



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 17, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank in Port Lavaca
Charter Number 14821

1101 Hwy 35 By-Pass
Port Lavaca, Texas 77979

Office of the Comptroller of the Currency
Southwestern District Office
500 North Akard, Suite 1600
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 The First National Bank in Port Lavaca prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of May 17, 1996. 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 in Port Lavaca is responsive to the credit needs of the community, including low- and moderate-income individuals. The loan-to-deposit ratio, while considered low, compares satisfactorily to the other independent financial institution in the assessment area. A substantial majority of the loans are extended within the assessment area. A reasonable distribution of credit is granted to borrowers of different income levels and businesses of different sizes. No consumer complaints were received by the bank.

The following table indicates the performance level of First National Bank in Port Lavaca with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK IN PORT LAVACA PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Not meaningful.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

First National Bank in Port Lavaca is a retail bank with total assets of \$126 million and gross loans of \$26 million. It has no branches and is located in Port Lavaca, Texas. The bank does not face any legal impediments and the financial condition does not inhibit efforts in supporting the community's credit needs. The bank offers a wide range of credit products as demonstrated by the types of loans extended. The loan portfolio consists of loans to individuals 35%, family residential loans 33%, other real estate loans 14%, commercial and industrial loans 9%, agriculture loans 7% and other loans 2%. The bank offers various deposit and trust services. It is affiliated with the only other independently owned bank in its assessment area, a state bank located in Seadrift, Texas.

DESCRIPTION OF CALHOUN COUNTY

First National Bank in Port Lavaca has designated Calhoun County as its assessment area (AA). The assessment area does not arbitrarily exclude low- and moderate-income geographic areas. The county is not in a Metropolitan Statistical Area (MSA) and is comprised of five census tracts. Two census tracts are designated as upper income tracts and are located in the cities of Port Lavaca and Point Comfort, Texas. The remaining three census tracts are middle income census tracts and are located in the cities of Port Lavaca and Seadrift, Texas. The county contains 5,208 families with 20% and 15% of these families designated as low and moderate income, respectively.

The city of Port Lavaca is the county seat of Calhoun County. It is located on the Gulf Coast approximately 90 miles northeast of Corpus Christi, Texas and 30 miles southeast of Victoria, Texas. The 1990 census reports the population of Calhoun County as 19,053 with a median statewide non-metropolitan family income of \$24,586. The 1995 HUD median statewide non-metropolitan family income updates this dollar amount to \$28,900. The local economy is stable. The petrochemical industry is the largest employer in the county and has been expanding. The agriculture and shrimping industries are also large occupation categories. Unemployment is low at under five percent.

We reviewed a prior community contact report which indicated housing as a credit need. According to the 1990 census data, the median age of housing stock is 30 years old with a median value of \$41,300. Additionally, there were 2,301 rental units, comprising 24% of the assessment area housing, with a median gross rent of \$326.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank is satisfactorily meeting the credit needs of the entire assessment area, including low- and moderate-income individuals, consistent with its resources and capabilities. The bank's March 31, 1996 loan-to-deposit ratio of 22% compares reasonably with its thirteen quarterly average loan-to-deposit ratio of 22%. This ratio is above the 14% loan-to-deposit ratio of the only other independent bank in the assessment area which is an affiliate. The

national peer group loan-to-deposit ratio for rural banks of similar size equals 63%. A review of eight banks within the assessment area have a combined loan-to-deposit ratio of 34%.

A substantial majority of loans are extended within the bank's assessment area. We sampled a total of 100 real estate, business, and installment loans extended during the twelve month period ending April 30, 1996. Our loan sample indicates that 84% of the number of loans and 81% of the dollar volume of loans were originated within the assessment area. This is illustrated in the following table:

Total Sample of Loan Originations (\$000's)								
Type of Loan	\$ Within AA	%	# Within AA	%	\$ Outside AA	%	# Outside AA	%
One - Four Family	\$1,299	82	32	84	\$278	18	6	16
Home Improvement	\$28	90	10	83	\$3	10	2	17
Business	\$835	79	21	84	\$228	21	4	16
Installment	\$175	88	21	84	\$25	12	4	16
Total	\$2,337	81	84	84	\$534	19	16	16

The bank's November 1995 analysis of all loans made within and outside the assessment area indicates 78% were made within the assessment area. This information was compiled utilizing zip codes and coincides with our sample results.

A sample of 15 business loans made within the assessment area indicates a reasonable penetration to businesses of different sizes. This is illustrated in the following table:

Business Loans Based on Sales Level		
Sales (000's)	# within Assessment Area	Percent
Sales 0-100	4	26.6%
Sales 100-250	4	26.6%
Sales 250-500	1	6.7%
Sales 501-1,000	1	6.7%
Sales over 1,000	5	33.4%

The bank is reasonably granting credit to individuals of different income levels considering

the bank's economic and competitive factors. We sampled 32 residential and 21 consumer loans made within the bank's assessment area to determine the borrower's income level. Our findings are detailed below:

- The residential loan sample indicated 91%, or a majority of loans, are made to middle- and upper-income individuals, while originations to low- and moderate-income individuals totaled 9%. This does not compare favorably to the assessment areas population of 35% being low- and moderate-income individuals. Management provided documentation showing they made seven residential loans to low-income individuals during the prior twenty-four month period.
- The consumer loan sample indicated 62% of originations were to low- and moderate-income individuals. This compares favorably to the assessment areas population of low- and moderate-income individuals.

The following table provides additional detail of our loan sample findings:

Residential and Consumer Loans Based on the Borrower's Income Level					
Borrower's Income Level	# of Residential Loans in AA	%	# of Consumer Loans in AA	%	Population of Assessment Area by Percent
Low Income	1	3%	7	33%	20%
Moderate Income	2	6%	6	29%	15%
Middle Income	7	22%	5	24%	17%
Upper Income	22	69%	3	14%	48%
Total	32	100%	21	100%	100%

During this evaluation period, First National Bank in Port Lavaca has not received any consumer complaints regarding its CRA performance. No substantive violations of the anti-discrimination laws and regulations were identified. No practices were detected which are intended to discourage applicants from applying for the types of credit offered.

We also evaluated the bank's level of qualified investments and services made within the

assessment area. In order to qualify under CRA, they must meet one or more of the following community development needs: 1) affordable housing for low- or moderate-income individuals; 2) community services targeted to low- or moderate-income individuals; 3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards; or, 4) activities that revitalize or stabilize low- or moderate-income geographies.

The bank's qualified investments were reviewed to determine the level of benefits provided to the assessment area, and the degree of innovativeness or complexity. The bank's investments in the assessment area are reasonable and of minimal complexity. The following lists the bank's qualified community development investments:

- \$325 thousand loan to the Port Lavaca Community Development Corporation (CDC) for the development of affordable housing; and
- \$20 thousand investment in the Port Lavaca CDC.

Services were reviewed to analyze the availability and effectiveness of systems for delivering retail banking services and the innovativeness of providing services to low- and moderate-income individuals and families. A review of bank services identified standard systems and practices offered to various individuals within the assessment area. The qualified services are detailed below:

- The bank's primary community development service is as a member of the Calhoun County Affordable Housing program. The program targets moderate income individuals and provides access and information on free grants for home purchases. First National Bank in Port Lavaca has financed one loan under this program totaling \$42.5 thousand.
- The bank offers flexible and low cost financing for residential loans. The bank is presently offering 7% fixed rate loans with a five year maturity. At maturity, the interest rate is adjusted to an index over the prime rate. The current interest rate of 7% is 1% below the national mortgage lending rate of 8%.
- The bank offers low cost business checking. No minimum deposit is required and no monthly fees are charged if there is less than 250 transactions per month.