



PUBLIC DISCLOSURE

August 3, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Linden
Charter Number 10476**

**124 Rush Street
Post Office Box 546
Linden, Texas 75563**

**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 **First National Bank of Linden** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of August 3, 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 Linden has a satisfactory record of meeting community credit needs. This assessment is based on the following factors:

- ▶ The bank's average loan-to-deposit ratio of 35.07% is reasonable.
- ▶ A substantial majority of the bank's loans are extended to customers within its assessment area.
- ▶ The distribution of credit to borrowers of different income levels and businesses of different sizes is reasonable.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK OF LINDEN 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 were received since the prior examination.		

DESCRIPTION OF INSTITUTION:

First National Bank of Linden is a \$45 million institution located in Linden, Texas. The main office is located at 124 Rush Street, Linden, Texas 75563. The bank does not have any branches or Automatic Teller Machines (ATMs).

The institution is a full service bank which offers a variety of consumer and commercial deposit and loan products. As of June 30, 1998, total outstanding loans were \$16 million and were distributed as follows: 36% were real estate, 36% were commercial, 26% were consumer, and 3% were agriculture loans. There are no legal or other impediments which limit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory at the previous CRA Examination conducted as of December 11, 1995.

DESCRIPTION OF ASSESSMENT AREA:

The Board has designated the south central portion of Cass county as their assessment area based on the location of the bank. This designated assessment area is located in block numbering area (BNA) 9506 which is a middle income area. The Community Reinvestment Act defines a middle income area as an area where the median family income is at least 80% but less than 120% of the area's Metropolitan Statistical Area (MSA) median income. This BNA includes all of the Linden-Kildare Independent school district which covers the city of Linden and all immediate surrounding rural areas. The population of the assessment area is 6,024 according to 1990 Census Bureau data. Approximately 26% of the families are low income, 18% are moderate income, 22% are middle income, and 34% are upper income. The demographics of the assessment area indicate 34.86% of the population is over age 50 compared to 21.94% for the state of Texas. This limits loan demand in the assessment area as these individuals are usually fund providers rather than fund takers. The U. S. Census 1990 median family income for the assessment is \$24,586. Major industries in area include timber, steel, and retail sales and services.

There is no competition in the bank's assessment area as it is the only financial institution located in the designated assessment area. However, competition is moderate as there are several banks located in the surrounding communities within Cass County.

As part of our examination we contacted an official with the Linden Economic

Development Council. This individual stated that in his/her opinion, the primary community credit needs are home loans and personal consumer loans. This individual also stated First National Bank of Linden continues to do a good job in providing credit and other banking services to the entire community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO:

First National Bank of Linden’s loan-to-deposit ratio is reasonable. As of June 30, 1998, the bank’s loan-to-deposit ratio had increased to 38.03%. The bank’s loan-to-deposit ratio has averaged 35.07% since our previous CRA examination dated December 11, 1995. The increasing loan-to-deposit ratio is the result of loan growth as total loans have grown 13% over the past year. Bank staff continue to promote bank services through their memberships in various civic organizations and through local churches. First National Bank of Linden is the depository for Cass County. The loan-to-deposit ratio is negatively impacted as a result of this large volume of public funds.

LENDING IN ASSESSMENT AREA:

A substantial majority of the bank’s lending activity is located within its assessment area. We reviewed a sample of 23 residential mortgages, 25 consumer loans, and 21 commercial loans originated since January 1997. The sample reflected approximately 81% by the number of loans and 87% by dollar amount were extended within the bank’s assessment area. The breakdown by loan category is illustrated below:

Residential Mortgages	Number	Percent	Dollar Amt. (000's)	Percent
Inside Assessment Area	20	86.96%	1,245	88.87%
Outside Assessment Area	3	13.04%	156	11.13%

Business Loans	Number	Percent	Dollar Amt. (000's)	Percent
Inside Assessment Area	17	80.95%	2,690	87.48%

Outside Assessment Area	4	10.53%	385	12.52%
Consumer Loans	Number	Percent	Dollar Amt. (000's)	Percent
Inside Assessment Area	19	76.00%	140	72.54%
Outside Assessment Area	6	24.00%	53	27.46%

LENDING TO BORROWERS OF DIFFERENT INCOME AND TO BUSINESSES OF DIFFERENT SIZES:

The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. In most cases, the distribution of loans within each income category approximates the income characteristics of the assessment area. In addition, the distribution of commercial loans reflects a reasonable penetration among business of different sizes. Our sample included 17 commercial loans originated in the bank's assessment area since January 1997. Based on our review, 65% of the commercial loans were to small businesses with gross annual revenues less than one million dollars. The charts below illustrate the results of our analysis:

Lending to Borrowers of Different Income Levels										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	25.71%		18.67%		21.91%		33.71%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	3	15%	3	15%	14	70%	20	100%
Consumer	4	21%	7	37%	2	11%	6	31%	19	100%

Lending to Businesses of Different Revenue Ranges					
Revenue Ranges	Less than \$100,000	\$100,000-\$500,000	\$500,000--\$1,000,000	Over \$1,000,000	

Commercial	7	41%	3	18%	1	6%	6	35%	17	100%
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GEOGRAPHIC DISTRIBUTION OF LOANS:

A geographic distribution of loans originated by BNA was not performed. The bank's assessment area includes only one BNA; therefore, this analysis would not be meaningful.

RESPONSE TO COMPLAINTS:

Management has not received any written complaints related to CRA performance since the prior examination. A Fair Lending Examination was performed in conjunction with this examination. Based on the samples reviewed, no discriminatory practices were noted. The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations.