



PUBLIC DISCLOSURE

June 1, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Quitman
Charter Number 10646**

**412 E. Goode
P.O. Box 368
Quitman, Texas 75783**

**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 **First National Bank of Quitman** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of June 1, 1998. 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.

First National Bank of Quitman has a Satisfactory record of meeting community credit needs. This Satisfactory rating is based upon:

- ▶ The bank's average loan-to-deposit ratio of 49.85% is comparable to the ratios of other area banks.
- ▶ A 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 **First National Bank of Quitman** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK OF QUITMAN 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	A geographic distribution analysis is not meaningful.		
Response to Complaints	No complaints have been received since the previous CRA examination.		

DESCRIPTION OF INSTITUTION:

First National Bank of Quitman is a community bank with total assets of \$88 million. Outstanding loans on March 31, 1998 totaled \$37 million. Loan products offered include 1- 4 family residential (interim construction and permanent), home improvement, home equity, consumer, commercial, and agricultural loans. The primary business focus consists of consumer, residential real estate, and commercial lending. Composition of the loan portfolio by type is as follows: consumer 35%, residential real estate 34%; commercial 22%; and agricultural 9%. There are no legal impediments which limit the bank's ability to meet the credit needs of the assessment area. The financial institution's main office is located at 412 E. Goode in Quitman, Texas. The financial institution has one branch office. This office is located at 135 N.E. Loop 564, the Wal-Mart SuperCenter, in Mineola, Texas. The bank's CRA performance was rated Satisfactory at the previous CRA examination dated January 9, 1995.

DESCRIPTION OF THE ASSESSMENT AREA:

The Board designated the bank's assessment area as Wood County. This area includes the communities of Quitman, Alba, Winnsboro, Yantis, Hawkins, and Mineola. The block numbering areas (BNA) within the bank's assessment area consist of eight middle income areas. The assessment area's population is 29,380 according to 1990 Census Bureau data. According to 1998 Housing and Urban Development (HUD) data, the median family income in the assessment area is \$32,100. Approximately 19% of the families are low income, 18% are moderate income, 21% are middle income, and 42% are upper income. The area economy is stable with an unemployment rate of approximately 3%. Local employment opportunities are centered in the following industries: Services (health, government, finance), retail, construction, manufacturing, agriculture, and mining. Major area employers include: Wood County Government, Quitman Independent Schools, Heritage Nursing Home, Wood County Central Hospital, Wood County Electric Coop, Inc., Peoples Telephone Coop, Inc., Village Manor Nursing Home, Brookshire's, and Visiting Nurses of East Texas. A recent contact with a local former quasi-government official indicated that area financial institutions have been very responsive in meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO:

The loan-to-deposit ratio of First National Bank of Quitman is comparable to the ratios of the other area banks. The financial institution's loan-to-deposit ratio has averaged 49.85% since our previous assessment of the bank's CRA activities dated January 9, 1995. The average loan-to-deposit ratio of the five other national and state chartered banks located within the designated assessment area was 47.44% during the same time period. Individual loan-to-deposit ratios for these banks averaged from a low of 26.59% to a high of 62.98%.

LENDING IN ASSESSMENT AREA:

A majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 25 1-4 family residential mortgages, 25 consumer loans, and 25 business loans originated in 1997 and year-to-date 1998. The combined sample reflected that approximately 73% of loans by number and 63% of loans by dollar amount were extended within the bank's assessment area. The breakdown by loan category is illustrated in the tables below.

Residential Mortgages	Number	Percent	Dollar Amount (000's)	Percent
Inside Assessment Area	18	72%	\$945	78%
Outside Assessment Area	7	28%	\$272	22%

Consumer Loans	Number	Percent	Dollar Amount (000's)	Percent
Inside Assessment Area	17	68%	\$150	56%
Outside Assessment Area	8	32%	\$117	44%

Business Loans	Number	Percent	Dollar Amount (000's)	Percent
Inside Assessment Area	20	80%	\$882	53%
Outside Assessment Area	5	20%	\$786	47%

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. In addition, the bank offers mortgage loans through Federal National Mortgage Association (FNMA). The following table details the results of our income analysis.

Lending to Borrowers of Different Income Levels										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	19%		18%		21%		42%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	2	12%	3	17%	6	33%	7	38%	18	100%
Consumer	3	18%	6	34%	4	24%	4	24%	17	100%
Revenue Ranges	Less than \$100,000		\$100,000-\$500,000		\$500,000-\$1,000,000		Over \$1,000,000		Total	
Commercial	6	30%	10	50%	3	15%	1	5%	20	100%

GEOGRAPHIC DISTRIBUTION OF LOANS:

We did not complete a review of the bank’s geographic distribution of loans, as this analysis would not be meaningful. All of the block numbering areas within the bank’s assessment area were middle income geographies. There are no low or moderate income geographies in the assessment area.

RESPONSE TO COMPLAINTS:

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