



## **PUBLIC DISCLOSURE**

**March 30, 1998**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank of Trinity  
Charter Number 13706**

**Post Office Box 792  
Trinity, Texas 75862**

**Office of the Comptroller of the Currency  
Southwestern District Office  
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 Trinity** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 30, 1998. 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 National Bank of Trinity has a *satisfactory* record of meeting credit needs within the community, as evidenced by the following:

- A reasonable loan-to-deposit ratio which meets the standards for satisfactory performance;
- A significant majority of loan originations within the bank's assessment area;
- A satisfactory distribution of loan originations to borrowers of different income levels and businesses of different sizes;
- A satisfactory geographic distribution of lending within the assessment area; and,
- An acceptable response to a consumer complaint.

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

| <b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>                                   | <b><u>FIRST NATIONAL BANK OF TRINITY</u><br/>PERFORMANCE LEVELS</b> |   |   |
|--|---|---|---|
|  | <b>Exceeds Standards for Satisfactory Performance</b>               | <b>Meets Standards for Satisfactory Performance</b> | <b>Does not meet Standards for Satisfactory Performance</b> |
| 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   |   | X   |   |
| Response to Complaints   |   | X   |   |

## **DESCRIPTION OF INSTITUTION**

First National Bank of Trinity is a \$32 million institution serving its customers with one main location and an ATM attached to the building. To help meet the credit needs of its community, the bank offers general loan products for consumers and small businesses. Lending activity is in the following categories: real estate (33%), one - four family residential property (31%), loans to individuals (26%), and commercial and industrial loans (10%). The bank offers a variety of deposit accounts and other banking services as well.

## **DESCRIPTION OF ASSESSMENT AREA**

In 1998, First National Bank of Trinity expanded its assessment area slightly to include whole census tracts. The bank's designated assessment area includes six census tracts in four counties. The counties and tract numbers are Trinity (9503, 9504, and 9505), Walker (1901), San Jacinto (2003), and Houston (9507). The census tracts have the following characteristics: two moderate income (33%), three middle income (50%), and one upper income tract (1%). The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The assessment area has a population of about 25 thousand people, with 20% living below the established poverty level. The area is primarily rural. The city of Trinity has the largest concentration with about 2,600 people within the corporate city limits. The assessment area has approximately 12 thousand housing units with 65% being one - four family units. Owner occupied units account for 49% of the one - four family units. The percentage of vacant housing units is high at 38% of the total. The median housing value is \$48,178, and the median monthly gross rent is \$361. As of the 1990 census, the HUD Metropolitan Statistical Area (MSA) Median Family Income was \$24,586. The updated MSA Median Family Income is \$31,500. Social security payments are received by 36% of the population in the assessment area.

Although not considered intense, the bank is subject to competition from several other national banks, state chartered banks, and non-bank financial entities in the area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### LOAN TO DEPOSIT RATIO

First National Bank of Trinity actively attempts to meet the credit needs of its assessment area. The loan-to-deposit ratio is reasonable and has averaged 44% since the prior Performance Evaluation dated January 27, 1995. The bank's ratios for the five most recent quarters compared to similar peer groups are shown in Table 1.

**Table 1**

| <b>LOAN-TO-DEPOSIT RATIO FOR THE QUARTER ENDED</b> | <b>FIRST NATIONAL BANK OF TRINITY</b> | <b>RURAL BANKS IN TEXAS UNDER \$100 MILLION IN ASSET SIZE</b> | <b>BANKS IN TRINITY, HOUSTON, WALKER, AND SAN JACINTO COUNTIES</b> |
|--|---------------------------------------|---|--|
| December 31, 1997                                  | 44.72%                                | 48.01%  | 46.32%   |
| September 30, 1997                                 | 46.08%                                | 49.34%  | 43.95%   |
| June 30, 1997                                      | 44.65%                                | 48.32%  | 44.51%   |
| March 31, 1997                                     | 45.25%                                | 45.31%  | 43.46%   |
| December 31, 1996                                  | 45.53%                                | 45.72%  | 43.03%   |
| Five Quarter Average                               | 45.25%                                | 47.34%  | 44.25%   |

### LENDING IN THE ASSESSMENT AREA

A management analysis revealed a significant majority of the bank's loans were within its assessment area. This analysis revealed 92% of the number (1,068 of 1,159) was made within the bank's assessment area. Also, most of the dollar amount (\$11.7 million of \$13.5 million or 87%) of the total loans was within the assessment area.

Community contact during the examination indicates the bank is active in the community in both lending and service. Also, our contact did not disclose any credit needs that are not being addressed.

### LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF

## DIFFERENT SIZES

Overall, the bank's level of lending to individuals of different income levels and businesses of different sizes is satisfactory. Loan applications are solicited from all income levels. Our sample of consumer loans revealed a greater proportion of lending to low- and moderate-income borrowers than reflected by the area demographics. Also, our sample of commercial loans revealed a majority of loans sampled were to small businesses with revenues less than \$1 million. However, mortgage loan applications are received primarily from upper income borrowers. In addition, officers made commercial loans to builders in 1997 that were building extensively in the upper income area of Westwood Shores. The homes were often financed by the bank when sold. Home improvement loans are concentrated in upper income borrowers for similar reasons.

Table 2 is based on a sample of loans approved during 1997.

**Table 2**

| <b>LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS</b> |                           |     |                                |     |                              |     |                             |     |       |      |
|--|---------------------------|-----|--------------------------------|-----|------------------------------|-----|-----------------------------|-----|-------|------|
|  | Low<br>Income<br>Families |     | Moderate<br>Income<br>Families |     | Middle<br>Income<br>Families |     | Upper<br>Income<br>Families |     | Total |      |
| Area<br>Demographic<br>Characteristics                 | 21%                       |     | 15%                            |     | 19%                          |     | 45%                         |     | 100%  |      |
| Loan Types   | #                         | %   | #                              | %   | #                            | %   | #                           | %   | #     | %    |
| Mortgage   | 1                         | 4%  | 1                              | 4%  | 5                            | 21% | 17                          | 71% | 24    | 100% |
| Consumer   | 6                         | 27% | 5                              | 23% | 6                            | 27% | 5                           | 23% | 22    | 100% |
| Home<br>Improvement                                    | 0                         | 0%  | 0                              | 0%  | 1                            | 11% | 8                           | 89% | 9     | 100% |
| Total  | 7                         | 13% | 6                              | 11% | 12                           | 22% | 30                          | 54% | 55    | 100% |
| Revenue Ranges   | < \$100M                  |     | \$100M--<br>\$500M             |     | \$500--<br>\$1MM             |     | > \$1MM                     |     |       |      |
| Commercial   | 6                         | 32% | 7                              | 37% | 2                            | 10% | 4                           | 21% | 19    | 100% |

## GEOGRAPHIC DISTRIBUTION OF LOANS

Our sample of loans from the bank’s mortgage, consumer, home improvement, and small business portfolios revealed a satisfactory geographic distribution of loans. The bank has made loans in every census tract within its assessment area.

The percentage of loans in moderate-income tracts exceeds the overall characteristics of the assessment area as a result of the bank’s location. A large number of loans are in census tract 9504, a moderate-income tract in the immediate vicinity of the bank. Loans in middle income tracts approximate the area demographic characteristics. The following table details the distribution of a sample of the bank’s loans:

**Table 3**

| <b>GEOGRAPHIC DISTRIBUTION OF LOANS</b> |                   |    |                        |     |                      |     |                     |     |       |      |
|---|-------------------|----|------------------------|-----|----------------------|-----|---------------------|-----|-------|------|
|   | Low Income Tracts |    | Moderate Income Tracts |     | Middle Income Tracts |     | Upper Income Tracts |     | Total |      |
| Area Demographic Characteristics        | 0%                |    | 33%                    |     | 50%                  |     | 17%                 |     | 100%  |      |
| Count                                   | 0                 |    | 2                      |     | 3                    |     | 1                   |     | 6     |      |
|   | #                 | %  | #                      | %   | #                    | %   | #                   | %   | #     | %    |
| Loan Types                              |                   |    |                        |     |                      |     |                     |     |       |      |
| Mortgage                                | 0                 | 0% | 11                     | 50% | 9                    | 41% | 2                   | 9%  | 22    | 100% |
| Consumer                                | 0                 | 0% | 8                      | 42% | 11                   | 58% | 0                   | 0%  | 19    | 100% |
| Home Improvement                        | 0                 | 0% | 6                      | 67% | 2                    | 22% | 1                   | 11% | 9     | 100% |
| Small Business                          | 0                 | 0% | 6                      | 43% | 8                    | 57% | 0                   | 0%  | 14    | 100% |
| Total Loans                             | 0                 | 0% | 31                     | 48% | 30                   | 47% | 3                   | 5%  | 64    | 100% |

**RESPONSE TO COMPLAINTS**

The bank's response to complaints is satisfactory. During this evaluation period, First National Bank of Trinity received one consumer complaint concerning a loan request. Management provided a satisfactory reply to the complaint. In addition, the bank has a procedure in place to handle any future consumer complaints.

## **COMPLIANCE WITH ANTI-DISCRIMINATION LAWS**

A Fair Lending review was performed at the same time as this CRA examination. First National Bank of Trinity is in compliance with the provisions of anti-discrimination laws and regulations. We found no evidence of practices intended to discourage potential borrowers from applying for credit at this bank.

## **OTHER CONSIDERATIONS**

First National Bank of Trinity participates in other projects designed to contribute to the general welfare of the community. This includes providing Small Business Administration guaranteed loans, home improvement loans with low closing costs, and permanent home purchase loans to low- and moderate-income borrowers. The bank does not charge origination fees or discount points on home loans. The bank has made loans to area churches with members who are low- and moderate-income individuals.

The bank's Board of Directors has been successful in obtaining a grant for a senior center. The bank helped with a downtown revitalization project by allowing bank land to be used as a public park. In addition, the bank routinely makes contributions in the normal course of business.