



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 1, 2010**

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

First National Bank of Jasper  
Charter Number 14886

301 East Houston Street  
Jasper, TX 75951

Office of the Comptroller of the Currency

Houston Field Office  
1301 McKinney Street, Suite 1410  
Houston, TX. 77010-3031

**NOTE:** This document is an evaluation of this 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. 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.

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

First National Bank of Jasper has a Satisfactory record of meeting community credit needs. This is based on the following:

- The loan-to-deposit ratio is reasonable in light of the bank's performance context, and meets the standards for Satisfactory performance.
- A substantial majority of loans were originated within the Assessment Area (AA).
- Loan originations reflect a reasonable distribution among households and families of various income levels and businesses of different sizes within the AA.
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA.

**SCOPE OF EXAMINATION**

First National Bank of Jasper was evaluated under the Small Bank examination procedures, which includes the Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. Our examination evaluated the bank's lending performance from January 1, 2007 through March 1, 2010.

The bank's primary loan products are residential real estate, consumer loans, and business loans. Business and residential real estate loans are the largest products by dollar volume, while consumer loans are the largest product by number.

We selected a statistically valid sample using bank reports of loan originations in the three categories. The sample was used to determine lending in the AA, geographic distribution of originated loans, gross revenue, consumer income, and census tracts. Our sample consisted of 21 residential real estate loans, 20 consumer loans, and 26 business loans. Twenty loans of each product type were located in the AA.

**DESCRIPTION OF INSTITUTION**

The First National Bank of Jasper (FNB Jasper) is a \$210 million full service community bank headquartered in Jasper, Texas, located in Jasper County. The bank was chartered February 6, 1960 and continues to be wholly and locally owned by East Texas Bancshares, Inc., Livingston, Texas. Jasper, known as the "The Jewel of the Forest", is primarily a rural community with a large timber industry.

The bank serves their customers with two full service branches, located in Jasper and Woodville, Texas. Both locations have Automated Teller Machines (ATMs). They also offer no service charges to customers using any ATM from the bank's affiliate, First State Bank of Livingston.

The bank offers an array of standard deposit and loan products and services to help meet the credit needs of its community. Consumer and commercial lending are the bank's primary focus. Banking hours are reasonable, with lobby hours Monday through Friday. Saturday drive-in hours are also available at both locations. The bank provides 24 hour Internet banking services and Interactive Voice Response telephone services.

The requirements of the Consent Order dated October 8, 2009 may impede the bank's ability to meet the credit and community development needs of its AA.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The AA consists of 25 census tracts incorporating all of Jasper, Tyler, and Newton Counties and portions of Sabine, San Augustine, and Angelina Counties. Of the 25 census tracts, two are designated as moderate-income. The remaining 23 census tracts are designated as middle-income. We concluded this AA does not arbitrarily exclude any low- or moderate-income areas.

The AA consists of 21.41 percent of households considered low-income, 18.07 percent moderate-income, 22.30 percent middle-income, and 38.21 percent upper-income. According to the U.S. Census Bureau, there are 26,750 owner-occupied residences, 5,683 rental-occupied residences, and 11,417 vacant units.

Jasper County is located Northeast of Houston and West of the Sabine River and the state of Louisiana. The unemployment rate was 6.5% in 2008. Jasper is the county's largest town and the county seat. It is located 115 miles Northeast of Houston. In addition to quaint shops in its historic downtown, Jasper has big retailers, a medical center, branded hotels and Bed and Breakfasts. A county airport is also maintained. Jasper is surrounded by the nearby communities of Browndell, Buna, Evadale, and Kirbyville.

The construction of the Sam Rayburn Reservoir in the mid-1960s near Jasper brought the county a new industry, as water again proved to be a valuable resource. The Angelina River feeds the reservoir, which attracts boaters, fishermen, hikers, and tourists. Natural resources include abundant timber, oil, and natural gas. The timber is mixed pine and hardwood.

Employers in the county include Mead Westvaco Corp., Rayburn Country Resort, Christus Jasper Memorial Hospital, Buna Independent School District (ISD), Evadale ISD, Jasper ISD, Kirbyville ISD, Jasper County, Southeast Texas Industries, and Wal-Mart.

Tyler County is in Southeastern Texas, adjoining Jasper County to the West. Woodville, the county seat and largest town, is 56 miles north of Beaumont and 90 miles northeast of Houston, very near the center of the county. The county comprises 908 square miles of the East Texas timberlands, an area densely forested with pine and a great variety of hardwoods. It contains parts of the Big Thicket National Preserve

established by Congress in 1974. The largest body of water in the county is B. A. Steinhagen Lake on the Neches River, impounded in 1951 by Town Bluff Dam (also called Dam B); the lake covers 13,700 acres. Excellent farmland comprises 21 to 30 percent of the land in the county. Mineral resources include clay, industrial sands, oil, and gas.

Communities in the county include Woodville, the county seat, Colmesneil and Chester. To the west of Woodville and Tyler County is the home of the Alabama-Coushatta Tribe, Texas' oldest Indian Reservation. Approximately 500 tribal members call this area of about 4,600 acres home.

Tyler County offers outdoor attractions like fishing, hunting, boating, hiking and indoor events like antiquing and shopping. Tyler is also a growing retirement destination. The largest employers in the county include Tyler County, Tyler County Hospital, Warren ISD, Woodville ISD, and Wal-Mart. The unemployment rate in March 2008 was 5.3 percent.

Newton County is located on the Western edge of the Great Eastern Forest offering hiking trails and hunting opportunities. Toledo Bend Reservoir and the Sabine River offer some of the best fishing and water recreation in the United States. Cities in the county include Deweyville, Burkeville, and South Toledo Bend.

The county seat, Newton, is near the center of the county. The City of Newton is located 70 miles northeast of Beaumont, and 150 miles northeast of Houston. The City of Newton operates a municipal airport.

A mainstay for employment and positive economic impact to the City and County is the Newton County Correctional Facility, also known as the Fillyaw Correctional Facility; it houses Texas Department of Corrections and other inmates in a low to medium security environment. Employing over 200 personnel, the facility is owned by the County of Newton and the management is contracted to well-respected private correctional facility operators. Other large employers in the county are Louisiana-Pacific Plywood Plant, Newton County, and Newton ISD.

According to the U.S. Census Bureau, the AA has a total population of 85,176. The weighted average median value of housing is \$48,748 and the weighted average of monthly gross rents is \$380. The weighted average of the updated median family income for 2009 is \$45,600.

During the examination, we contacted a local businessman with knowledge of the area. This contact indicated the credit needs in the AA were residential real estate loans and consumer loans. The contact stated that the need for small business loans was declining. The contact felt that the financial institutions in the area were meeting the needs of the community. The contact spoke very highly of this specific bank.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable in light of the bank's performance context, and meets the standards for Satisfactory performance. The bank's quarter-end LTD ratios since September 30, 2004 averaged 35.63 percent. The LTD ratio for a group of peer banks with less than \$300 million in assets headquartered in FNB Jasper's AA averaged 47.11 for the same period. The average LTD ratios for the peer group ranged from a low of 19.05 percent to a high of 77.94 percent. For all bank's headquartered in FNB Jasper's AA, regardless of asset size, the LTD ratio averaged 51.24 percent for the stated period. Deposits of secured public funds represent 22 percent of FNB Jasper's total deposits at December 31, 2009, more than any bank headquartered in the bank's AA. Due to pledging requirements, these funds are not available for lending. Adjusting for public funds, the bank's LTD ratio is 48.70 at December 31, 2009.

### Lending in Assessment Area

A substantial majority of loans were originated in the AA. We based our conclusion on our sample of residential real estate loans, consumer loans, and commercial loans originated from January 1, 2007 to March 1, 2010. As shown in Table 1 below, 88.33 percent of the number of loans and 85.89 percent of the dollar amount of loans were originated in the AA.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RE – Home Purchase	19	95.00	1	5.00	20	1,272	96.36	48	3.64	1,320
Consumer Loans	20	100.00	0	0.00	20	106	100.00	0	0.00	106
Commercial Loans	14	70.00	6	30.00	20	723	70.88	297	29.12	1,020
Totals	53	<b>88.33</b>	7	11.67	60	2,100	<b>85.89</b>	345	14.11	2,445

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

The bank's loan originations reflect a reasonable distribution among households and families of various income levels, including low- and moderate-income individuals and businesses of different sizes within its AA. To complete this analysis, we reviewed a sample of residential real estate loans, commercial loans, and consumer loans originated in the AA.

## Residential Real Estate Loans

The distribution of residential real estate loans reflects reasonable penetration to borrowers of low- and moderate-income levels. The level of lending performance to moderate-income borrowers exceeds the characteristics of the AA. We analyzed residential real estate lending using borrower income compared to the percentage of households by median household income levels according to U.S. Census information. The 2007 through 2009 median household income for the AA was \$29,913.

The bank's performance is slightly less than the characteristics of the AA for lending to low-income households but exceeds in lending to moderate-income households. A low-income household in this AA has income up to \$14,956 annually. We considered the level of difficulty for the bank to originate residential real estate loans to households with incomes at or below this level and concluded overall performance was reasonable. The bank's performance is shown in the following table:

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	21.41	<b>20.00</b>	18.07	<b>25.00</b>	22.30	15.00	38.21	35.00

Source: U.S. Census data. Borrower income level unavailable in 5.0% of loan sample.

## Consumer Loans

The distribution of consumer loans reflects reasonable penetration among borrowers of different income levels. The level of lending to low- and moderate-income borrowers is less than the AA characteristics; however, the volume is still at a reasonable level. The bank's performance is shown in the following table:

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	26.12	<b>20.00</b>	15.39	<b>10.00</b>	18.90	40.00	39.59	20.00

Source: U.S. Census data. Borrower income level not available in 10.0% of loan sample.

## Commercial Loans

The distribution of commercial loans reflects poor penetration to businesses of different sizes. We reviewed the gross annual revenues of the sampled commercial loans to determine the banks performance and compared the performance to the characteristics of the AA according to Dunn and Bradstreet data. As shown in the table below, the level of the bank’s lending to businesses with revenues of less than \$1 million is 20.00 percent by number of loans and 12.52 percent by dollar amount of loans. The AA has had little growth over the past three years and the community contact stated that the demand for small business loans has declined. We considered this while assessing the overall borrower distribution rating.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65.84	2.18	31.98	100%
% of Bank Loans in AA by #	<b>20.00</b>	55.00	25.00	100%
% of Bank Loans in AA by \$	<b>12.52</b>	80.62	6.85	100%

Source: Dunn and Bradstreet data.

## Geographic Distribution of Loans

The overall geographic distribution of the bank’s loans is reasonable considering the demographics of the AA. The AA contained two moderate-income census tracts (CTs) and no low-income CTs. Our review included an analysis of the geographic location of all residential real estate loans, commercial loans, and consumer loans originated from January 1, 2007 through March 1, 2010. Our review also included identifying loans originated in CTs designated as distressed and/or underserved by the Federal Financial Institutions Examining Council. The bank’s AA included 20 CTs that were distressed and/or underserved. In our sample of 66 loans, all loans except one residential real estate loan were made in CTs designated as distressed and/or underserved.

The geographic distribution of residential real estate loans showed reasonable dispersion. We compared loan originations for home purchase to the percentage of AA owner-occupied housing based on U.S. Census information. The bank’s performance is shown in the table below.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	0.00	<b>0.00</b>	4.91	<b>5.00</b>	95.09	95.00	0.00	0.00

Source: U.S. Census data.

The geographic distribution of consumer loans showed reasonable dispersion. While the bank did not lend to the moderate-income CTs, all 20 consumer loans sampled were originated in distressed and/or underserved CTs in the AA. As a result and considering the low percentage of moderate-income households residing in moderate-income tracts, we concluded the geographic distribution of loans to consumers was Satisfactory. The bank’s performance is shown in the following table:

**Table 3B - Geographic Distribution of Consumer Loans in FNB Jasper Assessment Area**

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00	<b>0.00</b>	5.78	<b>0.00</b>	94.22	100.00	0.00	0.00

Source: U.S. Census data.

The geographic distribution of commercial loans showed reasonable distribution. While no loans were originated in low- or moderate-income tracts, it is noted that the percentage of businesses located in moderate-income tracts is minimal. Although all loans in our sample were originated in middle-income CTs, 100 percent of our commercial loan sample was originated in distressed and/or underserved CTs. As a result and considering the low number of businesses in the two moderate-income CTs, we concluded the geographic distribution of commercial loans to be Satisfactory. The bank’s performance is shown in the table below:

**Table 3A - Geographic Distribution of Loans to Businesses in FNB Jasper Assessment Area**

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial Loans	0.00	<b>0.00</b>	7.84	<b>0.00</b>	92.16	100.00	0.00	0.00

Source: Dunn and Bradstreet data.

**Responses to Complaints**

The bank did not receive any complaints related to CRA during the evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.