



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 3, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Bullard
Charter Number: 17710**

**P. O. Box 337
Bullard, Texas 75757**

**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 Bullard, Bullard, Texas** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of July 3, 1997. 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. Our assessment of the bank's CRA performance is supported by the following factors:

- ▶ First National Bank of Bullard's quarterly average loan-to-deposit ratio of 66.46% is reasonable compared to other local financial institutions.
- ▶ A majority of the bank's loans are originated within the assessment area.
- ▶ The distribution of loan originations reflects a reasonable penetration among individual borrowers and geographies of all income levels.

The following table indicates the performance level of First National Bank of Bullard, Bullard, Texas with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST NATIONAL BANK OF BULLARD</u> 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		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION:

The First National Bank of Bullard (FNB) is a \$28 million financial institution with two office locations. The main office is located at 210 North Houston Street in Bullard, Texas with the branch office, which opened in August 1996, located at 706 Highway 155 North in nearby Frankston. The institution is retail oriented and offers a wide range of deposit and loan products. As of March 31, 1997, loans represented 65% of the bank's total assets. The loan portfolio reflects the following breakdown: consumer loans, 45%; commercial and commercial real estate loans, 39%; and, residential real estate loans, 16%. There are no legal or other impediments which limit the bank's ability to help meet the credit needs of the community. The last CRA examination was conducted as of June 30, 1994.

DESCRIPTION OF ASSESSMENT AREA:

The Board and management have designated one assessment area for CRA purposes. This designation meets the requirements of the regulation and does not arbitrarily exclude any low or moderate income geographies.

The assessment area includes seven census tracts (CT) and five block numbering areas (BNAs) located in four contiguous counties. The boundaries for these four counties converge between Bullard and Frankston. These 12 geographies represent the areas including and immediately surrounding the bank's two locations. Six of the census tracts (CT 19.03, 19.04, 20.07, 20.08, 20.09, 21.00), including the city of Bullard and the area north toward Tyler, are located in the Smith County/Tyler Metropolitan Statistical Area (MSA). The 1996 HUD median family income for this MSA is \$38,200. The remaining census tract (CT 9514) is located in Henderson County which is included in the Dallas MSA. This census tract includes the communities of LaRue and Poyner. The 1996 HUD median family income for the Dallas MSA is \$48,300. The remaining portion of the assessment area consists of three BNAs (BNA 9501, 9502, 9509) in Anderson County and two BNAs (BNA 9502, 9503) in Cherokee County. The 1996 HUD median family income for these Non-MSA counties is \$28,900. The remaining census tracts and BNAs from these four counties were excluded to prevent the assessment area from being too large for the bank to reasonably service.

The designated assessment area includes one moderate income area, seven middle income areas, and four upper income areas. Approximately 8% of the total population of the assessment area lives within the moderate income census tract which is located in

Henderson County. The breakdown by individual income level reflects the following distribution throughout the assessment area: low income families, 19%; moderate income families, 16%; middle income families, 22%; and, upper income families, 43%. Many area residents commute to surrounding areas such as Tyler and Jacksonville for work. Major employers within the assessment area include the local school districts and small manufacturing and industrial companies. In addition, a large portion of the local economy is agricultural based.

As part of our evaluation, we contacted a local government official. According to this individual, the area economy is improving and currently experiencing notable growth in the residential real estate market. The contact identified construction and residential loans as the major credit needs within the area at this time. He indicated these needs are being met by existing products offered by local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO:

The bank's loan-to-deposit ratio is reasonable. The quarterly loan-to-deposit ratio has averaged 66.46% since the prior CRA examination. This compares favorably to the 52.75% average for other banks located within or surrounding the bank's designated assessment area. FNB's ratio has ranged from a low of 53% to a high of 73% over this time period compared to a low of 24% to a high of 88% for other banks in the area.

LENDING IN ASSESSMENT AREA:

A majority of the bank's loans are extended within the designated assessment area. Our analysis was based on a sample of 47 residential real estate loans, 57 consumer loans, and 25 commercial loans originated since the prior CRA examination. Approximately 68% of these loans by number and 69% by dollar amount were originated within the assessment area. The following table reflects the distribution of loans by loan type:

Lending Inside vs. Outside the Assessment Area								
	Inside Assessment Area				Outside Assessment Area			
Loan Types:	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential	41	87%	\$1,884	88%	6	13%	\$262	12%
Consumer	32	56%	\$434	54%	25	44%	\$373	46%
Commercial	15	60%	\$1,097	56%	10	40%	\$877	44%

LENDING TO BORROWERS OF DIFFERENT INCOME & 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. Further, the distribution of loans within each income category approximates the income characteristics of the population within the assessment area. Our analysis was based on the 41 residential loans, 32 consumer loans, and 15 commercial loans in our sample which were extended to borrowers within the assessment area. Given the fact that consumer loans represent the largest portion of the bank's loan portfolio, primary emphasis was placed on the distribution of these loans. The following table details 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	19%		16%		22%		43%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	3	7%	3	7%	5	12%	30	73%	41	100%
Consumer	6	22%	8	30%	4	15%	9	33%	27	100%
Revenue Ranges	Less than \$100,000		\$100,000-\$500,000		\$500,000--\$1,000,000		Over \$1,000,000		Total	

Commercial	5	36%	7	50%	1	7%	1	7%	14	100%
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In addition to the residential loans included in the above analysis, the bank also originates interim construction loans to help finance the growth currently being experienced in the local residential real estate market.

GEOGRAPHIC DISTRIBUTION OF LOANS:

The geographic distribution of loan originations reflects a reasonable dispersion throughout the census tracts and block numbering areas within the assessment area. There are no low income geographies included in the assessment area. The one moderate income census tract is located in Henderson County, adjacent to the Frankston Branch location. Although this branch opened in late 1996, our sample revealed a reasonable number of extensions within this census tract. The following table reflects the distribution in the assessment area by number of loan originations:

Geographic Distribution of Loans										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	NA		8%		60%		32%		100%	
Count	NA		1		7		4		12	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	NA	NA	1	2%	35	85%	5	12%	41	100%
Consumer	NA	NA	2	6%	29	91%	1	3%	32	100%
Commercial	NA	NA	0	0%	15	100%	0	0%	15	100%

RESPONSE TO COMPLAINTS:

Management has not received any written complaints related to CRA performance since the prior CRA 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

antidiscrimination laws and regulations.