

## **PUBLIC DISCLOSURE**

May 2, 1997

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of La Grange  
Charter Number 3906**

**145 West Colorado Street  
La Grange, Texas 78945**

**Comptroller of the Currency  
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 (LMI), 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 **The First National Bank of La Grange (FNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 2, 1997. 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.**”

FNB's lending performance demonstrates a satisfactory responsiveness to the credit needs of the community, including LMI individuals. FNB's loan-to-deposit ratio is satisfactory. A substantial majority of FNB's loans has originated within its assessment area. The bank has a reasonable distribution of loans to LMI borrowers.

The following table indicates the performance level of *The First National Bank of La Grange* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	The First National Bank of La Grange 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		Analysis not meaningful	
Response to Complaints		No complaints	

## **DESCRIPTION OF INSTITUTION:**

FNB has one location in La Grange, Fayette County, Texas, which includes a drive-through facility and an automatic teller machine. As of March 31, 1997, FNB had total assets of \$78 million with \$21.6 million in bank-originated gross loans. Primary lending activity is centered in 1-4 family real estate mortgages which represents 40 percent of the entire portfolio. Additionally, the portfolio includes consumer (28 percent), commercial (20 percent), and agricultural-related (12 percent) loans.

Currently, there are no financial or legal impediments that would limit FNB's ability to help meet the credit needs of the community. FNB is 100 percent owned by First La Grange Bancshares, Inc., a one-bank holding company. The bank recently received our approval for a new branch in San Antonio, Texas. The location will also include mortgage loan and trust department services. FNB received a CRA rating of "Satisfactory Record of Meeting Community Credit Needs" at its previous CRA examination dated May 3, 1994.

## **DESCRIPTION OF FAYETTE COUNTY:**

Management has designated Fayette County as its assessment area. This area meets the requirements of the regulation and does not arbitrarily exclude LMI geographies. Total population for the assessment area was 20 thousand in 1990. The county is not part of a Metropolitan Statistical Area. La Grange is the largest city in the county.

The city of La Grange has a population of four thousand (1990) and is considered to be a rural community. La Grange is located approximately 65 miles southeast of Austin and 100 miles west of Houston. The local economy is based on oil and gas activity, oil field-related services, and agriculture. The local rural real estate market continues to be influenced by demand from large city urbanites in search of retirement property and/or recreational retreats. This demand has driven land prices in excess of amounts economically feasible for agricultural production purposes. The oil and gas economy continues to improve since the downturn in the 1980s. The state agricultural economy has experienced a significant downturn due to a recent drought, but is now showing signs of improvement.

Fayette County is comprised of seven block numbering areas (BNAs). The BNAs include six middle and one upper income (City of La Grange) areas. The 1997 HUD Nonmetropolitan State Median Family Income is \$31.5 thousand. The county is considered a middle-income area with an average family income level of 102 percent of the median. However, 38 percent of all families in the county are designated LMI, including 20 percent below poverty income levels.

Local financial institution competition is significant. Other institutions located in La Grange include two state banks and one savings institution. Additionally, the county has nine other financial institutions within its boundary.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :**

### Loan-to-Deposit Ratio

The bank's \$39.2 million loan portfolio includes \$17.7 million in Small Business Administration and Farmer's Home Administration loans (government guaranteed portions only) which were purchased on the open market. None of these loans originated from within FNB's assessment area and are therefore excluded from this analysis.

FNB's average loan-to-deposit ratio over the last 10 calendar quarters is 31.8 percent and was 33.7 percent as of March 31, 1997. This ratio is satisfactory based on an average loan-to-deposit ratio of 30.1 percent for seven peer banks (banks with similar characteristics) in the local area.

### Lending in the Assessment Area

A substantial majority of FNB's lending activity is within its assessment area. Bank-supplied information reflects that 88 percent of bank-originated loans are within the assessment area. We sampled residential, consumer, business, and agricultural loans, and determined that 95 percent were within the assessment area. Our sample consisted of 47 residential real estate, 33 consumer, and 23 commercial and agricultural loans.

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

Loan distribution by borrower's income reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. Over 80 percent of the business and agricultural loans sampled were funded to small businesses and farms.

To more accurately determine lending activity under this criteria, we expanded our sample to ascertain the distribution of loans by borrower's income. The following chart defines the sample used and reflects the distribution of the loan portfolio to borrowers of different income levels and businesses of different sizes. Data for all but the residential mortgage loans is based on a sample of loans extended during 1996. The residential mortgage sample contains all home loans extended since December 31, 1995. It should also be noted that 1990 census information reflects that 70 percent of 1-4 family properties in the county are not encumbered by mortgages.

<b>LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS</b>										
<b>Percentage of Median Family Income</b>	<b>Low-Income Families &lt;50%</b>		<b>Moderate-Income Families 50 - 79%</b>		<b>Middle-Income Families 80 - 120%</b>		<b>Upper-Income Families &gt;120%</b>		<b>Totals</b>	
<b>Assessment Area Demographic Characteristics</b>	20%		18%		19%		43%		100%	
<b>Loan Types</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Mortgages 1996 to YTD 1997</b>	1	2%	6	13%	8	17%	32	68%	47	100%
<b>Consumer</b>	8	24%	10	30%	8	24%	7	22%	33	100%
<b>Total</b>	9	11%	16	20%	16	20%	39	49%	80	100%
<b>Revenue Ranges</b>	<b>&lt;\$50M</b>		<b>\$50M - \$100M</b>		<b>\$101M - \$1MM</b>		<b>&gt;\$1MM</b>		<b>Totals</b>	
<b>Commercial/AG</b>	4	18%	7	30%	8	34%	4	18%	23	100%

### Geographic Distribution of Loans

Proxies that would enable a meaningful geographic analysis are not available. The bank's assessment area consists of six very large rural BNAs and one that encompasses the city of La Grange. There are no LMI BNAs and management does not formally identify LMI segments within individual BNAs.

### Response to Complaints

During this evaluation period, FNB had not received any consumer complaints regarding its CRA performance. Further, based on the fair lending portion of the examination, no violations of antidiscrimination laws and regulations were identified.