



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**September 16, 2002**

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

**The First National Bank of Moody  
Charter Number 5774**

**Avenue D & 7th Streets  
Moody, TX 76557**

**Comptroller of the Currency  
ADC - Austin  
8310 Capital of Texas Highway North, Suite 250  
Austin, TX 78731**

**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

<b><u>INSTITUTION'S CRA RATING</u></b> .....	<b>1</b>
<b><u>DESCRIPTION OF INSTITUTION</u></b> .....	<b>2</b>
<b><u>DESCRIPTION OF ASSESSMENT AREA</u></b> .....	<b>2</b>
<b><u>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</u></b> .....	<b>4</b>

## **INSTITUTION'S CRA RATING**

**This institution is rated "Outstanding."**

The First National Bank of Moody's (FNB) lending performance is outstanding given its size, financial condition, and known credit needs in its assessment area (AA). FNB's performance under these performance criteria has exceeded the standard for satisfactory performance.

- FNB's loan-to-deposit (LTD) ratio exceeds the standard for satisfactory performance. The LTD averaged 62% since our last examination, outperforming the bank's competitors. Over the same time period, the average LTD for similarly situated banks was 50%.
- A substantial majority, 93% of the number and 95% of the dollar volume, of FNB's loans are within its AA.
- FNB has demonstrated a strong willingness to extend loans to individuals of varying incomes and businesses of different sizes. Lending to low- and moderate-income (LMI) families exceeds the standards for satisfactory performance.
- There have been no complaints with respect to FNB's CRA performance.

The following pages further describe FNB's CRA performance.

## DESCRIPTION OF INSTITUTION

FNB has one office centrally located in downtown Moody, which is approximately 85 miles north of Austin, Texas, and 25 miles southwest of Waco, Texas. The bank is a locally owned and managed financial institution, which has \$33 million in total assets as of June 30, 2002.

Complete banking services are provided Monday through Friday at the main office, which also houses a drive-in facility. FNB offers a variety of lending and deposit services, as well as safe deposit boxes, wire transfers, and night depository services. Community credit needs are met through the offerings of consumer, agricultural/business related, and real estate loans. FNB faces competition from area banks, savings and loans, and credit unions.

The bank's primary focus is to promote economic development in its AA through its lending programs and community involvement. FNB's market niche is residential, small business, consumer, and agricultural-related loan products. The table below reflects a detailed breakdown of FNB's loan portfolio as of June 30, 2002.

<b>Loan Type</b>	<b>\$ Amount \$(000s)</b>	<b>% of Total Loans</b>
Real Estate (RE) Residential (1-4)	6,244	37.9
RE Nonfarm Nonresidential	2,664	16.2
Consumer	2,074	12.6
Commercial and Industrial	1,550	9.4
Agriculture Production	1,537	9.4
RE Farmland	1,484	9.1
Other	888	5.4
<b>Total</b>	<b>16,441</b>	<b>100%</b>

Based on its financial condition, the local economy, product offerings, and competition, FNB has the ability to meet the various credit needs within its community. At the last CRA examination in June 1998, the bank's CRA rating was "Satisfactory." No legal impediments or other factors hinder the bank's ability to provide credit.

## DESCRIPTION OF ASSESSMENT AREA

FNB's AA consists of 13 census tracts, which are located in southwestern McLennan County, eastern Coryell County, and northern Bell County. These census tracts consist of six middle- and seven upper-income areas. There are no LMI areas within the AA. This area includes whole census tracts of the Waco metropolitan statistical area (MSA), and the Killeen-Temple MSA. The entire population of this area is approximately 63 thousand. Specific demographic data for both areas is listed below.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>		
	<i>Killeen-Temple MSA</i>	<i>Waco MSA</i>
<b><i>Population</i></b>		
Number of Families	6,943	9,539
Number of Households	9,047	11,850
<b><i>Geographies</i></b>		
Number of Census Tracts/BNA*	6	7
% Low-Income Census Tracts/BNA	0%	0%
% Moderate-Income Census Tracts/BNA	0%	0%
% Middle-Income Census Tracts/BNA	66.7%	28.6%
% Upper-Income Census Tracts/BNA	33.3%	71.4%
<b><i>Median Family Income (MFI)</i></b>		
1990 MFI for AA	\$31,435	\$35,653
2001 HUD-Adjusted MFI	\$39,400	\$45,400
<b><i>Economic Indicators</i></b>		
Unemployment Rate	2.09%	2.24%
2001 Median Housing Value	\$46,771	\$58,018
% of Households Below Poverty Level	13.03%	8.28%

\*BNA = Block numbering area

Although the bank defines the AA as encompassing the census tracts within a thirty-mile radius of Moody, FNB recognizes both a Primary Trade Area and a Secondary Trade Area within this AA. The Primary Trade area includes the towns of Moody, Bruceville-Eddy, Pendleton, Flat, Whitehall, The Grove, Crawford, Mooreville, and the rural areas and other small towns in southern McLennan County.

The bank's AA is made up of contiguous census tracts that surround and include the bank. This area meets the requirements of the regulation and does not arbitrarily exclude LMI geographies.

The local economy is considered good. Moody and the surrounding towns are bedroom communities with many residents commuting to Temple and Waco for employment. While some of the larger local employers include the school district and nursing home, most local employers tend to be small business owners. Many residents are employed as shift workers in Temple and Waco warehouses and production facilities. The Gatesville prison provides additional employment opportunities.

In order to gather more current information on the nature of the community and potential lending opportunities in the AA, we contacted a local government representative during our examination. This contact mentioned that FNB is very active and responsive to credit needs within the community. During the interview, this representative commended FNB's assistance in purchasing 100% of the revenue bonds issued by the city, which not only permitted the refinance of its water utility system but also allowed the city to operate with more flexibility.

### ***Description of Waco MSA — #8800***

The Waco MSA is comprised of seven census tracts located in McLennan County of which two are middle- and five are upper-income areas. This area includes the cities of Hewitt, Moody, McGregor, Lorena, Bruceville-Eddy and Crawford. The 1990 census estimated the population of this portion of the Waco MSA at 33,000. The census also determined that there are 13,000 housing units of which 66% are owner occupied, 26% are renter occupied, and 8% are vacant. Income information from the United States Department of Housing and Urban Development (HUD) reveals that the weighted-average median family income (MFI) for this area is \$45,400 for 2001.

### ***Description of Killeen-Temple MSA — #3810***

The Killeen-Temple MSA consists of six census tracts located in Bell and Coryell counties, of which four are middle- and two are upper-income tracts. This area includes the city of Gatesville and smaller communities such as Oglesby and Troy. The 1990 census estimated the population of this portion of the Killeen-Temple MSA at 30,000. The census also determined that there are 11,000 housing units of which 66% are owner occupied, 20% are renter occupied, and 14% are vacant. Updated 2001 information indicates that the weighted-average MFI stood at \$39,400.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

Based on our analysis and recognition of the demographic characteristics of FNB's AA, management is effectively meeting the credit needs of its trade area, including LMI individuals, consistent with its resources and capabilities. In making this determination, we utilized internally generated management reports as well as a sample of 33 mortgage, 40 consumer, and 15 business loans that were originated since our prior CRA evaluation.

### **Loan-to-Deposit Ratio**

FNB's LTD ratio is outstanding, given its asset size, financial condition, and the lending opportunities within its AA. The average LTD ratio over the 16 quarters since the last examination has remained relatively stable at 62%. To better understand the bank's performance, we conducted an LTD analysis on five other small banks that are headquartered in the AA. The LTD ratios for these banks ranged from 34% to 73%. The average LTD for these similarly situated banks was 50% over the same period.

<b>Institution</b>	<b>Total Assets *</b>	<b>Average LTD Ratio% *</b>
Heights State Bank – Harker Heights	55,288	33.91
Fidelity Bank of Texas – Waco	47,411	36.62
First National Bank - Evant	26,121	47.31
First Texas Bank – Belton	47,882	59.81
FNB McGregor – McGregor	60,548	72.67
<b>First National Bank - Moody</b>	<b>33,407</b>	<b>62.18</b>

\* As of June 30, 2002

### **Lending in Assessment Area**

A substantial majority of FNB’s loans are within its AA. An analysis of lending patterns within the AA was performed, using internal reports provided by management and visual observations from county maps. Our analysis of all originated loans indicates that approximately 93% of the number and 95% of the dollar volume of the bank’s primary loan products originated within the AA. The following table provides details by product type.

<b>TOTAL LOANS REVIEWED</b>								
	<b>In Assessment Area</b>				<b>Out of Assessment Area</b>			
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Mortgage	205	95.8	7,520	95.7	9	4.2	341	4.3
Commercial RE	30	85.7	2,985	94.8	5	14.3	163	5.2
Consumer	517	92.0	2,758	91.4	45	8.0	260	8.6
Total Reviewed	752	92.7	13,263	94.6	59	7.3	764	5.4

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

FNB’s loan portfolio reflects an excellent distribution of mortgage and consumer loans to individuals of various income levels and businesses of different sizes within the AA. In order to assess the bank’s performance, we utilized a sample of 33 mortgage loans and 40 consumer loans originated since the prior CRA evaluation period.

FNB lends to all applicants, regardless of income category. While FNB exceeds demographics in lending to LMI homebuyers, most lending that benefits this income group is centered in consumer lending. Based on the 1990 census, low-income households represent 12% of the Waco MSA and 21% of the Killeen-Temple MSA. Consumer lending to this income group exceeded demographics at 45% and 35%, respectively. Further analysis conducted on the consumer loan portfolio indicated that the average consumer loan originated since the prior evaluation period was \$5,335. Twenty-eight percent of those loans were below \$1,500, demonstrating FNB’s commitment to meeting the credit needs of its community, particularly the LMI borrower.

The table below summarizes our analysis of lending activity in the AA by different incomes levels.

<b>RESIDENTIAL REAL ESTATE Waco MSA</b>								
<i>Borrower Income Level</i>	<i>LOW</i>		<i>MODERATE</i>		<i>MIDDLE</i>		<i>UPPER</i>	
<i>% of AA Families</i>	10.4		13.8		22.9		52.9	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	15	5.7	30	27.3	20	14.8	35	52.2

<b>CONSUMER Waco MSA</b>								
<i>Borrower Income Level</i>	<i>LOW</i>		<i>MODERATE</i>		<i>MIDDLE</i>		<i>UPPER</i>	
<i>% of AA Households</i>	12.1		10.0		16.4		61.5	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	45.0	28.8	35.0	50.6	5.0	13.2	15.0	7.4

<b>RESIDENTIAL REAL ESTATE Killeen-Temple MSA</b>								
<i>Borrower Income Level</i>	<i>LOW</i>		<i>MODERATE</i>		<i>MIDDLE</i>		<i>UPPER</i>	
<i>% of AA Families</i>	13.1		16.1		21.3		49.5	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	7.7	6.9	23.1	13.6	30.8	23.8	38.4	55.7

<b>CONSUMER Killeen-Temple MSA</b>								
<i>Borrower Income Level</i>	<i>LOW</i>		<i>MODERATE</i>		<i>MIDDLE</i>		<i>UPPER</i>	
<i>% of AA Households</i>	21.2		14.0		18.8		46.0	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	35.0	26.2	50.0	55.6	5.0	4.6	10.0	13.5



FNB originates a satisfactory number of commercial loans, a number of which have been to “small businesses with revenues less than \$1 million.” Management continues to focus on providing loans that will enhance and support the local economy. As FNB’s commercial lending is centered within the Waco MSA, our analysis focused on this section of the bank’s AA. The following chart reflects our analysis of 15 commercial loans originated since our last examination.

<b>BORROWER DISTRIBUTION OF LOANS TO BUSINESSES</b>		
<b>Waco MSA</b>		
<b>Business Revenues</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>
% of AA Businesses	84.0	16.0
% of Bank Loans in AA #	100.0	0
% of Bank Loans in AA \$	100.0	0

### **Geographic Distribution of Loans**

As previously mentioned, all 13-census tracts located within FNB’s AA are classified as middle- or upper-income areas. Therefore, an analysis of loan distribution by geographic area would not be meaningful.

### **Responses to Complaints**

No CRA-related or unresolved consumer complaints have been identified since our prior examination.

### **Fair Lending Review**

An analysis of consumer and mortgage loans originated since the prior CRA evaluation period, as well as a review of public file comments and consumer complaint information was performed in accordance with the OCC’s risk-based fair lending examination standards. This analysis revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with this CRA evaluation. The latest fair lending examination was performed in June of 1998.