



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**August 15, 2002**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank Of Tahoka  
Charter Number 8597**

**1601 South First Street  
Tahoka, TX 79373**

**Comptroller of the Currency  
Lubbock Field Office  
5225 South Loop 289 Suite 108  
Lubbock, TX 79424**

**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.**

## TABLE OF CONTENTS

<u><i>INSTITUTION'S CRA RATING</i></u> .....	2
<u><i>DESCRIPTION OF INSTITUTION</i></u> .....	2
<u><i>DESCRIPTION OF LYNN COUNTY</i></u> .....	3
<u><i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</i></u> .....	4

## INSTITUTION'S CRA RATING

**This institution is rated Satisfactory.**

The First National Bank of Tahoka (FNB) has a satisfactory record of meeting community credit needs. This is based on the following:

- The bank's loan-to-deposit ratio is reasonable and averaged 34 percent during the evaluation period. Such performance is reasonable given the available loan demand in the assessment area.
- A substantial majority of FNB's loans are within its assessment area.
- FNB has a reasonable penetration of loans to individuals and families of different income (including low- and moderate-income) levels, and farms of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- There have been no complaints with respect to FNB's CRA performance.

## DESCRIPTION OF INSTITUTION

FNB is located in the rural community of Tahoka, Texas, which is approximately 30 miles south of Lubbock. FNB is an intrastate bank with one main office and drive-up facilities. FNB has one automatic teller machine located in a local convenience store. The bank is wholly owned by Tahoka First Bancorp, Inc. (TFB), a one-bank holding company located in Tahoka, Texas. TFB reported assets of \$50 million as of December 31, 2001.

As of March 31, 2002, FNB had total assets of \$49 million, with 30 percent in the loan portfolio. The bank's primary loan products include agricultural, residential real estate, and consumer loans. The following chart details a breakdown of FNB's loan portfolio as of March 31, 2002.

LOAN PORTFOLIO COMPOSITION		
Loan Category	\$ (000)	%
RE Residential (1-4 family)	3,646	24.57
Agricultural Production	3,332	22.45
RE Farmland	1,980	13.34
Consumer	1,956	13.18
Commercial and Industrial	1,454	9.80
RE Nonfarm/Nonresidential	1,206	8.13
Real Estate (RE) Construction	794	5.35
RE Multifamily	421	2.84
Other	51	0.34
Total	<b>14,840</b>	<b>100.00</b>

Bank lobby and drive-through services are provided Monday through Friday. Based on its financial condition, the local economy, product offerings, and competition, FNB has the ability to meet the various credit needs in its community. The bank was rated "Satisfactory" at the last CRA examination on October 29, 1997. No legal impediments or other factors hinder FNB's ability to

provide credit in its assessment area. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

## DESCRIPTION OF LYNN COUNTY

FNB has designated Lynn County as its assessment area. Tahoka is centrally located in Lynn County and is the county seat. Principal cities located within the assessment area include O'Donnell, Wilson, and Gordon. Smaller communities also located within the assessment area include New Home, Grassland, and Draw. Specific demographic data and economic data for this area are listed below.

<i>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</i>	
Population	
Number of Families	1,870
Number of Households	2,419
Geographies	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0.00
% Moderate-Income Census Tracts/BNA	33.33
% Middle-Income Census Tracts/BNA	66.67
% Upper-Income Census Tracts/BNA	0.00
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	24,595
2001 HUD-Adjusted MFI	35,800
2002 HUD-Adjusted MFI	36,100
Economic Indicators	
Unemployment Rate	3.39
2001 Median Housing Value	30,827
% of Households Below Poverty Level	26.75

The bank's assessment area is comprised of three contiguous block numbering areas (BNAs). This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Based on 1990 Census data, the assessment area has a total population of 6,758. There are 2,978 housing units in the assessment area, of which 57 percent are owner-occupied, 23 percent are renter-occupied and 20 percent vacant. Approximately 31 percent of the families in the assessment area are considered low-income. Moderate-income families approximate 16 percent of the population, while middle- and upper-income families comprise the remaining 53 percent. The local economy is based on farming. Depressed crop prices and drought conditions have recently had a negative impact on the agricultural economy. The largest non-agricultural employers within the assessment area include Lyntegar (local electric co-op), Tahoka Independent School District, Lynn County Hospital, and Poka Lambro Telephone (local telephone co-op).

Competition is strong in the assessment area with three financial institutions. Ag Texas Farm Credit Services also has an office in Tahoka.

One community contact was conducted for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. The community contact was the president of the Lynn

County LULAC. In addition, a community contact performed by other examiners in Lynn County during the prior month was reviewed. These contacts stated that economic conditions are depressed, as the community is reliant upon agriculture. One contact further stated that FNB is active in the community and responsive to local credit needs.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan-to-deposit ratio of FNB is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 34 percent since the prior CRA examination in October 1997. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 51 percent. Traditionally FNB has primarily been an agricultural lender. The bank's loan-to-deposit ratio has been negatively impacted by the extended drought conditions experienced in Lynn County. As a result, agricultural production loans have not been fully funded through the agriculture cycle resulting in a lower loan-to-deposit ratio. As of June 30, 2002, the bank's loan-to-deposit ratio was 40.6 percent.

The quarterly average loan-to-deposit ratio for each similarly situated bank in or contiguous to the assessment area is listed below. Please note that these banks are listed alphabetically by city and that no ranking is intended or implied.

LOAN-TO-DEPOSIT RATIO		
Institution	Total Assets \$ (000's) (As of 03/31/02)	Average Loan-to-Deposit Ratio*
Citizens State Bank, Anton	28,406	53.65%
Citizens National Bank of Crosbyton	30,137	35.95%
First National Bank of O'Donnell	35,975	77.04%
First State Bank, Shallowater	30,489	49.13%
<b>First National Bank of Tahoka</b>	<b>48,848</b>	<b>33.60%</b>
Wilson State Bank, Wilson	43,622	37.29%

\*The average LTD ratio for the six banks is for the period from March 1998 through March 2002.

### Lending in Assessment Area

A substantial majority of the bank's loans were made within its assessment area. In order to assess performance for this criteria, we reviewed a sample of 25 agricultural, 25 residential real estate, and 25 consumer loans originated during 1998 through June 2002. Our analysis determined that 81.3 percent of the number of loans and 85.5 percent of the dollar amount of loans in the sample were made to borrowers within the bank's assessment area. The breakdown by loan category is illustrated in the following table.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Agricultural	23	92.0%	1,259	84.6%	2	8.0%	229	15.4%
Residential RE	22	88.0%	204	90.8%	3	12.0%	78	9.2%
Consumer	16	64.0%	765	74.2%	9	36.0%	71	13.1%
Total Reviewed	61	81.3%	2,228	85.5%	14	18.7%	378	14.5%

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

FNB's loan portfolio reflects a reasonable distribution among individuals and families of various income levels (including low- and moderate-income) and agricultural-related businesses of different sizes within the assessment area. Our analysis included 25 agricultural, 25 residential, and 25 consumer loans originated from January 1998 through June 2002.

*Agricultural Loans* - FNB's primary loan product is agricultural loans. As seen in the following chart, 100 percent of the number and dollar volume of agriculture loans sampled were to small farms with gross annual revenues less than \$1 million.

BORROWER DISTRIBUTION OF SMALL LOANS TO FARMS		
Farm Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farms	95.7%	4.3%
% of Bank Loans in AA #	100.0%	0.0%
% of Bank Loans in AA \$	100.0%	0.0%

*Residential Real Estate Loans* - Our analysis reflects a reasonable penetration of residential real estate loans to low- and moderate-income families. Based on 1990 Census information, 46.8 percent of families in the assessment area are low- and moderate-income. Our review determined that 36.0 percent of residential real estate loans were made to low- and moderate-income families. This lower performance is primarily due to the qualification requirements demanding larger income levels as well as significant closing costs and down payments, which many low-income individuals are unable to afford. In addition, approximately 26.5 percent of the families in the assessment area are below the poverty level. The following chart reflects the results of our selected sample of residential real estate loans originated in FNB's assessment area.

RESIDENTIAL REAL ESTATE LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	30.7%		16.1%		17.3%		35.9%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	16.0%	11.0%	20.0%	17.0%	24.0%	19.8%	40.0%	52.2%

*Consumer Loans* - Our analysis reflects a reasonable penetration of consumer loans to low- and moderate-income households. Based on 1990 Census information, 47.2 percent of households in the assessment area are low- and moderate income. Our review determined that 40.0 percent of consumer loans were made to low- and moderate-income households. The distribution of consumer loans is near the income characteristics of the assessment area for low- and moderate-income households. In addition, FNB will make a consumer loan in an amount as low as \$750. The following chart reflects the results of our selected sample of consumer loans originated in FNB's assessment area.

CONSUMER LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	29.2%		18.0%		13.8%		39.0%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	24.0%	4.4%	16.0%	11.3%	28.0%	54.6%	32.0%	29.7%

### **Geographic Distribution of Loans**

The geographic distribution of loans within the BNAs is reasonable given the bank's business strategy and location. Our analysis included 25 agricultural, 25 residential real estate, and 25 consumer loans originated during 1998 through June 2002. For all loan types sampled, there was no performance in the middle-income BNA 9501.00, which is located in the northeastern portion of Lynn County. In discussions with management, this area includes the city of Wilson, which has a financial institution. This BNA is also near the city of Slaton in Lubbock County and is served by several financial institutions.

*Agricultural Loans* - The performance in the moderate-income BNA was lower than the demographic composition of the assessment area. The moderate-income BNA is located in the lower portion of Lynn County, which includes the city of O'Donnell that is served by a local financial institution. The following chart reflects the results of our selected sample of small-farm loans originated in FNB's assessment area.

FARM LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Farms	0.0%		38.6%		61.4%		0.0%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	0.0%	0.0%	20.0%	13.0%	80.0%	87.0%	0.0%	0.0%

*Residential Real Estate Loans* - Our analysis indicated that the geographic distribution loans in the moderate-income area for residential real estate loans did not reflect the make-up of the assessment area. Demographic information indicates that the moderate-income area is located in the lower portion of Lynn County, which is largely a rural area. In discussions with management, it was noted that the local Ag Texas Farm Credit Services office is actively making residential loans to their agricultural customers. In addition, a financial institution is located in O'Donnell that can also provide financial services to this area.

RESIDENTIAL REAL ESTATE LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Owner Occupied	0.0%		19.8%		80.2%		0.0%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%

*Consumer Loans* - Our analysis indicated that the geographic distribution of loans in the moderate-income area for consumer loans did not reflect the make-up of the assessment area. Demographic information indicates that the moderate-income area is located in the lower portion of Lynn County. There is a financial institution located in O'Donnell that can provide financial needs to this area. The following chart reflects the results of our selected sample of consumer loans originated in FNB's assessment area.

CONSUMER LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Households	0.0%		19.2%		80.8		0.0%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	0.0%	0.0%	8.0%	9.1%	92.0%	90.9%	0.0%	0.0%

### Responses to Complaints

No complaints relating to CRA performance have been received by FNB.

### Fair Lending Review

An analysis of 1998, 1999, 2000 and 2001 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need



to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.