



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 14, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Emory
Charter Number 6814**

**107 Quitman Street
Emory, Texas 75440**

**Office of the Comptroller of the Currency
Southwestern District
500 N. Akard, 1600 Lincoln Plaza
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 Community Reinvestment Act (CRA) performance of **The First National Bank of Emory** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 30, 1997**. 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 First National Bank's lending performance reflects responsiveness to its community's credit needs. The bank's loan-to-deposit ratio of 46% is moderately lower to that of other local institutions. However, the bank makes numerous small-dollar loans to individuals. A substantial majority of loans are in the bank's assessment area. The loans reasonably penetrate various geographies and borrower income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>THE FIRST NATIONAL BANK OF EMORY</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 received since the prior examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of Emory (FNB Emory) has two offices. The main bank is in Emory, Texas with a branch located in Alba, Texas. Alba is nine miles southeast of Emory. An ATM is located at the main bank. As of September 30, 1997, the bank had total assets of \$54 million with \$22 million in total loans. The loan mix consists of real estate (48%), consumer (21%), agricultural (17%), and commercial (14%).

FNB Emory is owned by Emory Bancshares, Inc., a one-bank holding company. There are no financial or legal impediments which would impair the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF RAINS COUNTY AND TOWN OF ALBA

The bank's assessment area is defined as Rains County and the town of Alba, which is in Wood County. Neither county is included in a Metropolitan Statistical Area (MSA). Based on the 1990 census data, the assessment area contains 3 census tracts with a population of 9,310. Median family income is \$24,615. Housing units total 4,862 of which 14% are rental units. The local economy is centered in dairy, ranching, and farming. It is also influenced by fishing and boating activities because Emory is situated between Lake Fork and Lake Tawakoni. Unemployment at 4.4% is comparable to the state and national averages. Many workers commute to their employment in Dallas, Terrell, Greenville, Sulphur Springs, and Tyler. Primary credit needs include affordable housing, consumer, agricultural, and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

FNB Emory has a satisfactory lending performance although its loan-to-deposit ratio is moderately lower than those of local financial institutions. The bank's loan-to-deposit ratio averaged 46% for the past four quarters and is below its local competitors' average of 51%. However, local public funds are 27% of total deposits. This requires the bank to maintain a large portion of its assets in securities to pledge against these funds. If the public funds are deducted from total deposits, the loan-to-deposit ratio increases to 61%.

The bank does not routinely collect income data on small consumer loans. However, using loan size as a proxy for income, conclusions can be reached about distribution of loans to individuals of differing income levels. The bank's efforts to serve the needs of low- and moderate-income customers is evidenced by the numerous small-dollar loans made to individuals. In 1996 and year-to-date 1997, the bank made 503 consumer loans ranging from \$100 to \$1,000. The average dollar amount of these loans is \$581 and they represent 13% of the total number of loans made during this period.

A substantial majority of the bank's lending is within the assessment area. An analysis performed by the bank shows 95% of the loans extended in 1996 and 1997 are within the assessment area. The three census tracts within the bank's assessment area are classified as middle-income areas. Low- and moderate-income households comprise 38% of the households in these tracts.

Geographic loan distribution is equitable throughout the assessment area. There are no definitive low- and moderate-income sections in the assessment area. The bank's geographic distribution analysis divides the assessment area by Rains County precincts and the township of Alba. The analysis shows reasonable dispersion of loans in each precinct and in Alba.

A sample of 40 farm and business loans indicated a reasonable penetration among farms and businesses of different sizes. The table below illustrates the various sizes of the farms and businesses based on gross annual income. Of those reviewed, only one is not considered a small farm or business. As shown below, due to their small size, the income level of over half of the farms and businesses reviewed was not determinable. However, the loans to these entities did not exceed \$38 thousand.

Income Level	Number	Percentage
<\$100 thousand	10	25%
\$101-\$250 thousand	2	5%
\$251-\$500 thousand	2	5%
\$501- \$1,000 thousand	4	10%
>\$1,000 thousand	1	3%
Unknown	22	55%

FNB Emory is involved in Small Business Administration (SBA) lending. As of September 30, 1997, the bank had three loans totaling \$72,865. All three loans are to small businesses in Emory.

FNB Emory did not receive any consumer complaints regarding CRA performance since the last examination. Our most recent fair lending examination revealed no violations of anti-discrimination laws or regulations.