



PUBLIC DISCLOSURE

January 19, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Sterling City
Charter Number 9813**

**602 4th Street
Sterling City, Texas 76951**

**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 of Sterling City** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 19, 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 bank’s loan-to-deposit ratio is reasonable, given the bank’s size, financial condition, capacity to lend, and assessment area credit needs.
- A majority of the loans are within the bank’s assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes.
- A rating of the geographic distribution of loans would not be meaningful.
- The bank has received no complaints since the last examination concerning its performance in meeting assessment area credit needs.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank of Sterling City</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	An analysis of the geographic distribution of loans would not be meaningful		
Response to Complaints	No complaints have been received since the last examination.		

DESCRIPTION OF INSTITUTION

First National Bank of Sterling City (FNB) is a \$34 million bank in Sterling City, Texas. FNB was chartered on July 10, 1910. The bank has one branch in Garden City, Texas. Deposit products include certificates of deposit, demand deposit accounts, savings, NOW, and Money Market Deposit Accounts.

FNB's loan portfolio totals \$16.8 million representing 50.47 percent of the bank's total assets as of September 30, 1998. The investment portfolio totals \$14.3 million representing 43.02 percent of total assets. Primary lending products are agricultural, commercial, and consumer loans. The following table provides a general breakdown of the loan portfolio as of September 30, 1998.

LOAN TYPE	LOAN BALANCE	% OF PORTFOLIO
AGRICULTURAL	8,806	52.34%
COMMERCIAL	3,843	22.85%
CONSUMER	2,366	14.06%
REAL ESTATE	1,809	10.75%
TOTAL	16,824	100.00%

Source: September 30, 1998, Report of Condition

The main bank is in downtown Sterling City, Texas and includes a walk-in teller lobby. An automatic teller machine is at a convenience store, also in Sterling City, Texas. FNB opened its full service branch in Garden City, Texas in September 1992. The branch facility also includes a walk-in teller lobby. No branches have been closed since the previous CRA examination.

The bank has no legal or financial impediments that interfere with its ability to make credit available in its assessment area. The prior CRA examination was performed August 25, 1995.

DESCRIPTION OF ASSESSMENT AREA

The Board has designated Sterling and Glasscock Counties as the bank's assessment area (AA). The two counties are contiguous and are not in a Metropolitan Statistical Area (MSA). The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

Sterling County is approximately forty miles southeast of Big Spring, Texas and includes the community of Sterling City. Glasscock County is approximately thirty miles south of Big Spring, and includes the community of Garden City. There are no other financial institutions in Sterling or Glasscock Counties. According to the 1990 census data, the population of the two counties is

approximately 2,885. The AA includes two upper-income block numbering areas (BNAs). There are no low, moderate, or middle-income BNAs in the AA. The non-Metropolitan Statistical Area median family income for Texas is \$24,586. In 1998, the U.S. Department of Housing and Urban Development reported a statewide non-metropolitan median family income of \$31,500 for the State of Texas. Fifteen percent of total households in the assessment area are low income. Sixteen percent of the households are moderate income, 14 percent are middle income and 55 percent are upper-income.

The economic base of the assessment area is agricultural. Major employers in the county include the Sterling City Independent School District, Glasscock County Independent School District, and Sterling County Clinic & Nursing Home.

Credit needs in the assessment area are centered in agricultural loans to small and medium sized operations. There are no other financial institutions in the AA.

We conducted two community contacts, one each from Sterling City and Garden City. Information obtained during these contacts did not identify any unmet credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

- **Loan to Deposit Ratio**

The loan-to-deposit ratio is reasonable given the bank’s size, financial condition, capacity to lend, and assessment area credit needs. FNB’s loan-to-deposit (LTD) ratio averaged 56.35 percent since September 30, 1996. The ratio ranged from a high of 64.38 percent in September 1998 to a low of 50.09 percent in December 1996.

- **Lending in the Assessment Area**

A majority of loans are in the bank’s assessment area. FNB conducted a formal analysis of the lending activities in and out of its assessment area for loans as of December 31, 1998. The analysis revealed that approximately 73 percent of the dollar amount of the loans and 78 percent of the number of loans were made to customers residing in the assessment area. The following table shows the results of this review.

Loan Distribution by Assessment Areas				
Loan Location	\$ Amount Outstanding (000's)		# of Loans	
In Assessment Area	\$10,418	72.73%	578	77.48%
Outside Assessment Area	\$ 3,906	27.27%	168	22.52%

Loan Distribution by Assessment Areas				
Loan Location	\$ Amount Outstanding (000's)		# of Loans	
Total	\$14,325	100.00%	746	100.00%

The level of loans outstanding to borrowers within the AA is considered reasonable and meets the criteria for satisfactory performance.

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

Given the demographics of the assessment area, the distribution of borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. Using the fair lending sample (consumer loans secured by motor vehicles), we determined the following income distribution.

Income Level	Population % In Assessment Area	Loans Originated	
		#	%
Low	14.70%	11	42%
Moderate	15.97%	8	31%
Middle	14.59%	3	12%
Upper	54.74%	4	15%
Total	100.00%	26	100%

FNB has a satisfactory record of lending to small businesses and farms. The September 30, 1998 Call Report information shows that loans to small businesses comprise 8 percent of the number and 14 percent of the dollar volume of loans. Small farm loans total 25 percent of the number and 43 percent of the dollar volume of loans.

- **Geographic Distribution of Loans**

We did not perform an analysis of the geographic distribution of FNB's loans. The bank's assessment area consists of two upper income block numbering areas. There are no low, moderate, or middle income block numbering areas in the bank's assessment area. Therefore, this type of analysis would not be meaningful and was not completed.

- **Response to Complaints**

FNB has not received any complaints or negative comments from the public regarding their CRA performance. In addition, our review of FNB's fair lending performance found no evidence of disparate treatment or discriminatory practices during this examination.