



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 18, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Mount Vernon
Charter Number 5409

101 W. Main Street
Mount Vernon, TX 75457

Office of the Comptroller of the Currency

1800 NW Loop 281
Suite 306
Longview, TX 75604-2516

NOTE: This document is an evaluation of this 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. 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.

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 rating is based on the following:

- The bank's loan to deposit ratio is reasonable based on its size and complexity.
- A majority of the bank's loans are extended inside the bank's assessment area.
- Credit activity is reasonably distributed to borrowers of different income levels.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) is an assessment of First National Bank's ability to meet the credit needs of the communities in which it operates. The bank was evaluated under the small bank performance criteria. Conclusions regarding the bank's lending performance are based on residential purchase and agriculture loans originating from January 1, 2010 to December 31, 2011.

DESCRIPTION OF INSTITUTION

First National Bank (FNB) is a \$178 million institution located in Mount Vernon, Texas. The bank serves this community and the surrounding area with two banking offices located in Mount Vernon and one office located at nearby Lake Cypress Springs. FNB is wholly owned by Mount Vernon Bankshares, Inc., a one bank holding company. The bank is a full service community bank offering traditional, non-complex residential loans, agriculture and commercial loans, and consumer loans. There are no financial or legal obstacles affecting the bank's ability to meet community credit needs. The bank was rated "Satisfactory" during the prior Community Reinvestment Act (CRA) Examination dated January 7, 2008. The following chart reflects the distribution of the bank's loan portfolio:

Loan Category	\$ (000)	%
Residential Real Estate Loans	\$36,852	65.12%
Agriculture	\$7,458	13.18%
Commercial Loans	\$7,035	12.43%
Consumer Loans	\$5,249	9.27%
Total	\$56,594	100.00%

DESCRIPTION OF ASSESSMENT AREA

The Board has designated all of Franklin County and adjacent tracts of Titus and Hopkins Counties as the bank's primary assessment area. This assessment area meets the requirements of

the Community Reinvestment Act and does not arbitrarily exclude low and moderate-income geographies. The assessment area has no low or moderate income tracts with all tracts designated as middle income. Based on 2000 census data, the assessment area has a total population of 18,576 and the local economy is considered weak but stable. The bank’s primary competition consists of branches of larger national chartered and state chartered banks, all of which operate within the bank’s assessment area. The distribution of families by income level, regardless of census tract location, consists of the following: 17.43 percent are low income, 18.50 percent are moderate income, 22.49 percent are middle income, and 41.59 percent are upper income. Major employers include Lowes Regional Distribution Center, and Jordan Health Service, and East Texas Medical Center. Contact with a local business organization revealed the primary community credit needs for the assessment area are residential mortgages with limited housing stock available, especially in the low and moderate income range. The following table reflects the demographics for the assessment area (AA) based on 2000 census data:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS	
<i>Population</i>	
Number of Families	5,319
Number of Households	7,042
<i>Geographies</i>	
Number of Census Tracts/BNA	6
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	0.00%
% Middle-Income Census Tracts/BNA	100.00%
% Upper-Income Census Tracts/BNA	0.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$36,380
2010 HUD-Adjusted MFI	\$48,600
<i>Economic Indicators</i>	
Unemployment Rate	2.19%
2011 Median Housing Value	\$62,164
% of Households Below Poverty Level	14.43%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB’s performance under the lending test is satisfactory. The bank has demonstrated satisfactory performance in meeting the credit needs of the community. All performance criteria of the lending test are documented below.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of FNB is reasonable given the bank's size, financial condition and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 55.24 percent since the prior CRA examination in January 2008. The average loan-to-deposit ratio of banks within the assessment area for the same time period was 81.65 percent.

Institution	Assets (000s) as of (9/30/2012)	Average LTD Ratio
First National Bank of Mount Vernon	178,220	55.24
American National Bank of Mt. Pleasant	85,026	77.64
Cypress Bank, SSB Pittsburg	171,608	87.88
Bank Texas, Quitman	220,778	66.51
First National Bank, Winnsboro	143,567	94.58

Lending in Assessment Area

A majority of the bank's lending activity is located inside its assessment area. We reviewed 20 residential purchase and 20 agriculture loans originated in the years 2010 and 2011. This sample reflected approximately 77 percent of the number and dollar amount of loans were extended in the bank's assessment areas. The breakdown by number and dollar amount is illustrated in the following table:

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	14	70.00	6	30.00	20	1,265	74.08	443	25.92	1,708
Agriculture	17	85.00	3	15.00	20	304	94.79	17	5.21	321
Totals	31	77.50	9	22.50	40	1,569	77.33	460	22.67	2,029

Source: Loan Sample

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

The distribution of loans to borrowers of different incomes is reasonable throughout the assessment area.

The distribution of residential loans by borrower income level is reasonable. Lending to low income borrowers for residential purchase loans is less than the percentage of low income families in the assessment area. Lending to moderate income borrowers is near to the percentage of moderate income families. Approximately 15 percent of the households in the assessment area live below the poverty level. The average cost of housing is \$62 thousand while a low income person earns less than \$25 thousand. The area economy is weak with very limited low or moderate income housing stock available. The bank has established a loan program for

affordable housing for the purchase or rehabilitation of residential homes. This program includes more flexible underwriting standards in an effort to provide loans to low and moderate income borrowers. We considered these mitigating factors in our home mortgage lending analysis to low and moderate-income borrowers.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential	17.43	4.55	18.50	13.64	22.49	13.64	41.59	68.18

Source: Loan sample; U.S. Census data.

The distribution of agriculture loans by income level is excellent. One hundred percent of the agriculture loans made within the assessment area were to small farms.

Borrower Distribution of Loans to Farms				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	98.77	1.23	0.00	100%
% of Bank Loans in AA by #	100.00	0.00	0.00	100%
% of Bank Loans in AA by \$	100.00	0.00	0.00	100%

Source: Loan Sample; Dun and Bradstreet

Geographic Distribution of Loans

A geographic analysis of lending activity was not performed. There are no low or moderate-income geographies located in the assessment area; therefore, an analysis would not be meaningful.

Responses to Complaints

First National Bank has not received any complaints or public comments regarding CRA performance during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.