
Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Dallas North Field Office
Southwestern District
500 North Akard, Suite 1600
Dallas, Texas 75201-3342

PUBLIC DISCLOSURE

November 29, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Tom Bean
Charter Number: 11019
109 S. Britton
Tom Bean, Texas 75489**

**Office of the Comptroller of the Currency
Dallas North Field Office
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3342**

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 **First National Bank of Tom Bean** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of November 29, 1999. 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 following factors support this overall rating:

- ! The bank's average loan-to-deposit ratio during the examination period at 35.66% is reasonable.
- ! A majority of new loans originated in 1999 are within the bank's assessment area.
- ! The bank's lending performance reflects a reasonable distribution of credit to businesses of different sizes and borrowers of different income levels.

Scope of the Examination

This evaluation of First National Bank of Tom Bean's CRA performance covers the period from April 1, 1996 through September 30, 1999. The evaluation includes a review of First National Bank of Tom Bean's designated assessment area, which consists of Grayson and Red River Counties. We also base our analysis on First National Bank of Tom Bean's consumer and business lending, in addition to their home and home improvement lending.

Description of Institution

First National Bank of Tom Bean (FNB) is an independently owned bank, and is not part of a holding company. FNB is currently a \$37 million institution, which serves Grayson and Red River counties. The main office is in Tom Bean with a branch located in Clarksville. In addition, the Clarksville branch has an ATM located onsite.

Loan products offered include mortgage, consumer, commercial and agricultural loans. FNB's competition includes regional and local banks, credit unions and savings and loans. FNB does not have any financial or legal obstacles affecting its ability to meet its community's credit needs.

The following table portrays the principle loan mix of FNB:

Types of Domestic Loans Outstanding September 30, 1999 (\$000's)		
<i>TYPE OF LOANS</i>	<i>AMOUNT</i>	<i>PERCENTAGE</i>
1-4 Family Residential Loans	\$3,608	20%
Commercial Loans	\$8,443	47%
Installment	\$5,799	33%
Other (exclude consumer loans)	\$14	<1%
TOTAL	\$17,864	100%

Description of Assessment Area

FNB has defined its assessment area as Grayson and Red River Counties. These counties are not contiguous. The assessment area meets regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas (LMI).

Demographics on Grayson county are detailed below:

ASSESSMENT AREA DEMOGRAPHICS			
<i>Designation</i>	<i># Census Tracts</i>	<i>% of Total Tracts</i>	<i>% of Households Residing in the Census Tracts</i>
Low	1	4.6%	.2%
Moderate	7	31.8%	21.6%
Middle	10	45.4%	56.7%
Upper	4	18.2%	21.5%
TOTAL	22	100%	100%

1990 census data shows total population of 95,021 in Grayson County. The 1999 Grayson County weighted average of census median family income is \$42,100.

As seen in the above table, 57% of households in the AA reside in middle income tracts. The median housing value is \$47,150. Total occupied housing units is 83%, with owner-occupied housing at 58% and rental-occupied housing at 26%. Vacant housing units in the assessment area total 17%.

Unemployment rates have remained low with the unemployment rate at 3% in Grayson County. The largest employers in the county are MEMC, a silicon wafer manufacturer, TCIM, a telemarketing firm, and North Texas Cement, a concrete production facility.

The table below contains demographics on Red River county:

ASSESSMENT AREA DEMOGRAPHICS			
<i>Designation</i>	<i># BNA's</i>	<i>% of BNA's</i>	<i>% of Households Residing in the BNA's</i>
Moderate	2	33%	14.6%
Middle	4	67%	85.4%
TOTAL	6	100%	100%

1990 census data shows total population of 14,317 in Red River County. The 1999 weighted average median family income for Non MSA's in Texas is \$33,900.

The median housing value is \$24,512. Total occupied housing units is 85.5%, with owner-occupied housing at 64.6% and rental-occupied housing at 20.9%. Vacant housing units in the assessment area total 14.5%.

The largest employers in the county are Philips Industries of Texas and Red Kap Industries. Many individuals are also employed in agricultural and timber-related industries.

A community contact was conducted to assess the credit needs in Red River county. The community contact stated that there was a need for consumer loans. The bank currently has a large volume of consumer loans in the loan portfolio.

Conclusions with Respect to Performance Criteria:

FNB's quarterly average loan-to-deposit ratio is 35.7%. Although this ratio is below peer banks at 57.2%, it is considered reasonable given the recent increase of the loan-to-deposit ratio to 51.3% at September 30, 1999. The loan-to-deposit ratio has steadily improved since the opening of the Clarksville branch in May, 1999. Also contributing to the below peer ratio is the composition of the bank's loan portfolio which has a relatively high percentage of smaller dollar consumer loans. The peer banks used in our review consists of state- and national-chartered banks in Grayson and Red River County.

Lending in Assessment Area

We took a sample at the Tom Bean location of eleven commercial loans, twenty-one consumer loans and thirteen home loans. 95.6% percent of the number of loans sampled and 98.6% of the dollar volume of loans reviewed were in the assessment area.

We sampled at the Clarksville branch twenty-seven commercial loans, twenty-seven home loans, and twenty-two consumer loans. 90.8% of the number of loans sampled were in the assessment area and 81.4% of the dollar volume of loans reviewed were in the assessment area.

Overall, FNB has a majority of its loans in the bank's assessment area.

Lending to Businesses of Different Sizes

FNB's lending to businesses of different sizes is good. 100% of the business loans sampled for Grayson County (thirteen) were to small businesses. Out of twenty-five loans sampled in Red River County, 23 or 92% were to small businesses.

Lending to Borrowers of Different Incomes

FNB's record of lending to borrowers of different income levels is satisfactory. For Grayson County, we reviewed thirteen home loans and twenty consumer loans originating in 1999. Our review of home loans revealed that 15% of the loans were to moderate-income individuals, 8% to middle-income individuals, and 77% to high-income individuals. Our review of consumer loans revealed that 30% were made to low-income individuals, 35% to moderate-income individuals, 25% to middle-income individuals and 2% to high-income individuals. We cannot draw any meaningful conclusions with respect to the distribution of home loans because of the limited population of home loans available for analysis. The consumer loan distribution compares very favorably with the distribution of families in the county as follows: low-income 20%, moderate-income 18%, middle-income 23% and upper-income 39%.

For Red River County, we sampled twenty-four home loans and twenty consumer loans. The review of home loans revealed that 25% were to moderate-income individuals, 21% to middle-income individuals and 54% were to high-income borrowers. The consumer loan sample showed that 25% were to low-income individuals, 20% to moderate-income individuals, 30% to middle-income and 25% to high-income individuals. The distribution of families in the county is as follows: 29.5% low-income, 18.2% moderate-income, 19.5% middle-income and 32.8% upper-income. The distribution of home loans compares somewhat favorably with the distribution of families except for loans to low income households where only limited application volume was evident. The consumer loan distribution compares favorably with the distribution of families in the county.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion in the assessment areas. We reviewed twenty installment loans, thirteen home loans and ten small business loans made in Grayson

County. 5% of the installment loans were in moderate-income census tracts and 95% in high-income census tracts. Our review of home and small business loans revealed that all loans were in middle-income census tracts. This is due to the increased distance of low- and moderate-income census tracts from the bank. The majority of the bank's loans are made in census tract eighteen and the adjoining census tract one, both middle-income census tracts. The main bank is currently located in census tract eighteen.

We also reviewed twenty installment loans, twenty-four home loans and twenty-five small business loans made in Red River County. 10% of the installment loans were in moderate-income BNAs and 90% in middle-income BNAs. 12.5% of the home loans were in moderate-income BNAs and 87.5% in middle-income BNAs. In regards to the business loans, 20% were in moderate-income BNAs and 80% were in middle-income BNAs.

Compliance with Antidiscrimination Laws

A fair lending review performed with this CRA examination revealed satisfactory compliance with fair lending regulations. We used the bench mark approach to assess compliance with fair lending laws and regulations. Five unmarried denied auto loan applicants were compared to twenty married approved auto loan applicants. We noted no practices intended to discourage or impede potential borrowers from applying for credit.