



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Public Disclosure

August 3, 1998

Community Reinvestment Act Performance Evaluation

**First National Bank of Shiner
Charter Number 5628**

**103 W. 7th St.
Shiner, Texas 77984**

**Office of the Comptroller of the Currency
Southwestern District
San Antonio North Field Office
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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 Shiner** prepared by **The 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 Shiner's lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

- The bank's volume of lending, as measured by its loan-to-deposit ratio, meets the standard for satisfactory performance.
- The bank makes a substantial majority of its loans within the assessment area.
- The distribution of borrowers reflects an adequate penetration among individuals of different income levels and businesses of different sizes.
- The bank's geographic distribution of lending is reasonable.
- The bank received no CRA-related complaints since the previous CRA examination on May 31, 1995.

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

First National Bank of Shiner Performance Levels			
Small Institution Assessment Criteria	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		X	
Response to complaints	No complaints were received since the previous examination.		

Description of Institution

First National Bank of Shiner (FNB), a locally owned and managed institution, is one of seven community banks headquartered within the assessment area. The area also includes several branches of regional financial institutions. The bank's one office is located in Shiner, Texas, a small, rural community with a population of about two thousand people. The bank's office includes a drive-up motor bank, a walk-in teller lobby, and an ATM. FNB is a full-service bank with total assets of \$67 million as of June 30, 1998. Although FNB has traditionally emphasized agricultural lending, it also offers small, unsecured consumer and home improvement loans that are targeted to the needs of the low- and moderate-income community. As of the examination date, the bank had 105 loans which originated for \$1,500 or less.

The bank's financial condition, size, local economic conditions, and other factors do not limit its ability meet the credit needs of the community. At the previous CRA examination dated March 31, 1995, FNB received a "Satisfactory" rating.

A breakdown of the bank's total loan portfolio as of June 30, 1998:

Loan Type	Amount (000's)	% of Portfolio
Agricultural	\$9,695	52%
Commercial	\$3,595	19%
Residential	\$2,803	15%
Consumer	\$2,574	14%
Gross Loans	\$18,667	100%

Description of Assessment Area

FNB's assessment area (AA) is defined as Lavaca and Gonzales counties, neither of which is included in a Metropolitan Statistical Area. The combined area had a population of 35,895 (per the 1990 Census). There has been relatively little population growth in the assessment area since that time. The chief population centers are Yoakum, Shiner, and Gonzales, Texas.

The AA is divided into 12 block numbering areas (BNA's) according to the 1990 U.S. Census. Three are defined as moderate-income, and nine as middle-income. There are no low- or upper-income tracts in the AA. Of the families residing in the AA, 25% are considered low-income, 17% are moderate-income, 20% are middle-income, and 38% are upper-income. These percentages are based on the Texas statewide non-metropolitan median family income (MFI) of \$24,586 as determined by the 1990 U.S. Census. Twenty-four percent of the households in the AA are below the poverty level, and 10% receive public assistance. The 1998 median family income for Lavaca and Gonzales counties is \$23,403. In 1998, the U.S. Department of Housing and Urban Development reported a non-metropolitan MFI of \$32,100 for the State of Texas.

Shiner is located 84 miles east of San Antonio and roughly 150 miles west of Houston. The economy is dominated by light industry, agriculture and tourism.

Examiners made community contacts with the leaders of the City of Shiner and the Gonzales Chamber of Commerce and Agriculture. The contacts identified consumer loans as a credit need in Lavaca and Gonzales counties.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management has demonstrated satisfactory performance in meeting the credit needs of the AA, including low- and moderate-income families.

Loan-to-Deposit Ratio

The bank's volume of lending is adequate compared to similarly situated banks (single locations with no branches) located in the surrounding areas. During the last 13 quarters ending June 30, 1998, FNB's average loan-to-deposit ratio was 30%. Loan-to-deposit ratios for similarly situated financial institutions in the area range from 14% to 45% over the same period. A major factor limiting FNB's lending opportunities is the large population segment (48%) that is in age groups that typically have lower borrowing needs. For example, 27% of the population is under age 16, and 21% of the population is over age 65.

Lending in Assessment Area

FNB extends a substantial majority of its loans within its AA. Examiners reviewed a sample of 60 loans. The sample consisted of residential, consumer, agricultural, and commercial loans made in 1996 through August 3, 1998. All of the loans reviewed, except one consumer and two commercial loans, were within the bank's AA.

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

The distribution of loans to borrowers of different income levels demonstrates satisfactory lending efforts to low- and moderate-income borrowers, particularly in the consumer lending area. Based on the sample of consumer, residential, agricultural, and commercial loans, we determined that the bank lends to borrowers of various income levels and does not arbitrarily exclude any group of applicants. The following table reflects the distribution of consumer and residential originations in our sample:

Loan Sample Distribution by Income Group										
	Low- Income Families		Moderate- Income Families		Middle- Income Families		Upper- Income Families		Total Families	
Area Demographic Characteristics	25%		17%		20%		38%		100%	
Loan Type	#	%	#	%	#	%	#	%	#	%
Residential	2	10	1	5	6	30	11	55	20	100
Consumer	18	90	1	5	1	5	0	0	20	100

The distribution of loans to businesses of different sizes indicates a broad lending effort to small businesses. In fact, 50% of the commercial loans in our sample were to businesses with gross revenues of less than \$500,000. Thirty percent of our agricultural sample was made to agricultural operators with revenues of less than \$100,000. The following table reflects these findings.

Lending to Businesses of Different Sizes										
Gross Revenues \$	Less than \$100,000		\$100,000 - \$500,000		\$500,000 - \$1,000,000		More than \$1,000,000		Total	
Loan Type	#	%	#	%	#	%	#	%	#	%
Agricultural	3	30	6	60	1	10	0	0	10	100
Commercial	1	10	4	40	2	20	3	30	10	100

Geographic Distribution of Loans

FNB is located in Lavaca county and primarily serves that area. However, the bank includes Gonzales County in their AA because of several existing large agricultural borrowers located in the eastern rural part of Gonzales county. Consumer and residential borrowing needs in Gonzales County are primarily served by the financial institutions located in the city of Gonzales.

The geographic distribution of loan originations within the AA is reasonable. Most of the AA contains middle-income tracts, but there are three moderate-income BNAs located in Gonzalez County. Census bureau information indicates that only 20% of the families in the AA live in the moderate-income areas. Only one out of the twenty loans included in our consumer sample was made in a moderate-income area. However, two of the ten commercial loans (20%) in our sample were made in the moderate-income areas, which is consistent with the population distribution. A contributing factor to the low penetration of consumer loans in moderate-income BNAs is the distance between the bank’s one office in Lavaca County and the moderate-income BNAs located on the far side of Gonzales County. Several full-service financial institutions are located within the city of Gonzales. They are considerably closer and more accessible to the people living in the moderate-income BNAs. Refer to the table below.

Geographic Distribution of Loans										
	Low- Income Tracts		Moderate- Income Tracts		Middle- Income Tracts		Upper- Income Tracts		Total	
Area Demographic Characteristics	0%		25%		75%		0%		100%	
	0		3		9		0		12	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Agricultural	Not Applicable		0	0	10	100	Not Applicable		10	100
Commercial			2	20	8	80			10	100
Residential			0	0	20	100			20	100
Consumer			1	5	19	95			20	100

Response to Complaints

The bank received no CRA-related complaints since the previous CRA examination.

Compliance with Anti-Discrimination Laws and Regulations

A Fair Lending examination was performed in conjunction with this evaluation. Based on our review, the bank is in compliance with all provisions of anti-discrimination laws and regulations. Examiners found no evidence of disparate treatment or discriminatory practices.