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Comptroller of the Currency  
Administrator of National Banks

SMALL

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## **PUBLIC DISCLOSURE**

April 5, 1999

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Van Alstyne  
Charter Number 4289**

**110 East Jefferson Street  
Van Alstyne, Texas 75495**

**Comptroller of the Currency  
1600 Lincoln Plaza  
500 North Akard Street  
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 Van Alstyne** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 5, 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 ***Satisfactory***.

The First National Bank of Van Alstyne's (FNB) lending performance reflects satisfactory responsiveness to the community's credit needs. This assessment is based on the following:

- < The loan to deposit ratio is reasonable given the bank's size, financial condition, and the assessment area's credit needs.
- < A vast majority of the bank's loan activity is within the bank's assessment area.
- < The distribution of loans demonstrates reasonable penetration among individuals of different income levels and businesses of different sizes.
- < The geographic distribution of loans demonstrates reasonable dispersion throughout the assessment area.

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

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b>The First National Bank of Van Alstyne 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	No complaints were received since the prior examination		

## DESCRIPTION OF INSTITUTION

FNB is headquartered in Van Alstyne, Texas. As of December 31, 1998, FNB reported total assets of \$100 million. FNB consists of a main bank located in Van Alstyne and four branch locations, Sherman, Tom Bean, McKinney, and Denison, Texas. FNB opened two of the branches since the last CRA Public Evaluation, dated March 22, 1995. The McKinney branch opened in June 1995 and the Denison branch opened in August 1996. Each location has an automated teller machine (ATM) onsite, and there are four additional ATM's located offsite at area convenience stores. FNB is 100% owned by Van Alstyne Financial Corporation, a one bank holding company.

FNB's primary business focus is real estate. FNB offers and extends a variety of loan products including residential mortgages, home improvement, commercial real estate, consumer, and business loans. FNB also offers Small Business Administration (SBA) loans. The table below shows the loan portfolio composition as of December 31, 1998.

<b>Loan Type</b>	<b>\$ Volume (000's)</b>	<b>% of Portfolio</b>
Real Estate	26,210	47%
Consumer	13,541	25%
Business	13,789	25%
Agriculture	918	2%
Other	580	1%
<b>Total</b>	<b>55,038</b>	<b>100%</b>

Source: Uniform Bank Performance Report and bank data

FNB's financial condition does not inhibit its ability to meet credit needs within its assessment area. Additionally, the bank has no legal impediments that would inhibit its ability to meet community credit needs.

**DESCRIPTION OF ASSESSMENT AREA**

FNB’s assessment area is designated as Grayson County and eleven census tracts (CT’s) in Collin County. The following table shows the income distribution of CT’s and families that comprise FNB’s assessment area.

Income Distribution of Census Tracts and Families															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
CT’s		Families		CT’s		Families		CT’s		Families		CT’s		Families	
1	3%	28	.1%	11	33%	10,732	25%	15	46%	24,063	57%	6	18%	7,586	18%

Source: 1990 U.S. Census

Grayson County is located in the Sherman/Denison Metropolitan Statistical Area (MSA) which is located approximately 65 miles north of Dallas, Texas. Collin County is located in the Dallas MSA and adjoins Grayson County on its southern boundary. The assessment area has a total population of 152,165 and a median family income of \$32,994, according to 1990 census data. Economic conditions are strong. The area has experienced significant population growth as people move north out of the Dallas/Fort Worth metroplex. Major employers include service, retail and manufacturing related firms. Given its relatively close proximity to Dallas, a large number of people are employed in Dallas and commute daily. The primary credit needs are housing, general consumer, and small business loans.

Community contacts with local business persons indicate that there are no unmet credit needs within the community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The evaluation period covers April 1995 to December 1998. FNB’s last CRA Performance Evaluation is dated March 22, 1995. Residential real estate mortgages, business and farm loans, consumer, and real estate related loans were used to determine the bank’s lending performance. Performance is based on lending within the assessment area, lending to borrowers of different income levels and to businesses of different sizes, and the geographic distribution of loans.

## Loan-to-Deposit Ratio

FNB's loan to deposit ratio is reasonable given FNB's size, financial condition, and assessment area credit needs. The bank's loan to deposit ratio has historically been good and is reasonable when compared to other financial institutions within its assessment area. As of December 31, 1998, FNB's loan to deposit ratio was 60% with total loans outstanding of \$55 million. The bank's five quarter average ratio was 63%. The ratios for four other banks within the assessment area ranged from 44% to 89%.

## Loans within the Assessment Area

A vast majority of loans are originated within the bank's assessment area. We reviewed the bank's Home Mortgage Disclosure Act Loan/Application Registers (HMDA LAR) and sampled 60 loans (30 business and 30 consumer) to determine the level of FNB's lending within its assessment area. The following table reflects our findings:

	Within the Assessment Area				Outside the Assessment Area			
	#	%	\$ (000's)	%	#	%	\$ (000's)	%
<b>Business</b>	22	73%	728	50%	8	27%	726	50%
<b>Consumer</b>	26	87%	261	83%	4	13%	54	17%
<b>Residential</b>	161	96%	6,785	95%	6	4%	343	5%
<b>Total</b>	209	92%	7,774	87%	18	8%	1,123	13%

## Loans to Borrowers of Different Income Levels

### Residential Real Estate Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. We reviewed 18 loans funded in 1997 and 1998 to confirm income data. No material errors were noted. The following table shows the distribution by borrower income levels for the number and dollar volume of residential real estate loans originated within the assessment area.

Distribution of Home Mortgage Loan Originations from April to December 1995, 1996, 1997 and 1998 Within the Assessment Area By Income Level of the Borrower								
Assessment Area Data	Low-Income		Mod-Income		Mid-Income		Upper-Income	
Characteristics of Families	28	.01%	10,732	25%	24,063	57%	7,586	18%
<b>Loan Product</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Home Purchase/Refinance	4	11%	8	22%	13	35%	12	32%
Home Improvement	0	0%	0	0%	3	60%	2	40%
Total April-Dec. 1995	4	10%	8	19%	16	38%	14	33%
Home Purchase/Refinance	5	15%	6	18%	10	29%	13	38%
Home Improvement	1	11%	3	33%	3	33%	2	23%
Total 1996	6	14%	9	21%	13	30%	15	35%
Home Purchase/Refinance	4	9%	9	19%	19	40%	15	32%
Home Improvement	1	20%	2	40%	1	20%	1	20%
Total 1997	5	10%	11	21%	20	38%	16	31%
Home Purchase/Refinance	2	12%	2	12%	4	24%	9	53%
Home Improvement	0	0%	1	13%	2	25%	5	62%
Total 1998	2	8%	3	12%	6	24%	14	56%
<b>Grand Total</b>	<b>17</b>	<b>11%</b>	<b>31</b>	<b>19%</b>	<b>55</b>	<b>34%</b>	<b>59</b>	<b>36%</b>

Source: HMDA Loan Application Registers

### Business/Farm/Consumer/Real Estate Loans

FNB has a satisfactory record of making loans to businesses of different sizes. We reviewed thirty business loans. Twenty-one loans were within the bank's assessment area. Revenue information was reported for all these loans. Fifteen (71%) businesses reported gross annual revenues less than or equal to \$1 million. The remaining six (29%) businesses reported gross annual revenues more than \$1 million. As mentioned earlier, the bank offers SBA loans. As of April 1, 1999 the bank had three SBA loans totaling \$140 thousand outstanding.

We reviewed 30 consumer loans to evaluate the distribution of loans to borrowers of different income levels. Twenty-six of those loans were within the bank's assessment area. The results of our review disclosed that five (19%) were to low-income borrowers, eleven (42%) were to moderate-income borrowers, three (12%) were to middle-income borrowers, and seven (27%) were to upper-income borrowers. The bank routinely makes loans to consumers less than or equal to \$1 thousand. During 1997 and 1998 the bank originated 566 loans totaling \$269 thousand less than or equal to \$1 thousand.

## **Geographic Distribution of Loans**

### Residential Real Estate Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Our review shows that 36% of the assessment area is comprised of low and moderate income CT's; however, only 8% of the number of loans were to these tracts. The analysis shows that 87% of residential lending activity occurred in middle income CT's, concentrated in CT 18. The reason for the large percentage of loans in this one tract is due to its inclusion of two branch locations (Van Alstyne and Tom Bean) and the rapid growth of the city of Van Alstyne. The table on the following page shows the geographic distribution of loans made in the assessment area by tract income levels.

<b>Distribution of Mortgage Loan Originations from April to December 1995, 1996, 1997, and 1998 Within the Assessment Area By Income Level of the Census Tracts</b>								
<b>Assessment Area Data</b>	<b>Low-Income</b>		<b>Mod-Income</b>		<b>Mid-Income</b>		<b>Upper-Income</b>	
Census Tracts	1	3%	11	33%	15	46%	6	18%
Census Tracts Penetrated (% of tracts in income group)	1	100%	7	64%	10	67%	4	67%
Number of 1-4 Family Units	143	.21%	18,857	28%	36,707	55%	11,222	17%
Median Age of Housing	51 years		30 years		17 years		17 years	
<b>Loan Product</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Home Purchase/Refinance	1	3%	3	8%	30	81%	3	8%
Home Improvement	0	0%	0	0%	5	100%	0	0%
Total April-December 1995	1	3%	3	7%	35	83%	3	7%
Home Purchase/Refinance	0	0%	3	9%	27	79%	4	12%
Home Improvement	0	0%	1	11%	8	89%	0	0%
Total 1996	0	0%	4	9%	35	82%	4	9%
Home Purchase/Refinance	0	0%	0	0%	47	100%	0	0%
Home Improvement	0	0%	0	0%	5	100%	0	0%
Total 1997	0	0%	0	0%	52	100%	0	0%
Home Purchase/Refinance	0	0%	4	23%	12	71%	1	6%
Home Improvement	0	0%	1	13%	7	87%	0	0%
Total 1998	0	0%	5	20%	19	76%	1	4%
<b>Grand Total</b>	1	1%	12	7%	141	87%	8	5%

Source: HMDA Loan Application Registers

### Business/Farm/Consumer/Real Estate Loans

Based on assessment area demographics, business, farm, consumer and real estate related loans reflect reasonable penetration throughout the assessment area. Of the 60 loans sampled (30 business and 30 consumer), 47 were within the bank's assessment area. We were unable to geocode nine of these loans. The table below shows the distribution of these loans by CT.

Distribution of Loans within the Assessment Area by Income Level of the Census Tract								
	Low-Income		Mod-Income		Mid-Income		Upper-Income	
	#	%	#	%	#	%	#	%
<b>Tract</b>	1	3%	11	33%	15	46%	6	18%
<b>Number of Loans</b>	2	5%	8	21%	19	50%	9	24%

### **Response to Complaints**

The bank has not received any complaints regarding its CRA efforts or performance since the prior CRA examination.

### **ADDITIONAL INFORMATION**

#### *Discrimination or Other Illegal Credit Practices*

A Fair Lending review was conducted in conjunction with FNB's CRA performance. No evidence of discrimination or disparate treatment was noted during this review.