



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

December 28, 2012

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Lamar National Bank  
Charter Number 17106

200 S. Collegiate Drive  
Paris, TX 75461-1097

Office of the Comptroller of the Currency

1800 NW Loop 281, Suite 306  
Longview, TX 75604-2516

**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**

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

- The bank's loan-to-deposit ratio is reasonable based on the bank's performance context and lending opportunities.
- A substantial majority of the loans sampled, approximately 92.50 percent by number and 82.14 percent by dollar amount, originated within the bank's assessment area.
- The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels.
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- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

**SCOPE OF EXAMINATION**

This Performance Evaluation (PE) is an assessment of Lamar National 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. Conclusions regarding the bank's lending performance are based on residential real estate and consumer installment loans originated from January 1, 2010 to December 31, 2011. Our sample included 27 residential real estate loans and 60 consumer loans.

**DESCRIPTION OF INSTITUTION**

LNB is a \$138 million bank located in Paris, Texas and is wholly owned by Lamar Bancorporation, Inc., a one-bank holding company. LNB serves Lamar County through two banking locations. The main office located at 200 Collegiate Drive in Paris, Texas, and its Reno Branch located at 6270 Lamar Road in Reno, Texas. Both locations have drive-up facilities with weekend hours and onsite automated teller machines (ATMs).

LNB offers a full array of loan and deposit products as well as credit cards and transactional online banking ([www.lamarnational.com](http://www.lamarnational.com)). As of September 30, 2012, loans totaled \$65 million and represented 47 percent of the bank's total assets. The following chart reflects the distribution of the bank's loan portfolio.

<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Real Estate Loans	34,414	58.86%
Commercial Loans	10,913	18.66%
Individual Loans	9,934	16.99%
Agriculture Loans	3080	5.27%
Other	127	0.22%
<b>Total</b>	<b>58,468</b>	<b>100.00%</b>

While the above chart addresses the overall distribution of the loan portfolio, our sample was based on the lending activities of the bank between January 1, 2010 and December 31, 2011. During this period, we determined that the primary lending products of the bank were residential real estate mortgages (43 percent by dollar amount) and consumer loans (61 percent by number). There are no legal impediments or other factors that inhibit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Performance Evaluation dated February 5, 2008.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The board of directors has designated Lamar County as the bank's assessment area for CRA purposes. No part of the assessment area is located within a metropolitan statistical area. Both the main bank in Paris and the branch in Reno are located within the assessment area. The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude any low or moderate income census tracts.

### **Lamar County**

Lamar County consists of three moderate income tracts, four middle income tracts, and three upper income tracts. The local economy is considered stable and diverse. The largest employers in the bank's assessment area are the Paris Regional Medical Center, Kimberly-Clark, Campbell Soup, James Skinner Baking Group, TCIM, and Turner International. The largest industries are manufacturing and retail trade. The level of competition is considered high with multiple banking offices, pawn shops, and payday lenders in the area. Contact with the Finance Department of the City of Paris did not reveal any credit needs that were not being met by local financial institutions. Following are the demographic and economic characteristics of Lamar County.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
Population	
Number of Families	13,584
Number of Households	19,045
Geographies	
Number of Census Tracts/BNA	10
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	3
% Middle-Income Census Tracts/BNA	4
% Upper-Income Census Tracts/BNA	3
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$38,715
2011 HUD-Adjusted MFI	\$48,600
Economic Indicators	
Unemployment Rate	5.61%
2011 Median Housing Value	\$54,796
% of Households Below Poverty Level	16.42%

Source: Census Data

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's overall lending performance is satisfactory. The bank's loan to deposit ratio is reasonable and a substantial majority of loans are within the bank's assessment area. Additionally, the distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels and the geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

### Loan-to-Deposit Ratio

Lamar National Bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly loan-to-deposit ratio has averaged 55.22 percent since the prior CRA examination in February 2008. The average loan-to-deposit ratio of other banks with headquarters within Lamar County, regardless of size since February 2008 was 68.08 percent.

<b>Institution</b>	<b>Assets (as of 09/30/2012)</b>	<b>Average LTD Ratio</b>
First Bank of Roxton TX	\$56,886	67.13%
Peoples Bank	\$111,139	93.33%
Liberty National Bank	\$246,142	39.27%
<i>Lamar National Bank</i>	<i>\$137,521</i>	<i>55.22%</i>
<i>Average LTD</i>		<i>68.08%</i>

LNB’s loan to deposit ratio is near the average of other institutions headquartered in Lamar County. In addition, the bank’s deposit structure includes a high level of deposits centered in public funds. Approximately \$20 million, or 17 percent, of the bank’s deposit base is centered in public funds, including \$18.7 million from a local community college. Furthermore, the bank’s loan volume continues to increase. Since the previous CRA examination, the loan portfolio has grown from \$93.9 million to \$115.8 million, representing annualized loan growth of 5.4 percent.

### **Lending in Assessment Area**

A substantial majority of the bank’s lending is within its assessment area. The breakdown by loan category is illustrated in the following table:

<b>Lending in Lamar County Assessment Area</b>										
LOAN TYPE	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Mortgages	19	95.00%	1	5.00%	20	\$903	79.49%	\$233	20.51%	\$1,136
Consumer	18	90.00%	2	10.00%	20	\$297	90.55%	\$31	9.45%	\$328
Totals	37	92.50%	3	7.50%	40	\$1,200	81.97%	\$264	18.03%	\$1,464

Source: Sample of loans.

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

Lamar National Bank’s distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels. While the distribution of consumer loans to low income borrowers is below that of the assessment area demographics, the percentage of consumer loans to moderate income households well exceeds the area’s demographics. Further, although the ratio of residential mortgages to low income families is significantly below the area’s demographics, the distribution of residential mortgages to moderate income families is near the assessment area’s demographics. We consider the following information mitigating factors in our analysis of loans to low income borrowers.

- The median cost of housing in the assessment area is \$55 thousand with little low income housing stock available.
- Approximately 66 percent of low income households have income levels below the poverty level.

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

<b>Borrower Distribution of Residential Real Estate Loans in Lamar National Bank AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	20.38%	10.00%	16.81%	30.00%	19.87%	15.00%	42.94%	45.00%

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

<b>Borrower Distribution of Consumer Loans in Lamar National Bank AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Consumer Loans	24.93%	18.18%	15.14%	30.91%	16.48%	18.18%	43.45%	32.73%

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

### Geographic Distribution of Loans

LNB has a reasonable dispersion of loans throughout the assessment area, although the dispersion of consumer loans in moderate income tracts are significantly lower than the percentage of households residing there. While residential real estate loan dispersion within moderate-income tracts is low, mitigating factors include the following:

- 42.62 percent of the households within these tracts are below poverty level, making it more difficult to qualify for a residential loan.
- The level of competition for loans is high as there is a large concentration of financial institutions and other lenders within the assessment area, including banks, pawnshops, and payday lenders.

<b>Geographic Distribution of Residential Real Estate Loans in Lamar County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
1-4 Family	0.00%	0.00%	15.45%	25.00%	34.99%	25.00%	49.56%	50.00%

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

<b>Geographic Distribution of Consumer Loans in Lamar County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
Consumer Loans	0.00%	0.00%	23.25%	8.55%	33.20%	31.24%	43.55%	60.22%

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

**Responses to Complaints**

The bank has had no complaints since our last CRA examination.

**Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or C.F.R 195.28(c), in determining a national bank’s (bank) or federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

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