



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Southwestern District
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3394

PUBLIC DISCLOSURE

May 15, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Edgewood
Charter Number: 10624
119 East Front Street
Edgewood, Texas 75117**

**Office of the Comptroller of the Currency
Dallas North Field Office
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201**

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 **The First National Bank of Edgewood** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of May 15, 2000. 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**.

The following factors support this overall rating:

- The bank's quarterly average loan to deposit ratio meets the standards for satisfactory performance given its size, financial condition, and assessment area credit needs.
- The bank originated a substantial majority of home and consumer loans sampled within the bank's assessment area.
- The bank's lending performance reflects a reasonable distribution of credit to borrowers of different income levels and businesses of different sizes.

Scope of the Examination

This evaluation of The First National Bank of Edgewood (FNBE) CRA performance covers the period from January 17, 1996 through May 15, 2000. The evaluation includes an analysis of FNBE's designated assessment area, which covers Van Zandt County, Texas.

Description of Institution

FNBE serves the community of Van Zandt County, which is not in a Metropolitan Statistical Area (MSA). The bank is a \$13 million institution with its only office in Edgewood, Texas. FNBE has a drive-up facility in Edgewood that provides extended weekday and Saturday morning hours. FNBE also has one ATM machine located in a grocery store in Edgewood.

FNBE continues to be a niche lender in residential mortgage and consumer lending. The bank offers additional credit products to its community, including commercial, small business, and agricultural financing. However, there are very few opportunities for these types of lending within the county.

The bank's primary market area is the city of Edgewood and there is no competition within the city. The bank's main competition stems from other small local national and state banks. FNBE does not have any financial or legal obstacles affecting its ability to meet its community's credit needs. The following table portrays the principal loan mix of FNBE:

TYPES OF DOMESTIC LOANS OUTSTANDING		
MARCH 31, 2000		
<i>(\$000's)</i>		
<i>TYPE OF LOANS</i>	<i>AMOUNT</i>	<i>PERCENTAGE</i>
1-4 Family Residential Loans	\$2,275	31%
Installment	\$2,008	28%
Commercial Real Estate	\$1,130	15%
Commercial Loans	\$929	13%
Construction & Land Development	\$607	8%
Secured by Farmland	\$278	4%
Finance Agricultural Production	\$77	1%
TOTAL	\$7,304	100%

FNBE was rated “Satisfactory” in the previous CRA public disclosure dated January 16, 1996.

Description of Assessment Area

FNBE has defined its assessment area as Van Zandt County, which consists of only 10 middle-income census tracts. The assessment area meets regulatory guidelines, it does not include any low- or moderate-income areas.

More than 37,944 residents populate the assessment area. Based on the updated HUD-1999 Census information, the median family income for all Non MSAs is \$33,900. The median housing value for the bank’s assessment area is \$45,695, with the median age of housing stock at 25 years. The total occupied housing units for the assessment area is at 84%, with owner-occupied housing at 68% and rental-occupied housing at 16%. Vacant housing units in the assessment area are at 16%.

Unemployment rates have remained low and steady over the past four years at approximately 3%. There are no industries in the assessment area. The majority of the community works in Dallas or the surrounding area. The largest employers in Van Zandt County are the local school districts.

We determined the credit needs of the community through discussions with management. Management indicated that the primary credit needs are consumer and home mortgage lending. In addition, we contacted the mayor’s office to discuss the bank’s efforts to meet the community’s credit needs. The City Administrator stated that FNBE is meeting the community’s credit needs.

Conclusions with Respect to Performance Criteria:

This review covers consumer loans made April 16, 1998 to March 24, 2000, and home mortgage loans made the period from July 13, 1998 to February 10, 2000.

Loan-to-Deposit Ratio

FNBE’s quarterly average loan-to-deposit ratio for the past eight quarters is 56%. Given the bank’s size, financial condition, and assessment area credit needs, FNBE meets the standards for satisfactory performance.

We compared FNBE’s quarterly average loan-to-deposit ratio to a peer group, which consists of state- and national-chartered banks in the eastern part of Texas, with total assets of \$25 million or less. The peer group’s quarterly average loan-to-deposit ratio is 48%, which is lower than the First National Bank’s eight-quarter average.

Lending in Assessment Area (AA)

Based on our sample, the bank originated a substantial majority of home mortgage and consumer loans within its assessment area. We took a sample of 20 home mortgage loans and 20 consumer loans to determine the bank's lending penetration.

ASSESSMENT AREA LENDING					
Loan Type	Total Sampled	# of Loans in AA	% of # Loans in AA	Amount (\$000s)	% of Amount
Home Loans	20	20	100%	\$1,176	100%
Consumer Loans	20	20	100%	\$123	100%
Total	40	40	100%	\$1,299	100%

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

FNBE's record of lending to borrowers of different income levels is adequate. Our review of home mortgage and consumer loans revealed reasonable lending patterns.

Distribution of Loans to Borrowers of Different Incomes					
Income Classification	% Families*	Consumer		Home Mortgage	
		#	%	#	%
Low	21%	3	15%	1	5%
Moderate	17%	5	25%	2	10%
Middle	20%	5	25%	5	25%
Upper	42%	7	35%	12	60%
TOTAL	100%	20	100%	20	100%

*Based on 1990 U.S. Census Data

Based on a sample of 20 home mortgage and 20 consumer loans, the distribution of borrowers reflects a reasonable penetration among individuals of different income levels. Management stated that the lack of home mortgage loan penetration to low-income families is reflective of a low mortgage loan demand among these families within the city of Edgewood. In addition, the percentages in the table above are

based on 1990 U.S. Census Data. Due to the continued migration of middle- and upper-income families to Van Zandt County during the 1990s, the ratios of families illustrated in the above table have likely changed.

FNBE's lending to businesses of different sizes is adequate. There are limited opportunities available for the bank to make commercial and farm loans. Of the loans we sampled, only two out of nine were to businesses with revenues greater than one million dollars.

Geographic Distribution of Loans

A meaningful analysis of the geographic distribution of loans could not be performed because there are no low- or moderate-income census tracts within the bank's assessment area.

Compliance with Antidiscrimination Laws

A fair lending review performed with this CRA examination revealed satisfactory compliance with fair lending regulations. At this examination, we used alternative fair lending procedures. This entailed a review of the bank's policy, procedures, and practices. As such, we noted no practices intended to discourage or impede potential borrowers from applying for credit.

Responses to Complaints

The bank has not received any consumer complaints related to the bank's CRA performance.