



**SMALL BANK**

---

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

---

## **PUBLIC DISCLOSURE**

**January 12, 2004**

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

**The First National Bank of Byers  
Charter Number 8787**

**Main Street  
Byers, TX 76357**

**Comptroller of the Currency  
ADC Michael K. Hughes - Dallas North  
17300 Dallas Parkway Suite 2020  
Dallas, TX 75248**

**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.**

The First National Bank of Byers (FNB Byers) has a satisfactory record of meeting community credit needs. This rating is based upon the following:

- The quarterly-averaged loan-to-deposit ratio of 70% meets the standards of satisfactory performance;
- An adequate number of loans sampled originated within the bank's assessment area;
- The geographic distribution of the residential loans made to moderate-income census tracts exceeds the standard of satisfactory performance; and
- The geographic distribution of sampled consumer loans reflects a good dispersion to moderate-income census tracts within the assessment area.

## **DESCRIPTION OF INSTITUTION**

FNB Byers is a \$61 million community bank located in Byers, Texas. It is wholly owned by a one-bank holding company, Byers Bancshares, Inc., a Texas Corporation. As of September 30, 2003, the bank's holding company has total combined assets of approximately \$61 million. FNB Byers serves Clay County and the city of Wichita Falls through two banking locations: (1) the main office located on Main Street in Byers, Texas, and (2) the Cattleman's branch at 900 Midwestern Parkway in Wichita Falls, Texas.

Both locations have drive-up facilities, with extended weekday hours at the Cattleman's location. The bank also operates two automated teller machines (ATM) - one at each location. In addition, FNB Byers offers telephone banking through its Telebank service and offers balance transfer capabilities via the Internet ([www.fnbyers.net](http://www.fnbyers.net)).

FNB Byers provides various deposit and loan products. In prior years, management's lending focus was agriculture loans, which consist of farmland and livestock loans. Because of the changing market and the growth established from the branch location, management's primary lending focus has changed to consumer lending and small business loans; however, they continue to provide agriculture loans to its established market as well as to Archer City. Management has stated that they do make mortgage loans, but cannot compete with the number of financial institutions in Wichita Falls and surrounding areas and the products offered. As a result, most of the residential loans made are outside of the board-approved assessment area. The following table portrays the principal loan mix of FNB Byers as of September 30, 2003:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Farmland	11,322	29.5%
Consumer	7,421	19.3%
Commercial	5,878	15.3%
Residential Real Estate	5,271	13.7%
Commercial Real Estate	5,001	13.0%
Other Loans	2,603	6.8%
Construction & Development	789	2.1%
Obligations	118	0.3%
<b>Total</b>	<b>38,403</b>	<b>100.00%</b>

FNB Byers was rated “Satisfactory” in its previous CRA public evaluation dated June 14, 1999. The bank has no financial or legal obstacles that affect its ability to meet community credit needs. As of September 30, 2003, FNB Byers had a “net loans to total assets” ratio of 62%.

## **DESCRIPTION OF CLAY COUNTY AND CITY OF WICHITA FALLS, TEXAS**

FNB Byers’s assessment area is Clay County and the city of Wichita Falls, Texas (Clay County/Wichita Falls). The bank’s assessment area meets the requirements of the regulatory guidelines and does not arbitrarily exclude any low-or moderate-income areas.

Using 2000 Census information, Clay County consists of three middle-income census tracts and the city of Wichita Falls includes 31 census tracts of varying income levels: one low-income, 12 moderate-income, 11 middle-income and seven upper-income. The local economy of Clay County is considered to be declining with the largest employers as the Independent School District, the county government, and Silver Creek Mobile Homes, Inc. The largest industry is agriculture – farming and cattle. The economy of Wichita Falls is growing with several large employers, Sheppard Air Force Base, Midwestern State University, and United Regional Health Care; the largest industry is manufacturing.

The demographics for the assessment area (AA) include: total occupied housing units at 90% with owner-occupied housing at 55%, rental-occupied housing at 35%, and vacant housing units at 10%. Other pertinent demographic information are reflected in the following table:

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	29,630
Number of Households	43,874
<i>Geographies</i>	
Number of Census Tracts	34
# - % Low-Income Census Tracts	1 – 3%
# - % Moderate-Income Census Tracts	12 – 35%
# - % Middle-Income Census Tracts	14 – 41%
# - % Upper-Income Census Tracts	7 – 21%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	40,832
2000 HUD-Adjusted MFI	39,350
2001 HUD-Adjusted MFI	40,176
2002 HUD-Adjusted MFI	40,476
2003 HUD-Adjusted MFI	45,576
<i>Economic Indicators</i>	
Unemployment Rate	4.5%
2003 Median Housing Value	65,577
% of Households on Social Security	26%
% of Households Below Poverty Level	13%
% of Households on Retirement	17%

\*Based on November 2003 Bureau of Labor Statistics (BLS) Data for Clay County/Wichita Falls, TX

The credit needs of the community were determined through interviews with individuals associated with Clay County and the city of Wichita Falls. The community contacts indicated area financial institutions are very cooperative and are diligent in trying to meet the community's credit needs.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The September 30, 2003 Call Report indicates that the majority of FNB Byers's loan portfolio consists of farmland (agriculture) loans. The next largest distribution of loans is consumer installment. We sampled loans originated between June 14, 1999, and December 31, 2003. Since the bank is a Home Mortgage Disclosure Act (HMDA) reporter, we used its HMDA information for our analysis.

Overall, FNB Byers is meeting the standards of satisfactory performance. The bank's strengths are its loan-to-deposit ratio and its lending to moderate-income families and census tracts.

### **Loan-to-Deposit Ratio**

FNB Byers's average loan-to-deposit (LTD) ratio is 70%. Given the bank's size, financial condition, and assessment area credit needs, the bank meets the standard for satisfactory performance. Information for other financial institutions within the bank's assessment area is

detailed in the following table:

<b>Institution</b>	<b>Assets ('000's) As of 09/30/03</b>	<b>Average LTD Ratio</b>
National Peer Group	50,000 – 100,000	70.72%
<b>First National Bank of Byers</b>	<b>61,402</b>	<b>70.42%</b>
Legend Bank, N.A.	281,770	65.64%
First National Bank of Texas	458,398	43.56%

### **Lending in Assessment Area**

Based on our review of FNB Byers's performance context and lending patterns, the bank meets the standards of satisfactory performance.

<b>Lending in Clay County/Wichita Falls</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	50	38	81	62	131	2,279	42	3,123	58	5,402
Refinancing	53	36	94	64	147	2,332	40	3,547	60	5,879
Home Improvement	1	20	4	80	5	8	5	160	95	168
Farmland	18	90	2	10	20	3,041	87	462	13	3,503
Consumer	16	80	4	20	20	192	91	19	9	211
Totals	138	43	185	57	323	7,852	52	7,311	48	15,163

Source: Data reported under HMDA, sample of farmland and consumer loans.

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

The bank meets the standard for satisfactory performance in lending to borrowers of different incomes and to businesses of different sizes. We reviewed the residential loans originated within the bank's assessment area. FNB Byers's loan penetration to low-income borrowers is minimal in comparison to the demographics as seen in the following table:

<b>Borrower Distribution of Residential Real Estate Loans in Clay County/Wichita Falls</b>								
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
Home Purchase	18.5	4	19.3	4	23.6	22	38.6	70
Refinancing	18.5	0	19.3	50	23.6	50	38.6	0
Home Improvement	18.5	0	19.3	0	23.6	0	38.6	100

Source: Data reported under HMDA; U.S. 2000 Census data.

However, the small volume of residential loans to low-income borrowers is attributed to many factors. For instance, FNB Byers is not a large maker of mortgage loans. Also, a substantial

portion of persons within the assessment area are on a fixed-income or have income below the poverty level. The requirements of closing costs and down payments are more feasible for middle- and upper-income borrowers when purchasing a home. Typically, borrowers with higher incomes are able to produce these funds, which many lower income borrowers are unable to do.

Moreover, we could not determine the bank’s performance regarding lending to farms of different sizes because financial information was not always obtained. As a result, we used the loan size as a proxy for revenues. Based on this information, FNB Byers has originated a sufficient number of loans to farms within its assessment area with a large percentage of loans at less than \$100 thousand. The following table illustrates the bank’s lending penetration to businesses based on loan size:

<b>Borrower Distribution of Loans to Farms by Loan Size in Clay County/Wichita Falls</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	15	75	619,691	20
\$100,001 - \$250,000	4	20	638,868	21
\$250,001 - \$500,000	0	0	0	0
Over \$500,000	1	5	1,840,000	59

Source: Farmland loans sampled.

In addition, we reviewed 20 consumer installment loans made within the bank’s assessment area to determine the bank’s performance of lending to borrowers of different incomes. Despite this, a meaningful analysis of the bank’s record of consumer installment lending to borrowers could not be conducted because it is management’s practice to not obtain financial information on existing customers. However, 35% of the number of consumer loans made was less than \$5,000 in amount and 20% were between \$5,001 and \$10 thousand.

### Geographic Distribution of Loans

FNB Byers has a reasonable dispersion of loans in its assessment area. Based on our review of loans, the volume of residential loans made to low- and moderate-income census tracts is good in comparison to the percent of owner-occupied housing in the bank’s assessment area as detailed in the following table:

<b>Geographic Distribution of Residential Real Estate Loans in Clay County/Wichita Falls</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	2.1	2	19.2	36	49.4	48	29.3	14
Refinancing	2.1	0	19.2	50	49.4	50	29.3	0
Home Improvement	2.1	0	19.2	0	49.4	0	29.3	100

Source: Data reported under HMDA; U.S. 2000 Census data.

Based on the demographics of the assessment area, the number of farm loans made to businesses/farms is adequate in comparison to the percentage of farms in the assessment area. Most of the farming industry is centered in Clay County, which is considered middle-income, and on the outskirts of Wichita Falls, which are primarily upper-income census tracts. As a result, a good percentage of farm loans will be made in middle- and upper-income census tracts as shown in the following table:

<b>Geographic Distribution of Loans to Businesses/Farms in Clay County/Wichita Falls</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Farmland loans	0.9	0	23.2	0	55.3	30	20.6	70

*Source: Farmland loans sampled; U.S. 2000 Census data.*

The number of the sampled consumer loans made to low- and moderate-income census tracts is adequate in comparison to the percentage of households in the assessment area as can be seen in the following table:

<b>Geographic Distribution of Consumer Loans in Clay County/Wichita Falls</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	2.4	0	24.6	15	44.5	70	28.6	15

*Source: Loan sample; U.S. 2000 Census data.*

### **Responses to Complaints**

FNB Byers has not received any CRA related complaints during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

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