



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 30, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Waggoner National Bank of Vernon
Charter Number 5203**

**1818 Texas Street
Vernon, Texas 76385**

**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 Waggoner National Bank of Vernon** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 30, 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 Waggoner National Bank of Vernon reflects satisfactory responsiveness to its community's credit needs. The loan to deposit ratio is reasonable in comparison to other institutions in Wilbarger County. In addition, a substantial majority of the bank's lending is within the Wilbarger County assessment area. Finally, the lending pattern shows a reasonable penetration among borrowers of all income levels and in all segments of the community.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	The Waggoner National Bank of Vernon 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		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The Waggoner National Bank of Vernon (WNB) is located in the city of Vernon, Wilbarger County, Texas. The bank is wholly owned by Vernon Bankshares, Inc., a single bank holding company. The bank has one main office location and two ATM facilities. As of September 30, 1997, assets totaled approximately \$146 million.

WNB's primary lending focus is on consumer needs, with significant agricultural and residential real estate portfolios. As of September 30, 1997, total loans were \$54 million. The loan portfolio is comprised of consumer (48%), home mortgage (22%), agriculture related (19%), and commercial (11%). Bank management conducted an analysis of the local home mortgage market in 1993 and reduced down payment requirements to attract low- and moderate-income home buyers. As a result, WNB has created a lending niche in the lower end 1-4 family residential market. As of September 30, 1997, the home mortgage portfolio of approximately \$11 million consisted of 584 loans with an average balance of \$19,476. Only 36 of these loans exceeded \$50,000 at origination.

There are no financial impediments which would hamper WNB's ability to help meet the credit needs of its assessment area. WNB's CRA performance was last evaluated as of February 16, 1995. At that time, WNB's overall performance was rated "satisfactory".

DESCRIPTION OF WILBARGER COUNTY

The Board has designated Wilbarger County as the bank's assessment area. Wilbarger County consists of seven block numbering areas (BNAs). This designation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

According to 1990 census data, two of the BNAs in Wilbarger County are upper-income areas, five are middle-income areas, and two are moderate-income areas. There are no low-income BNAs in the bank's assessment area. The population of the county is 15,121, and the updated weighted average median family income is \$31,500. According to this same data, low-income families comprise 19% of all families in the county, while another 17% are moderate-income families, 22% are middle-income families, and 42% are upper-income families.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

We conducted interviews with two area civic organization leaders. These interviews were helpful in understanding the context of the bank, the community, and local competitors. These community representatives responded favorably to the bank's presence in the community in providing the assessment area's credit needs.

Assessment Area Concentration

A substantial majority of WNB's loans are made within the Wilbarger County assessment area. As of September 30, 1997, 70% of the number of loans, and 73% of the dollar volume of loans on the books are within the assessment area.

Loan to Deposit Ratio

Over the past five quarters dating back to June 30, 1996, the average loan to deposit ratio for WNB is 42%. This is a reasonable level of lending when compared to other area financial institutions whose loan to deposit ratios range from 13% to 77%.

Geographic Distribution of Loans

The bank is reasonably extending credit throughout all BNAs, including the two moderate-income geographies. Approximately 11% of the dollar amount of all loans extended within the assessment area in 1997 were made in the moderate-income BNAs.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

WNB's loan distribution reflects a satisfactory penetration among borrowers of different income levels and to businesses of different sizes. Approximately 49% of the consumer loans and 29% of the home mortgage loans in our sample were to borrowers of low- or moderate-income. The bank is also an active small business and small farm operation lender. Of the 50 business loans extended in 1997, 46, or 92% were to businesses with less than \$1 million in gross annual revenues. This represents 70% of the dollar volume of business loans extended in 1997. Likewise, of the 104 agriculture-related loans made in 1997, 99, or 95% were to farming operations with less than 500M in gross annual revenues. This represents 69% of the dollar volume of agriculture-related loans extended in 1997.

Response to Substantiated Complaints

WNB has received no complaints concerning its performance in meeting assessment area credit needs.