



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 3, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank in Cisco
Charter Number 12795**

**418 Conrad Hilton Avenue
Cisco, Texas 76437**

**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 **First National Bank in Cisco** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 3, 1998. 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**.

First National Bank in Cisco has a satisfactory record of meeting community credit needs. This satisfactory rating is based upon the following factors:

- ◆ Loan volume relative to the bank's deposit structure, measured by the loan-to-deposit ratio, is comparable to banks in the surrounding communities.
- ◆ A significant volume of the bank's loans are extended within its assessment area.
- ◆ Loans are extended to individuals of different income levels and to businesses and farms of different sizes.

The following table indicates the performance level of First National Bank in Cisco with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank in Cisco PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		✓	
Lending in Assessment Area		✓	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		✓	
Geographic Distribution of Loans	A distribution analysis would not be meaningful as no low or moderate income tracts exist in the assessment area.		
Response to Complaints	No formal complaints have been submitted since the January 1995 evaluation.		

DESCRIPTION OF INSTITUTION

First National Bank in Cisco is a \$37 million bank located in North Central Texas. The banking facility is located in downtown Cisco, an automated teller machine is available outside the building and a drive-up window is attached. The bank does not have any branches. Bank stock is closely held by area residents.

The bank offers an array of basic banking services designed to reach all sectors of the assessment area. As of September 30, 1997, the bank had a \$13 million loan portfolio with the following composition: 43% commercial, 29% agricultural, 18% consumer, and 10% 1-4 family residential. The bank is profitable and maintains capital above legislative minimums. The bank's financial condition, size, local economic conditions, and other factors allow it to assist in meeting the credit needs of its assessment area.

First National Bank in Cisco received a "Satisfactory" rating at its last CRA examination in January 1995.

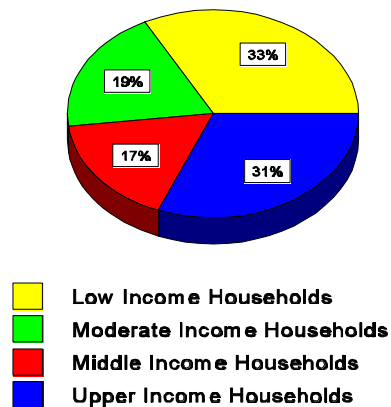
DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is located in northwest Eastland county. Eastland county consists of five block numbering areas (BNA). The Board of Directors has designated BNA #9503 as the bank's assessment area. BNA #9503 is located in northwest Eastland county. The city of Cisco is located in the center of this BNA. This designation meets the requirements of the regulation and does not arbitrarily exclude low or moderate income residents.

Based on the 1990 US Census data, the weighted average median family income in the bank's assessment area is \$20,435. As compared to the average family income in nonmetropolitan statistical areas in the state of Texas, this income level defines the bank's assessment area as a "middle income" BNA. A more detailed breakdown of household income levels in the assessment area is depicted in the chart to the right. The largest segment of the population is low income, followed by upper income.

Total population in the assessment area is 5,019 and total households is 1,993. Employment by industry type is centered in government (28%), farm (28%), and manufacturing (18%). Unemployment for the state of Texas for 1996 averaged 6%. Eastland county's unemployment was lower than the state, reporting in the 4.1%-5.0% range. Average cost of housing is \$21,700. Persons age 16-64 represent 76% of the population, persons 65 and over represent 22%. Vacant

Income Breakdown



housing units total 29%. The population is 90% white, 7% Hispanic, and 4% black.

Competition is limited within the bank's assessment area. One other financial institution, a savings and loan branch, is located in the area. Financial institutions located in the surrounding communities of Eastland, Moran, and Ranger provide competition from outside the assessment area.

As part of our evaluation, we contacted several leaders of the community outside of the bank. All contacts indicated the bank does extend credit to individuals and businesses in the community on a very conservative basis. All contacts stated the number one credit need in the community is small business loans. All contacts stated the Cisco Development Corporation is very well organized, knowledgeable staffed, and committed to pursuing its goal to create jobs by attracting new businesses to the area and assisting the growth of current businesses. All contacts stated limited involvement (financially or organizationally) by any financial institution in pursuing its goal. One contact indicated a lack of financing available in the community for residential mortgages, despite the number of available units and interest in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is comparable to the ratios of other area banks. No independently chartered banks exist in the bank's assessment area for direct comparison purposes. A review of all independently chartered banks in surrounding communities revealed an average loan-to-deposit ratio of 49% as of September 30, 1997. The loan-to-deposit ratios ranged from a high of 64% to a low of 38%. First National Bank in Cisco ranks 6th from the top out of the 7 banks reviewed, with a loan-to-deposit ratio of 42%. The bank's average loan-to-deposit ratio over the past 12 quarters is 38%.

Lending in Assessment Area

A majority of the bank's lending activity is located within its assessment area. Management's analysis of the entire loan portfolio reveals 76% by number and 54% by dollar volume of loan originations are extended in the assessment area. We reviewed 83 loans to test management's analysis and our results were substantially the same as management's.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of loans reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. The distribution of loans within each income category approximates the income characteristics of the population within the assessment area. Business loans (farm and commercial businesses) are extended to large and small businesses as defined by gross revenues.

Our analysis of loans to borrowers with different income levels was based on a randomly selected

sample of 44 consumer installment loans. We reviewed each borrower’s loan file, recording income data when available We requested management to provide us with income information on the borrowers in our sample whose income we were unable to verify. We combined our results with management’s estimates in our final analysis. The table below details the results of our analysis, illustrating a good dispersion of loans among borrowers of different income levels and consistent with the income characteristics in the bank’s assessment area.

Lending to Borrowers of Different Income Levels								
	Low Income Families <\$16,050		Moderate Income Families \$16,051-\$25,680		Middle Income Families \$25,681-\$38,521		Upper Income Families >\$38,521	
Assessment Area Characteristics	25%		23%		20%		32%	
	#	\$	#	\$	#	\$	#	\$
Consumer Loans	39%	32%	32%	21%	9%	9%	20%	38%
<i>Sample of 44 consumer loans for a total of \$97,000</i>								

We requested management to provide us with a list of all business loans with gross revenues over \$1 million. We tested management’s list by verifying revenues on 65 of the 99 loans from management’s list. In addition, we selected 16 business loans. All 16 loans had revenues under \$1 million and did not appear on management’s list. The table below details the results of our review, illustrating a reasonable dispersion of business loans among different size businesses.

Lending to Farms and Businesses of Different Revenue Levels				
	Farm Loans		Business Loans	
	#	\$	#	\$
Gross Revenues <\$1 million	91%	29%	65%	21%
Gross Revenues >\$1 million	9%	71%	35%	79%

Geographic Distribution of Loans

The bank’s assessment area does not contain a distinct low or moderate income area. An analysis by geography of loan dispersion would not be meaningful for purposes of the Community Reinvestment Act, thus it was not performed.

Response to Complaints

The bank complies with the substantive provisions of antidiscrimination laws and regulations. There have been no formal fair lending complaints submitted to the bank or The Office of the Comptroller of the Currency since the last Community Reinvestment Act evaluation.