



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Corporate Decision #97-101 December 1997

DECISION OF THE COMPTROLLER OF THE CURRENCY ON THE APPLICATION TO MERGE THE CROCKETT STATE BANK, CROCKETT, TEXAS, INTO FIRST NATIONAL BANK OF HUNTSVILLE, HUNTSVILLE, TEXAS, UNDER THE CHARTER AND TITLE OF FIRST NATIONAL BANK OF HUNTSVILLE

November 21, 1997

I. INTRODUCTION

On September 12, 1997, application was made to the Office of the Comptroller of the Currency (OCC) for prior authorization to merge The Crockett State Bank, Crockett, Texas (“Crockett State Bank”), with and into First National Bank of Huntsville, Huntsville, Texas (“FNB Huntsville”), under the charter and title of First National Bank of Huntsville. This application was based on an agreement entered into between the proponents on July 23, 1997.

II. PARTICIPATING FINANCIAL INSTITUTIONS

As of June 30, 1997, Crockett State Bank had deposits of \$39 million and operated one office. On the same date, FNB Huntsville had total deposits of \$116 million and also operated one office. Crockett State Bank is wholly-owned by Crockett Bancshares, Inc., a shell one bank holding company. FNB Huntsville is not owned by a bank holding company, and will establish a wholly-owned operating subsidiary, CBI Acquisition Corp., for the sole purpose of acquiring Crockett Bancshares and subsequently merging with Crockett State Bank. FNB Huntsville’s acquisition of Crockett Bancshares and the subsequent bank merger will occur over a very short period of time. The Federal Reserve System has confirmed that FNB Huntsville will not be considered a bank holding company under 12 U.S. C. § 1841. Accordingly, the use of an operating subsidiary in this transaction is legally permissible.¹

¹The OCC has previously opined that a national bank is authorized to establish an operating subsidiary to hold the stock of a target holding company in order to effect a merger transaction. In a letter dated October 1, 1987, from Charles Byrd (unpublished), the OCC determined “[b]ecause Federal law allows consolidations and mergers by national banks, the temporary holding of stock in such contexts appears to be incidental to such reorganizations, and

III. COMPETITIVE ANALYSIS

The OCC has reviewed the competitive effects of this proposal by using its standard procedures for determining whether a merger clearly has minimal or no adverse competitive effects. The OCC finds that the proposal satisfies its criteria for a merger that clearly has no or minimal adverse competitive effects.

IV. BANKING FACTORS

The Bank Merger Act requires the OCC to consider "...the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find that the financial and managerial resources of FNB Huntsville do not raise concerns that would cause the application to be disapproved. The Crockett location will remain open and the customers will have access to FNB Huntsville's location. FNB Huntsville currently offers a full line of banking services and there will be no changes in its products or services as a result of the transaction. Crockett State Bank customers should benefit from FNB Huntsville's greater variety of loan and deposit products and increased services such as an ATM, telephone banking, discount brokerage, and trust services. The future prospects of the proponents, individually and combined, are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

V. THE COMMUNITY REINVESTMENT ACT

The most recent Public Evaluation for Crockett State Bank under the Community Reinvestment Act (CRA) rated the bank's record for meeting the credit needs of its community, including low- and moderate-income neighborhoods, as Needs to Improve. This less than satisfactory rating stemmed primarily from the bank's low level of lending relative to total deposits. As a result of a July 1996 review, the OCC accorded FNB Huntsville a Satisfactory CRA rating. Further, as part of this application, FNB Huntsville has committed to implement a plan for remedying CRA performance weaknesses at Crockett State Bank through more diverse product offerings (including small business loans and special low-cost housing loans), a higher volume of lending, community outreach meetings, and self assessments. FNB Huntsville's implementation of this CRA remedial plan will be monitored in future OCC examinations. Accordingly, given FNB Huntsville's satisfactory CRA record and its plans for providing credit, investments, and services in all its assessment areas, including low- and moderate-income neighborhoods, the OCC finds that CRA considerations are consistent with approval for a merger application.

VI. CONCLUSION

For the reasons set forth above, including the representations and commitments made by the applicants, we find that FNB Huntsville's proposed merger with Crockett State Bank is authorized under the Bank Merger Act (12 U.S.C. § 1828(c)), the establishment of CBI Acquisition Corp. as an operating subsidiary is legally permissible, and other relevant factors are consistent with approval. Accordingly, the merger and operating subsidiary applications are approved.

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Julie L. Williams
Chief Counsel

____11-21-97____

Date

Application Control Numbers: 97-SW-02-0075, 97-SW-08-0022