



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 23, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Community Bank, N.A.
Charter Number 17619
2200 East Main
Alice, Texas 78332

Office of the Comptroller of the Currency
1600 Lincoln Plaza
500 North Akard
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 Community Bank, N.A. prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 23, 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 Community Bank, N.A. is responsive to the community's credit needs, including low- and moderate-income individuals and areas. This is demonstrated by:

- reasonable loan-to-deposit ratios given the economic, financial condition, and lending opportunities available in the assessment area of 59% as of June 30, 1996, and 62% for the last 12 quarters average;
- a substantial majority of loans extended are within the assessment area;
- a reasonable geographic distribution of loans throughout the assessment area; and,
- credit is reasonably distributed to borrowers of different income levels and businesses of different sizes.

The following table indicates the performance level of First Community Bank, N.A. with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First Community Bank, N.A.</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		XXX	
Lending in Assessment Area	XXX		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		XXX	
Geographic Distribution of Loans		XXX	
Response to Complaints	No complaints were received since the prior compliance examination.		

DESCRIPTION OF INSTITUTION

First Community Bank, N.A. (FCB) is headquartered in Alice, Texas, with branches in Corpus Christi and Benavides, Texas. The Benavides branch opened September 1, 1995. Automatic teller machines are located on the Alice and Corpus Christi premises. FCB has total assets of \$47.5 million with \$26 million in loans. The bank focuses on real estate loans which comprise 56% of the loan portfolio. Commercial and installment loans comprise 27% and 15%, respectively. There are no legal or other impediments limiting the bank's ability to help meet the community's credit needs.

DESCRIPTION OF ASSESSMENT AREA

FCB's assessment area is Nueces, San Patricio, Duval, and Jim Wells counties. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The counties of Nueces and San Patricio are located in a metropolitan statistical area (MSA), while Duval and Jim Wells counties are in non-MSA counties. These assessment areas are described below.

The MSA is located along the Gulf of Mexico, 240 miles south-west of Houston and 180 miles north of Brownsville. The population is 350 thousand with 118 thousand households as reported by the 1990 Census Bureau information. The 1995 Housing and Urban Development (HUD) reports the MSA median family income at \$35,200. There are 79 census tracts within the MSA of which eight are low-income and sixteen are moderate-income tracts. The economy is diversified with petrochemical industry, shipping, agriculture, various military installations, and tourism. The local economy is good with significant increases in residential building on the south-side of Corpus Christi.

Duval County is located 50 miles east of Laredo and 60 miles west of Corpus Christi. The 1990 Census Bureau reports the county's population at 13 thousand with four thousand households. The county has four moderate-income census tracts. The largest employment opportunities are centered in agriculture and local government. The local economy remains stagnant due to drought conditions negatively impacting farming and ranching.

Jim Wells County is located 40 miles west of Corpus Christi. The 1990 Census Bureau reports the county's population at 38 thousand with 12 thousand households. The county's seven census tracts consist of two moderate-, four middle-, and one upper-income census tract. The two moderate-income tracts are located in the south-west part of the city of Alice. The economy is centered in oil and gas production and agriculture.

The economy remains weak after the downturn in the oil and gas industry and recent drought conditions.

We reviewed eleven prior community contacts made within the assessment area from 1994 and 1995. A majority of these indicated a need for affordable housing for low- and moderate-income individuals in the MSA. These contacts also listed small business lending and financial education services as community development needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

FCB is performing satisfactorily in meeting the credit needs of the entire assessment area, including low- and moderate-income individuals and areas, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

FCB's average loan-to-deposit ratio for the last twelve quarters is 62%. The ratio for the most recent quarter end of June 30, 1996, is 59%. These ratios are reasonable in relationship to other financial institutions, lending opportunities, demographics, and economic factors present in the assessment area. FCB's June 30, 1996 loan-to-deposit ratio was in the mid-range compared to 15 independent financial institutions located within the assessment area.

Lending in Assessment Area

A substantial majority of credit is extended within the assessment area. Our review of the first six months of the 1996 Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) indicates all 15 originations were made within the assessment area. The 1995 report indicates 40 of 41 originations, or 98%, were made within the assessment area. The HMDA-LAR tracks home purchase, home improvement, refinancing, and multifamily dwelling loans.

Our sample of 103 installment, residential, home improvement, construction, and business loan originations supports the HMDA-LAR information. Our analysis indicates 99 of 103 loans were made within the assessment area, or a substantial majority at 96%.

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

Management opened a mortgage loan department in June and has originated thirty-six loans since July 1, 1996. This department has had a positive impact on the moderate-income segment of the community, but real estate loans to low-income individuals remains under-represented. This can be attributed to management's focus on high-income residential construction in the MSA. This is the largest portion of business opportunity available since home financing opportunities in the remaining assessment area is limited. FCB's 1995 and 1996 HMDA-LAR reflects a low number of loans originated to low- and moderate-income individuals.

We sampled 59 installment loans to determine the loan penetration among individuals of different income levels. This sample indicated 25% were made to low-income individuals, while 19% were made to moderate-income individuals. This compares favorably to the assessment area's population of 25% being low-income and 16% moderate-income. Please refer to following table for additional information:

Lending to Borrowers of Different Income Levels										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographics	25%		16%		19%		40%		100%	
Loans in the AA	#	%	#	%	#	%	#	%	#	%
HMDA-LAR 1995	1	3%	0	0	4	10%	35	87%	40	100%
HMDA-LAR 1996	0	0	0	0	2	13%	13	87%	15	100%
Mortgage Dept. Since 7/1/96	1	3%	6	21%	11	38%	11	38%	29	100%
Consumer Sample	15	25%	11	19%	19	32%	14	24%	59	100%
Revenue Range	<\$100M		\$100M-\$500M		\$500M-\$1MM		>\$1MM		Total	
Commercial Sample	4	16%	14	56%	2	8%	5	20%	25	100%

A sample of 25 business loans made within the assessment area indicates a reasonable penetration of loans originated to businesses of different sizes.

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the MSA assessment area of Nueces County. The following table illustrates the level of lending to the various income census tracts:

Geographic Distribution of FCB Loans in Nueces County						
Census Tract	#	%	# of Loans		\$(000's)	
				%	Amount of Loans	%
Low	7	11%	17	3%	823	6%
Moderate	13	20%	102	21%	3,473	24%
Middle/Upper	44	69%	377	76%	10,196	70%
Total	64	100%	496	100%	14,492	100%

The County of Jim Wells has seven census tracts. Analysis of the four census tracts within the City of Alice reflect a reasonable distribution. The counties of Duval, San Patricio, and the three Jim Wells County census tracts outside of Alice were not analyzed as the analysis would not provide meaningful information. The following table illustrates the geographic distribution of loans between the two moderate-, one middle-, and one upper-income census tracts of Alice.

Geographic Distribution of FCB Loans in Alice						
Census Tract	#	%	# of Loans		\$(000's)	
				%	Amount of Loans	%
Moderate	2	50%	101	47%	1,018	43%
Middle/Upper	2	50%	114	53%	1,337	57%
Total	4	100%	215	100%	2,355	100%

Response to Complaints

During this evaluation period, FCB 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. The Board and management have developed adequate policies, procedures, and training programs to prevent discriminatory or other illegal credit practices.

Investments and Services

We evaluated the 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.

FCB's qualified investments were reviewed to determine the level of benefits provided to the assessment area, and the degree of innovativeness or complexity. FCB's qualified community development investments are reasonable and of minimal complexity as shown below:

- In 1994, management committed \$50 thousand for small business loans to a local organization comprised of local banks and the city council. No monies have been distributed.
- FCB's mortgage loan department offers two programs called "Neighbor to Neighbor Program" and "Corpus Christi Community Improvement Corporation - Home buyer Program." These programs are designed to make financing residential homes more affordable for low- and moderate-income individuals. These two programs provide assistance by increasing the qualifying income-to-debt ratio and providing 0% interest deferred loans to meet down payment requirements. These programs have generated three loans to low- and moderate-income individuals totaling \$122 thousand.

We reviewed FCB's services for innovativeness, availability, and effectiveness of systems for delivering retail banking services to low- and moderate-income individuals and families. A review of services identified standard systems and practices offered to various individuals within the assessment area. FCB's primary community development service are listed below:

- FCB opened a branch in Benavides, Texas. It is the first financial institution located in the community in thirty years. The branch supports community activities to increase the capacity of low- and moderate-income individuals to utilize credit and revitalize the community. The city of Benavides consists largely of low- and moderate-income individuals.
- Director Shepard is a member of the Habitat for Humanity, which provides housing primarily for low- and moderate-income individuals.
- Loan Officer Carter participates monthly in the local Hispanic Chamber of Commerce providing guidance to minority individuals in the packaging of Small Business Administration (SBA) loan requests. No SBA loan requests through the Hispanic Chamber of Commerce have originated at FCB.

FCB's qualified investments and services are supportive of the community's credit needs and provide additional support for the bank's satisfactory rating.