



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

FEBRUARY 5, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Pecos
Charter # 8771
100 E. 6th Street
Pecos, Texas 79772**

**Comptroller of the Currency
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 CRA performance of **First National Bank of Pecos, Pecos, Texas**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 13, 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**.

Factors which indicate First National Bank of Pecos' (FNBP) commitment to principles of the CRA:

- A reasonable average net loan-to-deposit ratio, given its size, competitive environment, and financial capacity.
- Ninety percent of the bank's total loans lie within the assessment area (AA) and 98% of the loans sampled were within the AA.
- Lending patterns reflect a reasonable penetration among individuals, small farm/ranch, and small businesses of different income levels. These included loans to low- and moderate-income parties.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST NATIONAL BANK OF CANADIAN</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	REVIEW WOULD NOT BE MEANINGFUL AS THERE ARE NO DISTINCT LOW- OR MODERATE-INCOME AREAS; SEE REVIEW BY INCOME AND SIZE		
Response to Complaints	NO COMPLAINTS HAVE BEEN RECEIVED		

DESCRIPTION OF INSTITUTION

FNBP is a \$52 million institution in the City of Pecos, Texas, chartered in 1907. The institution operates one full service banking facility in Pecos, Texas. The bank is a subsidiary of First Pecos Bancshares, Inc., a one bank holding company located in Midland, Texas. There are no ATM facilities.

The bank's financial condition is very good. There are no legal impediments or other factors which inhibit this bank from meeting the identified credit needs in its AA. The last CRA examination was performed as of September 6, 1994, and resulted in a "Satisfactory record of meeting community credit needs." The bank experiences strong competition from a slightly larger, \$67 million, state bank in Pecos. There are four additional financial institutions in the AA. The bank's smaller asset size somewhat hinders the size of the loans it can make.

Gross loans comprise roughly 69 percent of Total Assets. Table 1 illustrates the composition of FNBP loan portfolio as of December 31, 1996.

Table 1

LOAN TYPE	LOAN BALANCE	% OF TOTAL LOANS
REAL ESTATE LOANS	6,050	21
COMMERCIAL LOANS	8,017	28
AGRICULTURAL LOANS	10,540	37
INDIVIDUAL LOANS	3,724	13
OTHER LOANS	53	1
TOTAL LOANS	28,384	100

DESCRIPTION OF REEVES COUNTY

FNBP's AA is defined as Reeves County, Texas. The AA meets regulatory requirements. The AA does not arbitrarily exclude low- or moderate-income geographies. The county is not in an MSA, but it comprises a political subdivision. Pecos, Texas, is the largest city in the AA.

The dominant area industries are oil and gas production, cattle, and agriculture. The primary employers for the AA are Freeport Sulphur, Smithers Testing Center, Western Gas Resources, Pecos Cantaloupe Company, and Anchor West Foods.

The population of the AA is approximately 15,852. The AA includes five block numbering areas (BNAs), comprised of four moderate income tracts and one upper income tracts. Median Census Family Income is \$24,586, and the HUD Median Family Income for 1996 is \$28,900 (non-MSA).

The demographic information on the county indicates that persons with low- to moderate-income levels live throughout the county in all five BNAs. Of the 4,805 families in the AA, 3,264 (68%) are identified as low- and moderate-income households, and 1,541 (32%) are identified as upper income.

Credit needs in the AA are centered in ranching, oil and gas-related businesses, and agricultural crops and distribution services. Local crops include cantaloupes, onions, cotton, bell peppers, alfalfa, and silage. There is also a need for home purchase and home improvement loans, automobile loans, and other consumer-type credits.

Two community contacts were made during this examination. These were with a city official and a local business person. Information obtained during these meetings did not identify any substantial unmet credit needs, although the interviews reflected a need to make credit more readily available for used automobile and home purchases.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

We reviewed the bank’s net loan-to-deposit ratio for the quarters since the last examination in 1994. The average ratio was 54.10% over nineteen quarters of historical data reviewed. The net loan-to-deposit ratio improved from its December 31, 1994, level of 49.10% to 61.90% as of September 30, 1996. We observed that the average ratio is somewhat higher than other comparable banks, and reasonable given the bank’s size, area economic situation, and competitive environment.

Lending in the Assessment Area

An analysis of the FNBP loan portfolio revealed that 90% of the number of loans made were to customers within the AA. Of the loans sampled during this examination, 98% were within the AA. Seventy-seven percent of the dollar volume of loans made were to customers within the AA. The variance in these ratios is caused by several large dollar loans made to customers in the Midland area. The Midland loans were obtained through a director relationship. Additional details from our sample are presented in Table 2 below.

Table 2

ASSESSMENT AREA	CONSUMER		REAL ESTATE		AG/BUSINESS		COMBINED	
	#	\$	#	\$	#	\$	#	\$
WITHIN	100%	100%	100%	100%	90%	77%	90%	77%
OUTSIDE	0 %	0 %	0 %	0 %	10%	23%	10%	23%

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

Based on file information from our loan sample summarized in Table 3 below, we observed that FNBP satisfactorily lends to persons of all income levels throughout the AA. Credits were reasonably distributed among varying income categories. Ninety-five percent of the business loans were to entities with less than \$100 thousand in annual revenues.

Table 3

INCOME LEVEL	INCOME (\$)	LOANS (#)	% REVIEWED
LOW	Less than \$12,293	12	24%
MODERATE	\$12,294 - \$19,423	16	32%
MIDDLE	\$19,424 - \$29,500	12	24%
UPPER	Greater than \$29,501	10	20%
TOTAL		50	100%

Geographic Distribution of Loans

Due to the limited number of geographies and the absence of any distinct low- or moderate-income areas in the AA, a review of the geographic distribution of loans would not be meaningful. We based our determination that the bank is satisfactorily lending across varying income levels and the entire assessment areas from our file sample.

A concurrent Fair Lending review was performed with this examination. Based on comparative file review of vehicle-secured loans, no disparate treatment or discriminatory practices were noted.

Responses to Complaints

No consumer complaints were received since the last examination. No violations of the substantive provisions of anti-discrimination laws and regulations were identified.