



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 7, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Gladewater National Bank
Charter Number 17290**

**678 North Main
Post Office Box 1749
Gladewater, Texas 75647-0027**

**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 **Gladewater National Bank** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of May 7, 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: his institution is rated satisfactory.

Gladewater National Bank has a satisfactory record of meeting community credit needs. The bank's average loan-to-deposit ratio is reasonable at 66.37% when compared to other area banks. A majority of the bank's loans are extended within its assessment area, and credit activity reflects a reasonable distribution to borrowers of different income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>GLADEWATER NATIONAL BANK</u> 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:

Gladewater National Bank is a \$32 million bank. East Texas Financial Corporation, a two bank holding company, owns the majority of the bank's outstanding stock. The bank's main office is located at 678 N. Main, Gladewater, Texas. In addition to the main office, the bank has one branch location at 101 W. Main in Omaha, Texas. The main bank and the branch are located in middle income block numbering areas (BNAs). Both bank locations provide a full range of services including one ATM machine which is located at the main bank location.

The institution is retail oriented and offers full service banking. Primary loan products offered include real estate loans, consumer loans, and commercial loans. Outstanding loans as of March 31, 1997 totaled \$15 million and were distributed as follows: 43% were commercial and commercial real estate; 31% were consumer related; 22% were 1-4 residential mortgages; and 4% were agriculture loans. There are no legal impediments or other factors which inhibit the bank's ability to meet the needs of the community. The last CRA examination completed at this bank was dated November 1, 1994.

DESCRIPTION OF THE ASSESSMENT AREAS:

Management and the Board have designated two separate assessment areas based on the location of the main bank and branch locations.

Gladewater Assessment Area:

Management has designated block numbering areas 9503, 9505, 9506, and 9507.98 in Upshur County, along with census tract 102 as the Gladewater assessment area. These tracts are part of the Longview--Marshall Metropolitan Statistical Area (MSA), and include the communities of Gladewater, White Oak, Clarksville, Big Sandy, Union Grove, East Mountain, and Warren City. This area has a total population of 24,875. All of the geographies in the assessment area are designated as middle income areas. The distribution of families by income level, regardless of location, consists of the following: 24% of the families are low income, 18% are moderate income, 22% are middle income, and 36% are upper income. The median family income for the Longview--Marshall MSA is \$34,100. Major employers include: Texas Die Casting; Caddx-Caddi, Inc.; Regal Headwear, USA; and Spencer Harris.

Omaha Assessment Area:

Management has designated all of Morris County and block numbering area 9504 in Titus County as the Omaha Assessment Area. This area is not part of a MSA. Communities located in this assessment area include Omaha, Naples, Daingerfield, Lone Star, and Cookville. All geographies in the assessment area are designated as middle income areas. This area has a total population of 16,443. The HUD 1996 median family income of the area is \$28,900. Approximately 22% of the families in the assessment area are low income, 18% are moderate income, 20% are middle income, and 40% are upper income. Major employers located in the assessment area include: Browns Plant Co.; Bill Tucker Enterprise; Custom Manufacturing; and Printing Factory.

As a part of our examination, we contacted a member of a local civic organization in each assessment area. The official contacted in the Gladewater assessment area stated, in his/her opinion, the primary community credit needs were small dollar consumer loans and affordable home loans for low income families. The official also indicated that the local financial institutions are supportive of the community and have taken positive steps toward meeting the identified credit needs. The official was not aware of any formal studies performed which would identify community credit needs. The official contacted in the Omaha assessment area stated, in his/her opinion, the primary community credit needs were affordable housing and small dollar consumer loans. The official was not aware of any formal studies performed which would identify community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-To-Deposit Ratio:

Gladewater National Bank has a reasonable loan-to-deposit ratio given the bank's size, financial condition, and assessment area credit needs. The bank's loan-to-deposit ratio has averaged 66.37% since the prior CRA examination dated November 1, 1994. The average loan-to-deposit ratio for banks included in the above assessment areas for the same time period was 58.22%, and ranged from 38.66% to 72.69%.

Lending in Assessment Area:

A majority of the bank's lending activity is located within its assessment areas. We reviewed a sample of 26 residential mortgages, 20 business loans, and 45 consumer loans which were originated during 1996 and year-to-date 1997. This sample reflected

approximately 68% of the loans by number and 74% by dollar amount were extended within the bank’s assessment areas.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes:

The distribution of residential and consumer loans within the bank’s assessment area reflects a reasonable penetration among individuals of different income levels. The bank’s loan distribution generally approximates the income characteristics of the assessment area. In addition, the distribution of business loans also reflects a reasonable penetration among businesses of different sizes. Based on our review, 75% of the business loans we sampled which were originated within the bank’s assessment area, were to small businesses with gross annual revenues of less than one million dollars. The charts below detail the distribution of loans by income for each assessment area. The Omaha assessment area sample does not include 1-4 Family mortgages or business loans, as these do not represent significant loan products at this branch.

GLADEWATER 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	24%		18%		22%		36%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	1	5%	3	16%	2	11%	13	68%	19	100%
Consumer	3	19%	4	25%	3	19%	6	37%	16	100%
Revenue Ranges	Less than \$100,000		\$100,000-\$500,000		\$500,000--\$1,000,000		Over \$1,000,000			
Commercial	6	50%	1	8%	2	17%	3	25%	12	100%

OMAHA 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	22%		18%		20%		40%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Consumer	2	13%	3	20%	3	20%	7	47%	15	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 are middle-income geographies. There are no low- or moderate-income geographies in the assessment area.

RESPONSE TO COMPLAINTS:

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