



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

April 26, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Liberty National Bank
Charter Number 12850**

**1900 Sam Houston
Liberty, Texas 77575-0109**

**Office of the Comptroller of the Currency
Houston East Duty Station
1301 McKinney Street, Suite 3750
Houston, Texas 77010**

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 Community Reinvestment Act (CRA) performance of the **First Liberty National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 26, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25. A copy of this document should be placed in the bank's public file.*

INSTITUTION'S CRA RATING: This institution is rated “*Satisfactory.*”

First Liberty National Bank has a *satisfactory* record of meeting credit needs within the community. The bank's loan-to-deposit ratio is reasonable considering the credit needs of the community. A majority of loans originated by First Liberty National Bank are within the assessment area. The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. The bank's record of lending to borrowers of different income levels, including low-and moderate-income individuals and businesses of different sizes is reasonable.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST LIBERTY NATIONAL BANK</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	No complaints were received since the prior CRA examination.		

DESCRIPTION OF INSTITUTION

First Liberty National Bank is a \$118 million financial institution serving its customers with a main location in Liberty, Texas and a branch location in Dayton, Texas. The bank's main office and branch are located within moderate to middle income census tracts. To help meet the credit needs of its community, the bank offers general loan products for consumers and small businesses. Lending activity is in the following categories: one to four family residential property (34%), loans to individuals (24%), real estate (15%), and commercial and industrial loans (24%). The bank offers a variety of deposit accounts and other banking services as well.

DESCRIPTION OF ASSESSMENT AREA

First Liberty National Bank's assessment area consists of thirteen census tracts in Liberty, Hardin and Chambers Counties. Of the thirteen census tracts within the assessment area, six are defined as moderate-income, six are middle-income and one upper-income. The assessment area does not have any census tracts designated as low-income. The bank has defined the assessment area as the eastern and southern portions of Liberty County, the northeastern portion of Chambers County and the western portion of Hardin County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The assessment area has a population of about 54 thousand people, with 17% living below the established poverty level. The senior citizen population is moderate at 11% of the total population. The assessment area has approximately 23 thousand housing units with 72% being one to four family units. The number of owner occupied units is high accounting for 66% of the one to four family units. The percentage of vacant housing units is low at 16% of the total. The median housing value is \$47,301 and the median monthly gross rent is \$368. According to the 1990 census, the weighted average Metropolitan Statistical Area (MSA)/Non-MSA's Census Median Family Income was \$36,886. The updated Median Family Income of all Non-MSAs is \$50,400. Social security payments are received by 26% of the population in the assessment area.

First Liberty National Bank has a high degree of competition from several commercial banks, credit unions, and consumer finance companies located in Liberty, Chambers,

and Hardin counties and nearby areas. To a lesser extent, the bank competes with money center banks, mortgage banking companies, insurance companies, brokerage houses and government agencies.

Liberty is located on U.S. Highway 90 just east of the Trinity River and is the county seat. Major contributors to the local economy include: agriculture, retail trade, service providers, manufacturing, transportation, construction and public utilities. The major employers are: Texas Department of Criminal Justice (several prisons); school districts; and several major retail establishments. Overall, the economy is stable.

COMMUNITY'S CREDIT NEEDS

First Liberty National Bank has identified mobile home loans, residential mortgage loans, home equity and other consumer loans as the assessment area's primary credit needs. Community organizations, contacted during the examination, indicate that the banks in the area are active in the community in both lending and providing service. These community contacts also indicated the need for affordable housing funding. No legal restrictions exist that could impede the bank's ability to meet the credit needs of the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

First Liberty National Bank actively attempts to meet the credit needs of its assessment area. The bank's loan-to-deposit ratio is reasonable based on the community's credit needs. This ratio is consistent with similarly situated banks in the three counties.

The loan-to-deposit ratio as of March 31, 1999 was 43.22%. Since the prior CRA Performance Evaluation dated November 22, 1995, the bank's loan-to-deposit ratio has averaged 34.87%. First Liberty National Bank's ratios for the five most recent quarters are shown in Table 1.

Table 1

QUARTER ENDED	LOAN-TO-DEPOSIT RATIOS
March 31, 1999	43.22%
December 31, 1998	44.78%
September 30, 1998	44.68%
June 30, 1998	41.38%
March 31, 1998	39.04%
Five Quarter Average	42.62%

LENDING IN THE ASSESSMENT AREA

Examiner analysis performed during the examination included a sample of consumer, residential real estate, and small business loan files. This analysis revealed that 91% of

the number and 97% of the dollar volume were within the assessment area. Detail relating to this analysis is shown in Table 2.

Table 2

1999 LENDING IN THE ASSESSMENT AREA				
Type	Within		Outside	
Home Equity	\$ 468,660 # 12	82% 86%	\$ 99,527 # 2	18% 14%
Consumer	\$ 337,442 #19	88% 86%	\$ 46,406 # 3	12% 14%
Residential	\$ 1,079,317 # 19	100% 100%	\$ 0 #0	0% 0%
Commercial	\$ 3,011,843 # 18	99% 90%	\$29,424 #2	1% 10%

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

Overall, First Liberty National Bank's level of lending to individuals of different income

levels and businesses of different sizes is reasonable. Loan applications are solicited from all income levels. In addition, our sample of commercial loans revealed a majority of loans were to small businesses with revenues less than \$1 million per year.

Table 3 summarizes our review.

Table 3

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	0%		39%		51%		10%		100%	
Loans	#	%	#	%	#	%	#	%	#	%
Home Equity	0	0%	1	7%	1	7%	12	86%	14	100%
Residential	0	0%	2	11%	5	26%	12	63%	19	100%
Consumer	3	14%	4	18%	5	23%	10	45%	22	100%
Total	3	5%	7	13%	11	20%	34	62%	55	100%
Revenue Ranges	< \$100M		\$100M--\$500M		\$500--\$1MM		> \$1MM		Total	
Commercial	10	50%	2	10%	3	15%	5	25%	20	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. Our sample of loans from the bank’s consumer, mortgage, home equity and commercial portfolios revealed a reasonable geographic distribution of loans. The percentage of loans in moderate income tracts and middle income tracts closely

approximates the area demographic characteristics.

Table 4 is based upon that information and details the distribution of loans within the assessment area.

Table 4

GEOGRAPHIC DISTRIBUTION OF LOANS										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	0%		43%		43%		7%		100%	
Count										
	#	%	#	%	#	%	#	%	#	%
Loan Types										
Home Equity	0	0%	7	58%	5	42%	0	0%	12	100%
Residential	0	0%	7	37%	12	63%	0	0%	19	100%
Consumer	0	0%	11	58%	8	42%	0	0%	19	100%
Small Business	0	0%	4	33%	8	67%	0	0%	12	100%
Total Loans	0	0%	29	47%	33	53%	0	0%	62	100%

RESPONSE TO COMPLAINTS

First Liberty National Bank did not receive any consumer complaints since the prior CRA examination. However, the bank has a satisfactory procedure in place to handle consumer complaints.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

A Fair Lending review was performed in conjunction with the CRA examination. No violations of the substantive provisions of the anti-discrimination laws and regulations were cited during the examination.

OTHER CONSIDERATIONS

First Liberty National Bank actively participates in lending projects designed to contribute to the general welfare of the community. The bank's loan officers have actively solicited and made community development loans which includes loans to several area churches and funds for several rural water supply systems. The bank provided interim financing for the Liberty County project to purchase a new building for the elderly. Also, the bank has provided funding to a neighboring city to purchase their city hall building.

First Liberty National Bank has invested in the community and monitor this investment by direct involvement with numerous clubs and organizations.