

PUBLIC DISCLOSURE

October 25, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Hamilton
Charter Number: 11800**

**200 South Bell Avenue
Hamilton, Texas 76531**

**Office of the Comptroller of the Currency
Southwestern District
8310 Capital of Texas Highway North, Suite 250
Austin, Texas 78731-1080**

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 the 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 CRA performance of *First National Bank of Hamilton (FNB)*, Hamilton, Texas, prepared by *The Office of the Comptroller of the Currency*, the institution's supervisory agency, as of October 25, 1999. 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 **ASatisfactory.**

FNB's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area. The bank was assigned a rating of **ASatisfactory** during the last CRA Examination dated October 21, 1996.

- C The loan-to-deposit (LTD) ratio is satisfactory and averaged 33% since our last CRA examination. FNB has historically been below local peer banks who have averaged a 50% LTD ratio during the same period. However, the bank's LTD ratio has increased steadily and was at 48% as of September 30, 1999.
- C A substantial majority of FNB's loans are within its assessment area. Based on a sample of consumer, residential real estate, agricultural, and commercial loans originated since our last CRA examination, 94% of the number and 97% of the dollar volume of loans were in the bank's assessment area.
- C The distribution of loans to individuals of varying incomes and to small businesses and farms of different sizes reflects a reasonable penetration.
- C There have been no complaints with respect to FNB's CRA performance.

DESCRIPTION OF INSTITUTION

FNB is a \$28 million bank headquartered in Hamilton, Texas, approximately 70 miles west of Waco, Texas. The bank opened a branch in October 1997, in Brownwood, Texas, approximately 50 miles west of Hamilton. A drive-through facility is provided at each office. FNB has two ATMs, one at the Brownwood branch and one stand-alone unit near David's Grocery in Hamilton.

FNB has total loans of \$12 million or 44% of total assets. The bank's primary focus is to promote economic development in its assessment area through its lending programs and community involvement. FNB provides general loan and deposit products including consumer, residential, agricultural, and small business loans and several types of savings, checking, and time deposit accounts. The following table reflects a detailed breakdown of the bank's the loan portfolio as of September 30, 1999.

Loan Type	Dollar Amount (000's)	% of Total
RE Residential (1-4 family)	\$ 3,490	28.3%
Consumer	\$ 2,779	22.6%
Commercial and Industrial	\$ 2,120	17.2%
RE Nonfarm Nonresidential Properties	\$ 1,562	12.7%
Agricultural Production	\$ 1,319	10.7%
RE Agricultural	\$ 1,026	8.3%
Other	\$ 16	0.2%
Total	\$ 12,312	100%

Complete banking services are provided Monday through Friday at both offices. FNB faces competition from several area banks, credit unions, and finance companies. Based on its financial condition, the local economy, product offerings, competition, and prior performance, FNB has the ability to meet the various credit needs in its community. No legal impediments or other factors hinder the bank's ability to provide credit.

DESCRIPTION OF ASSESSMENT AREA

FNB has designated all of Hamilton and Brown Counties as its assessment area. Hamilton County is sparsely populated with a population of 7,733. Principal communities located in the assessment area

include Hamilton, Hico, and Pottsville. Hamilton County is made up of three block numbering areas (BNAs) which surround and include FNB's office. The 1990 census data indicates that all three BNAs are middle-income areas. Approximately 24% of the families in the assessment area are considered low-income. Moderate-income families approximate 18% of the population, while middle- and upper-income families comprise the remaining 58%. FNB's assessment area meets the requirement of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

The local economy is considered good. Major employment components in the assessment area include city and county government, services, retail trade, and manufacturing. Updated 1998 income data for the county from the 1990 census indicates that the median family income was \$33,900.

According to the 1990 housing data as provided in the census, there are 4,266 housing units in the combined area of which 59% are owner occupied, 17% are renter occupied, and 24% are vacant. The median year built for housing was 1957 and the median value is \$34 thousand.

Brown County is more densely populated with a population of 34,371. Principal communities located in the assessment area include Brownwood, Bangs, and Early. Brown County is made up of eleven BNAs which surround and include FNB's branch. The 1990 census data indicates that there is one low-income BNA located in the city of Brownwood and three middle-income BNAs, two in Brownwood and one in May, Texas. There are six middle-income and one upper-income BNAs dispersed throughout the rest of Brown County. Approximately 23% of the families in the assessment area are considered low-income. Moderate-income families approximate 17% of the population, while middle- and upper-income families comprise the remaining 60%.

The local economy is considered good. Major employment components in the assessment area include city and county government, services, retail trade, and manufacturing. Updated 1998 income data for the county from the 1990 census indicates that the median family income was \$33,900.

According to the 1990 housing data as provided in the census, there are 16,909 housing units in the combined area of which 56% are owner occupied, 22% are renter occupied, and 22% are vacant. The median year built for housing was 1966 and the median value is \$36 thousand.

Community Contacts

In order to gather more current information on the nature of the community and potential lending opportunities in the assessment area, we contacted two area organizations during this examination. These contacts mentioned that FNB is active in the community and responsive to credit needs. Affordable housing and home improvement loans are needed in the area. Area properties available for sale or rent are old and in poor repair. Both contacts stated that they were not aware of any unmet credit or servicing needs in Hamilton or Brown Counties.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

FNB's LTD ratio is satisfactory, given its asset size, financial condition, and lending opportunities in the assessment area. Since the last CRA examination, FNB's LTD ratio has been below local peer banks who have averaged a 50% LTD ratio during the same period. However, the bank's LTD ratio has increased steadily 29% on December 31, 1996, to 48% on September 30, 1999. This level of lending meets the needs for satisfactory lending performance.

Lending in the Assessment Area

A substantial majority of FNB's loans are within its assessment area. Based on a sample of consumer, residential real estate, agricultural, and commercial loans originated since our last CRA examination, 94% of the number and 97% of the dollar volume of loans were in the bank's assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The loan portfolio reflects a reasonable distribution of personal and business loans among individuals of various income levels and a good dispersion to businesses and farms of different sizes. In order to assess FNB's performance in this criteria, we sampled consumer, residential real estate, agricultural, and commercial loans originated since January 1, 1997. Our analysis indicates that FNB lends to all applicants, regardless of their income category. We did note, however, that the number of mortgage-related loans originated from January 1997 through September 1999 are not in line with the different income levels within the assessment area. This is attributable to the increasing number of older residents on fixed lower incomes and the lack of demand from these established older residents. The level of consumer lending to LMI families is satisfactory in relation to the demographics of the community, competition, and available lending opportunities. The following table summarizes our analysis of lending activity in the assessment area by different incomes levels.

Loan Sample Distribution by Income Group										
	Low- Income Families		Moderate- Income Families		Middle- Income Families		Upper- Income Families		Total # of Families	
Area Demographic Characteristics	23.6%		17.5%		19.6%		39.3%		100%	
# of Families	2,735		2,031		2,279		4,571		11,616	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	8	27%	6	20%	7	23%	9	30%	30	100%
Residential	0	0%	2	10%	6	30%	12	60%	20	100%
Total	8	16%	8	16%	13	26%	21	42%	50	100%

FNB originates a satisfactory number of commercial and agricultural loans, a vast majority of which have been to small businesses with revenues less than \$1 million. Management continues to focus on providing loans that will enhance the local economy. The following chart reflects the results of our analysis of a sample of agricultural and commercial loans originated in 1998.

Lending to Businesses of Different Sizes										
Gross Revenues (\$)	Less than 100,000		100,000- 250,000		250,000- 1,000,000		More than 1,000,000		Total	
Loan Type	#	%	#	%	#	%	#	%	#	%
Commercial	6	25%	9	38%	6	25%	3	12%	24	100%
Agricultural	18	90%	2	10%	0	0%	0	0%	20	100%

Geographic Distribution of Loans

As previously mentioned, all three BNAs in Hamilton County are middle-income areas. FNB's new branch is also located in a middle-income BNA. The branch was opened in 1998 and is located approximately ten miles west of Brownwood near Lake Brownwood in what is primarily a residential area. In effect, FNB has not had time to establish a presence in anything but middle-income BNAs. An analysis of loan distribution by geographic area would not provide a meaningful analysis.

Response to Complaints

No complaints relating to its CRA performance have been received by FNB.

Compliance with Fair Lending Laws and Regulations

A fair lending examination was conducted as part of a compliance examination of FNB. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations. No fair lending violations were identified.