



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 04, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank in Cooper
Charter Number 13046

11 Westside Square
Cooper, TX 75432

Office of the Comptroller of the Currency

Longview Field Office
1800 West Loop 281, Suite 306
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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 First National Bank (FNB) in Cooper has a satisfactory record of meeting the credit needs of its community. This rating is based on the findings listed below:

- A substantial majority of loans originated during the evaluation period were located within the bank's Assessment Area.
- Lending to low and moderate income borrowers reflects a reasonable penetration.
- The bank's loan-to-deposit ratio is reasonable based on the bank's performance context and lending opportunities within its assessment area.

SCOPE OF EXAMINATION

This Performance Evaluation is an assessment of the bank's ability to meet the credit needs of the communities in which it operates. The bank was evaluated under the Small Bank performance criteria which included a lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities.

The lending test for FNB Cooper covers its performance from January 1, 2006 through August 4, 2008. Over this time period, the primary loan products consisted of consumer loans and residential real estate loans. In order to evaluate these loans, we took a random sample of both loan products originated during that time period.

DESCRIPTION OF INSTITUTION

The First National Bank in Cooper is located in Cooper, Texas in Delta County. As of June 30, 2008 average assets were \$37,999M and Tier 1 Capital was \$4,785M. FNB Cooper is wholly owned by Cooper Lake Financial Corporation, a one bank holding company. During the second quarter of 2007, FNB Cooper completed a merger with its affiliate Delta Bank. FNB has no branch locations or drive thru facilities, and has one ATM which is attached to the bank.

The bank offers a full range of loan and deposit products. The following chart represents the distribution of loans originated during the evaluation period:

Loan Category	\$ (000s)	% by \$	#	% by #
Residential RE	\$3,969	30.44%	84	9.41%
Commercial	\$2,733	20.97%	82	9.18%
Consumer	\$4,729	36.28%	624	69.88%
Agriculture	\$1,547	11.87%	99	11.09%
Other	\$58	0.44%	4	0.44%
Total Loans	\$13,036	100.00%	893	100.00%

There are no legal or financial impediments to FNB Cooper's ability to meet the credit needs of its Assessment Area. The bank was rated Satisfactory at its last CRA examination dated January 5, 2004.

DESCRIPTION OF ASSESSMENT AREA(S)

The bank has selected Delta County in its entirety as its Assessment Area. Delta County is part of the Dallas-Plano-Irving Metropolitan Statistical Area (MSA). Delta County consists of two Census Tracts, both of which are classified as moderate income.

This Assessment Area meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. Below is a summary of the demographic information for Delta County:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF DELTA ASSESSMENT AREA	
Population	
Number of Families	1,474
Number of Households	2,095
Geographies	
Number of Census Tracts/BNA	2
% Low-Income Census Tracts/BNA	0.00
% Moderate-Income Census Tracts/BNA	100.00
% Middle-Income Census Tracts/BNA	0.00
% Upper-Income Census Tracts/BNA	0.00
Median Family Income (MFI)	
2000 MFI for AA	56,313
2007 HUD-Adjusted MFI	63,200
Economic Indicators	
Unemployment Rate	4.40
2007 Median Housing Value	41,990
% of Households Below Poverty Level	18.33

Source: 2000 U.S. Census Data

*Bureau of Labor Statistics May 2008 data

The current local economy is characterized as stagnant and somewhat declining. Economic activity in the area consists mainly of agriculture, services and small business. The largest employer in the county is the school district, although there are several large manufacturing firms in surrounding counties which provide the main supply of employment opportunities in the area. Average unemployment in the area is moderate at 4.4% and wages are increasing.

Competition from other institutions is high given that the majority of the employed labor in the county works in surrounding counties. Competitors include several local community banks, branches of large regional institutions, mortgage/finance companies and payday lenders.

In conducting the assessment of the bank's performance, we contacted a local community organization. This contact indicated that more affordable housing for low- and moderate-income (LMI) individuals is needed in this assessment area. Occupied housing levels are very high at 87% of the total housing supply with owner-occupied housing at 67%. There are no new housing developments in the area and the average home is nearly forty years old. This contact also stated that very few new families move into the county and young people tend to leave. It was also noted that there is very little housing turnover among current residents as families stay in the same home for many years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management has demonstrated satisfactory performance in meeting the credit needs of the community. The following sections provide detail of our assessment of each performance criteria.

Loan-to-Deposit Ratio

Institution	Assets (000s) (as of 6/30/08)	Average LTD Ratio
Enloe State Bank	\$19,836	100.79%
Community National Bank, Detroit	\$18,253	48.07%
First Bank, Roxtton TX	\$19,914	68.17%
First Bank of Celeste	\$39,650	65.62%
The First National Bank of Emory	\$88,408	53.29%
First National Bank, Cooper	\$37,521	36.88%

FNB Cooper's Loan-to-Deposit (LTD) ratio is reasonable. While the LTD ratio for FNB Cooper appears low when compared to similarly situated institutions, this is due to the fact that during the vast majority of the evaluation period (13 of 18 quarters) the bank and its affiliate (Delta Bank) were separate institutions both competing for loans and deposits within the same area. The timeframe since the merger has covered 5 quarters. During that timeframe, FNB Cooper's quarterly average LTD ratio has

increased to 48.43%, which is more in line with its peer group.

Also, as discussed in the description of the Assessment Area, aggressive loan pricing by larger institutions and mortgage brokers negatively affected loan demand for home loans. This is coupled with the fact that loan demand in the area is generally weak and there have not been any new housing developments or significant population migration to the area.

Lending in Assessment Area

Our review indicated that a substantial majority of loans originated during the assessment period were made within the bank’s Assessment Area. We reviewed a sample of twenty loans of each of the bank’s primary lending products at random. Below is a summary of this data:

Lending in Delta County										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Loans	18	90.00%	2	10.00%	20	\$924	88.18%	\$124	11.82%	\$1,048
Consumer Loans	16	80.00%	4	20.00%	20	\$77	79.20%	\$20	20.80%	\$97
Totals	34	85.00%	6	15.00%	40	\$1,001	87.42%	\$144	12.58%	\$1,145

Source: Loan sample

Lending to Borrowers of Different Incomes

FNB Cooper’s distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels. While the distribution of residential real estate loans to low income borrowers is below that of the assessment area demographics, the percentage of residential real estate loans to moderate income families greatly exceed the area’s demographics. Further, the number of households that are below the poverty level is high at 18.33%. This represents a significant portion of the area’s low income families and hinders their ability to qualify for a residential real estate loan.

The ratio of consumer loans to low income borrowers exceeds the area demographics and lending to moderate income borrowers was in line with the area demographics. Given that consumer lending is the bank’s primary loan product, both by number of loans and volume of loans, a greater weight was placed on consumer lending for our analysis.

The following tables reflect the distribution of loans as they relate to borrowers of different income levels.

Borrower Distribution of Residential Real Estate Loans in Delta County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
% of Total	37.45	5.00%	21.91%	40.00%	21.85%	35.00%	18.79%	20.00%

Source: Loan sample; U.S. Census data.

Borrower Distribution of Consumer Loans in Delta County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
% of Total	25.92	30.00%	16.61%	15.00%	16.37%	35.00%	41.10%	20.00%

Source: Loan sample; U.S. Census data.

Geographic Distribution of Loans

A geographic analysis of lending activity in the assessment area was not performed. The assessment area only consists of moderate-income geographies; therefore, an analysis would not be meaningful.

Qualified Investments and CD Services (Optional)

Investment and CD services were not reviewed during this examination.

Responses to Complaints

FNB Cooper has not received any complaints since our last CRA examination

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.