

## **PUBLIC DISCLOSURE**

**October 12, 1999**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Floydada  
Charter Number 7045**

**124 South Main  
Floydada, Texas 79304**

**Office of the Comptroller of the Currency  
Lubbock Field Office  
5225 South Loop 289, Suite 108  
Lubbock, Texas 79424**

**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 Floydada** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 12, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated “**Satisfactory.**”

- The bank's loan-to-deposit ratio meets standards for satisfactory performance, averaging 36% from September 30, 1996, to June 30, 1999. The ratio for the most current quarter is 41%. This is reasonable based on our comparison to the ratios of fifteen other similarly situated banks. These ratios ranged from 14% to 63%.
- A substantial majority of the loans sampled during the examination are within the bank's assessment area, 91% both by the number of loans and by dollar volume.
- The lending pattern reflects a reasonable penetration among individuals of different income levels and a reasonable pattern of lending to farms and businesses with different revenue levels.
- An analysis of the geographic distribution of loans would not be meaningful. There are no low-income geographies in the assessment area.
- There have been no consumer complaints regarding the bank's CRA performance.

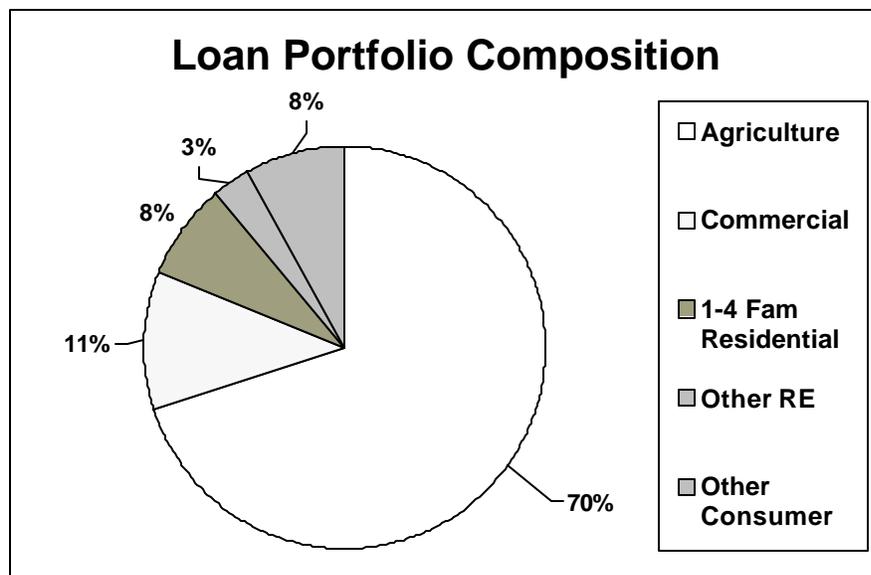
## DESCRIPTION OF INSTITUTION

The First National Bank of Floydada (FNB) is located in Floydada, Texas, approximately 60 miles northeast of Lubbock, Texas. As of June 30, 1999, the bank reported total assets of \$75 million. FNB operates a single full-service banking facility located in Floydada. FNB is wholly owned by a one-bank holding company located in Floydada, and there are no other affiliates.

The bank faces strong competition from other financial institutions in nearby counties. The bank's main loan product is agricultural purpose loans, but it also provides commercial loans and loans for consumers, including first and second lien residential loans.

As of June 30, 1999, the bank had loans of \$25.9 million, representing 36% of total assets. Figure 1 reflects the composition of the portfolio as of the most recent quarter.

There are no legal or financial impediments that interfere with the bank's ability to provide credit for a variety of purposes throughout its assessment area. The bank's performance was rated Satisfactory at the last CRA examination dated October 1, 1996.



The bank's performance was rated Satisfactory at the last CRA examination dated October 1, 1996. The evaluation period for the current examination is August 1, 1996 to September 30, 1999. Primary consideration was given to performance during 1998 and year-to date 1999.

Figure 1 - Source: Uniform

Bank Performance Report

## DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area is Floyd County. This assessment area meets the regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

Floydada is the largest community in Floyd County; other communities include Lockney, South Plains, and Dougherty. The estimated current population of the county is 8,000 with approximately 4,000 of those persons living in Floydada. Information provided by bank management and in discussion with our community contact indicated that the population is declining very slightly and that it continues to age as younger people move out of the area.

The 1990 Census median family income is \$24,586, with the 1998 updated HUD non-MSA median family income of \$33,900. There are four block number areas in Floyd County, with two-middle income and two upper income areas. Demographic information shows that there are no low- or moderate-income BNA's in the assessment area. Income information shows that 23% of the families in the county are low-income, 20% are moderate income, 18% are middle income, and 39% are upper income.

The primary employer in the county is the Floydada Independent School District. The local cotton gins and grain elevators provide a significant number of seasonal jobs. There are small companies that manufacture irrigation or farm equipment, and automobile and farm implement dealerships employ a small number of persons. A significant number of local residents travel to jobs outside Floydada, with a large number of residents employed at businesses in Plainview, Texas. Businesses in Plainview include a prison facility, a beef processing plant, and a Wal-Mart distribution facility.

The economy of Floydada and surrounding areas is highly dependent on agricultural production. The production is diversified among cattle, cotton, milo, corn, and vegetables (primarily pumpkins). Floyd County continues to suffer the effects of a drought. This has depressed the economy, but government programs to aid farmers have reduced the effects of low commodity prices and unfavorable weather conditions.

The bank's products are offered by other financial institutions in the area. There are two branches of out-of-town banks in Floydada as well as an active Production Credit Association office.

Our discussion with bank management and the community contact during our examination did not identify unmet credit needs in the community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **C Loan-to-Deposit Ratio**

The average quarterly loan-to-deposit (LTD) for FNB since the last examination is 36%. We observed that the quarterly ratios reflect cyclical lending patterns common to agricultural banks. The June 30, 1999 ratio was 41%. We compared the bank's average to that of fifteen banks in nearby communities and contiguous counties. Eliminating one bank which has branches in several communities, we noted that their average for the same period was 42%, with the lowest reported at 13% and the highest at 63%. Based on our review, we determined that FNB has a reasonable LTD ratio and meets the standard for satisfactory performance in this category.

### C Lending in the Assessment Area

Our review of a sample of agriculture, commercial, and consumer loans originated during 1999 shows that a substantial majority of the bank's loans are to borrowers who live within the AA. The following chart shows the results of our evaluation under this performance criterion.

DISTRIBUTION	CATEGORY	CONSUMER	COMMERCIAL	AGRICULTURE	TOTAL
Total	#	38	20	20	78
	\$	181	1,542	4,824	6,547
In Assessment Area	#	36	16	19	71
	%	94.74%	80.00%	95.00%	91.03%
	\$	168	1,035	4,742	5,945
	%	92.82%	67.12%	98.30%	90.80%
Out of Assessment Area	#	2	4	1	7
	%	5.26%	20.00%	5.00%	8.97%
	\$	13	507	82	602
	%	7.18%	32.88%	1.70%	9.20%

### C Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

FNB has a reasonable penetration among individuals of different income (including low- and moderate-income) levels and businesses and farms of different sizes. The percentage of loans to low- and moderate-income individuals (by number) compares favorably to the percentage of families in those income categories. Our loan sample consisted of unsecured consumer loans made to male and female applicants since October 1998. The following chart summarizes FNB's record of consumer lending to individuals of different income levels.

Distribution of Loans to Individuals by Borrower Income \$(000)								
Income Level	Low		Moderate		Middle		Upper	
<b>Consumer Loans</b>	#	%	#	%	#	%	#	%
	15	39%	21	55%	1	3%	0	0%
	\$	%	\$	%	\$	%	\$	%
	\$28	16%	\$133	73%	\$13	7%	\$0	0%
<b>Distribution of Families in Assessment Area</b>	#	%	#	%	#	%	#	%
		22%		20%		18%		40%

Source: Sample of loans reviewed during the examination

FNB is primarily an agricultural lender with 73% of its loan portfolio centered in loans for agricultural purposes. As shown in the following table, 79% of the business loans we sampled are to companies or farms with annual revenue under \$1 million.

Distribution of Small Business Loan Originations Sampled (By Business Revenue)								
					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
Farm Loans	20	100%	\$4,824	100%	19	95%	\$3,924	81%
Business Loans	20	100%	\$1,542	100%	17	85%	\$1,116	72%
<b>Distribution of Businesses in sample by Annual Revenues of the Business:</b>			< 1 Million	79%	*As a percentage of total loans sampled			
			> 1 Million	20%				
			Unknown	1%				

Source: Business Demographic Data and sample of loans reviewed during the examination

### C Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful. There are only four BNA's in the assessment area, none of which are low-income. Demographic information indicates that there are persons with low or moderate income levels who live throughout all the BNA's. We did not perform a review of the geographic distribution of loans.

## **OTHER FACTORS**

### **C Record of Compliance with Antidiscrimination Laws**

We performed a Fair Lending review at this examination. Based on a comparative file review of approved unsecured consumer loans to male and female applicants, we did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations.

### **C Response to Complaints**

FNB has not received any complaints during this evaluation period regarding their CRA performance.