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Comptroller of the Currency  
Administrator of National Banks

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## **Public Disclosure**

January 22, 1998

# **Community Reinvestment Act Performance Evaluation**

**First National Bank of Abilene  
Charter Number: 4166**

**400 Pine Street  
Abilene, Texas 79601**

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**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.**

## Table of Contents

<b>General Information</b> .....	2
<b>Definitions and Common Abbreviations</b> .....	3
<b>CRA Rating</b> .....	4
<b>Description of Institution</b> .....	5
<b>Description of the Assessment Area</b> .....	6-7
<b>Conclusions with Respect to Performance Tests</b>	
Lending Test .....	8
Investment Test .....	16
Service Test .....	18
<b>Fair Lending Review</b> .....	21
<b>Appendix A: Scope of Examination</b> .....	22
<b>Appendix B: Additional Tables</b> .....	23
Table 1 - Distribution of Home Mortgage Loans Sold in 1995, 1996, and YTD 1997 with the Assessment Area by Income Level of the Borrower .....	23
Table 2 - Distribution of Home Mortgage Loans Sold in 1995, 1996, and YTD 1997 with the Assessment Area by Income Level of the Census Tract .....	24

## **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 **First National Bank of Abilene (FNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **January 22, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Community Reinvestment Act (CRA)** - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Metropolitan Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Census Tract (CT)** - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

**Home Mortgage Disclosure Act (HMDA)** - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

**Median Family Income (MFI)** - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Low-Income** - Income levels that are less than 50% of the MFI.

**Moderate-Income** - Income levels that are at least 50% and less than 80% of the MFI.

**Middle-Income** - Income levels that are at least 80% and less than 120% of the MFI.

**Upper-Income** - Income levels that are 120% or more of the MFI.

**Small Business Loans** - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

**Small Farm Loans** - Loans with an original amount of \$500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

## CRA Rating

**Institution’s CRA Rating:** This institution is rated “Satisfactory”

The major factors which support this rating include:

- ▶ The adequate responsiveness to credit needs of FNB’s assessment area, as reflected in the volume of consumer loans, small business and farm, and home mortgage loans originated within the assessment area.
- ▶ The adequate distribution of loan originations throughout the assessment area geographies.
- ▶ The good distribution of loans to borrowers of different income levels and businesses of all sizes.
- ▶ FNB’s record of serving the credit needs of low income borrowers and very small businesses is good and consistent with safe and sound banking practices.
- ▶ FNB has a good responsiveness to investment needs within the assessment area.
- ▶ A service delivery system that is accessible to essentially all portions of the assessment area.
- ▶ The good level of community development services provided within the assessment area.

The following table indicates the performance level of **First National Bank of Abilene** with respect to the lending, investment, and service tests:

Performance Levels	First National Bank of Abilene Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory		X	X
Low satisfactory	X		
Needs to improve			
Substantial noncompliance			

\* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

## Description of Institution

First National Bank of Abilene (FNB) is a large bank headquartered in Abilene, Texas. Total assets as of September 30, 1997, were \$592 million. FNB is the lead bank of a multi-bank holding company, First Financial Bankshares, Inc. (FFB), located in Abilene, Texas. In addition to FNB, there are eight other community banks operating in Texas owned by FFB. Each bank is operated independently. As of September 30, 1997, FFB reported combined total assets of \$1.461 billion.

In addition to the main office, FNB has five branches located within Abilene. FNB operates proprietary automated teller machines (ATMs) at the main office and each branch, with nine (9) additional proprietary ATMs located throughout Abilene.

FNB is a full service retail bank. Its primary business focus is on consumer and commercial lending. The bank is a certified Small Business Lender and has a mortgage banking operation that sells mortgages into the secondary market. Specifically, FNB's loan portfolio composition as reported in June 30, 1997 Call Report, includes the following:

<b>Loan Type</b>	<b>Dollar Volume (000)</b>	<b>Percent of Loan Portfolio</b>
Consumer	103,410	38%
Commercial	85,001	31%
Real Estate	56,099	21%
Agriculture	18,531	7%
Other	8,792	3%
<b>Total Gross Loans</b>	<b>271,833</b>	<b>100%</b>

The financial condition of FNB does not hinder its ability to serve the community. The previous CRA examination was concluded on September 7, 1994, and an "Outstanding" rating was assessed under the previous CRA guidelines.

## Description of the Assessment Area

FNB is located in Abilene, Texas, which is located in west central Texas, 183 miles west of Dallas. Abilene is the largest city between Fort Worth and El Paso, Texas on Interstate 20. The city of Abilene is primarily located in Taylor county with a small portion of the city located in Jones county. The bank's assessment area consists of the Abilene Metropolitan Statistical Area (MSA). The Abilene MSA (#0040) consists of Taylor County. The assessment area contains 36 census tracts. Two census tracts representing 6% of the assessment area are excluded. This is due to there being no income designation (Dyess Air Force Base and Abilene State School). The table below provides the economic breakdown of the geographies and families located in the bank's assessment area.

First National Bank of Abilene, Abilene MSA #0040 - Taylor County															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
Census Tracts		Families		Census Tracts		Families		Census Tracts		Families		Census Tracts		Families	
1	3%	6,025	19%	14	39%	5,725	18%	13	36%	7,285	23%	6	17%	12,070	39%

The income designations of the census tracts are based on the Median Family Income (MFI) of \$29,316 according to 1990 Census Bureau Data. The Housing and Urban Development updated MFI for 1997 is \$34,600.

The population of the assessment area is 119,655 based on 1990 Census Data. The population has continued to grow at a rate of 7% since 1980 when the population was 98,315. The economic base is diversified including manufacturing, retail trades, farming and ranching, medical care, and petroleum. Major employers in the assessment area are Dyess Air Force Base (5,245), Abilene independent schools (2,904), Hendrick Medical Center (2,700), and Abilene State School (1,382). Abilene is also home to Abilene Christian University (683), Hardin Simmons University (285), and McMurry University (260).

The local unemployment rate as of September 1997 is 3.6% compared to the state wide average for the same period of 5.1%. The local economy is considered strong and stable. According to the 1990 Census data, approximately 53% of the housing was owner-occupied. The median housing value is \$44,027. The median monthly rental cost is \$380.

A review of community contacts conducted within the assessment area by the OCC and other banking regulators during this examination and the previous 12 months indicates a number of opportunities to participate in community development lending, investments, and service activities. The contacts identified the primary credit needs of the community as affordable housing loans, affordable home improvement loans, loans to revitalize/renovate low-income areas, and small business loans. Contacts also indicated that there is a need for credit education for consumers and small business owners.

The City of Abilene provides assistance to qualifying prospective home buyers through its Homebuyers Program. This program offers down payment and closing cost assistance and has established partnerships with local banks. The City of Abilene and Habitat for Humanity, Abilene, Inc. (a designated Community Housing Development Organization) will begin a new housing development in the Northern Sayles neighborhood. The City of Abilene also has developed programs for housing rehabilitation of single family and multi-family housing for LMI persons and in LMI census tracts.

Abilene was the first city in Texas to pass a one-half cent sales tax for economic development. The city provides assistance through the Abilene Economic Development Corporation, which provides loans to small businesses, with an emphasis on minority- and women-owned businesses.



# Conclusions with Respect to Performance Tests

## LENDING TEST

*In assessing lending performance, we focused on FNB's lending activity; assessment area concentration; geographic distribution of loans; borrower profile; responsiveness to credit needs of economically disadvantaged geographies, low-income persons or small businesses; community development lending; and, product flexibility.*

### Conclusions:

- ▶ FNB's lending level reflects an adequate responsiveness to assessment area credit needs.
- ▶ A substantial majority of the loans are made within the assessment area.
- ▶ The distribution of loans reflects an adequate penetration throughout the assessment area geographies.
- ▶ The distribution of loans reflects a good distribution to borrowers of different income levels and businesses of all sizes.
- ▶ The bank's record of serving the credit needs of low income borrowers and very small businesses is good and consistent with safe and sound banking practices.
- ▶ The bank's community development lending levels are adequate.

### *Lending Activity*

FNB's responsiveness to the credit needs within the identified assessment area is adequate. The loan-to-deposit ratio as of September 31, 1997 was 49%. FNB's ten quarter average from June 30, 1995 through September 30, 1997 is 52%. This is within the high and low range of loan-to-deposit ratios of the other four banks competing within Taylor County. The ten quarter average loan-to-deposit ratios ranged from a low of 35% to a high of 71%.

A substantial majority of FNB's loans were originated within the assessment area. The volume of consumer loans and loans to small business is commensurate with the primary business focus of the bank and meets one of the primary credit needs within the community. Mortgage related lending is conducted by the bank but on a much smaller scale. FNB makes mortgage loans as well as provides access to long term home mortgages through a prior arrangement with other financial institutions. Through FNB's locations they provide access to long term mortgage loans through their pre-arranged sale to secondary market lenders. These loans are not included within FNB's HMDA-Loan Application Register and are not included within the lending analysis within the Lending Test section. A separate analysis was performed and is included within the Additional Information Section (see page 23 for details).

### *Assessment Area Concentration*

FNB's lending within the consumer, small business and small farm, and mortgage lending activities reflected a good responsiveness to the credit needs within the assessment area. Within each one of these areas a substantial majority of the lending activity was within FNB's assessment area.

### Consumer Loans

FNB's level of consumer lending reflects a good responsiveness to credit needs within the assessment area. A substantial majority (80%) of the consumer loans reported originated in 1996 were to borrowers in the bank's assessment area.

Volume of Consumer Loan Originations in 1996 Within the Assessment Area						
Product	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Motor Vehicle Loans	2,333	\$26,355	1,795	77%	\$19,985	76%
Other Secured Loans	1,711	\$11,288	1,366	80%	\$9,199	81%
Other Unsecured Loans	976	\$4,209	834	85%	\$3,711	88%
Total 1996	5,218	\$108,353	4,172	80%	\$90,319	83%

### Small Business and Small Farm Loans

FNB's level of small business loans reflects a good responsiveness to the credit needs within the assessment area. A substantial majority (92%) of the small business and farm loans originated in 1996 were to borrowers in the bank's assessment area.

Volume of Small Business and Small Farm Loan Originations in 1996 Within the Assessment Area						
Loan Product	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Small Business	965	\$48,695	913	95%	\$40,269	83%
Small Farm	115	\$6,521	76	66%	\$2,929	45%
Total 1996	1,080	\$55,216	989	92%	\$43,198	78%

### Mortgage Loans

FNB is an active originator of mortgage loans and also provides access to longer term mortgage products through the sale of mortgages to the secondary market. We have discussed these mortgage sales within the Additional Information Section. Please refer to page 23 within the Additional Information Section for specific data on mortgage sales. The total volume of home mortgages, home refinances, and home improvement loans originated in 1995, 1996, and year-to-date 1997 is illustrated below. A majority of these loans were originated within the assessment area.

<b>Volume of Home Mortgage Loan Originations in 1995, 1996 and YTD 1997 Within the Assessment Area</b>						
<b>Product</b>	<b>Total Originations</b>		<b>Within the Assessment Area</b>			
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Home Purchase/Refinance	164	\$9,374	151	92%	\$8,265	88%
Home Improvement	238	\$1,594	109	46%	\$961	60%
<b>Total 1995</b>	<b>402</b>	<b>\$10,968</b>	<b>260</b>	<b>65%</b>	<b>\$9,226</b>	<b>84%</b>
Home Purchase/Refinance	230	\$14,310	202	88%	\$11,919	83%
Home Improvement	210	\$2,442	118	56%	\$1,861	76%
<b>Total 1996</b>	<b>440</b>	<b>\$16,752</b>	<b>320</b>	<b>73%</b>	<b>\$13,780</b>	<b>82%</b>
Home Purchase/Refinance	228	\$17,004	195	86%	\$13,703	81%
Home Improvement	147	\$1,451	85	58%	\$1,165	80%
<b>Total YTD 1997</b>	<b>375</b>	<b>\$18,455</b>	<b>280</b>	<b>75%</b>	<b>\$14,868</b>	<b>81%</b>
<b>Grand Total</b>	<b>1,217</b>	<b>\$46,175</b>	<b>860</b>	<b>71%</b>	<b>\$37,874</b>	<b>82%</b>

### ***Geographic Distribution of Loans within the Assessment Area***

#### **Consumer Loans**

Although FNB chose to compile consumer loan data, banks are not required to maintain or submit consumer loan data, therefore, no market share data reports are available for this type of lending. Also, FNB chose only to compile consumer data on certain types of consumer loans, as detailed below.

The geographic distribution of these loans reflects an adequate penetration throughout the assessment area. There is lending activity in all census tracts. The following table shows the geographic distribution of loan origination by type.

Distribution of Consumer Loan Originations in 1996 Within the Assessment Area By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	1	3%	14	41%	13	38%	6	18%
Census Tracts Penetrated (% of tracts in income group)	1	100%	14	100%	13	100%	6	100%
Number of Households	421	1%	11,742	27%	21,690	50%	9,364	22%
Loan Product	#	%	#	%	#	%	#	%
Motor Vehicle Loans	10	1%	398	22%	868	48%	519	29%
Other Secured Loans	7	1%	354	26%	648	47%	357	26%
Other Unsecured Loans	6	1%	144	17%	413	50%	271	32%
Total 1996	24	1%	928	22%	1,981	47%	1,239	30%

### Small Business and Small Farm Loans

The geographic distribution of small business loans in 1996 reflects an adequate penetration throughout the assessment area. The geographic distribution of small farm loans reflects an excellent penetration throughout the assessment area. Only two moderate-income tracts were not penetrated. The distribution of loans by census tract designation is representative of the potential opportunities available based on the distribution of businesses within the designated census tracts. The low volumes of small business and farm loans within the low-income census tract is due to the limited numbers of businesses and farms located within these areas.

Distribution of Small Business and Farm Loan Originations in 1996 Within the Assessment Area By Income Level of the Census Tract								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	1	3%	14	41%	13	38%	6	18%
Census Tracts Penetrated (% of tracts in income group)	1	100%	12	86%	13	100%	6	100%
Number of Businesses	144	3%	1,950	43%	1,712	37%	773	17%
Number of Farms	0	0%	26	27%	53	56%	16	17%
Loan Product	#	%	#	%	#	%	#	%
Small Business	11	1%	326	36%	322	35%	254	28%
Small Farm	0	0%	14	18%	30	39%	32	42%
Total 1996	11	1%	340	34%	352	36%	286	29%

## Home Mortgage Loans

As previously stated, FNB is an active originator of mortgage loans. However, the bank sells almost all of these loans to the secondary market. Based on the limited volume retained, the geographic distribution of home mortgage loans originated and retained by FNB reflects an adequate penetration throughout the bank's assessment area. The following table reflects no significant gaps in lending to census tracts within FNB's assessment area. During 1995 and 1996 there were four census tracts with no lending activity. Two of the census tracts were the same (0129.00). In 1997 there were four census tracts with no lending activity (0111.00, 0117.00, 0118.00, and 0129.00). All these census tracts were moderate-income tracts. Limited mortgage and home improvement lending activity in census tracts 0129.00 and 0111.00 is due to the very limited number of owner occupied units. There are 36 total owner occupied units in these two census tracts. The lack of home improvement loan originations in low-income census tracts is attributable in part to a large volume of the housing units being non-owner occupied and/or vacant.

Distribution of Home Mortgage Loan Originations in 1995, 1996 and YTD 1997 Within the Assessment Area By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	1	3%	14	41%	13	38%	6	18%
Census Tracts Penetrated (% of tracts in income group)	1	100%	11	79%	13	100%	6	100%
Number of 1-4 Family Units	515	1%	11,974	30%	18,055	46%	9,019	23%
Median Year Built of Housing	1953		1957		1966		1972	
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	1	1%	42	28%	64	42%	44	29%
Home Improvement	0	0%	19	17%	49	45%	41	38%
Total 1995	1	0%	61	23%	113	43%	85	33%
Home Purchase/Refi	3	1%	53	26%	89	43%	60	29%
Home Improvement	0	0%	25	21%	44	37%	49	42%
Total 1996	3	1%	78	24%	133	41%	109	34%
Home Purchase/Refi	1	1%	42	22%	87	45%	65	33%
Home Improvement	0	0%	11	13%	41	48%	33	39%
Total YTD 1997	1	0%	53	19%	128	46%	98	35%
<b>Grand Total</b>	<b>5</b>	<b>1%</b>	<b>192</b>	<b>22%</b>	<b>374</b>	<b>43%</b>	<b>292</b>	<b>34%</b>

This market share data within the table below excludes all loans sold to the secondary market through a prior agreement with FNB. Prior to excluding loans sold, FNB was ranked number one in all categories for both 1995 and 1996. As stated previously, loan sold to the secondary market are summarized within the Additional Information Section (see pages 23 for specific information). The table below outlines FNB’s lending volumes and rankings. Overall, FNB has an adequate market share and ranking within low-income and moderate-income geographies. Mortgage lending activity in the low-income census tract by all lenders is relatively low. Only six (6) mortgage loans were made in the low-income tract during 1995 and 1996.

1995 & 1996 Home Mortgage Loan Originations Market Share Within the Assessment Area by Income Level of the Census Tract									
Loan Product	All Tracts			Low-Income Tracts			Moderate-Income Tracts		
	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Home Purchase/Refi	151	9.8%	3	1	50.0%	1*	42	17.4%	1
Home Improvement	110	29.7%	1	0	0.0%		19	24.7%	1
<b>Total 1995</b>	<b>261</b>			<b>1</b>			<b>61</b>		
Home Purchase/Refi	14	.81%	22	1	25.0%	3*	37	11.4%	1
Home Improvement	118	32.5%	1	0	0.0%		25	31.3%	1
<b>Total 1996</b>	<b>132</b>		<b>23</b>	<b>1</b>			<b>62</b>		
<b>Grand Total</b>	<b>393</b>			<b>2</b>			<b>123</b>		

Source: HMDA Aggregate Data

\* Tied at this ranking.

***Distribution by Borrowers’ Income within the Assessment Area***

**Consumer Loans**

FNB’s distribution of consumer loans to borrowers of different income levels is good. The distribution is generally commensurate with the characteristics of families with different incomes. An analysis of the lending by borrower income by dollar (\$) volume reflects a similar distribution, however, albeit lower volumes for low-income and moderate-income borrowers. The following table summarizes how these loans are distributed among borrowers of different income levels.

Distribution of Consumer Loan Originations in 1996 Within the Assessment Area By Income Level of the Borrower
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Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Characteristics of Families	6,025	19%	5,725	18%	7,285	23%	12,070	39%
Characteristics of Households	421	1%	11,742	27%	21,690	50%	9,364	22%
Loan Product	#	%	#	%	#	%	#	%
Motor Vehicle Loans	352	20%	417	23%	406	23%	623	35%
Other Secured Loans	311	23%	345	26%	286	21%	399	30%
Other Unsecured Loans	165	20%	154	19%	183	23%	306	38%
Total 1996	832	20%	930	23%	889	22%	1,462	36%

### Small Business and Small Farm Loans

The distribution of small business and small farm loans to businesses and farms of different sizes is good. The table below provides the detail on the distribution of small business and farm loans by loan size and business revenue. Also, included in the table is the distribution, by gross annual revenues, of all small businesses and farms located in the bank's assessment area.

The data summarized below reflects substantial success in FNB's efforts to lend to small businesses and farms within their assessment area. The vast majority of the dollar volume of these loans are to businesses with revenues less than \$1 million, which is consistent with the market.

Distribution of Small Business and Farm Loan Originations in 1996 Within the Assessment Area By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	839	92%	\$21,145	53%	719	86%	\$17,404	82%
\$100,000 to \$250,000	52	6%	\$8,681	22%	31	60%	\$5,038	58%
\$250,000 to \$1,000,000	22	2%	\$10,443	26%	11	50%	\$4,858	47%
Totals	913	100%	\$40,269	100%	761	83%	\$27,300	68%
<b>Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:</b>				< 1 Million	70%	*As a percentage of loans of the size category		
				> 1 Million	30%			
				Unknown	0%			

### Home Mortgage Loans

This distribution of HMDA related lending to individuals of different income characteristics by FNB is adequate. The table below reflects that a significantly higher proportion of the originations are to more affluent individuals. The following tables show the bank's distribution of HMDA loan products among borrowers of different income levels. As stated previously, mortgage loans sold in the secondary market are not included within this table. Approximately 37% of all families within the assessment area make incomes that place them in low-income and moderate-income categories. The remaining 63% of the families qualify as middle- and upper-income. The demographic data for this MSA reveals that the average MFI for low-income census tracts is less than \$17,000 and \$27,000 for moderate-income census tracts. These income levels contribute to lower percentages of loans to individuals designated as low-and moderate-income.

<b>Distribution of Home Mortgage Loan Originations in 1995, 1996 and YTD 1997 Within the Assessment Area By Income Level of the Borrower</b>								
<b>Assessment Area Data</b>	<b>Low-Income</b>		<b>Mod-Income</b>		<b>Middle-Income</b>		<b>Upper-Income</b>	
Characteristics of Families	6,025	19%	5,725	18%	7,285	23%	12,070	39%
<b>Loan Product</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Home Purchase/Refi	19	13%	31	21%	19	13%	82	54%
Home Improvement	9	8%	18	17%	36	33%	46	42%
<b>Total 1995</b>	<b>28</b>	<b>11%</b>	<b>49</b>	<b>19%</b>	<b>55</b>	<b>21%</b>	<b>128</b>	<b>49%</b>
Home Purchase/Refi	20	10%	27	14%	40	20%	113	56%
Home Improvement	10	8%	21	18%	31	26%	56	47%
<b>Total 1996</b>	<b>30</b>	<b>9%</b>	<b>48</b>	<b>15%</b>	<b>71</b>	<b>22%</b>	<b>169</b>	<b>53%</b>
Home Purchase/Refi	8	4%	30	15%	41	21%	116	59%
Home Improvement	9	11%	13	15%	20	24%	43	51%
<b>Total YTD 1997</b>	<b>17</b>	<b>6%</b>	<b>43</b>	<b>15%</b>	<b>61</b>	<b>22%</b>	<b>159</b>	<b>57%</b>
<b>Grand Total</b>	<b>75</b>	<b>9%</b>	<b>140</b>	<b>16%</b>	<b>187</b>	<b>22%</b>	<b>456</b>	<b>53%</b>

The following table shows the 1995 and 1996 home mortgage and home improvement origination market shares by income levels of the borrowers. As previously noted, these market share numbers do not include home purchase loans sold in the secondary market. Prior to excluding the mortgage loans sold in the secondary market, FNB was ranked number one (1) in all categories outlined below. The 1996 home mortgage lending volumes and ranking declined significantly as a result of excluding loans sold to the secondary market. FNB's volumes and market share declined from 396 loans and a number one market share (19%) to 14 loans and tied at the twenty-second rank and a less than one percent market share. FNB's market share lending to moderate-income borrowers also declined significantly. In 1996, 56 loans were made to moderate-income



borrowers for a market share of 17% and a number one ranking. All these loans were subsequently sold which reduced the lending volumes to zero. Overall, FNB's market share ranking, for home purchase and home improvement lending, to low-income and moderate-income borrowers is quite good.

1995 & 1996 Home Mortgage Loan Originations Market Share Within the Assessment Area by Income Level of the Borrower									
	All Borrowers			Low-Income Borrowers			Mod-Income Borrowers		
Loan Product	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Home Purchase/Refi	151	9.9%	3	19	26.4%	1	31	13.4%	2
Home Improvement	110	29.7%	1	9	26.5%	1	18	40.0%	1
Total 1995	261			28			49		
Home Purchase/Refi	14	.81%	22*	11	10.7%	2	0	0%	41*
Home Improvement	118	32.5%	1	10	41.7%	1	21	35.6%	1
Total 1996	261			28			49		
<b>Grand Total</b>	<b>261</b>			<b>28</b>			<b>49</b>		

Source: HMDA Aggregate Data

\* Tied at this ranking.

### ***Community Development Lending***

Overall, FNB has originated an adequate number of community development loans based on the opportunities available within its assessment area. Community development loans are those loans whose primary purpose meets the definition of community development lending contained in the CRA regulation and that have not been considered in the review of small business, small farm, home mortgage, or consumer loans.

FNB originated 5 community development loans totaling \$442 thousand since the last CRA examination. Most of the loans were for the purpose of providing affordable housing and community services targeted to low-income or moderate-income individuals. The loans were distributed throughout its assessment area.

### **INVESTMENT TEST**

*To assess FNB's performance under the Investment Test, we reviewed its investment and grant activity; responsiveness to credit and community development needs; and, its initiatives with community development.*

Conclusions:

- ▶ FNB has a significant level of qualified community development grants and investments.
- ▶ Responsiveness to community service and development needs of the assessment area are adequate.
- ▶ The grants are not considered innovative or complex.

Qualifying investments are investments, deposits, memberships shares or grants that have as their primary purpose community development, as defined by the CRA regulation. Based on the information obtained from bank management, FNB has been involved in twelve (12) qualified investments during 1995, 1996, and 1997. The total dollar volume is \$204 thousand. The primary vehicle that the bank has used are grants and investments.

The following information details the nature and specific dollar volume of grants, investments, and membership shares reviewed during this examination.

Grants that provide primarily community services to low-income and moderate-income persons totaled \$130 thousand. The breakdown by year was: 1995: \$38 thousand; 1996: \$44 thousand; and, 1997: \$ 48 thousand. A description of the services provided by these grant monies is provided below:

- ▶ Grants to revitalize low-income areas.
- ▶ Medical facility catering to primarily low-income and moderate-income families.
- ▶ Emergency shelter for homeless families.
- ▶ Organization which provides shelter and resources to disabled persons.
- ▶ Child care facilities for low-income families.
- ▶ A shelter for abused women.

Investments that primarily address community services to low-income persons totaled \$53,000. The breakdown by year was: 1995: \$35 thousand; 1996: \$3 thousand; and, 1997: \$ 15 thousand. A description of the services provided by these investments is outlined below:

- ▶ Health care services provided to low-income children.
- ▶ Child care facilities for low-income families.

Membership shares that primarily address community services to low- and moderate-income persons and community development totaled \$21,600. The breakdown by year was: 1995: \$7.200 thousand; 1996: \$7.2 thousand; and, 1997: \$ 7.2 thousand. A description of the benefit the membership shares are providing is outlined below:

- ▶ Organization for ensuring ongoing community development, including business training within the City of Abilene.

## **SERVICE TEST**

*In assessing FNB's performance under the Service Test, we focused on the accessibility of its delivery systems; changes in branch locations; reasonableness of its business hours and services in meeting the needs of its assessment areas; and, level of community development services.*

Conclusions:

- ▶ FNB uses delivery systems that are accessible to essentially all portions of the assessment area.
- ▶ FNB has innovative and no cost services for all customers.
- ▶ Business hours and services offered at FNB locations are convenient and accessible to all segments of the assessment area.
- ▶ FNB has an adequate level of community development services.

### ***Retail Banking Services***

A unique feature of the products and services offered at FNB includes the Free Checking account. It is a NO cost checking account with a \$10.00 minimum balance to open the account. Also, all checking accounts have \$300 overdraft protection.

Low cost debit cards. The bank offers a debt card for \$1.00 per month per card. There are NO other fees or charges.

FNB also offers First Voice, which is a 24 hour telephone access to accounts and general information at NO charge. This service provides information in both English and Spanish.

Phone Center - Extended service opening accounts and loan applications at NO charge. This service is available in both English and Spanish.

Website - General information at NO charge.

Spanish speaking person available to assist customers in translation at every banking location.

FNB offers an Affordable Home Loan Program. The purpose of the program is to provide counseling services and financing mainly to low-income or moderate-income individuals/families. This program offers participants an opportunity to purchase a home with minimal down payment and closing costs. This program is designed to assist in the purchase of a home with loan values of \$25 thousand or less. During the examination FNB conducted focus groups which indicated that larger loan levels are desirable. Management is currently considering increasing the loan level of this program.

Distribution of Delivery System By Income Level of the Census Tracts								
Community Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	1	3%	14	41%	13	38%	6	18%
Households	421	1%	11,742	27%	21,690	50%	9,364	22%
Type of Service	#	%	#	%	#	%	#	%
Branches	0	0%	1	17%	5	83%	0	0%
ATMs	1	7%	4	27%	8	53%	2	13%
Totals	1	5%	5	24%	13	62%	2	10%

Source: Bank Internal Records

Office Location	Street Address	Hours of Operation	Income Designation for Census Tract
<b>Main Office</b>	400 Pine St	Mon-Thurs 9-5PM Drive-in: Mon-Thurs 7:30AM- 6:00PM Sat 9:00AM- 1:00PM	Moderate-Income
<b>River Oaks</b>	330 South 14th Street	Mon-Thurs 9-5PM Drive-in: Mon-Thurs 7:30AM- 6:00PM Sat 9:00AM- 1:00PM	Middle-Income
<b>Buffalo Gap Road</b>	4320 Buffalo Gap Road	Mon-Thurs 9-5PM Drive-in: Mon-Thurs 7:30AM- 6:00PM Sat 9:00AM- 1:00PM	Middle-Income
<b>Ely</b>	1010 North Judge Ely Blvd	Mon-Thurs 9-5PM, Sat 9-1PM Drive-in: Mon-Thurs 7:30AM- 6:00PM Sat 9:00AM- 1:00PM	Middle-Income
<b>HEB Branch</b>	1345 Barrow Street	Mon-Thurs 9-7PM	Middle-Income
<b>Walmart Branch</b>	4350 Southwest Drive	Mon-Thurs 9-7PM	Middle-Income

Source: Bank Internal Records

## Community Development Services

FNB provides a good level of community development services. The bank provides community development services to four major organizations in the community. The bank is active in community development and willing to participate when opportunities arise.

### **Development Corporation of Abilene**

This organization provides financing and services to small businesses. The mission of the organization is to promote the economic development of Abilene by the use of a ½ cent sales tax to finance, promote, and support small business efforts. The efforts of the organization benefit the assessment area. Bank personnel are members of the advisory board and loan review committee.

### **Small Business Incubator**

This organization provides financing and services to small start-up businesses. The organization's activities promote economic development within the assessment area. These services are mainly targeted to low-income or moderate-income individuals. The bank's president is on the organization's loan review committee. He provides the organization with financial expertise.

### **Abilene Industrial Foundation**

This organization provides financing and services to businesses. The organization's mission is to promote the growth and development of businesses in the assessment area. Some of these businesses are created to help stabilize low-income or moderate-income areas. The bank's president and Chairman of the Board provide financial expertise to the organization.

### **Fair Housing Community Group**

FNB provides loan officers on a quarterly basis to the Fair Housing Community Group for conducting Home Buyer Seminars.

## **Fair Lending Review**

The scope of the fair lending portfolio of the examination included a comparative file review of unsecured, consumer loan applications. Our comparative analysis focused on gender. Denied female applicants were chosen as the prohibited basis group and approved male applicants were chosen as the control group. We reviewed 57 denials and 63 approvals to draw our conclusions. We did not identify instances of discrimination. We did recommend the development of policy guidelines for underwriting consumer credit applications and other procedural enhancements.

## **Appendix A: Scope of Examination**

The scope of our evaluation focused on FNB's activities in its assessment area as defined in the Performance Context section of this document. We utilized the CRA Examination Procedures section of the *Comptroller's Handbook* to conduct the evaluation. We evaluated activities since the prior evaluation of CRA performance September 7, 1994.

We included lending activity for the following products in our analysis: consumer lending, small business and farm loans, and mortgage related products (including home purchase, refinance, and home improvement). We also included an analysis of mortgage related products sold to the secondary market. Data on the small business and farm lending was analyzed for 1996. Data regarding home mortgage related loans were analyzed for 1995, 1996, and through September 30, 1997. The data evaluated is based on originations that occurred during the noted time frames.

## Appendix B: Additional Tables

The tables provided below reflect the mortgage related loans sold to the secondary market. FNB provided access to mortgage credit through their bank locations to these borrowers. The tables reflect that a majority of the mortgage loans sold were to higher income borrowers and within higher income geographies. These mortgage loans were primarily long term fixed rate mortgages sold to the secondary market. FNB did provide access to mortgage credit to all borrowers in all geographic locations listed in the tables below.

**Table 1**

<b>Distribution of Home Mortgage Loans Sold in 1995, 1996 and YTD 1997 Within the Assessment Area By Income Level of the Borrower</b>								
<b>Assessment Area Data</b>	<b>Low-Income</b>		<b>Mod-Income</b>		<b>Middle-Income</b>		<b>Upper-Income</b>	
Characteristics of Families	6,025	19%	5,725	18%	7,285	23%	12,070	39%
<b>Loan Product</b>	#	%	#	%	#	%	#	%
Home Purchase/Refi	5	4%	10	7%	24	17%	102	72%
Home Improvement	0	NA	0	NA	0	NA	1	100%
Total 1995	5	4%	10	7%	24	17%	103	72%
Home Purchase/Refi	16	4%	57	15%	88	23%	221	58%
Home Improvement	0	NA	0	NA	0	NA	0	NA
Total 1996	16	4%	57	15%	88	23%	221	58%
Home Purchase/Refi	4	3%	9	7%	35	26%	88	65%
Home Improvement	0	NA	0	NA	0	NA	0	NA
Total YTD 1997	4	3%	9	7%	35	26%	88	65%
<b>Grand Total</b>	25	4%	76	12%	147	22%	411	62%

Source: U.S. Census Demographic Data and HMDA Loan Application Registers



**Table 2**

Distribution of Home Mortgage Loans Sold in 1995, 1996 and YTD 1997 Within the Assessment Area By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	1	3%	14	41%	13	38%	6	18%
Census Tracts Penetrated (% of tracts in income group)	1	100%	11	79%	13	100%	6	100%
Number of 1-4 Family Units	515	1%	11,974	30%	18,055	46%	9,019	23%
Median Year Built of Housing	1953		1957		1966		1972	
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	0	0%	8	6%	77	55%	56	40%
Home Improvement	0	0%	0	0%	1	100%	0	0%
Total 1995	0	0%	8	6%	78	55%	56	39%
Home Purchase/Refi	4	1%	32	8%	218	57%	128	34%
Home Improvement	0	NA	0	NA	0	NA	0	NA
Total 1996	4	1%	32	8%	218	57%	128	34%
Home Purchase/Refi	0	NA	13	10%	71	52%	52	38%
Home Improvement	0	NA	0	NA	0	NA	0	NA
Total YTD 1997	0	NA	13	10%	71	52%	52	38%
<b>Grand Total</b>	4	1%	53	8%	367	56%	236	36%

Source: U.S. Census Demographic Data and HMDA Loan Application Registers