



PUBLIC DISCLOSURE

February 18, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank in Cooper
Charter Number 13046

11 Westside Square
Cooper, TX 75432

Office of the Comptroller of the Currency

1800 NW Loop 281
Suite 306
Longview, TX 75604-2516

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

The First National bank (FNB) in Cooper, Texas has a satisfactory record of meeting the credit needs of its community. We based this rating on the conclusions listed below:

- The loan-to-deposit ratio is reasonable based on the performance context and lending opportunities within the assessment area.
- A substantial majority of loans originated during the evaluation period were located within the assessment area.
- The geographic distribution of loans to borrowers in different income census tracts throughout the assessment area is excellent.
- The distribution of loans to borrowers of different incomes throughout the assessment area is reasonable.

SCOPE OF EXAMINATION

This performance evaluation (PE) is an assessment of First National Bank’s ability to meet the credit needs of the community in which it operates. FNB was evaluated following the Small Bank Community Reinvestment Act (CRA) performance criteria. The primary loan products are home loans based on dollar volume and consumer loans based on the number of loans. Conclusions regarding FNB’s lending performance are based on 69 home loans and 65 consumer loans originated between January 1, 2012 and December 31, 2013 compared to 2010 U.S. Census Data. Lending activity from 2011 is not significantly different from 2012 and 2013 and was not included in the scope of the evaluation. Bank management agreed with this period of data analysis.

DESCRIPTION OF INSTITUTION

The First National Bank in Cooper is located in Cooper, Texas in Delta County. FNB is a \$47 million bank wholly owned by Cooper Lake Financial Corporation, a one-bank holding company. FNB has one location with drive-through facilities and an Automated Teller Machine. Management added the drive-through facility since the previous CRA evaluation. FNB is a full service institution that offers traditional, non-complex loan and deposit products. The following chart represents the distribution of loans during the evaluation period:

Delta County Assessment Area		
Loan Type	Loans by \$ (000s)	Loans by #
Consumer loans	\$ 3,556	571
Agriculture loans	\$ 2,112	86
Commercial loans	\$ 2,318	74
Residential R/E loans	\$ 5,217	69
Other loans	\$ 220	5
Total loans	\$ 13,423	805

Source: Loan trial balance, 2012 and 2013 HMDA LAR

There are no legal, financial or other factors impeding FNB’s ability to meet the credit needs in its assessment area. FNB’s CRA performance was previously evaluated as of August 4, 2008, with an overall level of performance of “Satisfactory.”

DESCRIPTION OF ASSESSMENT AREA

The First National Bank in Cooper has designated all of Delta County, Texas as its assessment area. Delta County is included in the Dallas-Fort Worth-Arlington Metropolitan Statistical Area (MSA). FNB’s only location is located in Cooper, Texas, the county seat of Delta County. Delta County consists of two census tracts, one moderate-income tract and one middle-income tract. Our review revealed no low or moderate-income geography arbitrarily excluded from the assessment area. The following table reflects the demographics of the assessment area.

Demographic and Economic Characteristics of Delta County Assessment Area	
Population	
Number of Families	1,319
Number of Households	2,045
Geographies	
Number of Census Tracts/BNA	2
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	50.00%
% Middle-Income Census Tracts/BNA	50.00%
% Upper-Income Census Tracts/BNA	0.00%
<i>Median Family Income (MFI)</i>	
2011 MFI for AA	\$67,501
2011 HUD-Adjusted MFI	\$70,600
Economic Indicators	
Unemployment Rate	3.47%
2011 Median Housing Value	\$62,616
% of Households Below Poverty Level	14.87%

Source: 2010 Census Data

The economic condition of the assessment area remains depressed with limited employment opportunities available for residents. U.S. Census Data from 2010 show 41.11 percent of the population of Delta County is not in the workforce, 20.93 percent are in retirement, and 40.68 percent draw public assistance or social security.

Our review included contact with a local realtor operating in Cooper, Texas. The contact noted the local economy is slow with limited employment opportunities in the assessment area. The primary employers are the local school system and Cooper Home Health. Outside of these employers, residents of the assessment area commute to the nearby cities of Paris, Texas and Sulphur Springs, Texas for employment opportunities. Primary credit needs are for home loans and small consumer loans, although demand is low. The contact also noted that the local bank has a good reputation for meeting the credit needs of the community. Competition is limited, as there is only one other institution chartered in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Institution	Assets (000s) as of 9/30/13	Avg LTD Ratio
The Enloe State Bank, Cooper, TX	\$ 25,654	87.61%
The First Bank, Roxton, TX	\$ 55,530	66.78%
The First Bank of Celeste, Celeste, TX	\$ 41,940	57.48%
The First National Bank in Cooper, Cooper, TX	\$ 47,978	46.31%
The First National Bank of Emory, Emory, TX	\$ 105,614	44.93%

FNB's loan-to-deposit ratio is reasonable. While the ratio is lower than some similarly situated institutions, this is due to the depressed economy and low loan demand in the assessment area.

Lending in Assessment Area

A substantial majority of FNB's lending activity originated inside the assessment area. We reviewed a sample of 69 home loans and 20 consumer loans. By number, 78 percent of the loans, and by dollar, 74 percent of the loans originated within the assessment area. The breakdown by loan category is detailed in the following table.

Lending in Delta County Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	22	81.48	5	18.52	27	1,205	58.52	854	41.48	2,059
Home Improvement	4	100.00	0	0.00	4	262	100.00	0	0.00	262
Home Refinance	28	73.68	10	26.32	38	2,384	82.18	517	17.82	2,901
Consumer	15	75.00	5	15.00	20	93	67.88	44	32.12	137
Totals	69	77.53	20	22.47	89	3,944	73.60	1,415	26.40	5,359

Source: 2012 and 2013 HMDA LAR, loan sample

Geographic Distribution of Loans

The geographic distribution of loans to census tracts of different income levels reflects excellent dispersion throughout all census tracts in the assessment area.

Residential Real Estate Loans

The geographic distribution of residential loans to borrowers in the moderate-income tract significantly exceeds that of the demographic comparator. Please see the following table for further information.

Geographic Distribution of Residential Real Estate Loans in Delta County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	32.85	77.27	67.15	22.73	0.00	0.00
Home Improvement	0.00	0.00	32.85	50.00	67.15	50.00	0.00	0.00
Home Refinance	0.00	0.00	32.85	60.71	67.15	39.29	0.00	0.00

Source: Data reported under HMDA; U.S. Census data.

Consumer Loans

The geographic distribution of consumer loans to borrowers in the moderate-income tract significantly exceeds that of the demographic comparator. Please see the following table for further information.

Geographic Distribution of Consumer Loans in Delta County AA								
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	0.00	38.97	58.33	61.03	41.67	0.00	0.00

Source: Loan sample; U.S. Census data.

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

The distribution of loans to borrowers of different incomes represents a reasonable penetration throughout the assessment area.

Residential Loans

The distribution of home loans to borrowers of different incomes represents a reasonable penetration. The distribution to low-income borrowers is near the demographic comparator and reflects reasonable penetration. The distribution to moderate-income borrowers exceeds the demographic comparator and reflects excellent penetration. Please see the following table for further information.

Borrower Distribution of Residential Real Estate Loans in Delta County AA								
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	31.24	22.73	20.85	36.36	20.09	18.18	27.82	22.73
Home Improvement	31.24	0.00	20.85	0.00	20.09	25.00	27.82	75.00
Home Refinance	31.24	17.86	20.85	21.43	20.09	25.00	27.82	35.71

Source: Data reported under HMDA; U.S. Census data.

Consumer Loans

The distribution of consumer loans to borrowers of different incomes represents a reasonable penetration. The distribution to low-income borrowers meets the demographic comparator and reflects reasonable penetration. The distribution to moderate-income borrowers exceeds the demographic comparator and reflects excellent penetration. Please see the following table for further information.

Borrower Distribution of Consumer Loans in Delta County AA								
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	40.88	40.00	16.18	28.34	15.26	13.33	27.68	18.33

Source: Loan sample; U.S. Census data.

Responses to Complaints

FNB has not received any complaints or public comments regarding CRA performance during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal saving association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

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