



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 14, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Seymour
Charter Number 4263**

**201 N. Washington
Seymour, Texas 76380**

**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 the **First National Bank of Seymour, Seymour, Texas**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 14, 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 lending performance of the First National Bank of Seymour reflects satisfactory responsiveness to its community's credit needs. The loan to deposit ratio is reasonable in comparison to other institutions in Baylor County. A substantial majority of the bank's loans are within the Baylor County assessment area. The lending pattern reflects a more than reasonable penetration among borrowers of different income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank of Seymour 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	Distribution 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 Seymour (FNB) has one banking office located in Seymour, Texas. The bank is 100% owned by Baylor Bancshares, Inc., a four bank holding company. As of March 31, 1997, FNB had total assets of \$30 million with approximately \$3.5 million in total loans.

The bank offers a variety of credit products including consumer, real estate, and commercial loans. FNB's lending focus is on local consumer credit needs, as 69% of total loans are for consumer and household purposes.

FNB's financial condition does not inhibit its ability to meet credit needs in its assessment area. Additionally, the bank has no legal impediments that would inhibit its ability to meet community credit needs.

DESCRIPTION OF BAYLOR COUNTY

The Board has designated Baylor County as the bank's assessment area. This designation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The non-MSA area has a population of 4,385 according to the most recent census data and a median family income of \$25,085. The two block numbering areas (BNA's) in the county have been designated as middle income. There are no low- or moderate- income tracts in the county.

Although there are no officially designated low- or moderate-income tracts within the assessment area, 48% of the community is represented by low- or moderate-income households. Approximately 26% of these households are below the poverty line and 11% receive some form of government assistance. Further, 26% of the population is represented by senior citizens on fixed incomes.

The primary industries surrounding Seymour are agriculture and oil & gas production. This results in the need for small farm and small business loans within the community. Local loan demand is low and competition for credit is keen within the community. Aside from the three banking institutions (FNB, Farmers National Bank, and First American State Savings Bank), and three credit unions, there are six other local lending institutions including:

- * Production Credit Association
- * Farmers Home Administration
- * GMAC Credit Corporation
- * Ford Motor Credit Corporation
- * John Deere Credit Corporation
- * Federal Land Bank

As a result of the high level of competition, each of these institutions has developed its own business lines to meet the total credit needs of the community. FNB is a primary resource for providing low dollar loans for basic consumer and household purposes.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

FNB's lending performance is satisfactory. The bank makes consumer real estate, and small business loans throughout the assessment area to individuals with differing income levels. Most significantly, the bank has developed a market niche of providing low dollar financing to local consumers. FNB has established a lending relationship with three local furniture and appliance dealers to finance low dollar loans for basic living needs. 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

A substantial majority of FNB's loans are made within the Baylor County assessment area. As of July 31, 1997, FNB had 263 loans on its books. We reviewed each of these loans to determine their inclusion in the assessment area. A total of 82% of loans are within Baylor County.

Loan to Deposit Ratio

FNB's loan-to-deposit ratio over the past five quarters averaged 12%. Area lender's loan-to-deposit ratios range from 8% to 77% as of March 31, 1997. The bank's heavy volume of low dollar loans, conservative lending philosophy, and significant local competition contribute to the low loan-to-deposit ratio. The bank differentiates itself from the community's largest lender, Farmers National Bank, whose lending focus is on larger agriculture credits. The substantial volume of low dollar and personal loans, significant concentration of lending within the assessment area, and contact with community leaders confirms that the bank is satisfactorily serving the community's credit needs.

Income Distribution

FNB's loan distribution reflects a significant penetration among borrowers of low- and moderate-income levels. An income analysis was provided by the bank to determine income distribution within its loan portfolio. Of the 236 instalment, dealer, and commercial loans in the portfolio, 50% are to low- and moderate-income borrowers. Additionally, the 27 small business and agriculture borrowers all reflect annual gross revenues below \$1 million.

The bank's willingness to extend credit to low- and moderate-income borrowers is highlighted by the following:

- * FNB has extended 134 loans < \$1,000 over the past 12 months (5/1/96-4/30/97). This represents 51% of the total loan portfolio (51% of portfolio).
- * FNB currently reflects 30 loans to disabled and fixed income borrowers (11% of portfolio).
- * 118 loans currently on the books have been generated by three local furniture and appliance dealers. These loans represent necessary credit to those who do not present the typical income requirements to qualify for a credit card (45% of portfolio).

Geographic Distribution of Loans

A geographic distribution analysis was not performed during this examination as it would not be meaningful. There are no distinguishable low- or moderate-income BNA's in the assessment area. Plotting loans in a geographical analysis would not be representative of the specific income of borrowers in various geographies.

Response to Substantiated Complaints

During this evaluation period, FNB has received no complaints concerning its performance in meeting assessment area credit needs.