



PUBLIC DISCLOSURE

November 1, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Weatherford
Charter Number 2477**

**220 Palo Pinto
Weatherford, Texas 76086-4383**

**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 CRA performance of **First National Bank of Weatherford** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 1, 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 lending performance of First National Bank of Weatherford reflects satisfactory responsiveness to the credit needs of the community served. This assessment is based on the following:

- < The loan-to-deposit ratio is reasonable and is comparable to the ratios of competing area banks.
- < A significant majority of loans are within the bank's assessment area.
- < The distribution of loans reasonably penetrate the different income levels.
- < Lending patterns are reasonably distributed throughout the assessment area.

These issues are discussed in detail in this document.

DESCRIPTION OF INSTITUTION

First National Bank of Weatherford (FNB) is located in Weatherford, Texas. At September 30, 1999, FNB reported total assets of \$90 million. Banking facilities include a drive-in location and an automated teller machine (ATM). FNB offers convenient banking hours and has a variety of loan and deposit products to meet the needs of the community.

Bank, as well as related, ownership is as follows:

First Baird Bancshares, Inc. owns

- 97.3% of First National Bank of Baird, and
- 94.8% of First Weatherford Bancshares, Inc. which owns
 - **99.3% of FNB Weatherford**
 - 100% of Western American National Bank, Bedford, Texas, and
 - 84.3% of First Munday Bancshares, Inc. which owns
 - 100% of First National Bank of Munday, Munday, Texas

FNB's asset mix consists of 51% loans and 37% investment securities. The primary product focus is commercial real estate and consumer loans. The loan portfolio is comprised primarily of commercial real estate loans, 43%, loans to individuals and 1-4 family mortgage loans at 20% each, and commercial loans, 17%.

Access to the bank facility is reasonable and easily reachable from all areas of the community. Hours of operation are also reasonable.

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

DESCRIPTION OF ASSESSMENT AREA: PARKER COUNTY

Parker County is part of the Fort Worth/Arlington, Texas, Metropolitan Statistical Area (MSA). The assessment area consists of eight whole and contiguous census tracts. This designation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate- income geographies.

The overall economy is robust and steadily increasing. Parker County, and more specifically Weatherford, is experiencing significant growth both in population and in businesses. Weatherford is considered a bedroom community to Fort Worth and has no significant manufacturing industry. The primary industry is serviced-based with a

number of employers paying lower-scale wages. The 1990 U.S. Census listed the total population of Parker County at 64.8 thousand individuals. More recent (1998) estimates put the population at 85.2 thousand individuals. The Median Family Income (MFI) for this area, updated through 1998, is \$55,300. Approximately 11.2% of the area households are below poverty level and 29.1% depend on public assistance or Social Security for income. Retired households total 15.1% and 2.2% are non-English speaking. Unemployed labor is low at 2.7%. The following table illustrates the characteristics of the Parker County census tracts.

Census Tract Characteristics	Count	%	Households	%
Low Income (<i>< 50% of MFI</i>)	0	0.0	0	0.0
Moderate Income (<i>> 50% & < 80% of MFI</i>)	2	25.0	5,332	23.3
Middle Income (<i>> 80% & < 120% of MFI</i>)	5	62.5	13,473	58.9
Upper Income (<i>> 120% of MFI</i>)	1	12.5	4,087	17.9
Totals	8	100.0%	22,892	100.0%

Based on 1990 U.S. Census

We performed a community contact with the local Chambers of Commerce. This contact was complimentary of the efforts of the local financial institutions. There were no comments regarding the lack of efforts of any financial institution. The primary credit need identified through this contact is funds for small businesses and start-up businesses, and mortgage loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

FNB was examined using the *Community Reinvestment Act Examination Procedures for Small Institutions*, as adopted by the Federal Financial Institutions Examination Council (FFIEC). Whereas the procedures for larger institutions focus on tests of lending, investment and service by the subject bank, the small bank procedures emphasize performance under five specific criteria. Comments on the bank's performance are summarized below.

Loan-to-Deposit Ratio -

The bank's loan-to-deposit ratio meets the standards for satisfactory performance.

This ratio measures the extent to which the FNB has returned the deposits it has received to the community in the form of loans. The average of such ratios for each quarter-end since the bank's inception is used to determine performance in this area. Since the bank's inception, through the quarter ending September 30, 1999, the bank's quarterly loan-to-deposit ratio averaged 45.4%. There are 2 other competing state and national banks in Parker County. This does not include Savings & Loans, Credit Unions, or branches of financial institutions headquartered outside the county. The average loan-to-deposit ratio for these institutions were 47.3% and 74.2%. While FNB's average ratio is below the other two, the past five quarters reflect an increasing trend. FNB's ratio, since the quarter ending March 31, 1999, has improved and is no longer the lowest ratio. Based on this, the bank's ratio is reasonable compared to area competing banks.

Lending in the Assessment Area -

The bank's lending within the assessment area meets the standards for satisfactory performance.

This criterion quantifies what proportion of the bank's lending activity is within its elected assessment area. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own assessment area, would be considered less than satisfactory. However, FNB's lending efforts are concentrated within its assessment area.

At this time, FNB does not track loans by census tract location. To assess the bank's performance in this area we randomly sampled a total of sixty loans; twenty mortgage loans, twenty consumer loans and twenty commercial loans. The results of our sample are as follows:

	<u>Loans Within the Assessment Area</u>
Mortgage Loans	19 of 20 for 95%
Consumer Loans	17 of 20 for 85%
Commercial Loans	<u>14 of 20 for 70%</u>
<i>Total</i>	<i>50 of 60 for 83.3%</i>

Based on our sample results, a significant majority of loans are within the bank's assessment area.

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

The bank's loan distribution, to the different family income levels, meets the standards for satisfactory performance.

The bank obtains and analyzes applicant income information during the loan decision process. However, this income information is not monitored or used to assess the efforts to meet the standards under CRA. To assess the bank's efforts, we used the sample of loans noted above. The results of our sample analysis, noted in the table below, indicate the bank is lending to borrowers of all income levels. We did not identify any income level where there was a noted absence of loan penetration.

The following analysis is based on the sampled loans noted to be within the bank's assessment area. These loans are noted in (##). For further details, refer to the ***Lending in the Assessment Area*** section of this *Performance Evaluation*.

Income Level	Assessment Area Families **		Mortgage Loans (19)		Consumer Loans (17)		Total (36)	
	#	%	#	%	#	%	#	%

Income Level	Assessment Area Families **		Mortgage Loans (19)		Consumer Loans (17)		Total (36)	
Low	3,959	21.6	3	15.8	7	38.9	10	27.0
Moderate	3,681	20.1	5	26.3	6	33.3	11	29.7
Middle	4,548	24.8	5	26.3	3	16.7	8	21.6
Upper	6,128	33.5	6	31.6	2	11.1	8	21.6
Totals	18,316	100.0%	19	100.0%	18	100.0%	37	100.0%

** Based on 1990 U.S. Census

Also, based on our commercial loan review, the bank is making a significant effort to meet the needs of small businesses. Of the fourteen loans that we identified from our commercial sample, that are in the assessment area, all were to businesses meeting the definition of “small business” by CRA.

In many communities such as Weatherford, the small dollar loan is a primary need for many consumers. FNB’s minimum loan amount is \$500, however, we noted a number of loans below this level which further supports the bank’s efforts to meet the community’s credit needs.

Geographic Distribution of Loans -

The bank’s loan distribution, to the different census tract income levels, meets the standards for satisfactory performance. The distribution of loans originated follows a pattern indicative of an institution seeking to serve the credit needs of the community.

As noted before, the bank does not track loans by location, therefore, the sample noted earlier was used to assess the bank’s effort in this area. Based on our analysis, the bank’s lending efforts reasonably penetrate into census tracts of the different income levels. The results of our analysis are illustrated in the following chart.

The following chart is based on the sampled loans noted to be within the bank’s assessment area. These loans are noted in (##). For further details, refer to the ***Lending in the Assessment Area*** section of this *Performance Evaluation*.

Tract Income	Census Tract Data **		Mortgage Loans (19)		Consumer Loans (17)		Commercial Loans (14)		Total	
	#	%	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	2	25.0	7	36.8	5	29.4	4	28.6	16	32.0
Middle	5	62.5	8	42.1	10	58.8	2	14.3	20	40.0
Upper	1	12.5	4	21.1	2	11.8	8	57.1	14	28.0
Totals	8	100.0%	19	100.0%	17	100.0%	14	100.0%	50	100.0%

** Based on 1990 U.S. Census

Response to Complaints -

The bank has not received any complaints regarding its CRA efforts since the prior CRA examination. Management has the ability to respond effectively should such complaints arise.

OTHER ISSUES

Compliance with Antidiscrimination Laws and Regulations

We conducted a review of the bank's compliance with laws and regulations regarding Fair Lending concurrent with the CRA examination. As a part of this review, we assessed compliance with the Equal Credit Opportunity Act. We noted no violations of the substantive provisions of the antidiscrimination laws and regulations. Also, we noted no practices which would encourage unlawful discrimination in the lending process.