
Comptroller of the Currency

SMALL BANK

Administrator of National Banks

Southwestern District
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3394

PUBLIC DISCLOSURE

May 17, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank in Cooper
Charter Number: 13046
11 West Side Square
Cooper, Texas 75432**

**Office of the Comptroller of the Currency
Dallas North Field Office
1600 Lincoln Plaza
500 North Akard
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 **The First National Bank in Cooper** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of May 17, 1999. 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**.

The following factors support this overall rating:

- ! The bank's loan-to-deposit ratio reflects satisfactory performance taking into consideration its size, financial condition, and assessment area credit needs.
- ! The majority of business, consumer, and home loans sampled during this examination, were originated to persons residing within the assessment area.
- ! Lending performance reflects a reasonable distribution of credit to businesses of different sizes and borrowers of different income levels.
- ! Geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	THE FIRST NATIONAL BANK IN COOPER 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		X	
Response to Complaints	The First National Bank in Cooper did not receive any complaints concerning its CRA performance.		

Scope of the Examination

This evaluation is an analysis of The First National Bank in Cooper's (FNBC) CRA performance between the period from January 2, 1996 through May 17, 1999. The evaluation includes an analysis of FNBC's lending in the assessment area, which is Delta County, Texas.

Description of Institution

FNBC is a \$20 million institution, with its only office in Cooper, Texas. FNBC is 99.3% owned by a one-bank holding company, Cooper Lake Financial Corporation, a Texas corporation. FNBC does not have a drive-in banking facility or any automatic teller machines. FNBC was rated "Satisfactory" in the previous CRA public disclosure dated January 2, 1996.

FNBC offers a range of credit products commensurate with its size and needs of the assessment area. Agricultural, consumer, commercial, mortgage, and construction loans are the primary loan products. FNBC's primary competitor is Delta State Bank and a branch office of Enloe State Bank. Competition also comes from financial institutions in Paris, Texas. FNBC does not have any financial or legal obstacles affecting its ability to meet the credit needs of the assessment area. The following table displays the loan mix of FNBC:

TYPES OF DOMESTIC LOANS OUTSTANDING		
MARCH 31, 1999		
<i>(\$000's)</i>		
<i>TYPE OF LOANS</i>	<i>AMOUNT</i>	<i>% of TOTAL LOANS</i>
Installment	\$1,432	28%
1-4 Family Residential Loans	\$1,108	22%
Secured by Real Estate	\$918	18%
Finance Agricultural Production	\$730	15%
Commercial Loans	\$722	14%
Credit Cards	\$127	3%
TOTAL	\$5,037	100%

Description of Assessment Area

FNBC's assessment area of Delta County, does not arbitrarily exclude any low- or moderate-income areas. The bank defined assessment area consists of two block numbering areas (BNA).

The 1990 United States Census characterizes the two BNAs as middle-income areas. As of the census, approximately 4,857 residents populate the assessment area. Based upon the Housing and Urban Development 1998 information, median family income for Delta County is \$32,100, and median housing value is \$29,443. Total occupied housing units is 83%, with owner-occupied housing at 63% and rental-occupied housing at 20%.

Area unemployment remains low, at approximately 5% during the past two years. The largest employer in the assessment area is Sure Start, a division of Excide, and Cooper Independent School District.

To gather information on the credit needs of the assessment area, we held discussions with management and reviewed community contacts made by this agency and other regulatory agencies. Management suggested that the primary credit need is consumer loans. In addition, we contacted a member of the Cooper Chamber of Commerce during the examination. Community contacts indicate that financial institutions are meeting the community's credit needs.

Conclusions with Respect to Performance Criteria:

We reviewed agriculture, consumer, home mortgage, and commercial loans because these loans were FNBC's primary lending products as of March 31, 1999.

Loan-to-Deposit Ratio

FNBC meets the standards for satisfactory performance given the size, financial condition, and credit needs of the assessment. FNBC's average loan-to-deposit ratio for the past 13 quarters is 30%.

When FNBC's quarterly average loan-to-deposit ratio is compared to its local peer group, which consists of state and national banks chartered in Delta, Red River, and Fannin Counties, with total assets of \$20 million or less, the local peer group's quarterly average loan-to-deposit ratio for the past 12 months is 38%, which is slightly higher than FNBC's 13-quarter average.

Despite having a lower loan-to-deposit ratio, FNBC is meeting the needs of the assessment area through the origination of consumer loans. As of March 31, 1999, 28% of FNBC's loan portfolio consisted of loans for consumer purposes. During the most recent six month period, FNBC originated 69 new loans for consumer purposes. Of the 69 loans, 60 or 87% were for amounts of \$10 thousand or less.

Lending in Assessment Area (AA)

FNBC meets the standards for satisfactory performance in lending within its assessment area. We reviewed a sample of FNBC's consumer, commercial, home and farm lending. Due to the number of originations, various dates between January 1996 and May 1999 were used for different loan categories.

ASSESSMENT AREA LENDING					
Loan Type	Total Sampled	# of Loans in AA	% of # Loans in AA	Amount (\$000s)	% of Amount
Home Loans	15	13	87%	611	84%
Commercial Loans	10	8	80%	349	87%
Farm Loans	15	15	100%	463	100%
Consumer Loans	69	54	78%	192	67%
CD Secured Loans	17	12	71%	219	53%
Total	126	102	81%	1,834	80%

Lending to Businesses of Different Sizes

FNBC meets the standards for satisfactory performance in lending to businesses of different sizes. Small business loans are defined as loans originated for commercial purposes to businesses with gross revenue of \$1.0 million or less; small farm loans are defined as loans to farms with gross income of \$500 thousand or less. Based on our sample of eight business-related loans, 63% were originated to small businesses.

In the sample of 15 farm-related loans, 67% were originated to small farms. We could not determine the status of three of the 15 loans because current financial information was not available.

Lending to Borrowers of Different Incomes

The sample of home mortgage and consumer loans showed satisfactory distribution to borrowers of different income levels.

Distribution of Loans to Borrowers of Different Incomes					
Income Level	Census Tract Family Income	Home Mortgage		Consumer	
		# Loans	%	# Loans	%
Low	24%	2	15%	7	13%
Moderate	12%	0	0%	5	9%
Middle	19%	5	38.5%	6	11%
Upper	45%	5	38.5%	6	11%
Not Available	0%	1	8%	30	56%
TOTAL	100%	13	100%	54	100%

As illustrated in the table above, the distribution of loan originations is reasonable. Current financial information was not obtained from consumer loan customers who have previous loan relationships with the bank. As a result, 30 of the 54 consumer loans sampled did not have 1996, 1997, or 1998 financial information. Therefore, we could not include 30 consumer loans and one mortgage loan in the analysis of lending to borrowers of different incomes. If FNBC had current financial information on these loans, performance may have been more favorable.

Geographic Distribution of Loans

Distribution of loans within the assessment area meets the standards of satisfactory performance. The assessment area consists of two block numbering areas (BNA) within Delta County. BNA number 9502.00 consists of the City of Cooper, while BNA number 9501.00 consists of all the remaining areas within Delta County.

GEOGRAPHIC DISTRIBUTION OF LOANS WITHIN THE ASSESSMENT AREA				
BNA	9501.00		9502.00	
	#	%	#	%
Home Loans	3	23.0%	10	77.0%
Commercial Loans	1	12.5%	7	87.5%
Farm Loans	7	47.0%	8	53.0%
Consumer Loans	15	28.0%	39	72.0%
CD Secured Loans	2	17.0%	10	83.0%
Total	28	27.0%	74	73.0%

As illustrated in the chart above, the majority of loans are to borrowers residing in the block numbering area containing the City of Cooper. This is considered reasonable given the size of the institution and the fact that there are no branch offices.

Compliance with Anti-discrimination Laws

A fair lending review performed with this CRA examination revealed satisfactory compliance with fair lending regulations. We noted no practices intended to discourage or impede potential borrowers from applying for credit.