



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

## **PUBLIC DISCLOSURE**

**September 05, 2006**

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

**The First National Bank of Hebbroville  
Charter Number 12995**

**305 N. Smith Street  
Hebbroville, TX 78361**

**Comptroller of the Currency  
10101 Reunion Place Blvd, Suite 402  
San Antonio, TX 78216**

**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 Hebbbronville's lending performance reflects a satisfactory response to community credit needs, including low and moderate income individuals and areas. The primary factors supporting the bank's overall ratings are as follows:

- A majority of loan originations (78% of the number and 84% of the dollar amount) are within the bank's assessment area.
- The distribution of loans in our sample represents a reasonable penetration among individuals of different income levels.
- The geographic distribution of loans in our sample reflects reasonable dispersion throughout the assessment area.
- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and area credit needs.
- There have been no consumer complaints regarding the bank's Community Reinvestment Act (CRA) performance during this evaluation period.

## **DESCRIPTION OF INSTITUTION**

First National Bank of Hebbbronville (FNB) has no branches and remains primarily a retail bank. The main office is located in the community of Hebbbronville, Jim Hogg County, Texas. As of June 30, 2006, the bank had total assets of \$99.6 million, and total loans of \$16.4 million which represents 16.4% of total assets. The loan portfolio is predominantly consumer oriented as reflected in the table below. The previous CRA Performance Evaluation, dated July 9, 2001, reflected a satisfactory rating. There are no legal or other impediments that limit the bank's ability in meeting the credit needs of the community. The following table depicts the bank's primary lending activities.

<b>Loan Category</b>	<b>(000s)</b>	<b>Percent (%)</b>
Consumer	\$8,225	51
Commercial	3,160	19
Residential Real Estate	1,799	11
Commercial Real Estate	1,489	9
Agriculture	216	1
Other	1,520	9
<b>Total</b>	<b>\$16,409</b>	<b>100</b>

## DESCRIPTION OF ASSESSMENT AREA

FNB’s assessment area (AA) consists of all of Jim Hogg County, which is not in a Metropolitan Statistical area (MSA). The AA meets the requirements of the regulation and does not arbitrarily exclude low and moderate income geographies. The AA consists of two block numbering areas (BNAs) including one moderate income and one middle income BNA. The income levels for families within the AA are as follows: low income is 29.76%; moderate income is 19.12%; middle income is 23.17%; and upper income is 27.95%. Within Jim Hogg County, 58.9% of the population resides within the moderate income BNA, while 41.1% resides within the middle income BNA. The following table reflects additional assessment area demographics.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE AA	
<i>Population</i>	
Number of Families	1,381
Number of Households	1,816
Number of Owner Occupied Household Units as a % of total Household Units	1,408/61%
<i>Geographies</i>	
Number of BNAs	2
% Low Income Census Tracts	0
% Moderate Income Census Tracts	50
% Middle Income Census Tracts	50
% Upper Income Census Tracts	0
<i>Median Family Income (MFI)</i>	
2006 MFI for the AA	\$30,616
2006 HUD updated Statewide MFI	\$43,100
<i>Economic Indicators</i>	
Unemployment Rate	5.1%
2006 Median Housing Value	\$32,436
% of Households Below Poverty Level	28%

The AA economy is stable and is primarily dependent upon the oil and gas industry, farming and ranching, and recreational hunting. Hebbronville is the county seat and the major employers include governmental offices of the state and county as well as the local school district. The bank’s competition consists primarily of another local financial institution, and two branches of area banks.

An interview with a representative of the local Chamber of Commerce disclosed information regarding the economy and community credit needs within the AA. The contact identified the primary loan demand in the area as consumer, farm, and ranch loans. There is very little small business loan demand, and employment opportunities are limited. The contact feels that the bank has historically been conservative in lending to small businesses, and could be more aggressive in advertising their services to the community. Overall, the contact feels the bank is active in the community.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

**Loan-to-Deposit (LTD) Ratio**

FNB-Hebbronville’s loan-to-deposit ratio is reasonable considering the bank’s size, condition, resources, demographics, and the assessment area’s credit needs. The average quarterly LTD ratio over the past 20 quarters has averaged 23%. This compares to 22.79% at the previous CRA examination. FNB’s large volume of small consumer loans, while meeting a primary credit need of the community, does not significantly increase the loan-to-deposit ratio. The bank’s primary local competition, Hebbronville State Bank, has a significantly higher LTD ratio. However, this bank has branches in several other geographic locations outside of Jim Hogg County, including locations in two metropolitan statistical areas. It is also noted that Hebbronville State Bank purchases loan participations. For comparison purposes, we also considered FNB-Falfurrias which is located 25 miles from Hebbronville. This bank has one main office and operates within an AA that is comparable demographically and economically to Jim Hogg County. FNB-Hebbronville’s LTD ratio was favorable when compared to this bank. The following table compares the LTD ratios for these three banks.

<b>Institution</b>	<b>Total Assets as of 6/30/06 (000s)</b>	<b>Average LTD ratio for past 20 quarters</b>
Hebbronville State Bank	\$55,333	56%
FNB-Hebbronville	\$99,641	23%
FNB-Falfurrias	\$65,806	19%

**Lending in Assessment Area (AA)**

A majority of the bank’s loans are made in the bank’s AA. As illustrated in the table below, 78% of the number of loans, and 84% of the dollar volume of loans in our sample were made within the AA. In addition, the bank’s internally prepared reports for the entire loan portfolio indicate that 84% of the number of loans was made within the AA. The following table depicts the location of our sample of 60 consumer and residential loans.

<b>TOTAL SAMPLE LOANS REVIEWED</b>								
	<b>IN AA</b>				<b>OUT OF AA</b>			
<b>LOAN TYPE</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Consumer	31	78	252	83	9	22	50	17
Residential	16	80	684	84	4	20	131	16
<b>Total Reviewed</b>	47	78	936	84	13	22	181	16

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

The distribution of loans reflects a reasonable penetration among individuals of different income levels.

Approximately 48% of borrowers within the assessment area are considered low-to-moderate income, while 42.5% of the number of the 40 consumer loans in our sample was made to low-to-moderate income individuals. The dollar amount of loans to low-to-moderate income individuals in our sample was 14%; however, we noted that loans to this category were mostly smaller unsecured loans, while loans to middle- and upper-income borrowers were mostly for higher dollar vehicle loans. These differences are reasonable since the median household income for low-to-moderate income individuals in this AA is \$24,492.

CONSUMER LOAN ORIGINATIONS WITHIN THE AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	33		15		18		34	
% by:	#	\$	#	\$	#	\$	#	\$
Sample of loans made since the prior CRA review	17.5%	3%	25%	11%	30%	27%	27.5%	59%

A sample of 20 residential loans originated since the previous CRA review reflected that the bank made residential loans to low-to-moderate income families at a level proportionate to low-to-moderate income families within the AA. Approximately 45% of the number of residential loans in our sample was made to families with low-to-moderate income. Low-to-moderate families made up 49% of families within the AA. Although the dollar amount of loans to low-to-moderate income families was 21%, low-to-moderate families typically qualify for smaller mortgages than middle- and upper-income families qualify for.

**Geographic Distribution of Loans**

The geographic distribution of loans reflects a reasonable dispersion throughout the AA. As noted earlier, there are no low income or upper income BNAs within the AA. The loan samples referred to in this section are the same loans that we used to evaluate bank performance in lending to borrowers of different incomes. Our sample reflects that a majority of consumer loans were made to borrowers in the moderate income BNA.

CONSUMER LOAN ORIGINATIONS WITHIN THE AA								
BNA Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0		59		41		0	
Sample of loans since prior CRA review	% of number	% of amount						
	NA	NA	69	66	31	34	NA	NA

Our sample of residential loans reflected that a significant number and dollar amount of loans were made to borrowers in the moderate income BNA. These findings are reflected in the table below.

RESIDENTIAL REAL ESTATE LOAN ORIGINATIONS IN THE AA								
BNA income level	LOW		MODERATE		MIDDLE		UPPER	
% of AA households	0		57		43		0	
Sample loans since prior CRA review	% of number	% of amount						
	NA	NA	64	50	36	50	NA	NA

### **Responses to Complaints**

FNB Hebronville has not received any complaints since the last CRA evaluation regarding its performance under the CRA.

### **Fair Lending**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.