



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 12, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Lipan
Charter Number 10598**

**101 East Lipan Drive
Lipan, Texas 76462**

**Comptroller of the Currency
1600 Lincoln Plaza
500 North Akard Street
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 **First National Bank of Lipan** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of June 12, 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**.

The First National Bank of Lipan's compliance with the Community Reinvestment Act is satisfactory. The bank's loan to deposit ratio is reasonable when compared to the ratios of its competitors. The assessment area does not arbitrarily exclude any low- to moderate-income areas, and the bank has a satisfactory practice of lending to borrowers throughout the area. In addition, FNB has a satisfactory record of lending to borrowers of different income levels. We found no evidence of discriminatory lending practices. The bank has not received any complaints from the public regarding its performance under the Act.

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

| SMALL INSTITUTION ASSESSMENT CRITERIA | First National Bank of Lipan 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 | Not performed, as it would not be meaningful. | | |
| Response to Complaints | No complaints were received since the prior examination. | | |

DESCRIPTION OF INSTITUTION

The First National Bank of Lipan (FNB) has one office, located in the center of Lipan, Hood County, Texas. As of March 31, 1997, total assets were \$7,500,000, with gross loans of \$3,459,000. The primary business lines are consumer and residential mortgage lending, which represent 46% and 25% of average gross loans, respectively.

DESCRIPTION OF ASSESSMENT AREA

The city of Lipan is in the Northwest corner of Hood County, and in close proximity to three other counties: Parker, Palo Pinto, and Erath. The bank's assessment area includes one Block Numbering Area (BNA) in each of these four counties. According to 1990 census data, the population of these BNA's totals 19,182, and the median family income is \$31,078. Three of the BNA's are considered middle income geographies, while the other is a low income geography. The local economy is reasonably stable, and dependent upon agricultural interests. Our contact with civic leaders indicated no unmet credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

FNB's lending performance is satisfactory. The bank makes consumer, real estate, small business, and agriculture loans throughout the assessment area to individuals with differing income levels. Our review of fair lending regulations revealed no evidence of discriminatory practices, and no violations of the substantive provisions of antidiscrimination laws.

Assessment Area Concentration

Management does not formally monitor the amount of lending conducted in the bank's assessment area. Consequently, we reviewed limited samples of consumer and small business loans to estimate lending levels. We found that 24 of 29 consumer and small business loans reviewed, or 83%, were within the assessment area.

Loan to Deposit Ratio

We compared the loan to deposit ratio of FNB to those of all banks in Hood, Parker, Palo Pinto, and Erath counties. FNB's ratio as of March 31, 1997, was 49.36%. The ratios for their competitors ranged from 33% to 64%.

Geographic Distribution of Loans

The bank does not formally analyze its lending to borrowers of different income levels. In order to assess this, we asked management to research the number of loans made with original principal balances of less than \$1,000, the majority of which would presumably be made to low- or moderate-income borrowers. Of the 684 loans originated in 1996 and 1997, 208, or 30%, were under \$1,000. This is a substantial volume, since these small loans require significant amounts of management's time without a corresponding level of income for the bank.

Management also does not perform a formal analysis of its geographic distribution of loans. A limited sample of loans indicated the bank is extending loans throughout the entire Assessment Area with no areas being specifically excluded.

Response to Substantiated Complaints

The First National Bank of Lipan has received no complaints concerning its performance in meeting assessment area credit needs.