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Comptroller of the Currency  
Administrator of National Banks

Small Bank

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## **PUBLIC DISCLOSURE**

**March 11, 1999**

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

**First National Bank of Anderson  
Charter Number 7337**

**Highway 90 at FM 1774  
Anderson, Texas 77830**

**Office of the Comptroller of the Currency  
Southwestern District Office  
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 Anderson, Anderson, Texas (FNBA)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 11, 1999**. 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.”**

FNBA's performance rating is supported by:

- Ž a reasonable loan to deposit ratio,
- Ž a satisfactory record of lending to borrowers within the assessment area,
- Ž a reasonable distribution of loans to individuals and businesses of all income characteristics, and
- Ž a satisfactory geographic distribution of loans among all census tracts.

The following table indicates the performance level of FNBA with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<b>First National Bank of Anderson Anderson, Texas Performance Levels</b>		
	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:**

FNBA is a \$57 million full service institution which serves Grimes County and surrounding areas. The bank offers drive-in facilities at its single location in Anderson, Texas. The bank does not offer automated teller machines. The bank offers a limited alternative delivery system via their telephone dial in voice response system. This system enables customers to check loan and deposit balances, make transfers between accounts, and make loan payments.

FNBA's single office is located at the corner of Highway 90 and FM 1774 in the central part of Grimes County. This bank has been in operation for almost ninety-five years since July of 1904. This trade area is primarily characterized by farm, ranch, and other agricultural related businesses. Oil and gas production is also of some importance in the area. The bank's office is located in a middle income census tract. All of the assessment area (Grimes County) is comprised of three middle income census tracts. In the immediate area, banking competition is moderate. The bank is 100% owned by a holding company, First Anderson Bancshares, Inc. which was formed in 1984. Ownership of the holding company is local with 46 shareholders. There are no other affiliates or subsidiaries of FNBA.

The bank's primary business focus is consumer lending, financing single family residences, agrarian lending, and commercial lending to small businesses. At December 31, 1998, construction and land development loans comprised 6% of the loan portfolio and loans secured by farmland comprised an additional 6% of the loan portfolio. Commercial and industrial loans totaled 19% of the loan portfolio, loans to finance agricultural production and other loans to farmers totaled 14% of the loan portfolio, loans to individuals made up 25% of the loan portfolio, loans secured by 1-4 family residential properties made up 20% of the portfolio, and 8% was secured by other commercial real estate. Other various loans accounted for 2% of the loan portfolio.

There are no legal, financial or other factors impeding the FNBA's ability to help meet the credit needs of its assessment area.

The last CRA examination of FNBA was conducted as of July 18, 1995, at which time the bank received a "Satisfactory" rating.

## **Description of FNBA's Assessment Area**

FNBA's assessment area includes all of the geopolitical Grimes County which is located approximately 90 miles northwest of downtown Houston, Texas and 35 miles southeast of the Bryan/College Station area in rural southeast central Texas. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies.

The local Grimes County economy is stable. The City of Anderson has approximately 450 inhabitants. Oil and gas production has been important to the local economy and has typically helped mitigate the down times in the cattle and farming industry. Recent declines in energy have slowed the economy somewhat

contributing to local layoffs and reduction in hours worked in the oil field manufacturing sector. However, in general, many of the local farmers hold their property debt free which has helped to moderate the economic down turns. They incur debt only for production purposes. A recent recovery in cattle prices have helped mitigate some of the effects of the downturn in energy prices. Manufacturing, farming, and government account for approximately 65% of total employment in Grimes County.

Four other financial institutions operate in Grimes County. One is a national chartered commercial bank in nearby Navasota, another is a branch of a state chartered bank in Navasota, another is a savings and loan in Navasota, and the other is a state chartered bank in nearby Bedias.

The following chart reflects population and income characteristics of FNBA’s assessment area. The assessment area does not arbitrarily exclude Low-and-Moderate Income (LMI) areas.

<b>Income and Population Characteristics of FNBA’s Assessment Area</b>	
	<b>Grimes County</b>
1990 Census Population	18,828
1990 Census Weighted Average Median Family Income	\$24,440
1998 Updated H.U.D. Weighted Average Median Family Income	\$32,100

The following charts depict some of the demographic information for FNBA’s assessment area which is Grimes County.

<b>Grimes County Assessment Area</b>				
<b>Type of Census Tract</b>	<b>Number of Census Tracts</b>	<b>Percentage of Total Number of Census Tracts</b>	<b>Number of Households in Census Tracts</b>	<b>Percentage of Households in Census Tracts</b>
<b>Low Income</b>	0	0%	0	0%
<b>Moderate Income</b>	0	0%	0	0%
<b>Middle Income</b>	3	100%	6,012	100%
<b>Upper Income</b>	0	0%	0	0%

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### Loan to Deposit Ratio

The loan to deposit ratio is reasonable when compared to other commercial banks within the assessment and surrounding area. The loan to deposit ratio was 64% at December 31, 1998. The loan to deposit ratio has been steadily increasing over the past two years. The quarterly loan to deposit ratio average for FNBA since the last CRA examination is 51%. A comparison of FNBA to the two other commercial bank charters operating in the assessment area reflected that FNBA ranked significantly higher in loan to deposit ratios. The two other commercial banks operating in the assessment area have loan to deposit ratios of 41% and 33%. A review of ten commercial banks in contiguous, primarily rural counties indicates a range of 21% to 93% loan to deposit ratios with an average of 58%.

### Lending in the Assessment Area

A majority of the dollar volume and number of FNBA's loans are within its assessment area. The following chart reflects an analysis performed by management of the percentages of the dollar amount of loans made within the assessment area. This sample included virtually 100% of the total dollar volume and the total number of loans which comprise the entire loan portfolio.

<b>Lending Within and Outside of the Assessment Area As of December 31, 1998</b>		
	<b>Percentage of the Dollar Volume of Loans</b>	<b>Percentage of the Number of Loans</b>
<b>Loans Within the Assessment Area</b>	63%	62%
<b>Loans Outside of the Assessment Area</b>	37%	38%

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

The lending patterns of this institution indicate the bank is doing a reasonable job of lending to small businesses and a reasonable job of lending to consumers in the assessment area.

Information on business revenue or individual borrowers is not collected by the bank. FNBA is primarily consumer, agricultural, commercial, and business oriented. As of December 31, 1998, the loan portfolio

was comprised of 20% farmland and other agricultural lending, commercial and industrial lending of 19% with another 25% of loans to individuals and 20% in 1-4 single family residences.

Since income information is not available on individual borrowers or businesses, loan size was used by proxy to determine lending to businesses of different sizes. Of the total loan portfolio, all but two of the loans were originated for less than \$1 million. Additionally, only nineteen of the approximately 6,200 loans originated were for more than \$200 thousand. Further, the average size of all loans originated during this period was \$ 5,400.

### **Geographic Distribution of Loans**

There is reasonable distribution of loans extended within the assessment area. As previously mentioned, the assessment area of the bank is the political subdivision of Grimes County. Grimes County contains approximately 793 square miles and has only three census tracts. All of these census tracts are middle income tracts. The bank has loans extended in 100% of the census tracts in its assessment area. The following chart reflects the distribution of all types of loans within the bank’s assessment area by income designation of the census tract. This analysis is based on a sample of virtually 100% of the loans which originated in the past two years.

<b>Geographic Analysis of Loans Within the Assessment Area as of December 31, 1998</b>			
<b>Type of Census Tract</b>	<b>Percentage of the Number of Loans Within Type of Census Tract</b>	<b>Percentage of the Dollar Amount of Loans Within Type of Census Tract</b>	<b>Percentage of Census Tracts by Income Characteristic</b>
<b>Low Income</b>	0%	0%	0%
<b>Moderate Income</b>	0%	0%	0%
<b>Middle Income</b>	100%	100%	100%
<b>Upper Income</b>	0%	0%	0%

This distribution is reasonable when considering the geographic location of the bank office which is located in a middle income census tract and the large geographic size of the assessment area. There are no low, moderate, or upper income census tracts in the assessment area of Grimes County.

### **Summary**

The bank is in substantial compliance with the spirit, intent, and technical aspects of anti-discrimination laws. No violations of fair lending laws were noted. Management is providing appropriate employee training programs to help ensure adherence to fair lending laws. Management has also adopted satisfactory policies

and procedures to promote equal credit opportunities for all applicants regardless of race, color, religion, national origin, sex, marital status, age, or the fact that all or part of the applicant's income is derived from a public assistance program. The loan to deposit ratio, lending in the assessment area, lending to borrowers of different incomes and businesses of different sizes, and the geographic distribution of loans is reasonable for the institution's resources.