



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 17, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Evant
Charter Number: 12739**

**100 Brooks Drive
Evant, Texas 76525**

**Office of the Comptroller of the Currency
Southwestern District
500 North Akard, 1600 Lincoln Plaza
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 the 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 CRA performance of **The First National Bank of Evant (FNB), Evant, Texas**, prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of August 17, 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.**”

- FNB’s lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- The loan-to-deposit (LTD) ratio is satisfactory and averaged 47% since our last examination. This performance is in line with the bank’s competitors during the same time period.
- A substantial majority of FNB’s loans that originated since June 1995, are within its assessment area.
- FNB has demonstrated very good performance in its willingness to extend loans to individuals of varying incomes and small businesses of different sizes.
- The bank’s assessment area includes three middle-income census tracts and one sparsely populated moderate-income census tract; therefore, an analysis of geographic distribution would not be meaningful.
- There have been no complaints with respect to FNB’s CRA performance.

The following pages further describe the bank’s CRA performance.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Evant</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	FNB's assessment area is comprised of middle-income geographies primarily, with one sparsely populated moderate-income area. Any analysis would not be meaningful.		
Response to Complaints	Not Applicable, no complaints relating to the bank's CRA performance have been received.		

DESCRIPTION OF INSTITUTION

FNB has one office located at 100 Brooks Street in Evant, Texas, approximately 90 miles northwest of Austin, Texas. The bank is locally owned and managed and had \$23 million in total assets as of June 30, 1998. A drive-in facility is provided at the main office. The bank does not own an automated teller machine (ATM).

The bank's primary focus is to promote economic development in its assessment area through its lending programs. FNB's market niche is consumer, small business, and agricultural loan products. Lending focus has remained consistent since the June 1995 evaluation. Loans represent 43% of FNB's total assets. The table below reflects a detailed breakdown of FNB's loan portfolio as of June 30, 1998.

Loan Type	Dollar Amount (000's)	% of Total
RE Farmland	1,314	13.3
RE Residential (1-4)	381	3.9
RE Nonfarm Nonresidential	390	3.9
Agricultural Production	4,085	41.3
Commercial and Industrial	1,829	18.5
Consumer	1,814	18.4
Other	67	0.7
Total	9,880	100.0

Complete banking services are provided Monday through Friday at the one office. FNB faces competition from area banks and credit unions. Based on its financial condition, the local economy, product offerings, competition, and prior performance, FNB has the ability to meet the various credit needs in its community. At the last CRA examination in June 1995, the bank's CRA rating was "Satisfactory." No legal impediments or other factors hinder FNB's ability to provide credit.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area consists of four census tracts, one each in Mills, Lampasas, Hamilton, and Coryell Counties. The census tract in Coryell County is part of the Killeen-Temple Metropolitan Statistical Area (MSA). The city of Evant is centrally located within the assessment area. The 1990 census data indicates that all tracts are middle-income except the Mills County tract which is moderate. The entire population of this area is approximately 9,000. Approximately 20% of the families in the combined assessment area are considered low-income, while moderate-income families account for 18% of the population. The remaining assessment area is comprised of 22% middle-income and 40% upper-income families.

A review of FNB's lending practices revealed no evidence of illegal discrimination. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The local economy is considered stable. Major employers in the assessment area include the agricultural industry, local school districts, and the Texas Department of Corrections. Updated 1997 income data from the 1990 census indicates that the weighted average median family income was \$32,525. According to the 1990 housing data provided in the census, there are 4,601 housing units in the assessment area of which 59% are owner occupied, 14% are renter occupied, and 26% are vacant. The median year built for housing was 1963, with a median value of \$36,000.

Although no other financial institution has a presence in FNB's assessment area, competition is strong. Area competition is provided by Guaranty Bank and Trust and National Bank, both of Gatesville, and the Educator's Credit Union, Waco. Brokerage firms, such as Edward D. Jones, also provide competition for deposits.

Description of MSA

Killeen-Temple MSA Assessment Area

The Killeen-Temple MSA consists of one middle income census tract located in Coryell county. This area includes the cities of Evant, Purmela, and Turnersville. The 1990 census stated the population of this portion of the Killeen-Temple MSA at 5,081. The census also determined that there are 2,405 housing units, of which 66% are owner occupied, 15% renter occupied, and 19% vacant. Updated information for 1998 indicates that the weighted average median family income stood at \$36,600.

Description of Non-MSAs

This area includes one middle-income census tract in both Hamilton and Lampasas counties, and one moderate-income tract in Mills county. This area includes a number of small communities such as Adamsville and Star. According to the 1990 census, the population of this area is 3,575. There are 2,196 housing units of which 52% are owner occupied, 14% are renter occupied, and 34% are vacant. Updated information for 1998 indicates the weighted average median family income is \$32,100.

Community Contacts

In order to gather more current information on the nature of the community and potential lending opportunities in the assessment area, we contacted a representative of local city government during the examination. This contact could not identify any particular credit needs in Evant that were not being met, but stated the bank has always been responsive to any that arise and is eager to help. The bank has made several loans to the city for matching funds for grants the city has received for various infrastructure projects. This contact also stated that FNB is active in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

FNB's LTD ratio is satisfactory given its asset size, financial condition, and lending opportunities available in the assessment area. Since the last CRA examination, the LTD ratio has been very stable. Since June 1995, FNB's LTD ratio has averaged 47%. To better understand the bank's performance, we performed an LTD analysis of three other community banks who are nearby and considered by management to be their primary competition. The combined LTD ratios for these three banks averaged 46% over the same time period.

Lending in the Assessment Area

A majority of the bank's loans are within its assessment area. Using internal reports provided by management and visual observations from county maps, an analysis of lending patterns within the assessment area was performed. These reports included all loans originated since our last CRA evaluation. Management's analysis indicates that approximately 91% of the number of consumer loans and 90% of the number of commercial and agricultural loans were within FNB's assessment area. The bank originates very few home mortgage loans, but 100% of those originated within this time period were within the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The loan portfolio reflects a very good distribution of consumer and business loans among individuals of various income levels and a good dispersion to businesses of different sizes. In order to assess the bank's performance in these criteria, we used a sample of consumer and business loans active at the time of this evaluation. Based on our analysis, it can be concluded that FNB lends to all applicants, regardless of their income category.

Since the bank does not track income levels for consumer loans, a proxy method was used to determine lending performance. The average loan size was calculated for consumer loans originated over the past fourteen months. The sample included 461 loans with an average loan size of \$3,893. To further evaluate the bank's willingness to extend credit to all income levels, a further analysis of loan size was performed. We determined that 40% of the consumer loan sample was comprised of loans of \$1,000 or less.

FNB originates a satisfactory number of commercial and agricultural loans, a vast majority of which have been to "small businesses" with revenues less than \$1 million. Management continues to focus on providing loans that will enhance the local economy. The chart below reflects the results of our analysis of a sample of commercial-related loans originated since our last examination.

Loans to Small Businesses										
Revenue Ranges	< \$50M		\$51M -- \$100M		\$101M - \$500M		\$501M -- \$1 MM		> \$1 MM	
	#	%	#	%	#	%	#	%	#	%
Commercial-related	8	24	7	21	11	33	4	12	3	10

Geographic Distribution of Loans

As previously mentioned when describing the assessment area, three of the census tracts in the bank's assessment area are considered middle-income geographies. The Mills county census tract is a moderate-income area, but it contains only 8% of the households in the entire assessment area. Therefore, an analysis of loan distribution by geographic area would not be meaningful. However, we did determine from management reports that 7.1% of the number of loans originated since June 1995 were extended to those residing in moderate income-areas.

Response to Complaints

No complaints relating to CRA performance have been received by FNB.

Compliance with Fair Lending Laws and Regulations

A fair lending examination was conducted as part of this compliance examination of FNB. The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No fair lending violations were identified.