



## **PUBLIC DISCLOSURE**

May 16, 2013

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Lipan  
Charter Number 10598

101 E. Lipan Drive  
Lipan, TX 76462

Office of the Comptroller of the Currency

9003 Airport Freeway  
Suite 275  
North Richland Hills, TX 76180-9127

**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 First National Bank of Lipan's (FNB's) lending performance reflects satisfactory responsiveness to its community's credit needs. This assessment is based on the following conclusions:

- FNB's average loan-to-deposit ratio of 58.8% is reasonable given the bank's size, financial condition, local competition, and assessment area credit needs.
- A majority of FNB's loan activity is within its assessment area.
- The distribution of loans demonstrates excellent penetration among individuals of different income levels.

## SCOPE OF EXAMINATION

Our review considered lending activity since January 1, 2008. FNB is considered a consumer-oriented bank, as 67% of loan activity reported at March 31, 2013 is either general consumer, consumer auto or 1-4 family related. There was an insufficient number of business loans from the sampling period to draw a representative sample. Therefore, our sample and conclusions are based on the consumer portfolios.

The bank's lending performance was evaluated against demographic data reported under the 2000 and 2010 Censuses, depending on the respective years when the lending activity took place. Lending activity occurring after January 1, 2012 was analyzed in the context of the 2010 Census data while the figures reported under the 2000 Census will remain in effect for loans originated prior to 2012. This Performance Evaluation (Report) contains analysis and tables for both periods. For simplicity, any analysis on 2011, and earlier, data is labeled "2011 Data" and analysis on 2012, and later, data is labeled "2012 Data".

Our samples were randomly selected for the portfolios above with a minimum of 20 loans for each sample. We did not analyze loan data for the bank's primary loan types of 1-4 family, general consumer, and consumer auto that had less than 20 loan originations in either 2011 or 2012. This data is used for the ***Lending in the Assessment Area*** and ***Lending to Borrowers of Different Incomes*** sections of this evaluation. There are no low- or moderate-income census tracts (CTs) in the assessment area, so a ***Geographic Distribution of Loans*** analysis was not performed.

## DESCRIPTION OF FIRST NATIONAL BANK OF LIPAN

FNB is a community bank located in Lipan, Texas, approximately 50 miles southwest of Fort Worth, Texas. FNB operates no additional bank locations or ATMs. Local residents manage and oversee bank operations. The bank is not a subsidiary of a holding company and there are no affiliates.

The most recent CRA examination was performed as of September 13, 2007. The bank received a satisfactory rating at that examination. There are no legal or financial impediments to FNB's ability to meet the credit needs of its assessment area. FNB's business strategy is to continue to meet all credit needs where possible. This is a bedroom community and the dominant credit needs continue to be consumer and home related.

FNB is a full service bank offering traditional products and services. Competition consists of financial institutions located in the surrounding towns. As of March 31, 2013, FNB reported total assets \$17.7 million, total loans of \$8.9 million, and total deposits of \$16.0 million. The following table reflects the loan portfolio by major loan product type as of March 31, 2013:

<b>Loan Portfolio Composition as of June 30, 2007</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Consumer Loans	3,533	39.5%
1-4 Family Residential Loans	2,485	27.8%
Commercial Loans	1,413	15.8%
Agricultural Production Loans	600	6.7%
Agricultural Real Estate Loans	579	6.5%
Other Loans	327	3.7%
<b>TOTALS (Percent of Total Assets; 50.6%)</b>	<b>8,937</b>	<b>100.0%</b>

*Source: March 31, 2013 Report of Condition*

## DESCRIPTION OF THE ASSESSMENT AREA

FNB defines its assessment area as four contiguous CTs out of four different counties surrounding Lipan. FNB is located in the Northwest corner of Hood County. Other contiguous counties included in the assessment area include Erath (West), Palo Pinto (Northwest) and Parker (North). The CT in Parker County is a part of the Fort Worth Metropolitan Statistical Area (MSA), while the remaining CTs in the assessment area are not part of any MSA. The assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income geographies. A total of 20,238 people live in the assessment area. The city of Lipan has approximately 430 residents.

The following table reflects the assessment area demographics:

Demographic and Economic Characteristics of the Assessment Area		
	<i>Non-MSA CTs</i>	<i>MSA CT</i>
<b><i>Population</i></b>		
Number of Families	3,040	2388
Number of Households	3,921	3,105
<b><i>Geographies</i></b>		
# Low-Income BNA	0	0
# Moderate-Income BNA	0	0
# Middle-Income BNA	0	1
# Upper-Income BNA	3	0
Median Family Income (MFI)		
2010 MFI for Assessment Area	\$48,160	\$65,319
2011 HUD Adjusted MFI	\$49,300	\$69,200
<b><i>Economic Indicators</i></b>		
Unemployment Rate	7.2%	5.7%
2010 Median Housing Value	\$116,735	\$114,300
% of Households Below Poverty Level	8.67%	10.31%

*Source: 2010 Census Bureau and 2011 Housing and Urban Development Agency (HUD) data*

We considered information from one community contact conducted with a local city official. Local economic conditions are fair to stable. Lipan is a bedroom community to the surrounding communities of Granbury, Stephenville, Mineral Wells and Weatherford. The local official felt the immediate credit needs of the community are being fulfilled. FNB plays an active role in local town events as well as meeting individual credit needs of low- and moderate-income individuals.

There is no significant competitor within the assessment area except for a national bank branch in the community of Brock, Texas.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Our conclusions in this section are based on the lending activity since January 1, 2008. Refer to the **SCOPE OF EXAMINATION** section of this Report for details on the sampling process.

### **Loan-to-Deposit Ratio**

FNB's loan-to-deposit (LTD) ratio is reasonable and meets the standards for satisfactory performance.

The LTD ratio measures the extent to which the subject bank has returned the deposits it has received to the community in the form of loans. The average of such ratios for each quarter-end since the prior CRA examination was used to determine performance in this area. The average LTD ratio for FNB since the prior CRA examination was 58.8%. The assessment area, and surrounding counties, contains 5 other financial institutions with which to compare FNB. The average LTD ratios, for the same period, of these institutions ranged from 48.0% to 84.5%. FNB's LTD ratio is within the range of competing institutions. This ratio is reasonable and reflects satisfactory efforts to meet the credit needs of the communities served.

### **Lending in Assessment Area**

FNB's lending practice reflects a majority of the lending activity within the assessment area, which meets the standards for satisfactory performance.

This section quantifies what proportion of a bank's lending activity was within its assessment area. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own assessment area, would be considered less than satisfactory. However, a majority of FNB's lending efforts are concentrated within the assessment area.

To assess the FNB's performance, we used the samples described above. Based on our sample results, a majority of loans were originated within FNB's assessment area. The following tables reflect the results of our assessment of FNB's efforts to lend within its assessment area.

<b>Lending in the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b><u>2011 Data</u></b>										
1-4 Family	15	75.0	5	25.0	20	858	81.5	194	18.5	1,052
General Consumer	16	80.0	4	20.0	20	333	80.1	83	19.9	415
<b>2011 Data Total</b>	<b>31</b>	<b>77.5</b>	<b>9</b>	<b>22.5</b>	<b>40</b>	<b>1,191</b>	<b>81.1</b>	<b>277</b>	<b>18.9</b>	<b>1,468</b>
<b><u>2012 Data</u></b>										
General Consumer	16	80.0	4	20.0	20	71	55.4	57	44.6	128
Consumer Auto	14	70.0	6	30.0	20	224	64.4	124	35.6	348
<b>2012 Data Total</b>	<b>30</b>	<b>75.0</b>	<b>10</b>	<b>25.0</b>	<b>40</b>	<b>295</b>	<b>62.0</b>	<b>181</b>	<b>38.0</b>	<b>476</b>
<b>Overall Totals</b>	<b>61</b>	<b>76.3</b>	<b>19</b>	<b>23.7</b>	<b>80</b>	<b>1,486</b>	<b>76.4</b>	<b>458</b>	<b>23.6</b>	<b>1,944</b>

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

FNB’s loan distribution to the different family and household income levels reflects excellent penetration to borrowers of different incomes. This exceeds the standards for satisfactory performance.

FNB obtains and analyzes applicant income information during the loan decision process; however, this information is not used for CRA purposes. To assess FNB’s efforts, we used the samples described above. Also, the bank does not have a minimum loan amount in policy. We reviewed the loan trial and noted a number of loans for \$1,000 or less (the lowest was \$400.00), and noted an additional number of other credits for \$1,500 or less. These combined factors indicate FNB is meeting the credit needs of the community.

<b>Borrower Distribution of 1-4 Family</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
<b><u>2011 Data</u></b>	<b>12.87%</b>	<b>10%</b>	<b>17.42%</b>	<b>5%</b>	<b>18.91%</b>	<b>30%</b>	<b>50.80%</b>	<b>35%</b>
	<i>(Income information was not available on 20% of the number and 12.5% of the dollars sampled.)</i>							

<b>Borrower Distribution of General Consumer Loans</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>% of AA Households</b>	<b>% of # of Loans</b>	<b>% of AA Households</b>	<b>% of # of Loans</b>	<b>% of AA Households</b>	<b>% of # of Loans</b>	<b>% of AA Households</b>	<b>% of # of Loans</b>
<b><u>2011 Data</u></b>	22.75%	30.0%	16.99%	25.0%	19.65%	30.0%	40.61%	15.0%
<b><u>2012 Data</u></b>	14.46%	50.0%	14.92%	30.0%	16.73%	5.0%	53.89%	15.0%

<b>Borrower Distribution of Consumer Auto Loans</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>% of AA Households</b>	<b>% of # of Loans</b>	<b>% of AA Households</b>	<b>% of # of Loans</b>	<b>% of AA Households</b>	<b>% of # of Loans</b>	<b>% of AA Households</b>	<b>% of # of Loans</b>
<b><u>2012 Data</u></b>	14.46%	40.0%	14.92%	30.0%	16.73%	10.0%	53.89%	15.0%
<i>(Income information was not available on 5% of the number and 2.2% of the dollars sampled.)</i>								

**Geographic Distribution of Loans**

There were no low- or moderate-income CTs in the assessment area, therefore a geographic distribution analysis was not performed.

**Responses to Complaints**

There were no CRA related complaints since the prior CRA examination.

**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.