



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

---

## **PUBLIC DISCLOSURE**

**February 17, 2004**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank of Winnsboro  
Charter Number 5674**

**315 North Main Street  
Winnsboro, TX 75494**

**Comptroller of the Currency  
Longview Field Office  
1800 West Loop 281, Suite 306  
Longview, TX 75604**

**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 Winnsboro has a satisfactory record of meeting community credit needs. This rating is based on the following:

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

## **DESCRIPTION OF INSTITUTION**

First National Bank of Winnsboro (FNB) is a \$124 million bank that is wholly owned by Etex Banco, Inc. The bank is located at 315 North Main Street, Winnsboro, Texas. The bank also has full service branches located in Winnsboro and in Owentown, Texas. As of December 31, 2003, loans totaled \$88 million and represented 71% of the bank's total assets. The following chart reflects the distribution of the bank's loan portfolio.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	21,282	24.43
Commercial Loans	9,282	10.66
Residential Real Estate Loans	25,500	29.27
Agriculture Loans	21,455	24.63
Consumer Loans	9,590	11.01
<b>Total</b>	<b>87,109</b>	<b>100.00%</b>

There are no legal impediments or other factors that inhibit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Examination dated September 27, 1999.

## **DESCRIPTION OF ASSESSMENT AREAS**

The Board has designated two assessment areas for CRA purposes. The assessment areas include all of Wood County, adjacent block numbering area (BNA) 9507 in Hopkins County and BNA 9501 in Franklin County. In addition, census tracts 15.98, 17.00 and 18.98 of Smith County have been designated as a second assessment area. These assessment areas meet the requirements of the Community Reinvestment Act and do not arbitrarily exclude low and moderate-income geographies.

**Wood, Franklin and Hopkins Counties Assessment Area:**

The adjacent counties of Wood, Franklin and Hopkins are rural counties located approximately 50 miles from Longview, Texas and serve as the assessment area for the Main bank and branch located in Winnsboro. The assessment area includes no low or moderate-income tracts, four middle-income tracts and one upper-income tract. The following table provides a description of the bank's assessment area based on 1990 census data and 2002 Department of Housing and Urban Development (HUD) information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	5,591
Number of Households	7,360
<i>Geographies</i>	
Number of Census Tracts/BNA	5
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	80.00%
% Upper-Income Census Tracts/BNA	20.00%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$24,585
2002 HUD-Adjusted MFI	\$36,100
<i>Economic Indicators</i>	
Unemployment Rate	3.00%
2002 Median Housing Value	\$48,256
% of Households Below Poverty Level	18%

This assessment area has a total population of 19,036. The distribution of families by income level, regardless of census tract location, consists of the following: 18.80% are low income, 17.05% are moderate income, 21.27% are middle income, and 42.89% are upper income. Major employers in the area include Winnsboro Independent School District, Presbyterian Hospital, and Team Air Worldwide. Competition in the area is considered moderate with several local banks and branches of other banks in these counties. The local economy is considered stable with an unemployment rate of 3.00%.

Contacts with local business organizations in Winnsboro revealed the primary community credit needs for the assessment are residential mortgages and small business loans. The primary loan types originated in this Assessment Area are residential mortgages, business loans, and agricultural loans.

**Smith County Assessment Area:**

Census tracts 17.00, 15.98, and 18.98 are located in the northeastern part of Smith County, which is part of the Tyler Metropolitan Statistical Area. These tracts include the communities of Winona and Owentown and serve as the assessment area for the bank's branch located in

Owentown, Texas. This branch has total assets of \$9 million and represents approximately 7% of the bank's total assets. The assessment area includes only three middle-income census tracts with no tracts designated as low, moderate or upper-income. The following table provides a description of the bank's assessment area based on 1990 census data and 2002 Department of Housing and Urban Development (HUD) information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	3,765
Number of Households	4,829
<i>Geographies</i>	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$31,042
2002 HUD-Adjusted MFI	\$47,600
<i>Economic Indicators</i>	
Unemployment Rate	3%
2002 Median Housing Value	\$38,629
% of Households Below Poverty Level	21%

The three census tracts have a total population of 13,570 based on 1990 census data. The distribution of families by income level, regardless of census tract location, consists of the following: 26.29% are low income, 18.09% are moderate income, 27.12% are middle income, and 28.50% are upper income. A majority of the residents in this assessment area work in Tyler, as this is primarily a residential community with limited industry and commercial businesses. Major employers in the assessment area include the University of Texas Health Center, and Winona Independent School District. Competition is limited in the immediate area; however, there is strong competition with numerous banks, bank branches and credit unions in Tyler that serve all of Smith County. The local economy is considered stable with an unemployment rate of 3.00%. The primary loan types originated in this assessment area are consumer and business related loans.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### 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 67.43% since the prior CRA examination in September of 1999. The average loan-to-deposit ratio of banks within the assessment area, regardless of size, for the same time period, was 61.55%.

Institution	Assets (000s) (as of 6/30/03)	Average LTD Ratio
First National Bank, Winnsboro	124,244	67.43
First National Bank, Quitman	134,662	65.20
Wood County National Bank, Quitman	65,306	61.66
First National Bank, Mt. Vernon	116,168	50.86
Franklin National Bank, Mt. Vernon	40,792	53.16
City National Bank, Sulphur Springs	190,025	70.98

### LENDING IN ASSESSMENT AREA

A majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 35 residential purchase loans, 43 commercial loans, 21 agriculture loans and 28 consumer loans that originated since September 1999. The breakdown by loan category is illustrated in the following table.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential	31	88.57	1,321	86.35	4	11.43	209	13.65
Commercial	30	69.77	4,147	38.30	13	30.23	6,681	61.70
Agriculture	20	95.24	5,673	99.70	1	4.76	17	0.30
Consumer	14	50.00	104	41.50	14	50.00	147	58.50
Total Reviewed	95	74.80	11,245	61.45	32	25.20	7,054	38.55

### LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

#### Wood, Franklin and Hopkins Counties Assessment Area:

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 home purchase loans generally approximates the income characteristics of the assessment area. However, home purchase loans to low-income families are at a low level compared to the demographics of the assessment area. Borrowing for home purchases by low-income individuals is limited as approximately 18% of the households in this assessment area are below poverty level.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	18.80		17.05		21.27		42.89	
LOANS BY YEAR	% of Number	% of Amount						
	6.45	1.47	12.90	12.29	19.35	15.37	61.29	70.88

The distribution of business loans reflects a reasonable penetration among businesses of different sizes. Based on U.S. Census information, there are 1,339 businesses in the assessment area; however, revenue information was not reported for approximately 26% of the businesses. As a result, the percentage of businesses by income level may not accurately reflect a true percentage of the businesses in each income category. Our sample of commercial loans inside the assessment area revealed a substantial majority of the bank's commercial loans were to businesses with revenues less than one million.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	70.65	3.81
% of Bank Loans in AA #	95.00	5.00
% of Bank Loans in AA \$	99.07	0.93

The distribution of agriculture loans reflects a reasonable penetration among farms of different sizes. Based on U.S. Census information, there are 146 farms in the assessment area. Our sample of agriculture loans inside the assessment area revealed a substantial majority of the bank's agriculture loans were to farms with revenues less than one million.

BORROWER DISTRIBUTION OF SMALL LOANS TO FARMS		
Farm Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farms	94.52	4.11
% of Bank Loans in AA #	95.00	5.00
% of Bank Loans in AA \$	94.29	5.71

**Smith County Assessment Area:**

The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. Due to the low level of home purchase loans made in this area, residential loans were not reviewed during this examination. Based on the distribution of loans by number and by dollar amount, we reviewed a sample of consumer and commercial loans in this assessment area. The distribution of consumer loans generally approximates the income characteristics of the assessment area.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	29.6		14.5		19.5		36.3	
	% of Number	% of Amount						
	21.43	10.52	14.29	16.05	35.71	34.34	28.57	39.09

The distribution of business loans reflects a reasonable penetration among businesses of different sizes. Based on U.S. Census information, there are 790 businesses in the assessment area; however, revenue information was not reported for approximately 23% of the businesses. As a result, the percentage of businesses by income level may not accurately reflect a true percentage of the businesses in each income category. Our sample of commercial loans inside the assessment area revealed a majority of the bank's commercial loans were to businesses with revenues less than one million.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	72.28	5.19
% of Bank Loans in AA #	70.00	30.00
% of Bank Loans in AA \$	33.76	66.24

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

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

## **RESPONSES TO COMPLAINTS**

Management has not received any written complaints related to CRA performance since the prior CRA examination dated September 27, 1999.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

We found no evidence of illegal discrimination or other illegal credit practices.