



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 21, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Winnsboro
Charter Number 5674**

**315 North Main
Winnsboro, Texas**

**Office of the Comptroller of the Currency
Southwestern District
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 **The First National Bank of Winnsboro** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of May 21, 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.

The First National Bank of Winnsboro has a satisfactory record of meeting community credit needs. This satisfactory rating is based upon:

- ▶ The bank's loan-to-deposit ratio is comparable to the ratio of other area banks.
- ▶ A majority of the bank's loans are extended within its assessment area.
- ▶ Credit activity is reasonably distributed to borrowers of different income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>THE FIRST NATIONAL BANK OF WINNSBORO</u> 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 have been received since the prior examination.		

DESCRIPTION OF INSTITUTION:

First National Bank is a \$97 million dollar bank. The bank's main office is located at 315 North Main Street, Winnsboro, Texas. In addition to the main office, the bank has one branch site, opened in July 1995, which is located at 11120 State Highway 155N, Winona, Texas. This facility is located approximately 15 miles north of Tyler, Texas. On May 1, 1997, the bank acquired a \$35 million dollar local State Bank located at 210 South Main Street, Winnsboro, Texas. This facility will be operated as the Southtown branch. The bank also has two Automated Teller Machines (ATM) located at the main office and the Winona Branch. The institution is retail and commercial oriented and offers full service banking. Loan products offered include real estate loans, consumer loans, and commercial loans. On March 31, 1997, outstanding loans totaled \$53 million and represented 63% of net deposits. The loan portfolio is distributed as follows: 34% were commercial loans; 16% were consumer related; 43% were residential mortgages; and 7% were agricultural loans. There are no legal impediments or other factors which inhibit the bank's ability to meet the needs of the community. The previous Community Reinvestment Act Examination was conducted in May 1994, at which time the bank was assigned a satisfactory rating.

DESCRIPTION OF ASSESSMENT AREAS:

The Board has designated two separate assessment areas based on the location of the main office and the Winona-Owentown branch. Detailed below are descriptions of each assessment area.

Winnsboro Assessment Area:

The Board has designated block numbering areas (BNA) 9502 and 9503 in Franklin County, BNA 9507 in Hopkins County, and BNA 9501 and 9502 in Wood County, as the Winnsboro assessment area. This area includes the communities of Winnsboro, Scroggins, Pickton, and Pleasant Grove. The BNAs within the bank's assessment area include 4 middle-income areas, and 1 upper-income area. The area does not have any low- or moderate-income tracts. The population within this area totals 15,667 persons according to the 1990 Census Bureau data. Approximately 20% of the families are low-income, 17% are moderate-income, 20% are middle-income, and 43% are upper-income. The U.S. Census 1990 median family income for the assessment area is \$24,586. Local employment is centered in the following industries: health, education, agriculture, and manufacturing.

Competition within the bank's assessment area is moderate. There are 3 branch offices of financial institutions whose main offices are located outside the assessment area.

As part of our evaluation, we contacted an official from a local government entity, a member

of the Winnsboro City Council. This individual stated that, in his/her opinion, the primary community credit need was consumer related loans. Additionally, he/she stated there is a need for affordable rental units for low- to moderate-income individuals. This individual went on to say the local banks do a good job of qualifying low- to moderate-income applicants for consumer loans.

Winona-Owentown Assessment Area:

The Board has designated census tracts 15.98, 17.00, and 18.98 in the northern portion of Smith County as the Winona-Owentown assessment area. These tracts are part of the Tyler Metropolitan Statistical Area (MSA) and are all middle-income areas. The population within this area totals 22,447 persons according to the 1990 Census Bureau data. Approximately, 26% of the families are low-income, 18% are moderate-income, 27% are middle-income, and 29% are upper-income. The U.S. Census 1990 median family income for the assessment area is \$31,042. Local employment is centered in the following industries: health, manufacturing, and warehouse distribution. The assessment area encompasses the Tyler industrial park. Many of the branch's customers are employed at the various companies located within the park; however, they live south of the branch, in the Tyler area.

As part of our evaluation, we contacted an official from the Tyler Chamber of Commerce. He/She stated, in their opinion, the primary community credit need for the Tyler area is small business loans. This official was not aware of any completed formal studies which determine the community's credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio:

First National Bank of Winnsboro's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's loan-to-deposit ratio has averaged 54.76% since the prior CRA Examination on May 31, 1994. The average loan-to-deposit ratio for banks located in the Winnsboro Assessment Area or adjacent to the Winona-Owentown Assessment Area for the same time period was 51.40%. Individual bank loan-to-deposit ratios within the group ranged from 20.00% to 70.96%.

Lending in Assessment Area:

A majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 40 consumer loans, 32 residential mortgages, and 40 business loans, originated in 1996 and year-to-date 1997 from both the main bank and the branch location. The combined sample reflected approximately 80% of the number of loans and 84% by dollar amount were extended within the bank's assessment area. The breakdown by loan category is illustrated below.

Residential Mortgages	Number	Percent	Dollar Amount (000's)	Percent
Inside Assessment Area	30	93.75%	\$1,491	87.65%
Outside Assessment Area	2	6.25%	\$210	12.35%

Business Loans	Number	Percent	Dollar Amount (000's)	Percent
Inside Assessment Area	31	77.50%	\$1,409	82.11%
Outside Assessment Area	9	22.50%	\$307	17.89%

Consumer Loans	Number	Percent	Dollar Amount (000's)	Percent
Inside Assessment Area	29	72.50%	\$110	80.80%
Outside Assessment Area	11	27.50%	\$62	19.20%

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

The distribution of residential and consumer loans reflects a reasonable penetration among individuals of different income levels. Our sample of residential and consumer loans within the assessment area resulted in the following distribution.

WINNSBORO ASSESSMENT AREA

DISTRIBUTION BY BORROWER INCOME								
Demographic Characteristics	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
Family Income	20.39%		16.62%		20.32%		42.67%	
Loan Sample	#	\$ Amt	#	\$ Amt	#	\$ Amt	#	\$ Amt
Residential Loans	8.33%	3.12%	29.17%	19.43%	25.00%	12.95%	37.50%	64.50%
Consumer Loans	23.53%	25.81%	17.65%	16.13%	17.65%	25.80%	41.17%	32.26%

WINONA-OWENTOWN ASSESSMENT AREA

DISTRIBUTION BY BORROWER INCOME								
Demographic Characteristics	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
Family Income	26.30%		18.09%		27.10%		28.51%	
Loan Sample	#	\$ Amt	#	\$ Amt	#	\$ Amt	#	\$ Amt
Residential Loans	0.00%	0.00%	16.67%	1.13%	50.00%	26.06%	33.33%	72.81%
Consumer Loans	25.00%	23.85%	16.67%	1.91%	33.33%	36.67%	25.00%	37.57%

Although there were no residential loans extended to low-income individuals in the Winona-Owentown Assessment Area, this loan type does not represent a significant portion of the Winona-Owentown branch lending activity. From January 1, 1996 to March 31, 1997, the branch received 9 residential mortgage applications of which 7 were approved. Of the 7 approved loans, six were in the assessment area and are reflected in the above chart. The 2 remaining applications were denied and both were from middle- and upper-income individuals.

The distribution of business loans also reflects a reasonable penetration among businesses of different sizes. The bank did not collect information on gross annual revenues on many of the businesses in the loan sample; therefore, it was necessary to rely on the loan size to determine the size of the business. Based on our review, 87% of the business loans were to small businesses with gross annual revenues less than \$1 million or the loan size was below \$50 thousand. We reviewed a sample of 31 loans originated within the assessment areas during 1996 and year-to-date 1997. The following charts illustrate the dispersion of small business loans.

WINNSBORO ASSESSMENT AREA

SMALL BUSINESS DISPERSION BASED ON REVENUES								
Revenue Ranges	Less than \$100,000		\$100,000 to \$500,000		\$500,000 to \$1,000,000		Over \$1,000,000	
Loan Sample	#	\$ Amt	#	\$ Amt	#	\$ Amt	#	\$ Amt
Commercial Loans	30.76%	8.42%	38.46%	5.93%	15.39%	75.34%	15.39%	10.31%

SMALL BUSINESS DISPERSION BASED ON LOAN SIZE								
Loan Amount Ranges	Less than \$5,000		\$5,000 to \$15,000		\$15,000 to \$25,000		\$25,000 to 50,000	
Loan Sample	#	\$ Amt	#	\$ Amt	#	\$ Amt	#	\$ Amt
Commercial Loans	0.00%	0.00%	75.00%	52.17%	25.00%	47.83%	0.00%	0.00%

WINONA-OWENTOWN ASSESSMENT AREA

SMALL BUSINESS DISPERSION BASED ON REVENUES								
Revenue Ranges	Less than \$100,000		\$100,000 to \$500,000		\$500,000 to \$1,000,000		Over \$1,000,000	
Loan Sample	#	\$ Amt	#	\$ Amt	#	\$ Amt	#	\$ Amt
Commercial Loans	16.67%	1.92%	16.67%	5.13%	33.33%	67.95%	33.33%	25.64%

SMALL BUSINESS DISPERSION BASED ON LOAN SIZE								
Loan Amount Ranges	Less than \$5,000		\$5,000 to \$15,000		\$15,000 to \$25,000		\$25,000 to 50,000	
Loan Sample	#	\$ Amt	#	\$ Amt	#	\$ Amt	#	\$ Amt
Commercial Loans	50.00%	30.23%	50.00%	69.77%	0.00%	0.00%	0.00%	0.00%

Geographic Distribution of Loans:

We did not complete a review of the bank's geographic distribution of loans, as this analysis would not be meaningful. All of the block numbering areas and census tracts within the bank's two assessment areas were either middle- or upper-income geographies. There are no low- or moderate-income geographies in the assessment areas.

Response to Complaints:

There have been no written complaints related to CRA performance since the prior CRA Examination. Further, we did not identify any violations involving anti-discrimination laws or regulations.