

## **PUBLIC DISCLOSURE**

January 4, 1999

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Canton  
Charter Number 8891**

**231 E. Tyler Street  
P.O. Box 517  
Canton, Texas 75103**

**Office of the Comptroller of the Currency  
Southwestern District  
1600 Lincoln Plaza  
500 North Akard**

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 Community Reinvestment Act (CRA) performance of **The First National Bank of Canton** prepared by **The Office of the Comptroller of the Currency** the institution's supervisory agency, as of January 4, 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 First National Bank of Canton has a satisfactory record of meeting community credit needs. This satisfactory rating is based upon:

- ▶ The bank's loan-to-deposit ratio of 55.46% is comparable to the ratios of other area banks.
- ▶ A substantial majority of the bank's core loan products are extended within its assessment area.
- ▶ Credit activity is reasonably distributed to borrowers of different income levels.



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

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b><u>THE FIRST NATIONAL BANK</u> PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
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	A geographic distribution analysis is not meaningful.		
Response to Complaints	No complaints have been received since the previous CRA examination		

**DESCRIPTION OF INSTITUTION:**

The First National Bank of Canton is a community bank with total assets of \$49 million. Outstanding loans on December 31, 1998 totaled \$24 million. Loan products offered include 1- 4 family residential (interim construction and permanent), home improvement, home equity, consumer, credit cards, commercial, and agricultural loans. Composition of the loan portfolio by type is as follows: commercial 42%; consumer 27%; residential real estate 27%; agricultural 3%; and other 1%. The primary business focus consists of commercial real estate, residential real estate and consumer lending. There are no legal impediments which limit the bank's ability to meet the credit needs of the assessment area. The financial institution is located at 231 E. Tyler Street, Canton, Texas. The bank also has a motor-bank facility located at 330 E. Hwy 243, Canton, Texas. The bank's CRA performance was rated satisfactory at the previous CRA examination dated October 10, 1995.

**DESCRIPTION OF THE ASSESSMENT AREA:**

The Board has designated the bank's assessment area as the two Canton Division Block Numbering Areas in Van Zandt County. The designated Block Numbering Areas (BNA) consist of 9506 and 9607. These BNA's incorporate the communities of Canton, Mabank, and a portion of Wills Point. Both of the BNA's within the assessment area are designated as middle income tracts. The assessment area's population is 8,315 according to 1990 Census Bureau data. Approximately 21% of the families are low income, 17% are moderate income, 24% are middle income, and 38% are upper income. According to 1998 Department of Housing and Urban Development (HUD) information, the median family income in Van Zandt County and in the financial institution's designated assessment area is \$32,100. The area economy is stable with an unemployment rate of approximately 2% (1998). Local employment opportunities are centered in the following industries: Services (health, education, finance), tourism, retail, construction, manufacturing, and agriculture. Major area employers include: City of Canton, Van Zandt County, Canton Independent School District, Wal-Mart, Brookshires, and Winning Strategies, a telemarketing company.

A recent contact with a local quasi-governmental official indicated that area financial institutions have been responsive to the needs of the community. The contact also believes there is a need for the construction of more affordable housing (rental and single family residential purchase) within the city and surrounding county. The contact indicated that new construction of rental units has not occurred in order to maintain an

elevated market rate for rental property. The market rate for rental property in Canton remains expensive as demand for rental units continues to outweigh the supply.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

**LOAN TO DEPOSIT RATIO:**

The loan-to-deposit ratio of The First National Bank of Canton is comparable to the ratios of other area banks. As of September 30, 1998, First National Bank's loan-to-deposit ratio equaled 55.46%. The loan-to-deposit ratio has averaged 47.42% since our previous assessment of the bank's CRA activities dated October 10, 1995. The average loan-to-deposit ratio of three other financial institutions (two national banks and one state chartered bank) located in Van Zandt County was 50.91% during the same time period. Individual loan-to-deposit ratios for these banks averaged from a low of 42.46% to a high of 59.08%.

**LENDING IN ASSESSMENT AREA:**

A substantial majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 25 residential mortgages, 25 consumer loans, and 25 business loans, originated in 1997 and 1998. The combined sample reflected approximately 81% of loans by number and 76% of loans by dollar amount were extended within the bank's assessment area. The breakdown by loan category is illustrated in the table below.

Analysis of Lending Inside and Outside Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$ (000)	%	#	%	\$ (000)	%
Mortgage	23	92%	1,382	91%	2	8%	140	9%
Consumer	18	72%	134	90%	7	28%	14	10%
Commercial	20	80%	1,774	67%	5	20%	860	33%
Total	61	81%	3,290	76%	14	19%	1,014	24%

**LENDING TO BORROWERS OF DIFFERENT INCOME AND TO BUSINESSES OF DIFFERENT SIZES:**

The distribution of loans within the assessment area reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. We performed an analysis based on a sample of consumer, residential, and business loans originated within the bank's assessment area in 1997 and 1998. The distribution of loans within each income category generally approximates the income characteristics of the assessment area's population. Residential loans for low- and moderate-income persons are also available with Federal Housing Authority (FHA) programs (i.e. fixed rate, 30-year mortgages) through an FHA approved lender. An FHA office is located within the bank premises. The following table details the results of our income analysis.

<b>Lending to Borrowers of Different Income Levels</b>										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	21%		17%		24%		38%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	2	9%	10	43%	11	48%	23	100%
Consumer	6	33%	6	33%	4	23%	2	11%	18	100%
Revenue Ranges	Less than \$100,000		\$100,000-\$500,000		\$500,000--\$1,000,000		Over \$1,000,000		Total	
Commercial	8	40%	6	30%	5	25%	1	5%	20	100%

**GEOGRAPHIC DISTRIBUTION OF LOANS:**

The geographic analysis of lending activity within the bank's assessment area was not performed as it would not provide meaningful information. All of the BNA's within the assessment area are considered middle income with no low- or moderate-income geographies located within the assessment area.

**RESPONSE TO COMPLAINTS:**

Management has not received any written complaints related to CRA performance since the previous CRA Examination. A Fair Lending Examination was performed in conjunction with this CRA evaluation. Based on the samples reviewed, no discriminatory practices were noted. Furthermore, we did not identify any substantive violations involving anti-discrimination laws or regulations.