



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

January 03, 2012

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Command Bank  
Charter Number 713570

1 Firstcomm Plaza  
Fort Worth, TX 76109-4999

Office of the Comptroller of the Currency

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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.

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

The Lending Test is rated: **Satisfactory**.

The Community Development Test is rated: **Satisfactory**.

The overall CRA performance of First Command Bank (First Command) is reasonable with an adequate record of meeting the credit needs of its assessment area. Both the Lending Test and the Community Development Test are rated "Satisfactory." We assigned an overall "Satisfactory" CRA rating to the bank based on our findings at this evaluation. The following factors support this rating:

- The loan-to-deposit (LTD) ratio is reasonable, based on the bank's business strategy and current economic conditions.
- First Command originated a substantial majority of loans within its assessment area (AA).
- The distribution of consumer loans to low- and moderate-income borrowers is reasonable, when considering performance context issues.
- Twenty-seven percent of the number of all business loans was originated with balances of \$100,000 or less.
- First Command has made a significant effort to increase its community development activities since the previous CRA evaluation. The level of such activities is adequate.

## **Scope of Examination**

First Command qualifies as an intermediate Small Bank (ISB) under the CRA regulation and is therefore subject to a Lending Test and Community Development (CD) Test. The lending test evaluates the bank's record of helping meet the credit needs of its AA through its lending activities. The CD test evaluates the bank's CD lending, qualified investments, and CD services.

The review period for the lending test generally covers loans originated over a three-year period, but was adjusted due to the recent CRA exam completed in June 2010. Therefore, the evaluation period covered loans originated between January 1, 2010 and December 31, 2011. Performance under the Lending Test was assessed based on a review of consumer and small business loans. CD activities were evaluated over the same period of time and consisted of a review of community development loans, qualified investments and services. Two community contact interviews were conducted.

## Description of Institution

First Command was established in 1997 as a federally-chartered stock savings bank headquartered in Fort Worth, Texas to offer full-service banking to active duty and former active duty members of the United States military. First Command is a wholly-owned subsidiary of First Command Financial Services (FCFS). FCFS was formed in 1958 to provide a means for career military families to significantly improve their long-term financial security. The focus of FCFS is to provide insurance products for United States military personnel. First Command has only one branch, located in Fort Worth, Texas.

Although First Command's customers are still predominantly military personnel (active and veteran) and their families, the bank's civilian customer base has increased over the years. Currently, approximately 80 percent of the customer base consists of military personnel.

First Command received a "Needs to Improve" rating for the previous CRA public evaluation dated June 17, 2010. Although performance under the lending test was satisfactory, the bank's CD activities were not sufficient considering its performance context and therefore required improvement. There are no financial or legal obstacles affecting First Command's ability to meet community credit needs. Because of the widely designated AA, competition consists of many community, regional, and multi-national banks that operate within its AA.

First Command is a full service institution, providing various loan and deposit products. As of December 31, 2011, First Command reported total assets of \$651 million.

First Command's primary loan product is consumer loans. The second largest loan category is commercial loans. In January of 2007, the bank began offering commercial loans to small businesses. Due to the expansion of lending activities, small business and consumer loans were both sampled to determine performance under the lending test. Residential mortgage loans comprise a small part of the bank's loan portfolio. Most of the mortgage loans are sold in the secondary market. The table below details First Command's mix of loan products as a percentage of total loans and total assets.

Loan Portfolio Composition (as of December 31, 2011)			
Loan Category	Amount (\$000s)	Percent of Total Loans	Percent of Total Assets
Mortgage Loans	\$15,433	5.47%	2.37%
Commercial Loans	\$70,074	24.85%	10.77%
Consumer Loans	\$196,462	69.68%	30.18%
<b>Total Loans</b>	<b>\$281,969</b>	<b>100.00%</b>	<b>43.32%</b>

*Data Source: December 31, 2011 UTPR*

Two community contact interviews were conducted during the examination. Both contacts favorably commented on First Command's active involvement in various community activities and the bank's valuable contributions to non-profit organizations in the community.

## Description of Assessment Area

In accordance with CRA guidelines for banks that primarily serve military personnel, First Command has designated its AA as the entire deposit customer base. Since the customer deposit base is spread throughout the United States and around the world, the entire United States was used as a proxy for determining performance under the lending and CD tests.

According to the 2000 U. S. Census data, there were 65,334 census tracts in the United States. The table below provides a breakdown of the census tracts by income level. As indicated by the table, 27.77 percent of all tracts were low- and moderate-income geographies.

Distribution of Geographies in Assessment Area		
Geography Income Level	Geographies	
	#	%
Low	3,979	6.09
Moderate	14,164	21.68
Middle	32,052	49.06
Upper	14,692	22.49
Income NA	447	0.68
<b>Total</b>	<b>65,334</b>	<b>100.00</b>

The following table shows additional demographic data for the assessment area:

Demographic Data of Assessment Area	
Demographic Data	2000 Census
Population	281,421,906
Total Families	72,261,780
1-4 Family Units	95,844,878
Multi-Family Units	20,055,953
% Owner-Occupied Units	60.24
% Rental-Occupied Units	30.77
% Vacant Housing Units	8.99

The Department of Housing and Urban Development updates the median family income annually. The updated annual median family income for the assessment area was \$65,935 for 2010 and \$66,552 for 2011. The following table shows the income ranges for different income categories based on the 2011 updated annual median family income:

Median Family Income Ranges		
Income Category	Income Ranges	
(as % of MFI)	From	To
Low (<50%)	\$1	\$33,275
Moderate (50% - 79%)	\$33,276	\$53,241
Middle (80% - 119%)	\$53,242	\$79,861
Upper (>=120%)	\$79,862	+

## Conclusions with Respect to Performance Criteria

### LENDING TEST

First Command's performance under the Lending Test is "**Satisfactory**".

Consumer and commercial lending are the bank's primary business lines. Due to the relatively new expansion of lending to small businesses, this line was tested in conjunction with consumer lending. Equal weight was given to each type of lending when evaluating lending performance based on the criteria tested below.

#### Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, performance context, and the AA's credit needs. The LTD ratio measures the extent to which the bank has returned the deposits it has acquired, to their community in the form of loans. The average of this ratio for each quarter-end since the previous CRA examination is used to determine performance in this area. The average LTD ratio for First Command is 51.70 percent and compares favorably to 49.80 percent at the previous CRA examination. During the review period, the ratio ranged from a quarterly low of 48.78 percent as of December 31, 2011 to a quarterly high of 53.34 percent as of September 30, 2010.

We compared First Command's LTD ratio with the average LTD of two other military banks in the United States, all of which had Satisfactory Community Reinvestment Act performances. The average LTD for these two banks during the eight quarter period beginning January 1, 2010 was 33.09 percent. The LTD ratios ranged from a high of 41.57 percent to a low of 24.60 percent.



## Lending in Assessment Area

First Command's lending in its AA is reasonable. A substantial majority of the number and dollar amount of the consumer and small business loans were originated inside the bank's AA. As depicted in the Table below, 97 percent of the number and dollar amount of loans were originated in First Command's AA.

<b>Table 1 - Lending in First Command Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (\$000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	5,287	96.73%	179	3.27%	5,466	155,589	96.86%	5,040	3.14%	160,629
Business	20	100%	0	0%	20	11,791	100%	0	0%	11,791
<b>TOTAL</b>	<b>5,307</b>	<b>96.74%</b>	<b>179</b>	<b>3.26%</b>	<b>5,486</b>	<b>167,380</b>	<b>97.17%</b>	<b>5,040</b>	<b>2.92%</b>	<b>172,420</b>

*Source: Loan sample*

## Lending to Borrowers of Different Incomes

The distribution of loans reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes and meets the standards for satisfactory performance. To perform the analysis, a sample of 264 consumer loans (5 percent of all consumer loans inside the AA) was reviewed. We also selected and reviewed a sample of 20 business loans inside the AA. Each product type was weighted equally in the evaluation and more detail on the lending of each product can be found below.

### *Consumer Lending*

First Command's overall distribution of consumer loan products is reasonable as evidenced by the percentage of loans made to low- and moderate-income borrowers. Lending to low-income borrowers is slightly less than the demographic comparable, while the lending to moderate-income borrowers exceeds the demographic comparable. As depicted in the table below, First Command's consumer lending is comparable to the demographic data provided.

<b>Table 2B - Borrower Distribution of Consumer Loans in First Command Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of #of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	23.03	19.69%	16.56	28.79%	19.20	25.76%	41.21	25.76%

*Source: Loan Sample; U.S. Census data.*

*Small Business Lending*

The distribution of small business loans reflects excellent penetration among businesses of different sizes and exceeds the standards for satisfactory performance. In January 2007, First Command began offering commercial loans to small businesses.

During the evaluation period, we noted that the bank originated 102 loans to small businesses, of which we sampled 20. Eighty percent of the loans sampled were made to businesses with less than \$1 million in revenue. Additionally, 27 percent of the number of business loans made during the evaluation period originated with balances of \$100 thousand or less.

<b>Table 2A - Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	67.62	2.83	29.56	100%
% of Bank Loans in AA by #	80.00	20.00	0.00	100%
% of Bank Loans in AA by \$	79.52	20.48	0.00	100%

*Source: Loan sample; Dunn and Bradstreet data.*

**Geographic Distribution of Loans**

First Command’s distribution of lending to different income tracts was not performed. Most of the bank’s customers are military personnel who live either on military bases or in the surrounding off-base housing.

**Response to Complaints**

There have been no consumer complaints relating to the bank’s Community Reinvestment Act performance during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The number and dollar amount of CD loans, qualified investments, and services provided by First Command reflects adequate responsiveness to CD needs, based on the bank's size, financial condition and opportunities within its AA. CD loans, qualified investments, and services are all evaluated together to gauge an ISB's responsiveness to CD needs in its community.

### **Number and Amount of Community Development Loans**

The number and dollar amount of CD loans are adequate.

In March 2011, First Command originated a community development loan in the original amount of \$500 thousand to the Senior Housing Crime Prevention Foundation (SHCPF). The sole objective of SHCPF is to reduce crime in the nation's senior housing facilities and to provide on-going, effective crime prevention programs that promote safe and secure environments for senior housing residents.

The proceeds of the loan were used to fund SHCPF's Veteran's Initiative in the state of Texas. The Veteran's Initiative's mission is to ensure that all 40,000 Veterans currently living in 160 State Veteran's nursing homes are allowed to live out the remainder of their lives in safe, secure, and enhanced environments that are free from the daily fear of crime, abuse, hostility, and deprivation of personal freedom, as provided through the Senior Crime Stoppers program. Eighty-five percent of the residents of these nursing homes are low-income individuals, therefore qualifying it a CD loan.

### **Number and Amount of Qualified Investments**

The number and amount of qualified investments reflects adequate responsiveness. In 2011, First Command made a \$6.0 million investment in the CRA Qualified Investment Fund. This investment represented approximately one percent of the bank's total assets. The fund was used to invest in the following security pools to finance various community development activities:

\$861,474 of Fannie Mae Pool 464836: The pool finances an affordable rental property in Texarkana, Texas. All units are restricted to elderly residents with income at or below 60% of area median income.

\$387,559 of Fannie Mae Pool 873679: The pool finances a newly constructed apartment community that was allocated Low Income Housing Tax Credits in 2003 and leased to stabilization in December 2005.

\$1,081,600 of Ginnie Mae Project Loan Certificate 747075: The certificate finances Palacio Residencial, an affordable rental property for seniors in Corpus Christi, Texas. The property is located in a moderate-income

census tract. This property is a Section 8 Housing property and is a qualified CRA investment according to the May 31, 2012 SEC compilation.

\$959,421 of Fannie Mae Pool 466595: The pool finances Candlewick Townhomes Apartments, an affordable rental property in Brownsville, Texas. All units are restricted to low- and moderate-income residents.

\$2,520,000 of Fannie Mae Pool 463712: The pool finances Trendwood Apartments, an affordable rental property in Waco, Texas. This is a Section 8 Housing property and the SEC has designated this as a CRA qualified investment fund.

\$185,750 of Ginnie Mae Construction Loan Certificate 749164: The certificate finances Taylor Farm Apartments, a Low Income Housing Tax Credit property in Dallas, Texas.

\$4,196 of Loan #3353945001 within SBA Pool 508890: The small business loan finances Hire Green, LLC, an employment services firm in Oceanside, California. The firm is located in a low-income census tract.

Each year, First Command makes an annual donation of at least \$75,000 to First Command Educational Foundation (FCEF) to support FCEF's scholarships and various financial education programs. Many of the Foundation's scholarships are awarded to low- or moderate-income students. In August of 2010, First Command made a special donation of \$250,000.00 to assist in the expansion of FCEF's Money Matters program. The Money Matters Program is a financial literacy program aimed at helping high school students acquire the knowledge and skills necessary to take control of their financial future.

### **Extent to Which the Bank Provides Community Development Services**

The level of CD services provided reflects adequate responsiveness to the community's needs. First Command is active in the community and provides services that benefit LMI individuals.

In addition to providing financial support to FCEF, First Command provides community development services through employee involvement in FCEF management and activities. FCEF administers a direct scholarship program that is heavily based on need. The foundation partners with community organizations and schools to award scholarships. Since 1983, FCEF has awarded almost \$4 million in scholarship grants. Furthermore, FCEF plans to develop a military-oriented version of Money Matters Online to meet the growing need for financial literacy education in the military services.

First Command's employees are also involved with other local community organizations that provide services to low- and moderate-income individuals, such as Lena Pope

Home, Kids Crew, Broadway Baptist Church Missions, and Union Gospel Mission of Tarrant County.

First Command offers a variety of products and services to its customers. These products and services are reasonably accessible to geographies and individuals of different income levels due to its target market and presence as a military bank. However, there are no branches located in low- to moderate- income areas. The bank's Command Checking Account, Money Market Savings Account, and Commercial Checking Account all have low minimum opening deposit, no monthly maintenance fees, and unlimited ATM withdrawals. These features benefit lower-income customers.

## **Fair Lending or Other Illegal Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the needs of the community.