.04% middle-income, and 38.71% upper-income.

Based on 2011 Dunn and Bradstreet business demographic data, there are 17,749 businesses in the AA, of which 72.18% reported gross annual revenue less than \$1 million and 2.7% reported gross annual revenue equal to or greater than \$1 million. Because reporting is voluntary, 25.13% of the businesses did not report revenues.

The primary credit needs of the community continue to be related to the oil and gas industry and local retail and consumer purpose needs. The local economy is good and has benefited from strong oil prices and the exploration of the Barnett Shale. A local State Park attracts approximately 160,000 tourists per year who enjoy camping, hiking and fishing. Tourism is an important resource to local retailers. Major employers in the area are small oil and gas production and oil field related businesses, the John R. Lindsey State Prison facility, Faith Community Hospital, and the Jacksboro and Bowie Independent School Districts. We contacted two community professionals with the Economic Development Corporation and The Jacksboro Chamber of Commerce to discuss the credit needs of the community. They stated the primary credit needs of the community are housing and small business financing; and local financial institutions are generally meeting those credit needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s performance is satisfactory. Conclusion with respect to the following two performance criteria: lending in AA and lending to business of different sizes. The following sections provide detail of our assessment of each performance criteria.

### Loan-to-Deposit Ratio

Jacksboro NB’s loan to deposit (LTD) ratio is satisfactory, given the bank’s size, financial condition, and AA credit needs. The bank’s net LTD ratio averaged 56% over the last 19 quarters since our last CRA examination. The LTD ratio is shown in the table below.

<b>Loan-to-Deposit Ratios</b>		
<i>Financial Institutions</i>	<b>Total Assets \$ (000's) (As of 3/31/2012)</b>	<b>Average Loan-to-Deposit Ratio</b>
<b>Jacksboro National Bank</b>	<b>\$193,000</b>	<b>55.70%</b>
State National Bank-Texas	\$208,863	52.85%
FNB of Byers	\$103,352	56.11%
First State Bank-Chico	\$252,529	75.56%
Community Bank-Bridgeport	\$56,431	53.31%
Legend Bank, N.A.	\$594,471	56.05%

Source:

*Institution Reports of Condition from September 30, 2005 to March 2012*

### Lending in Assessment Area

Performance for lending to borrowers of different income and businesses of different sizes are reasonable and meets the standards for satisfactory performance. A reasonable penetration of the loans in all the three lending lines we tested (commercial, residential mortgages, and consumer loans) and were in the bank's AA. As noted in the table below, 72% of the number and 56% of the dollar amount of loans were inside the bank's AA.

<b>Table 1 - Lending in AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	16	80%	4	20%	20	\$965	61%	\$607	39%	100
Commercial	13	65%	7	35%	20	\$3,231	54%	\$2,813	47%	100
Consumer	14	70%	6	30%	20	\$182	68%	\$80	31%	100
Totals	43	72%	17	28%	60	\$4,378	56%	\$3,500	44%	100

Source: sample of loans.

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

Jacksboro NB’s distribution of loans reflects a reasonable penetration among borrowers of different income levels and businesses of different size. The bank meets the standards for a satisfactory performance in its AAs.

<b>Table 2A - Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.10	2.57	26.32	100%
% of Bank Loans in AA by #	65.00	25.00	10.00	100%
% of Bank Loans in AA by \$	77.81	20.86	1.33	100%

**Geographic Distribution of Loans**

The geographic distribution of loans within the bank's AA represents a reasonable dispersion for the bank's primary loan types. The percentage of loans to residential customers is slightly below the demographics for the AA, while the loans to businesses represent a reasonable distribution relative to the demographics. The bank has a limited penetration of loans in Wichita County, due to changes in the economy and a downturn in the mortgage industry. As such, the bank is in the process of reassessing the AAs. We did not identify any conspicuous gaps in lending performance within the bank's AAs, and the bank lends to all the census tracts (CTs) within their AA.

During the examination cycle, the bank has participated in over \$4.3 million in community development projects in their local community. These projects include over \$600,000 to Jacksboro Economic Development Corporation, and over \$3 million for the construction and improvement of the city's school.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1.31	0.00	14.41	4.27	58.43	15.67	25.85	81.39
Home Improvement	1.31	0.00	14.41	4.27	58.43	15.67	25.85	81.39
Refinance	1.31	0.00	14.41	4.27	58.43	15.67	25.85	81.19

Source: sample of loans.

<b>Table 3A - Geographic Distribution of Loans to Businesses in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	0.63	0.00	21.57	19.03	48.31	13.75	29.49	67.72

*Source: sample of loans.*

### **Responses to Complaints**

Jacksboro NB did not receive any complaints pertaining to their CRA performance during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.