



PUBLIC DISCLOSURE

July 6, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Borger
Charter Number 23511**

**531 N. Deahl
Borger, Texas 79007**

**Comptroller of the Currency
1600 Lincoln Plaza
500 North Akard Street
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 First National Bank of Borger prepared by the Comptroller of the Currency, the institution's supervisory agency, as of July 6, 1998. 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 Satisfactory.

The lending performance of First National Bank of Borger reflects satisfactory responsiveness to the credit needs of the communities served. This assessment is based on the following:

- ▶ The loan-to-deposit ratio is reasonable and is comparable to the ratios of competing area banks.
- ▶ A substantial majority of loans are within the bank's assessment area.
- ▶ The distribution of loans reasonably penetrates the different income levels.
- ▶ Lending patterns are reasonably distributed throughout the assessment area.

These issues are discussed in detail in this document.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank of Borger</u> 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		X	
Response to Complaints	The bank has not received any CRA related complaints		

DESCRIPTION OF THE INSTITUTION

First National Bank of Borger (FNB) began its operation December 4, 1997, and is wholly owned by Olney Bancshares, Inc., a multi-bank holding company headquartered in Olney, Texas. The bank consists of the main facility in Borger, Texas with full-service branches in Stinnett, Texas and Vega, Texas. Total assets of the bank, as of June 30, 1998, are \$39.2 million. The bank, primarily a commercial and agriculture lender, offers a variety of loan products including 1-4 family mortgages and consumer installment loan products. The loan portfolio is segregated as follows:

	<u>Amount</u>	<u>% of Total</u>
Agriculture (non real estate)	9,122	35.5
Commercial	5,432	21.1
Oil & Gas	3,978	15.5
Consumer	2,619	10.2
Real Estate - Commercial	1,503	5.8
Real Estate - Agriculture	1,446	5.6
Real Estate - 1-4 Family	945	3.7
Real Estate - Construction	418	1.6
Other	<u>250</u>	1.0
Totals	25,713	

The bank's financial condition does not inhibit its ability to meet credit needs in its assessment area. Additionally, the bank has no legal impediments that would inhibit its ability to meet community credit needs.

DESCRIPTION OF THE ASSESSMENT AREA

FNB's assessment area consists of 13 contiguous counties in the northern Texas Panhandle. Eleven counties are not part of any Metropolitan Statistical Area (MSA) and contain 42 block numbering areas (BNA's). The remaining two counties comprise the Amarillo, Texas MSA and contain 68 census tracts (CT's). A demographic breakdown of the assessment area is as follows:

(Data based on the 1990 U.S. Census)	<u>Non-MSA</u>	<u>MSA</u>	<u>Totals</u>	<u>% of Total</u>
Number of BNA's / CT's	42	68	110	
Low Income	0	7	7	6%
Moderate Income	4	17	21	19%
Middle Income	21	26	47	43%
Upper Income	17	18	35	32%
Population	118,021	187,547	305,568	
Number of Families	33,192	51,029	84,221	
% Low Income Families	15%	20%	19%	
% Moderate Income Families	14%	18%	16%	
% Middle Income Families	20%	23%	22%	
% Upper Income Families	51%	39%	43%	
Number of Households	42,979	72,252	115,231	
% of Owner Occupied	62%	57%	59%	
% of Families Below Poverty Level	14%	15%		

The Texas weighted average of Non-MSA census medium family income tracts is \$24,586 for the Non-MSA counties and \$30,688 for the MSA counties. This amount is the basis for determining the income designation of the individual BNA and CT. The Texas weighted average of Non-MSA updated median family income tracts is \$32,100 for the Non-MSA counties and \$40,400 for the MSA counties. This amount is the basis for determining the income designation of the individual borrower.

Based on 1990 U. S. Census Bureau data, unemployed labor for the assessment area is low at 3%. Updated information for the Borger area indicates unemployment has risen to approximately 9.5%. This is unusual given that the Phillips Petroleum plant is the largest employer in the area employing, directly and indirectly, over 2100 individuals. Information obtained during community contacts suggests two primary factors in this unusually high rate.

- 1) The wage scale is higher than normal, primarily due to the Phillips plant, and although there are jobs available in the area, prospective workers are waiting for the higher paying jobs at Phillips.
- 2) Phillips does an abundance of short-term contract projects which attracts prospective workers from out of the area. Once the projects are completed many individuals remain in the area.

The employment base is broad and diversified. In the northern part of the assessment area, oil and gas is the primary industry with the Phillips plant being the largest employer. In the eastern and western sections, agriculture is the primary industry. In the Amarillo MSA, medical, retail, and technology are the primary industries. Major employers include the city government and the primary and secondary school systems.

We performed several community contacts in Borger, Stinnett, and Vega to assess the level of services provided by the financial institutions as well as the economic conditions. We also relied on recent contacts by our agency in the Amarillo area for our assessment. We noted no significant unmet community credit needs from these contacts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio -

The loan-to-deposit (LTD) ratio gauges the institution's volume of lending in comparison to other institutions of similar size, capacity, and location in the assessment area. FNB's LTD ratio is satisfactory and comparable to area competing banks. There are several other financial institutions in the assessment area including single facility state and national banks, and local branches of large regional banks. FNB's average LTD ratio since inception (December 4, 1997) is 64.8% compared to the range of 40.7% to 103.5% for competing financial institutions over the same time period. FNB's LTD ratio has steadily increased and management expects further improvement for the remainder of 1998.

Loans Within the Assessment Area -

A substantial majority of loans are within the assessment area. The bank periodically performs its own analysis on the location of loans within the portfolio. At June 30, 1998, this analysis reflected 91% of the dollar, and 95% of the number of loans in the portfolio were in the assessment area.

Loan Distribution by Income Level -

The bank demonstrates satisfactory lending performance in the distribution of loans to the different income levels. Borrower income is not an item that is currently monitored by bank management. To assess this factor, we reviewed a sample of consumer and

business loan files to accumulate sufficient information to reach a conclusion. Our analysis reflect a satisfactory penetration of lending to individuals of all income levels as documented below.

Income Distribution by Income Level

Income Level	Low	Moderate	Middle	Upper	Unknown
# of Loans	6	10	12	9	4
% of Total	15	24	29	22	10
% of Families in the Assessment Area	19	16	22	43	--

Contributing to the satisfactory efforts in this category is the bank’s willingness to make small dollar loans for basic living needs. The bank has no minimum loan amount and recognizes the need for this type of credit. This need is significant given the number of families within the assessment area at or below poverty level. We found many small dollar loans were generally made to low- and moderate-income borrowers who cannot qualify for credit card loans. Currently, the bank has 47 loans in its portfolio with originating balances less than \$2,000, representing 6% of the total number of loans in the portfolio.

In reviewing small business loans, we obtained income information on 31 entities. We found that 28, or 90%, were to businesses with annual revenues of \$1 million or less indicating satisfactory efforts to assist the small business community.

Geographic Distribution of Loans -

The bank’s current system to monitor loan distribution is limited and not sufficient for a detailed analysis. Management is in the process of improving this system to identify loans by BNA and CT. To assess the level of penetration into the different income geographies, we reviewed a sample of loans primarily out of the Borger and Vega locations. Overall, the loan penetration into the various income levels is satisfactory. The results of our sample is noted in the chart below.

Loan Distribution by Geography

Income Level	Low	Moderate	Middle	Upper	Unknown
# of Loans	1	3	11	15	8
% of Total	3	8	29	39	21

Response to Complaints -

The bank has not received any CRA related complaints since the bank was established on December 4, 1997.

FAIR LENDING

We performed a fair lending examination at the same time as our review of CRA. We noted no instance of discrimination or disparate treatment of borrowers from this review. We also noted the bank to be in compliance with antidiscrimination laws.