



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 02, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Lamar National Bank
Charter Number 17106**

**200 South Collegiate Street
Paris, TX 75461**

**Comptroller of the Currency
ADC Michael K. Hughes - Dallas North Field Office
17300 Dallas Parkway Suite 2020
Dallas, TX 75248**

NOTE: This document is an evaluation of this 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. 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.

INSTITUTION'S CRA RATING This institution is rated Satisfactory.

The Lamar National Bank (LNB) has a satisfactory record of meeting community credit needs. This rating is based upon the following:

- A majority of loans sampled, representing 93% of the number and 95% of the dollar volume, originated within the bank's assessment area;
- The geographic distribution of the sampled consumer loans exceeds the standard of satisfactory performance;
- The geographic distribution of sampled residential and commercial loans reflects a good dispersion to moderate-income census tracts within the assessment area; and
- The distribution of sampled consumer loans to borrowers reflects a good penetration among households defined as low- and moderate-income.

DESCRIPTION OF INSTITUTION

LNB is a \$97 million community bank located in Paris, Texas. It is wholly owned by a one-bank holding company, Lamar Bancorporation, Inc., a Texas Corporation. LNB serves Lamar County through two banking locations: (1) the main office at 200 South Collegiate Drive, and (2) a branch at 6270 Lamar Road in Reno, Texas, which opened in November 2000.

Both locations have drive-up facilities with extended weekday hours and Saturday hours. The bank also operates two automated teller machines (ATM) at each location. In addition, LNB offers telephone banking through its Telebank and most recently began offering balance transfer capabilities via the Internet (www.lamarnational.com).

LNB is a full service institution, providing various deposit and loan products. Management's lending focus is one-to-four family residential mortgage loans primarily for low-, moderate-, and middle-income borrowers and also investors managing rental property for low- and moderate-income persons. Management will originate mortgage loans up to 89% financing without private mortgage insurance (PMI); they do not sell to the secondary market.

The following table portrays the principal loan mix of LNB as of September 30, 2003:

Loan Category	\$ (000)	%
Residential Real Estate	24,203	47
Consumer	11,404	22
Commercial Real Estate	7,146	14
Commercial	4,577	9
Farmland	2,464	5
Construction & Development	1,652	3
Other Loans	268	<1
Total	51,714	100%

LNB was rated “Satisfactory” in its previous CRA public evaluation dated May 26, 1998. The bank has no financial or legal obstacles that affect its ability to meet community credit needs. Management of the bank has provided several donations to the Paris Habitat for Humanity. As of September 30, 2003, LNB had a “net loans to total assets” ratio of 53%.

DESCRIPTION OF LAMAR COUNTY

LNB’s assessment area is Lamar County. The bank’s assessment area meets the requirements of the regulatory guidelines and does not arbitrarily exclude any low-or moderate-income areas. The following table reflects the demographics for the assessment area (AA):

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	12,448
Number of Households	16,807
<i>Geographies</i>	
Number of Census Tracts	10
# - % Low-Income Census Tracts	0 – 0%
# - % Moderate-Income Census Tracts	3 – 30%
# - % Middle-Income Census Tracts	5 – 50%
# - % Upper-Income Census Tracts	2 – 20%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$24,585
1998 HUD-Adjusted MFI	\$32,100
1999 HUD-Adjusted MFI	\$33,900
2000 HUD-Adjusted MFI	\$34,700
2001 HUD-Adjusted MFI	\$35,800
2002 HUD-Adjusted MFI	\$36,100
<i>Economic Indicators</i>	
Unemployment Rate	7.3*
2002 Median Housing Value	\$38,053
% of Households on Social Security	35%
% of Households Below Poverty Level	21%
% of Households on Retirement	16%

*Based on 2001 Bureau of Labor Statistics (BLS) Data for Lamar County, TX

The total occupied housing units are 88% with owner-occupied housing at 60%, rental-occupied housing at 27%, and vacant housing units are at 11%.

Lamar County has nine financial institutions consisting of other national banks, branches of larger national and state banks, and a savings and loans institution. In addition, four employee credit unions operate within the assessment area. The economy of the area is considered stable and diverse. The largest employers in the bank's assessment area are the Kimberly-Clark Corporation, Campbell Soup Supply Company, Turner International Piping Systems, Phillips Lighting, Paris Junior College, Christus St. Joseph's Health System, Lakes Regional MHMR Center-Paris, and the Paris and North Lamar Independent School Districts. The largest industries are retail, manufacturing, and banking.

The credit needs of the community were determined through interviews with individuals associated with the city of Paris, Paris Living, A Community Development Corporation, and a local business owner servicing the real estate market. The credit needs mentioned includes low interest rate home mortgage loans, down payment assistance, and small business loans. The community contacts also indicated area financial institutions are very cooperative and are diligent in trying to meet the community's credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The June 30, 2003 Call Report indicates that the majority of LNB's loan portfolio consists of residential real estate loans. For our analysis, we combined all mortgage types - home purchase, home refinance, home improvement, and home equity loans to determine the bank's lending penetration. The next largest distribution of loans is consumer installment. As part of our analysis, we also reviewed a sample of business loans. These sampled loans originated between May 26, 1998, and December 31, 2002. We did not select any loans originating from January 1, 2003 to December 2, 2003 because 2000 Census information was not available.

Overall, LNB is meeting the standards of satisfactory performance. The bank's strengths are lending within its assessment area, residential, consumer, and commercial loans made to low- and moderate-income borrowers.

Lending in Assessment Area

Based on our review of LNB's lending patterns, the bank exceeds the standards of satisfactory performance. Our sample of 20 residential loans, 20 consumer installment loans, and 20 commercial real estate loans revealed 93% were within the bank's assessment area, totaling \$6.3 million or 95%.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential	19	95	673	85	1	5	117	15
Consumer	18	90	212	95	2	10	11	5
Commercial Real Estate	19	95	5,414	97	1	5	195	3
Total Reviewed	56	93	6,299	95	4	7	323	5

Geographic Distribution of Loans

LNB has a reasonable dispersion of loans in its assessment area. Analyzing the bank's loan portfolio as of November 16, 2003, 15% of the number and 12% of the dollar of loans were made within the moderate-income census tracts of Lamar County.

Based on our sample of loans, the dollar volume of residential loans made to moderate-income census tracts is small in comparison to the percent of owner-occupied housing in the bank's assessment area as detailed in the following table:

RESIDENTIAL LOANS						
Census Tract Income Level	MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	21%		53%		26%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	15	9	55	51	30	40

Home-related loans sampled = 20 loans totaling \$686 thousand

The number and dollar volume of the sampled consumer loans made to moderate-income census tracts exceeds the standard of satisfactory performance in comparison to the percentage of households in the assessment area as can be seen in the following table:

CONSUMER						
Census Tract Income Level	MODERATE		MIDDLE		UPPER	
% of AA Households	27%		48%		25%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	20	31	45	43	35	26

Consumer loans sampled = 20 loans totaling \$212 thousand

The number of commercial loans made to the moderate-income census tracts is also good in comparison to the percentage of businesses in the assessment area as can be seen in the following table:

COMMERCIAL REAL ESTATE LOANS						
Census Tract Income Level	MODERATE		MIDDLE		UPPER	
% of AA Businesses	38		32		30	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	30	21	40	19	30	60

Commercial loans sampled = 20 loans totaling \$5.4 million

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

The bank meets the standard for satisfactory performance in lending to borrowers of different incomes and to businesses of different sizes.

We reviewed a sample of 20 consumer installment loans made within the bank's assessment area. The bank's record of installment lending to low- and moderate-income borrowers is excellent as the following table illustrates:

CONSUMER INSTALLMENT								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	26%		13%		16%		45%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	20	20	35	30	30	37	15	13

We could not determine the bank's performance regarding lending to businesses of different sizes because financial information was not always obtained.

In addition, LNB has originated an adequate number of loans to businesses within its assessment area with a large percentage of loans at less than \$100 thousand. The following table illustrates the bank's lending penetration to businesses based on loan size:

Borrower Distribution of Loans to Businesses by Loan Size in Lamar County				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	8	40	411	7
\$100,001 - \$250,000	7	35	1,378	25
\$250,001 - \$500,000	3	15	991	18
\$500,001 - \$1,000,000	1	5	675	12
Over \$1,000,000	1	5	2,070	38

Commercial loans sampled = 20 loans totaling \$5.4 million

Finally, we reviewed a sample of 20 residential loans originated within the bank's assessment area. LNB's dollar volume of residential loans to low-income borrowers is small in comparison to the percentage of low-income families within the assessment area. However, the bank's penetration of residential lending to moderate-income borrowers is excellent as seen in the following table:

RESIDENTIAL LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	22%		15%		19%		44%	
LOANS by TYPE	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	10	3	20	11	25	32	45	54

The small dollar volume of residential loans to low-income borrowers is attributed to many

factors. For instance, a portion of the bank’s residential lending portfolio is to investors, who have higher income levels. Based on LNB’s loan portfolio as of November 30, 2003, 8% of the number and 12% of the dollar amount of the portfolio were made to investors for the purpose of rental units. Also, a substantial portion of persons within the assessment area are on a fixed-income or have incomes below the poverty level. The requirements of closing costs and down payments are more feasible for middle- and upper-income borrowers when purchasing a home. Typically, borrowers with higher incomes are able to produce these funds, which many lower income borrowers are unable to do.

Loan-to-Deposit Ratio

LNB’s average loan-to-deposit (LTD) ratio is 61%. Given the bank’s size, financial condition, and assessment area credit needs, the bank meets the standard for satisfactory performance. The 22-quarter average LTD ratio does appear favorable when compared to other financial institutions within the assessment area. However, the average LTD ratio for First Federal Community Bank, which also operates within Lamar County, is 108.85%. This figure is based on 17-quarters of available information. Information for other financial institutions within the bank’s assessment area is detailed in the following table:

Institution	Assets ('000's) As of 09/30/03	Average LTD Ratio
Peoples National Bank	95,482	94.26%
National Peer Group	50,000 – 100,000	68.81%
<i>Lamar National Bank</i>	<i>97,072</i>	<i>60.72%</i>
The Liberty National Bank in Paris	232,923	32.79%

Responses to Complaints

LNB has not received any CRA related complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.