



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 9, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 18479**

**200 South Avenue East
Haskell, Texas 79521**

**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, Haskell, Texas** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 9, 1998. 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, Haskell, Texas has a satisfactory record of meeting community credit needs. This satisfactory rating is based upon the following factors:

- ◆ Loan volume relative to the bank's deposit structure, measured by the loan-to-deposit ratio, compares favorably to other financial institutions in the assessment area.
- ◆ A significant volume of the bank's loans are extended within its assessment area.
- ◆ Loans are extended to individuals of different income levels and to businesses and farms of different sizes.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank, Haskell, Texas 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	A distribution analysis would not be meaningful.		
Response to Complaints	No formal complaints have been submitted since the January 1995 evaluation.		

DESCRIPTION OF INSTITUTION

First National Bank, Haskell, Texas (FNB) is a \$38 million bank located in north central Texas. The main banking facility is located in Haskell, Texas. The bank has one branch in Lubbock, Texas, approximately 150 miles northwest of Haskell. A drive-up window is available at both locations. No automatic teller machine is available.

The bank offers an array of basic banking services designed to reach all sectors of the assessment area. As of December 31, 1997, the bank had a \$25 million loan portfolio with the following composition: 47% agricultural, 27% commercial, 13% consumer, and 13% 1-4 family residential. The bank's financial condition, size, local economic conditions, and other factors allow it to assist in meeting the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

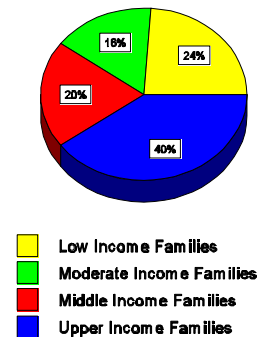
FNB has two assessment areas, one for the main banking facility located in Haskell, Texas and one for the branch located in Lubbock, Texas. The "Haskell" assessment area is defined as Haskell county. The "Lubbock" assessment area is defined as Lubbock county and Block Numbering Area (BNA) #9501 of Terry county, BNA #9506 of Hockley county and BNA #9507 and #9509 of Hale county. These designations meet the requirements of the regulation and do not arbitrarily exclude low or moderate income census tracts.

Description of "Haskell" Assessment Area

Based on the 1990 US Census data, the weighted average median family income in the Haskell assessment area is \$24,461. As compared to the average family income in nonmetropolitan statistical areas in the state of Texas, this income level defines the Haskell assessment area as "middle income". A more detailed breakdown of family income levels in the assessment area is depicted in the chart to the right. The largest segment of the population is upper income, followed by low income.

Total population in the assessment area is 6,820 and households total 2,753. Employment by industry type is centered in farm (51%) and government (32%). Unemployment for the state of Texas for 1996 averaged 6%. Haskell county's unemployment was lower than the state average, reporting in the 4.1%-5.0% range. Average cost of housing is \$21,730. Persons age 16-64 represent 75% of the population, persons 65 and over represent 24%. Vacant housing units total 28%. The population is 78% white, 18% hispanic, and 3% black.

Income Breakdown



Competition is moderate within the bank's assessment area. There are two other financial institutions in the immediate vicinity. In addition, there are numerous other financial institutions in the

surrounding communities of Rule, Stamford, and Rochester.

As part of our evaluation, we interviewed an area civic organization leader. The interview was helpful in understanding the context of the bank, the community, and local competitors. The community leader responded favorably regarding the bank's efforts to meet the assessment area's credit needs.

Description of "Lubbock" Assessment Area

The Lubbock assessment area includes a metropolitan statistical area and portions of a nonmetropolitan statistical area. Lubbock county is located in a metropolitan statistical area, while the bank's designated BNA's outside of Lubbock county are in nonmetropolitan statistical areas.

Lubbock county's weighted average median family income is \$32,014, based on the 1990 US Census data. Lubbock county contains 8 low income tracts, 11 moderate income tracts, 15 middle income tracts, and 33 upper income tracts. The largest segment of the total population is upper income (40%); followed by low income (21%), middle income (21%), and moderate income (18%).

Total population in Lubbock county is 222,636 and households total 81,362. Employment by industry type is centered in services (28%), government (22%), and retail trade (22%). Unemployment for the state of Texas for 1996 averaged 6%. Lubbock county's unemployment was lower than the state, reporting in the 1.7%-4.1% range. Average cost of housing is \$53,112. Persons age 16-64 represent 62% of the population, persons 65 and over represent 10%. Vacant housing units total 11%. The population is 68% white, 23% hispanic, 7% black, and asian 2%.

Designated BNA's outside of Lubbock county have a combined weighted average median family income of \$23,802, based on the 1990 US Census data. All four BNA's are defined as middle income when compared to the average family income in nonmetropolitan statistical areas in the state of Texas. The largest segment of the defined BNA population is upper income (44%); followed by low income (22%), middle income (17%), and moderate income (17%).

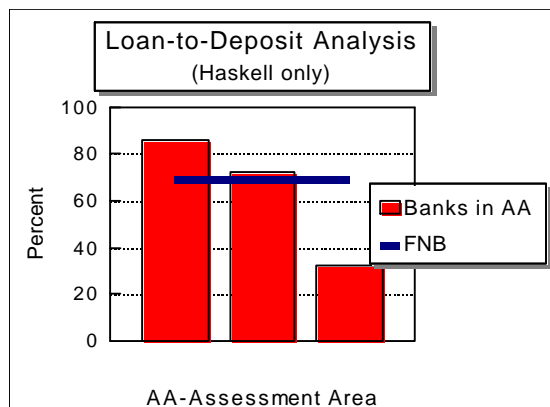
Total population in the four BNA's is 8,784 and households total 2,955. Employment by industry type is centered in wholesale trade (26%), services (18%), government (14%), and farm (8%). Unemployment for the state of Texas for 1996 averaged 6%. The BNA's unemployment was comparable to the state average, reporting in the 5.0%-6.3% range. Average cost of housing is \$34,653. Persons age 16-64 represent 57% of the population, persons 65 and over represent 13%. Vacant housing units total 16%. The population is 56% white, 40% hispanic, 3% black, and 1% other.

Competition in Lubbock county and the designated surrounding BNA's is strong. Numerous local, regional, and multinational financial institutions compete for customers in this market.

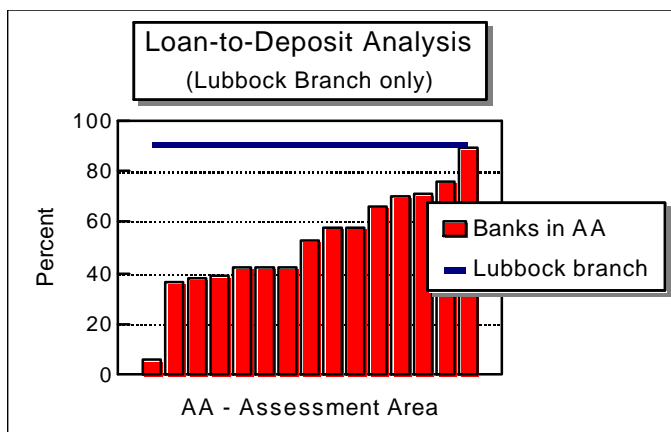
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio of the Haskell location and Lubbock branch compare favorably to other financial institutions located in the individual assessment areas. In the Haskell assessment area, FNB's ratio of 70% compares favorably to the three other locally based financial institutions. In the Lubbock assessment area, FNB's ratio of 91% is above all other locally based financial institutions. The charts to the right illustrate our analysis.



Historically, FNB has maintained an above average loan-to-deposit ratio. The average loan-to-deposit ratio for FNB since our last CRA examination dated January 1995 is 74%. As of December 31, 1997, the ratio was 71%.



Lending in Assessment Area

A majority of the bank's lending activity is located within its assessment area. A sample of loans reviewed during this examination revealed 76% by number and 83% by dollar volume of loan originations are extended in the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of loans reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. The distribution of loans within each income category approximates the income characteristics of the population within the assessment area. Business loans (farm and commercial businesses) are extended to large and small businesses as defined by gross revenues.

Our analysis of loans to borrowers with different income levels was based on a randomly selected sample of installment loans. The tables below detail the results of our analysis, illustrating a good dispersion of loans among borrowers of different income levels and consistent with the income characteristics in each of the assessment areas.

Lending to Borrowers of Different Income Levels (Haskell location only)								
	Low Income Families <\$16,050		Moderate Income Families \$16,051-\$25,680		Middle Income Families \$25,681-\$38,521		Upper Income Families >\$38,521	
Assessment Area Characteristics	24%		16%		20%		40%	
	#	\$	#	\$	#	\$	#	\$
Consumer Loans	40%	8%	27%	48%	7%	8%	26%	36%

Lending to Borrowers of Different Income Levels (Lubbock branch only)								
	Low Income Families <\$22,650		Moderate Income Families \$22,651-\$36,239		Middle Income Families \$36,240-\$54,359		Upper Income Families >\$54,359	
Assessment Area Characteristics	22%		18%		19%		41%	
	#	\$	#	\$	#	\$	#	\$
Consumer Loans	67%	74%	20%	17%	0%	0%	13%	9%

Our analysis of loans to businesses of different sizes was based on a randomly selected sample of farm and commercial loans. The following table details the results of our review, illustrating a reasonable dispersion of business loans among different size businesses.

Lending to Farms and Businesses of Different Revenue Levels (Haskell location and Lubbock branch)				
	Farm Loans		Commercial Loans	
	#	\$	#	\$
Gross Revenues <\$250 million	91%	91%	71%	44%
Gross Revenues \$251-\$500 million	9%	9%	21%	42%
Gross Revenues \$501-\$1 million	0%	0%	0%	0%
Gross Revenues >\$1 million	0%	0%	8%	14%

Geographic Distribution of Loans

The Haskell assessment area does not contain a distinct low or moderate income area. An analysis by geography of loan dispersion would not be meaningful for purposes of the Community Reinvestment Act, thus it was not performed.

The Lubbock branch assessment area contains 8 census tracts defined as low income. Management does not currently analyze distribution of loans by census tract or other similar geographies. Our sample of consumer loans for the Lubbock branch resulted in a high volume of loans to low income individuals. We did not perform a distribution analysis to determine lending activities in the low income census tracts since the bank actively lends to low income borrowers.

Response to Complaints

The bank complies with the substantive provisions of antidiscrimination laws and regulations. There have been no formal fair lending complaints submitted to the bank or The Office of the Comptroller of the Currency since the last Community Reinvestment Act evaluation.