



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 03, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Mineola
Charter Number 5127**

**200 N. Pacific
Mineola, TX 75773**

**Comptroller of the Currency
ADC - Longview Field Office
1800 West Loop 281, Suite 306
Longview, TX 75604**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The First National Bank of Mineola has a satisfactory record of meeting community credit needs. This rating is based on the following:

- The bank's loan-to-deposit ratio is reasonable when compared to other area banks and considering the performance context of this bank.
- A substantial majority of the bank's loans are extended within its assessment area.
- Credit activity is reasonably distributed to borrowers of different income levels.

DESCRIPTION OF INSTITUTION

The First National Bank of Mineola is a \$34 million bank, which is wholly owned by The First Mineola Corporation, a one-bank holding company. The bank is located at 200 N. Pacific in Mineola, Texas and does not have any branches or operate any Automatic Teller Machines.

As of June 30, 2002, loans totaled \$11 million and represented 32% of the bank's total assets. The following chart reflects the distribution of the bank's loan portfolio.

Loan Category	\$ (000)	%
Commercial Real Estate Loans	833	7.71
Commercial Loans	690	6.39
Residential Real Estate Loans	6,033	55.83
Consumer Loans	3,249	30.07
Total	10,805	100.00%

There are no legal impediments or other factors which inhibit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Examination dated February 23, 1998.

DESCRIPTION OF ASSESSMENT AREA

The Board has designated specific block numbering areas (BNA) located in Wood County as its assessment area. These BNAs make up a contiguous assessment area and include BNAs 9504, 9507, and 9508 located in the southwest portion of Wood County. The assessment area includes no low or moderate-income tracts with all tracts considered middle income. The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low and moderate-income geographies.

The following table provides a description of the bank's assessment area based on census data and 2001 Department of Housing and Urban Development (HUD) information.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	3,127
Number of Households	4,169
<i>Geographies</i>	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$25,867
2000 HUD-Adjusted MFI	\$35,800
<i>Economic Indicators</i>	
Unemployment Rate	2.78%
2000 Median Housing Value	\$45,381
% of Households Below Poverty Level	18.18%

The bank's designated assessment area has a total population of 10,611. The distribution of families by income level, regardless of census tract location, consists of the following: 19% are low income; 20% are moderate income; 18% are middle income; and, 43% are upper income. Major employers in Mineola include Wal-Mart Supercenter, Mineola Independent School System, and Trinidad/Brenham Company. Competition throughout the assessment area is considered strong with banks and branches of other banks located in Mineola and the surrounding area. The local economy is considered stable with an unemployment rate of 2.78%.

Contacts with a local business organization and a local realtor revealed the primary community credit needs for the assessment area are small business loans and residential mortgages. The realtor also noted the lack of affordable housing stock in the Mineola area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio of First National Bank of Mineola is reasonable given the bank's size, financial condition and assessment area credit needs. While the ratios of two of the banks are much higher, these institutions are larger institutions located just outside the bank's assessment area with branches located in Mineola. The bank's quarterly average loan-to-deposit ratio was 34.80% since the prior CRA examination with the current ratio at 34.25%. The average loan to

deposit ratio of other banks within the assessment area, regardless of size, for the same period, was 45.97%.

Institution	Assets (000s) (as of 6/30/02)	Average LTD Ratio
First National Bank of Mineola	34,000	34.80
Mineola Community Bank	116,000	28.55
First National Bank, Quitman	130,000	57.15
Wood County Quitman	66,000	63.40

Lending in Assessment Area

A substantial majority of the bank’s lending activity is located within its assessment area. We reviewed sample of 26 residential loans and 22 consumer loans which originated since March 1998. This sample reflected that approximately 85% of the number of loans and 66% of the dollar amount of loans in our sample were extended within the bank’s assessment area. The breakdown by loan category is illustrated in the following table.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential	21	80.77	932	62.50	5	19.23	559	37.50
Consumer	20	90.91	151	97.10	2	9.09	5	2.90
Total Reviewed	41	85.42	1,083	65.76	7	14.58	564	34.24

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

The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels. First National Bank of Mineola’s primary product lines are residential and consumer loans. Our sample of loans inside the assessment area included 21 residential loans totaling \$932M and 20 consumer loans totaling \$151M. The distribution of home purchase and consumer loans generally approximates the income characteristics of the assessment area. Home purchase loans to low and moderate-income families are at a low level compared to the demographics of the assessment area. However, borrowing for home purchases by low and moderate-income individuals is limited due to the low level of affordable housing stock available in the area.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	19.16%		19.48%		18.10%		43.27%	
	% of Number	% of Amount						
Total	4.76	1.43	9.52	4.29	9.52	6.44	76.19	87.84

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	24.27%		15.02%		17.89%		42.82%	
	% of Number	% of Amount						
Total	10.00	3.29	35.00	28.78	10.00	13.00	45.00	54.93

Geographic Distribution of Loans

A geographic analysis of lending activity within the bank's assessment area was not performed. There are no low or moderate-income geographies located in the bank's assessment areas, and therefore, an analysis would not be meaningful.

Responses to Complaints

Management has not received any written complaints related to CRA performance since the prior CRA examination.

Fair Lending Review

An analysis of 1998-2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.