



Comptroller of the Currency
Administrator of National Banks

Southwestern District
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Dallas, Texas 75201-3394

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

May 29, 1997

**First National Bank of Temple
Charter Number: 13778**

**18 South Main Street
Temple, Texas 76501**

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of the **First National Bank of Temple, Texas**, prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of May 29, 1997. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments, and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: **"Satisfactory record of meeting community credit needs."**

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- o **Representatives of the First National Bank of Temple (FNB) maintain regular contact with a wide range of groups to ascertain the credit needs of the community, including low- and moderate-income neighborhoods.**

Ascertainment of the community's credit needs is primarily accomplished through the Board of Directors' (Board) and senior management's frequent contacts with a full range of community groups. Some of these contacts include, but are not limited to:

- Chambers of Commerce in Temple, Belton and Killeen;
- Central Texas Housing Authority; and
- Temple and Belton Economic Development Corporations.

In addition to direct contacts, letters were sent to numerous leaders in the community to ascertain the community's credit needs and determine if the bank's current array of products meets those needs.

The bank offers loan products which are reasonably suited to meet its community's credit needs. Some of these products include consumer, home improvement, residential mortgage, and small business loans.

Assessment Factor C - The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- o **The Board is generally involved in FNB's CRA activities and is responsive in addressing community credit needs.**

The Board has implemented procedures to analyze the geographic distribution of all approved and denied loans. The information generated is used to ensure that all segments of the delineated community are being served. In addition, the bank has begun tracking approvals and denials, by applicant income levels, as required by the new CRA.

To assist the Board in its oversight of CRA activities, it has appointed a CRA officer. The CRA officer reports the above analysis to the Board quarterly.

The Board and senior management have ensured that all technical requirements of the CRA have been met. The CRA Statement is correct and lists all loans which the bank is willing to make.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- o **FNB has implemented adequate marketing and advertising programs designed to reach all segments of the local community.**

Advertising efforts focus on FNB's image and commitment to the community. Products and services, including credit programs, are also advertised. Printed advertisements are circulated in the Temple Daily Telegram, The Belton Journal, and the Killeen Daily Herald which are distributed throughout the delineated community. Radio advertisements are broadcast on numerous radio stations throughout the community.

Bank personnel routinely provide assistance to individuals applying for credit. Bilingual employees are available in each office to help Spanish-speaking individuals with bank services and in understanding and applying for credit. The Killeen branch has an employee who speaks Korean to service the Korean segment of the community.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- o **FNB has undertaken efforts to address a significant portion of the community's credit needs through the origination of the following types of loans: consumer; small business; small farm; housing; and housing rehabilitation.**

As of March 31, 1997, FNB's loan-to-deposit ratio equaled 44.1 percent. Management's analysis indicates that a significant volume of loans is originated within FNB's delineated community. Its analysis reflects approximately 78 percent of the dollar volume in 1996 was originated in the bank's delineated community.

FNB originated more than 11 million in small business loans during 1996.

Below is FNB's loan portfolio by loan type, as reported on the March 31, 1997, Consolidated Report of Condition:

LOAN TYPE	AMOUNT (000's)	% OF GL
REAL ESTATE:		
Construction & Land Development	\$2,053	1.65
1-4 Family Residential	\$35,494	28.42
Multifamily Residential	\$2,366	1.89
Farmland	\$1,254	1.00
Non-Farm, Nonresidential	\$36,253	29.03
CONSUMER	\$16,336	13.08
COMMERCIAL & INDUSTRIAL	\$27,749	22.22
AGRICULTURAL	\$696	0.56
OTHER	\$2,680	2.15
GROSS LOANS (GL)	\$124,881	100.00

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- o **FNB frequently participates in governmentally-insured, guaranteed, or subsidized loan programs available to the community.**

FNB offers Small Business Administration (SBA), Veterans Administration (VA), Federal Housing Administration (FHA), and Texas Veterans (TV) guaranteed/subsidized lending programs. Mortgage loans guaranteed or subsidized by VA, FHA, and TV are available through its subsidiary mortgage company, First Bankers Mortgage Corporation.

Currently, FNB has four SBA-guaranteed loans with balances totaling 1.1 million. All of these loans are located in the delineated community.

The following table details FHA and VA loans originated or purchased by the bank's mortgage subsidiary (within the delineated community) during 1996:

Loan Type	#	\$ (000's)
VA	72	5,011
FHA	63	4,390
TOTAL	135	9,401

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- o **FNB's delineated community meets the purpose of the CRA and does not exclude any low- and moderate-income neighborhoods.**

The bank has delineated its community as the Temple/Killeen Metropolitan Statistical Area (MSA). This delineation is considered reasonable and does not arbitrarily exclude any low- and moderate-income areas.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- o **The geographic distribution of FNB's credit demonstrates a reasonable penetration of all segments of the local community, including low- and moderate-income neighborhoods.**

Our review of loan distribution showed that credit is being extended throughout the delineated community. FNB performs an analysis of all loan applications (approvals and denials) by census tracts. The analysis shows a reasonable penetration throughout the community.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- o **The bank operates five full-service offices providing reasonable access to all segments of its delineated community.**

FNB operates full-service offices in Temple, Belton, Killeen, and Copperas Cove. In addition, a limited service drive-thru facility is located in Temple. Hours of operations vary from branch to branch, but are reasonable. Saturday drive-thru services are available at all branches. Full service Saturday banking is currently being tested at the 31st Street branch in Temple. The bank has 14 automated teller machines located throughout its delineated community.

FNB recently opened two full-service branches in Temple and Copperas Cove. The bank does have a written branch closing policy in effect, but no branches have been closed during the last two years.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- o **No practices were noted during this review which were intended to discourage applicants from applying for the specific types of credit offered by FNB.**

The bank generally solicits credit applications from all segments of the local community, including low- and moderate-income areas. The Board and senior management have developed policies, procedures, and training programs that encourage fair lending practices.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- o **FNB is in substantial compliance with anti-discrimination laws and regulations.**

We performed an analysis of a sample of approved and denied loans from 1996 and 1997. Based on our review, we noted no evidence of discriminatory acts or other illegal credit practices.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- o **The Board and management are thoroughly aware of local community development and redevelopment programs that are available, and participate to the extent possible, often in a leadership role.**

Management and the Board maintain contact with local and other governmental officials to determine the existence of any such programs. FNB has played a leadership role in several of these programs. The bank is currently involved in the following projects:

- *Downtown Temple Revitalization Project* - FNB has pledged funds to originate loans to businesses participating in this project at below market interest rates.
- *Affordable Housing Program* - FNB has played a leadership role in this program to provide housing to new home buyers (including low- and moderate-income individuals).

In addition to the above projects, FNB recently approved a \$770 thousand loan to renovate the Spanish Trace apartments. This 87-unit apartment complex is located in a low- and moderate-income neighborhood.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

o FNB is capable of meeting the credit needs of its delineated community.

The Board and senior management have demonstrated active support for projects that promote economic growth and revitalization. As of March 31, 1997, FNB's assets totaled \$323 million. There are no significant impediments or conditions which adversely affect the bank's capacity to provide credit or meet other banking needs in the community.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

o FNB has demonstrated a willingness to explore other activities which contribute to its efforts to improve the community's quality of life.

The bank and its directors, officers, and employees support the local community through donations of time and money to many civic and charitable organizations. These activities contribute to the quality of life in the community.

In an effort to educate individuals in the community, FNB teamed up with Consumer Credit Counseling, the Temple H.E.L.P. Center, Temple College, and the City of Temple Community Development Department to conduct a three-part series concerning budgeting and the home buying process.

Although not credit-related, FNB developed a low-cost checking product (Ultimate Checking) in response to an identified community need. This product benefits a wide variety of individuals including low- and moderate-income individuals.