



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 17, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Refugio
Charter Number 12462**

**111 East Plasuela St.
Refugio, Texas 78377**

**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 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, Refugio, Texas**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 17, 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 of Refugio is responsive to community credit needs including low- and moderate-income individuals. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the assessment area (AA). A majority of loans are made within the bank's AA which is made up of two Block Numbering Areas (BNA) that include the cities of Refugio and Woodsboro, Texas. A reasonable penetration of loans is granted to low- and moderate-income individuals and small businesses.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		✓	
Lending in Assessment Area		✓	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		✓	
Geographic Distribution of Loans	Analysis of this criterion was not meaningful.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

First National Bank is a retail oriented bank with one main office and a stand alone automated teller machine in the bank's parking lot. The bank is independently owned and operated. As of June 30, 1997, total assets equaled \$55.7 million with total net loans of \$13.6 million. The bank does not face any significant legal impediments and the bank's financial condition does not inhibit efforts in supporting the community's credit needs. First National Bank provides a wide range of credit products and deposit services to the community.

DESCRIPTION OF CITIES OF REFUGIO AND WOODSBORO

First National Bank of Refugio designates as its AA the two BNAs that include the neighboring towns of Refugio and Woodsboro. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. Refugio and Woodsboro are located in Refugio County. The AA is not located within a Metropolitan Statistical Area (MSA). Refugio County includes the towns of Refugio, Woodsboro, Bayside, Austwell and Tivoli. All the towns are in rural settings with Refugio and Woodsboro both located on Highway 77 approximately 45 miles south of Victoria, Texas and 55 miles north of Corpus Christi, Texas. The 1990 census reports Refugio County to have a population of close to 8,000 with the cities of Refugio and Woodsboro representing approximately 4,000 and 3,000 people respectively.

First National Bank identifies small business loans and affordable housing as the primary community credit needs. Contacts made with local community organizations further supports the need for these types of credit. One contact indicated a desire to establish a government supported affordable housing program and a revolving loan fund to assist smaller businesses in the initial start up stages. Both initiatives have received favorable local support with First National Bank of Refugio providing financial assistance to enable further research of what government programs are available to help in meeting these needs.

Financial institutions in the area are limited and comprised of two National banks and one Savings bank - The First National Bank of Refugio, First National Bank of Woodsboro and Olympic Savings of Refugio. The largest employers in the area are Refugio and Woodsboro Independent School Districts, Refugio County Memorial Hospital, Refugio County, Quintana Petroleum Corporation, and the Cities of Refugio and Woodsboro.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Management is satisfactorily meeting the community credit needs of its AA, including low- and moderate-income individuals, consistent with its resources and capabilities.

The loan-to-deposit ratio is reasonable. The average loan-to-deposit ratio for the last ten quarters is 28.55% and was 30.22% as of June 30, 1997. Public Funds of \$15.5 million make up a large part of the bank's total deposits. Net of these deposits the bank's loan to deposit ratio as of June 30, 1997 was 47.53%. This ratio is comparable to the other bank in the AA, First National Bank of Woodsboro, whose June 30, 1997 loan-to-deposit ratio was 44.23 %.

A majority of loans are extended within the bank's AA. As of August 31, 1997, the bank's internal tracking system indicates that 87% of the number and 64% of the dollar amount of outstanding loans are within the bank's AA. An analysis of consumer loans granted between January and August 1997 shows that 90% by number and 79% by dollar volume were made within the AA. The following table, representing the loan portfolio's distribution, shows that consumer loans are the predominant loan product.

Loan Portfolio Distribution (\$000) June 30, 1997				
Loan Type	#	%	\$	%
Real Estate				
1 - 4 Family	80	7.4%	1,636	12.0%
Agriculture	7	0.6%	874	6.4%
Commercial	26	2.4%	3,234	23.8%
Consumer Loans	865	80.1%	2,869	21.1%
Commercial Loans	45	4.2%	3,150	23.2%
Agriculture	57	5.3%	1,840	13.5%
Total	1080	100%	13,603	100%

The bank also participates in various government sponsored lending programs. As of June 30, 1997, the bank had originated Small Business Administration (SBA) loans totaling \$72.2 thousand, Farm Service Agency (FSA) loans totaling \$1,105.6 thousand, and Guaranteed Student Loans totaling \$48.5 thousand. These loans were originated within their AA. Our sample of 25 business loans disclosed that 92% were in the bank's AA with 56% originated to businesses that posted gross earnings or sales of less than \$100 thousand and the remainder, or 44%, were to businesses that posted gross earnings or sales of less than \$1 million.

First National Bank has a reasonable distribution of loans to borrowers of different income levels, including low- and moderate-income individuals. Internally generated reports indicate that 57% of consumer loans originated between January and August 1997 are to low- or moderate- income individuals. Similarly, 49% of all consumers were made to low- or moderate- income individuals. The table below compares both numbers and dollar amounts of consumer loans to the income characteristics of the AA.

Consumer Loans to Borrowers of Different Income Levels										
Area Demographic Characteristic	Low Income		Moderate Income		Middle Income		Upper Income		Total	
	26.43%		14.52%		17.95%		41.10%		100%	
	#	%	#	%	#	%	#	%	#	%
Orig. 1997	194	30%	138	21%	124	19%	194	30%	650	100%
All Consumer	227	26%	195	23%	148	17%	291	34%	861	100%
(\$000)	\$	%	\$	%	\$	%	\$	%	\$	%
Orig. 1997	266	14%	323	16%	369	19%	1,019	51%	1,977	100%
All Consumer	304	11%	445	15%	507	18%	1,630	56%	2,886	100%

Analysis of the geographic distribution of loans is not meaningful to the bank because all of the geographies within the AA are middle-income. However, management's internal tracking system, which tracks all consumer loans, indicates a wide dispersion of loans throughout the bank's AA.

During this evaluation period, no consumer complaints regarding CRA performance were received by First National Bank. Based on the loans sampled in our review, we did not identify any violations of the substantive provisions of the anti-discrimination laws and regulations.