
Comptroller of the Currency

SMALL

Administrator of National Banks

BANK

PUBLIC DISCLOSURE

June 1, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Mount Vernon
Charter Number 5409**

**101 Main Street
Mount Vernon, Texas 75457**

**Office of the Comptroller of the Currency
Southwestern District
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 **First National Bank of Mount Vernon** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of June 1, 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**.

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

- < The bank's loan-to-deposit ratio is reasonable when compared to other area banks.
- < 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.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank of Mount Vernon</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	Not meaningful.		
Response to Complaints	No complaints were received since the prior CRA examination.		

DESCRIPTION OF INSTITUTION:

First National Bank of Mount Vernon (FNB) is a \$74 million financial institution located at 101 Main Street in Mount Vernon, Texas, the county seat of Franklin County. FNB is a wholly owned subsidiary of Mount Vernon Bancshares, Inc, a one bank holding company. The bank operates branch facilities in Scroggins, Texas and in the Mount Vernon Brookshires grocery store. The branch in Scroggins (Cypress Springs Branch) is located at 4601 Highway 115 South and is approximately 11 miles from the main bank. The Brookshires branch is located at 306 Highway 37 South. The bank also has five Automated Teller Machines (ATM) located at the main office, both branch locations, Lowe's Distribution Center, and Loves convenience store. The institution is agricultural, retail, and commercial oriented and offers full service banking. Loan products offered include agriculture loans, real estate loans, consumer loans, and commercial loans. Outstanding loans on March 31, 1999 totaled \$30 million and represented 52% of net deposits. The loan portfolio is distributed as follows: 64% are real estate loans; 14% are commercial loans; 15% are consumer loans; and 7% are agriculture loans.

There are no legal impediments or other factors which inhibit the bank's ability to meet the needs of the community. The bank was rated outstanding during the previous CRA Examination dated February 20, 1996.

DESCRIPTION OF THE ASSESSMENT AREA:

The Board of Directors has designated Franklin County and small portions of the adjacent counties of Hopkins, Titus, and Camp as the bank's assessment area. The assessment area is not part of a Metropolitan Statistical Area (MSA). The area includes block numbering areas (BNA): 9501, 9502 and 9503 in Franklin County; 9501 and 9507 in Hopkins County; 9502 in Titus County; and 9501 in Camp County. The area contains the communities of Mount Vernon, Como, Winfield, and Leesburg. The BNA's include six middle income areas and one upper income area. The population within the assessment area totals 21,206 according to 1990 Census Bureau Data. Approximately 21% of the families are low income, 16% are moderate income, 19% are middle income, and 44% are upper income. The 1997 Department of Housing and Urban Development (HUD) median family income for this area is \$33,900. Major employers include Lowe's Distribution Center, Jordan Healthcare Services, and Huntington Pacific Ceramic Tile Company.

As part of our examination, we contacted a local community government official. This official stated in his/her opinion, the primary community need was loans for affordable

residential housing. The contact also stated that area financial institutions serve the community well and they are not aware of any unmet credit needs within the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO:

First National Bank’s loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The bank’s loan-to-deposit ratio has averaged 56.19% since the prior CRA Examination in February of 1996. The average loan-to-deposit ratio of banks within the assessment area and in close proximity to the assessment area was 60.29% for the same time period .

LENDING IN ASSESSMENT AREA:

A substantial majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 32 residential mortgages, 25 consumer loans, and 25 commercial loans which have originated since February 1996. This sample reflected that approximately 88% of the number of loans and 91% of the dollar amount of loans in our sample were extended within the bank’s assessment area. The breakdown by loan category is illustrated below:

Residential Mortgages	Number	Percent	Dollar Amt. (000's)	Percent
Inside Assessment Area	27	84.38%	1,298	93.52%
Outside Assessment Area	5	15.62%	90	6.48%

Business Loans	Number	Percent	Dollar Amt. (000's)	Percent
Inside Assessment Area	21	84.00%	1,573	89.58%
Outside Assessment Area	4	16.00%	183	10.42%

Consumer Loans	Number	Percent	Dollar Amt. (000's)	Percent
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Inside Assessment Area	24	96.00%	230	93.50%
Outside Assessment Area	1	4.00%	16	6.50%

LENDING TO BORROWERS OF DIFFERENT INCOME AND TO BUSINESSES OF DIFFERENT SIZES:

The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. The distribution of loans approximates the income characteristics of the assessment area. In addition, the distribution of business loans also reflects a reasonable penetration among businesses of different sizes. Based on our review, 90% of the business loans we sampled which were originated within the bank's assessment area were to small businesses with gross annual revenues of less than one million dollars or agriculture operations with revenues less than \$500M. The following table details the results of our analysis.

Lending to Borrowers of Different Income Levels										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	21.32%		16.17%		18.53%		43.98%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	5	19%	6	22%	5	19%	11	40%	27	100%
Consumer	4	17%	4	17%	8	33%	8	33%	24	100%
Revenue Ranges	Less than \$100,000		\$100,000-\$500,000		\$500,000--\$1,000,000		Over \$1,000,000			
Commercial	9	43%	10	47%	0	0%	2	10%	21	100%

GEOGRAPHIC DISTRIBUTION OF LOANS:

We did not complete a review of the bank's geographic distribution of loans, as this

analysis would not be meaningful. All of the BNAs within the bank's assessment area were either middle or upper-income geographies. There are no low- or moderate-income geographies in the assessment area.

RESPONSE TO COMPLAINTS:

Management has not received any written complaints related to CRA performance since the prior CRA Examination. A Fair Lending Examination was performed in conjunction with this examination. Based on the samples reviewed, no discriminatory practices were noted. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.