



PUBLIC DISCLOSURE

May 11, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First American Bank & Mortgage, N.A.
Charter Number 15250**

**Post Office 637
Sulphur Springs, Texas 75483**

**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 American Bank & Mortgage, N.A.** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of May 11, 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 American Bank & Mortgage, N.A. has a Satisfactory record of meeting the credit needs of its community. This Satisfactory rating is based upon:

- ▶ The bank's average loan-to-deposit ratio of 66.90% is comparable to the ratios of other area banks;
- ▶ A majority of the bank's loans are extended within its assessment areas;
- ▶ Credit activity is equitably distributed to borrowers of different income levels.

The following table indicates the performance level of **First American Bank & Mortgage, N.A.** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	First America Bank & Mortgage N.A. 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 Meaningful		
Response to Complaints	No Complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION:

First American Bank & Mortgage, N.A. is a community bank with total assets of \$64 million. The bank is a wholly owned subsidiary of First American Delaware Financial Corporation. First American Financial Corporation owns 100% of First American Delaware Financial Corporation. The bank's main office is located at 919 Gilmer Street, Sulphur Springs, Texas. In addition, the bank has one branch office located at 1108 Park Street, Commerce, Texas. The bank also owns and operates First American Mortgage Company which is located at the bank's main office. The bank's CRA performance was also rated Satisfactory during the previous CRA Evaluation dated May 22, 1995. There are no legal impediments or any other factors which inhibit the bank's ability to meet the credit needs of the assessment area.

The institution is retail oriented and offers a wide assortment of banking services and products. Primary loan products offered include real estate, commercial, consumer, and agricultural loans. Outstanding loans on March 31, 1998 totaled \$36 million. Composition of the loan portfolio by type is as follows: 38% commercial and commercial real estate; 28% 1- 4 family residential; 25% consumer; and 9% agriculture. First American Mortgage Company originates 1- 4 family mortgages which are generally sold in the secondary market with servicing rights retained.

DESCRIPTION OF ASSESSMENT AREAS:

The Board has designated two separate assessment areas based on the location of their main office in Sulphur Springs and the branch office in Commerce. For the main office, the Board has designated Hopkins County as their assessment area. In addition, the Board has designated a North-eastern portion of Hunt County as the assessment area for the Commerce Branch Office. Detailed below are descriptions of each assessment area included in our Evaluation.

SULPHUR SPRINGS MAIN OFFICE ASSESSMENT AREA:

The Board has designated Hopkins County as its assessment area for the Sulphur Springs Office. This area has a total population of 28,833 persons. The area consists of eight Block Numbering Areas (BNA's) identified as 9501 through 9508. BNA's are small statistical subdivisions of a county and are delineated by State Agencies and the United States Census Bureau. All eight BNA's are categorized as middle-income and

the assessment area does not arbitrarily exclude any low- or moderate-income geographies. Income designations were determined during the 1990 Census using a median family income of \$24,586. The distribution of families within the assessment area by income level consists of the following: 21% of the families are low-income; 17% are moderate income; 20% are middle income; and, 42% are upper income. According to HUD data, the median family income has risen to \$31,500 in 1997.

The area economy is reportedly stable with unemployment estimated to be 3.8% in 1997. A recent community contact indicated that one segment of the economy, the dairy industry, has been severely impacted by falling milk commodity prices and rising feed costs over the last several years. As a result, numerous dairy operations have gone out of business. The contact felt that local financial institutions were doing a good job overall of meeting the credit needs of farmers. However, the contact has observed the need for financial institutions to provide lines of credit to finance routine farm operating expenses. The local economy continues to diversify and is less dependent on the dairy industry. Local employment opportunities are centered in the following industries: retail, services (health, government, finance), and manufacturing. Major area employers include Grocery Supply Company, Nordstrom Valves, Inc., Ocean Spray Cranberries, M. Hanna Construction, Morning Star, Challenge Door, and Hon Company.

COMMERCE BRANCH OFFICE ASSESSMENT AREA:

The Board has designated a North-eastern portion of Hunt County as the assessment area for the Commerce Branch Office. Specifically, the assessment area consists of adjacent Census Tracts 9601, 9605, and 9606. This area has a total population of 8,432 persons. Portions of all three Census Tracts lie within the city limits of Commerce and are also included in the Dallas Metropolitan Statistical Area (MSA). All three Census Tracts are categorized as moderate income geographies. The assessment area does not arbitrarily exclude any low- or moderate-income geographies. Income designations were determined during the 1990 Census using a median family income of \$38,754. The distribution of families within the assessment area by income level consists of the following: 40% of the families are low-income; 20% are moderate income; 15% are middle income; and 25% are upper income. According to HUD data, the median family income has risen to \$52,300 in 1997.

The economy of Commerce is reportedly good. The economy is weighted in the services industries with Texas A&M University- Commerce being the largest employer.

Other employment opportunities are found in local government and several small manufacturing facilities. Other major employers include Commerce Independent School District, Sherwood Davis & Geck, and U.S. Brass. A recent contact with a quasi-government official indicated that local financial institutions continue to be responsive to the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO:

The loan-to-deposit ratio of First American Bank & Mortgage, N.A. is comparable to the ratios of other area banks. The loan-to-deposit ratio is a measure of the bank's lending volume. The bank's quarterly loan-to-deposit ratio has averaged 66.90% since our last CRA Evaluation. The bank's assessment area also includes seven other banks. The average for other banks located within or near the bank's assessment area was 65.95%. First American Bank & Mortgage, N.A.'s ratio has ranged from a low of 62.40% as of March 31, 1998, to a high of 70.58% as of June 30, 1996. Other banks in the area reported quarterly average loan-to-deposit ratios ranging from a low of 47.50% to a high of 88.90%.

LENDING IN ASSESSMENT AREA:

A majority of the bank's lending activities are conducted within its assessment areas. The proportion of loans extended inside the assessment area versus loans made outside the assessment area is another measure of a financial institution's commitment to the local community. We sampled residential mortgages, consumer loans, and commercial loans originated at the main office in Sulphur Springs and the branch office located in Commerce. The sample included loans originated in the fourth quarter of 1997 and year-to-date 1998. The sample revealed approximately 78% of the total number of loans and 74% of the total dollar amount of loans originated by the main office were extended within the assessment area. Furthermore, the branch office sample revealed 72% of the total number of loans and 74% of the total dollar amount of loans were extended within the assessment area. The following charts reflect the lending patterns of each office by type of loans.

First American Bank & Mortgage N.A., Sulphur Springs Main Office				
Type of Lending	Number of Loans	Percent	Dollar Amount (000's)	Percent
Residential Mortgage				
Inside Assessment Area	19	58%	\$1,037	57%
Outside Assessment Area	14	42%	\$790	43%
Consumer				
Inside Assessment Area	19	95%	\$136	99%
Outside Assessment Area	1	5%	\$1	1%
Commercial				
Inside Assessment Area	19	95%	\$1,855	87%
Outside Assessment Area	1	5%	\$280	13%

First American Bank & Mortgage N.A., Commerce Branch Office				
Type of Lending	Number of Loans	Percent	Dollar Amount (000's)	Percent
Consumer				
Inside Assessment Area	16	73%	\$60	45%
Outside Assessment Area	6	27%	\$73	55%
Commercial				
Inside Assessment Area	7	70%	\$532	80%
Outside Assessment Area	3	30%	\$132	20%

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

The distribution of loans within the assessment areas reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes.

Evaluating lending patterns to low- and moderate- income families is another measure of a financial institution’s commitment to all members of its community. The following charts reflect a reasonable effort is made to extend credit to both low- and moderate-income families by both offices.

First American Bank & Mortgage, N.A., Sulphur Springs Main Office Hopkins County Assessment Area Lending to Borrowers of Different Income Levels										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	21%		17%		20%		42%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	2	11%	3	16%	5	26%	9	47%	19	100%
Consumer	2	11%	4	24%	4	24%	7	41%	17	100%
Revenue Ranges	Less than \$100,000		\$100,000- \$500,000		\$500,000-- \$1,000,000		Over \$1,000,000			
Commercial	4	21%	5	26%	6	32%	4	21%	19	100%

First American Bank & Mortgage, N.A., Commerce Branch Office Commerce Assessment Area Lending to Borrowers of Different Income Levels										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	29%		22%		23%		26%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Consumer	13	81%	1	6%	2	13%	0	0%	16	100%
Revenue Ranges	Less than \$100,000		\$100,000- \$500,000		\$500,000-- \$1,000,000		Over \$1,000,000			
Commercial	3	43%	2	29%	1	14%	1	14%	7	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. An analysis of the geographic distribution of loans is performed to determine if an institution is lending money in low- and moderate-income areas. All of the BNA’s comprising the assessment area for the main office are designated as middle income geographies. In addition, all census tracts comprising the branch office’s assessment area are moderate income geographies. Although an analysis of the geographic distribution was not performed, our sample did reveal that First American Bank & Mortgage, N.A. does extend loans in all geographies contained in both assessment areas.

RESPONSE TO COMPLAINTS:

There have been no complaints related to CRA performance since the prior CRA Evaluation. Furthermore, we did not identify any violations involving anti-discrimination laws or regulations.

ADDITIONAL INFORMATION:

The bank's subsidiary, First American Mortgage Company, originates 1-4 family residential mortgage loans. The mortgage company offers conventional, FHA (Farmers Home Administration), and VA (Veterans Administration) mortgage financing. Both the FHA and the VA mortgage loan programs offer reduced down payment requirements. In addition, fixed rate and adjustable rate mortgages are also available. Loan applications that are denied by the mortgage company are also reviewed by bank officers for possible approval for a residential mortgage through First American Bank & Mortgage, N.A.

First American Bank & Mortgage, N.A. also offers student loans through a government guaranteed student loan program. The program is active and approximately 100 student loans are granted under the program annually. The bank also provides financing to small area businesses through its Cash Flow Manager Program. Under the program, the bank purchases accounts receivables from small businesses and provides billing and invoicing services. The program is active and a number of small businesses participate in the program.