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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**December 8, 1997**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank in Whitney  
Charter Number 13649**

**307 North Brazos  
Whitney, Texas 76692**

**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 in Whitney** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 4, 1997. 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 in Whitney (FNB) demonstrates satisfactory performance in meeting the credit needs of its assessment area based on the following:

- ▶ The average loan-to-deposit ratio since the last examination of 23.3% is comparable to the ratios of the bank's primary competition.
- ▶ Credit extended to borrowers inside the assessment area is good at 89% and 94% of the number and dollar amount (respectively) of extensions of credit from December 1, 1996 through November 17, 1997.
- ▶ The distribution of credit to borrowers of different income levels is reasonable.
- ▶ The geographic distribution of loans reflects reasonable credit distribution throughout the bank's assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank in Whitney</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		x	
Response to Complaints	No complaints received since the last examination.		

## **DESCRIPTION OF INSTITUTION**

FNB is owned 98% by Baylor Bancshares, Inc. (BBI), a multi-bank holding company. The main bank is located in Whitney, Texas, (Hill County) with a branch approximately 8 miles south in Laguna Park, Texas (Bosque County). The branch opened in May 1997 to better service the eastern half of Bosque County. Activity from the branch, to date, has not been significant. Total assets of the bank as of September 30, 1997, are just over \$48.9 million with equity capital of \$4.6 million. The bank offers a variety of loan products but focuses mainly on commercial and small consumer loans. The loan portfolio is segregated as follows:

Commercial	46.1%
Consumer	25.8%
1-4 family mortgages	15.4%
Commercial real estate	6.6%
Agriculture	6.1%

The bank offers a variety of deposit products, including regular checking, savings, NOW, money market and certificates of deposit. The bank also provides automated service through the automated teller machine (ATM) located at the main bank.

Hours of operation are reasonable at both locations. Lobby hours are 9:00 to 3:00 Monday through Friday. On Friday the lobby reopens from 4:00 to 5:30. Drive-in hours are 8:00 to 4:00 Monday through Thursday and 8:00 to 5:30 on Friday.

The bank's financial condition does not inhibit its ability to meet the credit needs in its assessment areas. Additionally, the bank has no legal impediments that would inhibit its ability to meet community credit needs. Community contacts did not identify any unmet credit needs.

## **DESCRIPTION OF THE ASSESSMENT AREA**

FNB has identified 9 whole and contiguous Block Numbering Areas (BNA's) as its assessment area. These BNA's are not part of any Metropolitan Statistical Area (MSA). All BNA's are middle income tracts. Population in the assessment area totals 18,446. The weighted average of Non-MSA medium family income census tracts is \$24,586. This amount is the basis for determining the income level of the individual BNA. The weighted average of Non-MSA updated median family income tracts is \$31,500. This amount is the basis for determining the income level of the individual borrower.

A demographic breakdown of the assessment area is as follows:

Number of Tracts	9
Population	18,466
Number of Families	5,512
Number of Households	7,156
Percent of Owner Occupied	56%
Percent of Families Below Poverty Level	18%

(Information is based on the 1990 U.S. Census)

While all BNA's are middle income tracts, we noted the presence of families of different income levels through our sampling process and visual observation. Based on the 1990 U.S. Census, the family makeup, by income, is as follows: 19.8% low income, 15.3% moderate, 22.2% middle and 42.7% upper.

Major employers in the area include Whitney Independent School District, the local hospital, and the City of Whitney. There are numerous small businesses in the area, many of which are related to the tourism business provided by Lake Whitney. Unemployed labor is low at 3%.

We performed community contacts in the Whitney area to ascertain the level of services provided by the financial institutions as well as the economic conditions. We noted no unmet community credit needs from these contacts.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

FNB's overall efforts to meet the credit needs of the assessment area served is satisfactory. Management tracks the extensions of credit and performs a periodic analysis which indicates that the primary loan product, by number, is the consumer loan. These loans are for various purposes including medical, auto and auto repair, and various miscellaneous needs. The internal analysis also indicates the bank makes numerous small consumer loans. Activity from December 1, 1996 through November 17, 1997 indicates 896 extensions of credit were made for a total of \$5.1 million. Of this number, 424, or 47.3%, were for amounts of \$1,500 or less. These 424 loans are broken down as follows:

<u>Category</u>	<u># of Loans</u>	<u>% (1)</u>	<u>Amount</u>	<u>% (1)</u>
\$0-500:	111	12.4%	\$40,360	0.8%
\$501-1,000:	186	20.7%	\$66,041	1.3%
\$1,001-1,500:	127	14.2%	\$153,123	3.0%

(1) %'s are a comparison to the total number of loans (896) and total dollar amount (\$5.1 million)

As indicated above, the primary lending activity is small consumer loans which, in terms of dollars, is not a significant part of the loan portfolio. Agriculture and commercial

loans are naturally larger credits and represent a more significant portion of the loan portfolio.

**Loan-to-Deposit Ratio**

The loan-to-deposit (LTD) ratio gauges the institution’s volume of lending in comparison to other institutions of similar size, capacity and location in the assessment area. FNB’s LTD ratio is satisfactory and comparable to area competing banks. FNB’s average LTD ratio (averaged quarterly since January 1, 1995) is 24.1%. The September 30, 1997 ratio is 23.3%. There are 6 other competing financial institutions that service portions, or all, of Hill and Bosque counties. The average LTD ratios of these institutions, for the same period of time, ranges from 16.4% to 68.0%.

**Loans Inside the Assessment Area**

A significant majority of FNB’s extensions of credit are within the assessment area. As noted earlier, the bank periodically analyzes lending performance. Part of this analysis looks at performance within the assessment area. Using the same analysis noted above (loan activity between December 1, 1996 and November 17, 1997), we found the following:

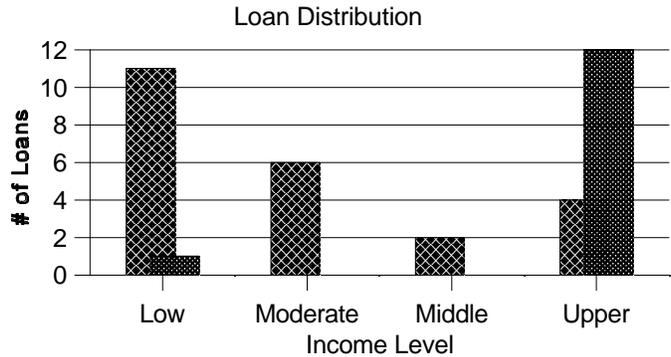
<u>Category</u>	<u># of Loans</u>	<u>% of Total</u>	
		<u>Number</u>	<u>Amount</u>
Inside Assessment Area	810	89.0%	4,753,278 93.9%
Outside Assessment Area	<u>86</u>	<u>11.0%</u>	<u>307,597</u> <u>6.1%</u>
Totals	896	100.0%	5,060,875 100.0%

**Lending to Borrowers of Different Incomes**

FNB does not track the income information of its loan portfolio borrowers. In fact, if the borrower has had a satisfactory borrowing relationship in the past, income information is seldom obtained. To assess this area we had to review a significant number of loan files to accumulate sufficient information to reach a conclusion. We obtained income information on 23 consumer loans, 13 consumer real estate loans, and 21 small farm and small business loans. The results of our review are noted in the following information.

As can be seen in the chart, the bank's efforts to meet the credit needs of low- and moderate-income consumer borrowers are significant. This is further supported by the bank's efforts to make small dollar loans. The bank has no minimal loan amount and recognizes the need for this type of credit. Historically, we have found that small dollar loans are generally made to low- and moderate-income borrowers.

## First National Bank



The consumer real estate loans reflect a little different distribution. While the income levels on the majority of these loans fall in the upper income category, these numbers are somewhat misleading. In a majority of instances, there was a borrower and co-borrower. Both the borrower and co-borrower were employed and were contributing to the overall income noted in the applications. Individually, the incomes would fall into the moderate and/or middle income categories. However, when combined, the resulting income was classified as upper income.

In reviewing small business and small farm loans, we obtained income information on 21 entities. We found that 19, or 90.5%, were to small businesses with annual revenues of \$1 million or less, and small farms with annual revenues of \$500 thousand or less.

### Geographic Distribution of Loans

The bank performs a periodic geographic distribution analysis of its loans within the assessment area. The results are noted in the table below. The majority of loans are in BNA's 9604, 9605 and 9606. The city limits of Whitney and boundary of BNA 9606 are the same. The other 2 BNA's are in very close proximity to 9606. The branch facility is located in BNA 9508. As stated earlier, the branch facility opened May 1997 and activity has not been significant since that time. Management expects the activity to increase as area residents become more aware of the facility, its services, and its location.

**Geographic Distribution of Loans Within the Assessment Area**

<b><u>BNA</u></b>	<b><u># of Loans</u></b>	<b><u>% of Total Number</u></b>	<b><u>Amount</u></b>	<b><u>% of Total Amount</u></b>
9501	8	1.0%	6,909	0.2%
9504	20	2.5%	82,096	1.7%
9506	26	3.2%	284,203	6.0%
9508	32	4.0%	112,185	2.4%
9602	22	2.7%	588,494	12.5%
9604	154	19.0%	606,463	12.9%
9605	283	34.8%	1,608,954	33.5%
9606	224	27.7%	1,335,572	28.1%
9607	<u>41</u>	<u>5.1%</u>	<u>128,402</u>	<u>2.7%</u>
	896	100.0%	4,753,278	100.0%

Activity represents all extensions from December 31, 1996 to November 17, 1997

**Response to Complaints**

The bank has not received any complaints regarding its efforts to meet the intent of CRA since the last examination.

**Fair Lending**

We performed a fair lending examination at the same time as our review of CRA. We noted no instances of discrimination or disparate treatment of borrowers from this review. We also noted the bank to be in compliance with the antidiscrimination laws.