



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 05, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank In Cooper
Charter Number 13046**

**11 West Side Square
Cooper, TX 75432**

**Comptroller of the Currency
ADC Michael K. Hughes - Dallas North
17300 Dallas Parkway Suite 2020
Dallas, TX 75248**

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 in Cooper (FNBC) has a satisfactory record of meeting community credit needs. This rating is based upon the following:

- A majority of loans sampled, representing 73% of the number and 95% of the dollar volume, originated within the bank's assessment area; and
- The bank's lending to borrowers of different incomes meets the standards for satisfactory performance.

DESCRIPTION OF INSTITUTION

FNBC is an \$18 million community bank operating one office in Cooper, Texas. This office does not have a drive-up facility or an automated teller machine (ATM). The bank is wholly owned by a two-bank holding company, Cooper Lake Financial Corporation, a Texas Corporation. As of September 30, 2003, the bank's holding company has total assets of approximately \$38 million. FNBC serves Delta County by providing various deposit and loan products. However, competition for these services comes from other banks in the area as well as financial institutions in Paris, Texas. As a result, management's primary lending focus is consumer lending consisting of both one-to-four family residential property and other consumer loans. The following table portrays the principal loan mix of FNBC as of September 30, 2003:

Loan Category	\$ (000)	%
Residential Real Estate	2,163	44
Consumer	1,209	25
Commercial	803	16
Farmland	659	13
Commercial Real Estate	78	2
Obligations	8	<1
Total	4,920	100%

FNBC was rated "Satisfactory" in its previous CRA public evaluation dated May 17, 1999. The bank has no financial or legal obstacles that affect its ability to meet community credit needs. As of September 30, 2003, FNBC had a "net loans to total assets" ratio of 26%.

DESCRIPTION OF DELTA COUNTY

FNBC's assessment area is Delta County. The bank's assessment area meets the requirements of the regulatory guidelines and does not arbitrarily exclude any low-or moderate-income areas. Delta County is considered to be a low-income area. Despite this, the local economy is considered to be improving with the largest employers Sure Start, Inc., and the Cooper Independent School District. The largest industries are manufacturing and agriculture. Delta County has a total of three financial institutions consisting of FNBC, its affiliate, The Delta Bank, and a branch office of Enloe State Bank.

The demographics for the assessment area (AA) include: total occupied housing units at 87%

with owner-occupied housing at 67%, rental-occupied housing at 20%, and vacant housing units at 13%. Other pertinent demographic information are reflected in the following table:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	1,474
Number of Households	2,095
<i>Geographies</i>	
Number of Census Tracts	2
# - % Middle-Income Census Tracts	2 – 100%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$37,925
2000 HUD-Adjusted MFI	\$34,700
2001 HUD-Adjusted MFI	\$35,800
2002 HUD-Adjusted MFI	\$36,100
2003 HUD-Adjusted MFI	\$41,200
<i>Economic Indicators</i>	
Unemployment Rate	4.3*
2003 Median Housing Value	\$40,500
% of Households on Social Security	36%
% of Households Below Poverty Level	18%
% of Households on Retirement	19%

*Based on November 2003 Bureau of Labor Statistics (BLS) Data for Delta County, TX

The credit needs of the community were determined through interviews with individuals associated with the city of Cooper. The community contacts indicated area financial institutions are very cooperative and are diligent in trying to meet the community’s credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The September 30, 2003 Call Report indicates that the majority of FNBC’s loan portfolio consists of residential real estate loans. For our analysis, we combined all mortgage types - home purchase, home refinance, home improvement, and home equity loans to determine the bank’s lending penetration. The next largest distribution of loans is consumer installment. We sampled loans originated between May 18,1999, and December 31, 2003.

Overall, FNBC is meeting the standards of satisfactory performance. The bank’s strengths are lending within its assessment area and to low-income families.

Lending in Assessment Area

Based on our review of FNBC’s performance context and lending patterns, the bank exceeds the standards of satisfactory performance. Our sample of 20 residential loans and 20 consumer installment loans revealed 73% were within the bank’s assessment area, totaling \$715 thousand or 95%.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential	18	90	684	96	2	10	30	4
Consumer	11	55	31	85	9	45	5	15
Total Reviewed	29	73	715	95	11	27	35	5

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

The bank meets the standard for satisfactory performance in lending to borrowers of different incomes. We did not determine the bank's performance regarding its lending pattern to businesses of different sizes because business loans are not a primary loan product.

Regardless, we reviewed a sample of 20 residential loans originated within the bank's assessment area. FNBC's dollar volume of residential loans to moderate-income borrowers is nonexistent. However, the bank's penetration of residential lending to low-income borrowers is excellent as seen in the following table:

RESIDENTIAL LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	22%		17%		19%		42%	
LOANS by TYPE	% of Number	% of Amount						
Total	30	19	0	0	40	37	30	44

Residential Real Estate products sampled: 20 loans totaling \$824 thousand

Management stated that most of their customers' income is either in the low-income category or slightly above the moderate-income category placing those customers in the middle-income group. The definitions for the income categories are as follows:

INCOME LEVELS DEFINED				
Borrower Income Level	LOW	MODERATE	MIDDLE	UPPER
Percentage	< 50%	50% < 80%	80% < 120%	≥ 120%
Using Updated Median Family Income (MFI) for each year				
2003 MFI = \$41,200	\$20,600	\$20,600 < \$32,960	\$32,960 < \$49,440	\$49,440
2002 MFI = \$36,100	\$18,050	\$18,050 < \$28,880	\$28,880 < \$43,320	\$43,320

Management does not arbitrarily exclude moderate-income families. In fact, management has stated that they will make loans to virtually any creditworthy customer.

In addition, we reviewed 20 consumer installment loans made within the bank's assessment area. A meaningful analysis of the bank's record of consumer installment lending to low- and moderate-income borrowers could not be conducted because it is management's practice to not obtain financial information on existing customers. Despite this fact, we identified ten loans that

had financial information. FNBC's penetration of consumer lending to low-income borrowers is excellent as seen in the following table:

CONSUMER LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	26%		17%		16%		41%	
LOANS by TYPE	% of Number	% of Amount						
Total	80	90	10	7	10	3	0	0

Consumer products sampled: 10 loans totaling \$15 thousand

Loan-to-Deposit Ratio

FNBC's average loan-to-deposit (LTD) ratio is 28%. Given the bank's size, financial condition, and assessment area credit needs, the bank meets the standard for satisfactory performance. The 18-quarter average LTD ratio does not appear favorable when compared to other financial institutions within the assessment area. Information for other financial institutions within the bank's assessment area is detailed in the following table:

Institution	Assets ('000's) As of 09/30/03	Average LTD Ratio
Enloe State Bank in Enloe	16,114	93.59%
National Peer Group	10,000 – 25,000	57.70%
The Delta Bank	19,953	44.85%
<i>First National Bank in Cooper</i>	<i>18,492</i>	<i>28.16%</i>

There are several reasons for FNBC's low LTD ratio. For example, loan demand is minimal. There are a limited number of families and households in Delta County and the ability to go elsewhere, i.e., the Internet, car dealerships, etc. for financing contributes to the low volume of loan activity. Despite this, management has attempted to reach out to its community by offering new car loan products, but to no avail. In addition, FNBC is a consumer lender. A majority of the bank's consumer loan volume is in low dollar loans primarily between \$500 and \$2,500.

Geographic Distribution of Loans

The bank's assessment area of Delta County consists of all middle-income census tracts. As such, a meaningful analysis of the geographic distribution of loans could not be performed because there are no low- or moderate-income census tracts within the bank's assessment area.

Responses to Complaints

FNBC has not received any CRA related complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.