



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**April 13, 2009**

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

First National Bank of Colorado City  
Charter Number 17486

2225 Hickory  
Colorado City, TX 79512-0000

Office of the Comptroller of the Currency

Lubbock Field Office  
5225 South Loop 289 Suite 108  
Lubbock, TX 79424-1319

**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.**

First National Bank of Colorado City (FNB) has a satisfactory record of meeting community credit needs based on the following:

- FNB's loan-to-deposit ratio is reasonable when compared to banks of similar size and characteristics in or near the assessment area (AA). The loan-to-deposit ratio averages 43.9 percent.
- A majority of the loans are within the bank's AA. Approximately 80.0 percent of the number and 77.7 percent of the dollar volume of loans were to borrowers located within the AA.
- The lending performance to individuals of different income levels and to businesses of different sizes is excellent.
- The geographic distribution of loans reflects a reasonable dispersion in the AA given the bank's business strategy, location, and performance context factors.

**SCOPE OF EXAMINATION**

This Performance Evaluation assesses FNB's record of meeting the credit needs of the community in which it operates. We evaluated FNB under the Small Bank performance criterion, which includes five performance criteria: the loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes and to businesses of different sizes, geographic distribution of loans, and responses to CRA related complaints.

To evaluate FNB's lending performance, a random sample of loans was taken based on the bank's primary loan types. Primary loan types are those products that have been originated at the highest percentages by dollar and/or number of loans. Primary loan products during this evaluation period consist of business and consumer loans. The loan sample consisted of 30 loans for each loan type originated between January 2004 and March 2009.

## DESCRIPTION OF INSTITUTION

FNB is a community bank located in Colorado City, Texas approximately 60 miles west of Abilene. FNB is an intra-state bank with one banking office with a drive-up facility.

FNB meets customers' needs by providing traditional commercial and consumer banking products and related financial products. Bank lobby and drive-through services are provided Monday through Friday, with drive-through services also available on Saturday. The bank provides customers access to their accounts through its website at [www.fnbccity.com](http://www.fnbccity.com). Internet services include account balance inquiries and account transfer activities.

As of December 30, 2008, FNB had total assets of \$37 million, with net loans and leases comprising 26.1 percent of this total. The bank's loan products include commercial, consumer and agricultural loans. The following table depicts FNB's loan portfolio composition.

<b>Loan Portfolio Composition as of December 31, 2008</b>		
<b>Loan Type</b>	<b>\$ (000)</b>	<b>%</b>
Commercial	3,275	37.54
Consumer	1,673	19.17
Agriculture	1,616	18.52
Residential Real Estate	1,259	14.43
Agriculture Real Estate	657	7.53
Commercial Real Estate	221	2.53
Other	24	0.28
<b>TOTAL</b>	<b>8,725</b>	<b>100.00%</b>

*Source: December 31, 2008 Loan Trial Balance*

Management and the Board's primary focus is to serve commercial, agricultural, and consumer customers in Mitchell County. Based on FNB's financial condition, local economy, product offerings, and competition, the bank has the ability to meet the various credit needs in its community. FNB was rated "Satisfactory" at the previous CRA examination on June 17, 2003. FNB has no legal or financial circumstances that could impede the bank's ability to help meet the credit needs in its AA. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

## DESCRIPTION OF ASSESSMENT AREA(S)

FNB has designated Mitchell County as its AA. Colorado City is the county seat and is situated in the center of Mitchell County. Other principal cities located within the AA include Loraine and Westbrook. According to 2000 Census Data, Colorado City is the largest of the three cities with a population of 4,281. Specific demographic data and economic data for Mitchell County are listed on the following table.

<b>Demographic and Economic Characteristics of Mitchell County AA</b>	
<i>Population</i>	
Number of Families	2,010
Number of Households	2,832
<i>Geographies</i>	
Number of Census Tracts	3
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	33.33%
% Middle-Income Census Tracts	66.67%
% Upper-Income Census Tracts	0.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	36,380
2007 & 2008 HUD-Adjusted MFI	41,800
2006 HUD-Adjusted MFI	43,100
2004 & 2005 HUD-Adjusted MFI	42,000
<i>Economic Indicators</i>	
Unemployment Rate	1.20%
2007 Median Housing Value	\$33,463
% of Households Below Poverty Level	20.52%

*Source: 2000 Census data and HUD updated income data.*

The AA consists of only whole geographies and does not arbitrarily exclude low- and moderate-income geographies. The AA consists of one moderate- and two middle-income census tracts. The moderate-income census tract is located in the eastern portion of Mitchell County and includes the city of Loraine, which is approximately 10 miles from Colorado City. Federal agencies have designated the two middle-income census tracts as distressed areas based on high poverty levels.

According to 2000 Census data, the AA has a total population of 9,698. There are 4,168 housing units in the AA, of which 51.7 percent are owner-occupied, 16.4 percent are renter-occupied, and 31.9 percent are vacant. Approximately 25.1 percent of families in the AA are considered low-income. Moderate-income families approximate 20.9 percent, while middle- and upper- income families make up the remaining 54.0 percent. The median housing value is \$33,463 with the median age of housing stock at 48 years. The 2000 Census data reflects that 20.5 percent of the households in Mitchell County are below the poverty level.

In 2006, Colorado City was designated a Main Street City by the Texas Historical Commission (THC). The purpose of this designation is to encourage economic development by restoring and revitalizing downtown areas. To achieve this designation, cities must have historic commercial buildings in their downtowns and neighborhood business districts and apply to the THC. Approximately five cities are chosen annually for this designation.

Primary competition in the AA is from three financial institutions. In addition to FNB, there is one national bank, one branch of a state bank, and one credit union located in the AA. The June 30, 2008 FDIC Deposit Market Share Report for Mitchell County shows FNB to have the second largest deposit market share with 32.6 percent.

The economy is somewhat diversified due to the number of small business and agricultural

operations in the AA. Mitchell County and surrounding areas have benefited from the growing wind power market. Immense wind turbines are a familiar sight in the area. Business demographic data reflects that the local economy is centered in criminal justice, energy-related service jobs (oil/gas and wind), retail trade, and agriculture. Primary employers of Mitchell County include; the Department of Criminal Justice, Mitchell County ISD, Mitchell County Hospital, and Concrete Mobility.

As part of this CRA examination, two community contacts were made in the bank’s AA to help ascertain credit needs. According to the contacts, there is a need for affordable housing to accommodate current and potential employees of businesses. The contacts stated that local banks are responsive in meeting the needs of the local community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Based on the analysis, and consistent with available resources and capabilities, FNB is meeting the credit needs of the AA in a satisfactory manner.

**Loan-to-Deposit Ratio**

FNB’s loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and AA credit needs. This determination is based on the bank’s quarterly average loan-to-deposit ratio from June 30, 2003 through December 31, 2008 of 43.9 percent. During the evaluation period, FNB’s loan-to-deposit ratio ranged from a low of 23.7 percent to a high of 70.3 percent. The average loan-to-deposit ratio of similarly situated banks within or contingent to the AA for the same period was 48.9 percent.

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

<b>Loan-to-Deposit Ratios</b>		
<b>Institution</b>	<b>Total Assets \$ (000's) (As of 12/31/08)</b>	<b>Average Loan-to-Deposit Ratio</b>
<b>First National Bank of Colorado City</b>	<b>36,530</b>	<b>43.92</b>
The City National Bank of Colorado City	69,673	38.92
First National Bank – Rotan	51,331	65.45
The First National Bank of Sterling City	80,257	40.99
Texas National Bank - Sweetwater	75,751	47.68

*Source: Institution Reports of Condition from June 2003 to December 2008*

**Lending in Assessment Area**

FNB’s lending in their AA meets the standards for satisfactory performance. A majority of the bank’s loans were made within its AA. In order to assess performance for this criterion, we reviewed 30 commercial and 30 consumer loans originated between January 2004 and March 2009. Our analysis determined that 80.0 percent of the number of loans and 77.7 percent of the dollar amount of loans in the sample were originated within the bank’s AA. The breakdown by loan category is depicted in the following table.

<b>Lending in the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	26	86.7%	4	13.3%	100.0	1,293	77.5%	376	22.5%	100.0
Consumer	22	73.3%	8	26.7%	100.0	223	78.9%	60	21.1%	100.0
Totals	48	80.0%	12	20.0%	100.0	1,516	77.7%	436	22.3%	100.0

Source: Sample of loans used for CRA performance analysis

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

FNB’s loan portfolio reflects an excellent distribution among individuals of various income levels (including low- and moderate-income) and businesses of different sizes within their AA. To perform our analysis, we reviewed income information of 26 business and 22 consumer-purpose loans in the AA originated between January 2004 and March 2009.

*Business Loans* - Based on 2008 Business Demographic Data, there are 590 businesses within the AA. Of this number, 52.0 percent of businesses reported revenues less than or equal to \$1 million. Of the loans in the commercial sample, 86.7 percent were to businesses reporting annual revenues below \$1 million. This level exceeds the AA information and reflects an excellent penetration of loans to small businesses. The following table reflects the results of our selected sample of commercial loans originated in the AA.

<b>Borrower Distribution of Business Loans in Mitchell County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	52.03%	2.54%	45.42%	100%
% of Bank Loans in AA by #	86.67%	13.13%	0.00%	100%
% of Bank Loans in AA by \$	65.99%	34.01%	0.00%	100%

Source: Loan sample; Dunn and Bradstreet data

*Consumer Loans* - Our analysis reflects an excellent penetration of consumer loans to low-income households in the AA. Based on 2000 Census Data, 28.9 percent of households in the AA are low-income. Our review determined that 40.9 percent of consumer loans were made to low-income households. Our analysis reflects a reasonable penetration of consumer loans to moderate-income households in the AA. Approximately 19.7 percent of households in the AA are moderate-income, and 13.6 percent of the sampled consumer loans were to moderate-income households. The following table reflects the results of our selected sample of consumer loans originated in the AA.

Borrower Distribution of Consumer Loans in Mitchell County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	28.85%	40.91%	19.67%	13.64%	19.31%	18.18%	32.17%	27.27%

Source: Loan sample; U.S. Census data.

**Geographic Distribution of Loans**

The geographic distribution of loans within the census tracts is reasonable given the bank’s business strategy, location, and performance context factors. Our analysis included 26 business and 22 consumer loans originated between January 2004 and March 2009.

*Business Loans:* Geographic distribution of commercial loans in the moderate-income census tract is below the demographic composition of the AA. Based on 2008 Business Demographic Data, 12.2 percent of businesses are located in the moderate-income census tract. Our business loan sample did not include any loans located in the moderate-income census tract. This performance is somewhat mitigated by the demographic composition of the AA. The moderate-income census tract is located approximately ten miles east of Colorado City and includes the city of Loraine. There is a branch facility of another financial institution located in Loraine that can meet the needs of the moderate-income census tract. The following table reflects the results of commercial loans originated in the AA.

Geographic Distribution of Loans to Businesses in Mitchell County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0.00%	0.00%	12.20%	0.00%	87.80%	100.00%	0.00%	0.00%

Source: Loan sample; U.S. Census data.

*Consumer Loans:* Geographic distribution of loans to consumers in the AA is below the demographic composition. Based on 2000 Census information, 15.8 percent of households were located in the one moderate-income census tract. Our consumer loan sample did not include any consumer loans located in the moderate-income census tract. This performance is somewhat mitigated by the demographic composition previously discussed. In addition, approximately 88.3 percent of the population in the AA resides in the two middle-income census tracts. These middle-income census tracts have been identified as distressed by Federal agencies based on high poverty levels. The following table reflects the results of our selected sample of consumer loans originated in the AA.

Geographic Distribution of Consumer Loans in Mitchell County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00%	0.00%	15.82%	0.00%	84.18%	100.0%	0.00%	0.00%

Source: Loan sample; U.S. Census data.

### Responses to Complaints

No complaints relating to CRA performance have been received by FNB during the evaluation period, and this has a neutral impact on the bank’s performance.

### Fair Lending or Other Illegal Credit Practices Review

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