



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 17, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of San Augustine
Charter Number 6214**

**123 S. Harrison
P.O. Drawer 559
San Augustine, Texas 75972**

**Office of the Comptroller of the Currency
Southwestern District
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 **The First National Bank of San Augustine** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of July 17, 1997. 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 First National Bank of San Augustine has a satisfactory record of meeting community credit needs. This satisfactory rating is based upon:

- ▶ The bank's loan-to-deposit ratio of 38.07% is comparable to the ratios of other area banks.
- ▶ A significant portion of the bank's core loan products are extended within its assessment area.
- ▶ Credit activity is reasonably distributed to borrowers of different income levels.
- ▶ Geographic distribution of loans reflects a reasonable penetration throughout the assessment area.

The following table indicates the performance level of **The First National Bank of San Augustine** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of San Augustine</u> PERFORMANCE LEVELS		
	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 have been received since the previous CRA examination		

DESCRIPTION OF INSTITUTION:

The First National Bank of San Augustine is a community bank with total assets of \$53 million. The main office is located at 123 S. Harrison Street, San Augustine, Texas. In addition, a full service branch has been operating since September 25, 1987, and is located at the corner of Highway 147 and Prestige Street in Broaddus, Texas. An Automatic Teller Machine (ATM) is located at the Brookshire Brothers grocery store at 705 W. Columbia Street, San Augustine. Outstanding loans on March 31, 1997 totaled \$18 million. Loan products offered include 1- 4 family residential (interim construction and permanent), consumer, commercial, and agricultural loans. The primary business focus includes agricultural real estate and consumer lending. Composition of the loan portfolio by type is as follows: agricultural 33%; consumer 27%; residential real estate 18%; commercial 18%; and other 4%. There are no legal impediments which limit the bank's ability to meet the credit needs of the assessment area.

DESCRIPTION OF SAN AUGUSTINE COUNTY:

The Board has designated the bank's assessment area as San Augustine County. The designated assessment area includes Block Numbering Areas (BNA) 9501, 9502, and 9503 and include the communities of San Augustine and Broaddus. Within the assessment area, two of the three BNA's are designated as moderate income areas with the one remaining BNA designated as a middle income area. The county's population is 7,999 according to 1990 Census Bureau data. Approximately 32% of the families are low income, 18% are moderate income, 17% are middle income, and 32% are upper income. According to Department of Housing and Urban Development (HUD), the median family income in San Augustine County in 1996 was \$28,900. The area economy is stable with an unemployment rate of approximately 6.5% (1993). Local employment opportunities are centered in the following industries: services (health, finance, insurance), agriculture, manufacturing, and construction. Major employers include: Deep East Texas Electrical Coop, State of Texas Highway Department, and Twin Lakes, Colonial Pines, and San Augustine Nursing Homes. Additionally, many San Augustine citizens commute to work in Pineland and Center, Texas.

Competition within the assessment area is moderate. Although there are no other local institutions headquartered in San Augustine County, the assessment area does contain branches of three banks situated outside the assessment area.

As part of our evaluation, we contacted an official with a local quasi-government

agency. This official revealed that area financial institutions have been responsive to the needs of the community. The official also believed that there continues to be a need for affordable housing, predominantly rental property, within the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO:

The loan-to-deposit ratio of The First National Bank of San Augustine is comparable to the ratios of other area banks. As of March 31, 1997, First National Bank's loan-to-deposit ratio equaled 38.03%. The loan-to-deposit ratio has averaged 38.07% since our previous assessment of the bank's CRA activities dated July 25, 1994. The average loan-to-deposit ratio of seven other banks located in surrounding Shelby, Sabine, and Jasper counties was 43.25% during the same time period. Individual loan-to-deposit ratios for these banks averaged from a low of 21.56% to a high of 98.69%.

LENDING IN ASSESSMENT AREA:

A substantial majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 23 residential mortgages, 38 consumer loans, and 27 business loans originated in 1996 and year-to-date 1997. The combined sample reflected approximately 88% of the number of loans and 70% by dollar amount were extended within the bank's assessment area. The breakdown by loan category is illustrated below.

Residential Mortgages	Number	Percent	Dollar Amt. (000's)	Percent
Inside Assessment Area	23	100%	639	100%
Outside Assessment Area	0	0%	0	0%

Consumer Loans	Number	Percent	Dollar Amt. (000's)	Percent
Inside Assessment Area	34	89.47%	33	89.19%
Outside Assessment Area	4	10.53%	4	10.81%

Business Loans	Number	Percent	Dollar Amt. (000's)	Percent
Inside Assessment Area	20	74.07%	1,576	61.64%
Outside Assessment Area	7	25.93%	981	38.36%

As the bank's assessment area is predominantly rural and agricultural, business lending opportunities are limited. Management is willing to accommodate commercial customers outside the assessment area in order to obtain quality business loans.

LENDING TO BORROWERS OF DIFFERENT INCOME AND TO BUSINESSES OF DIFFERENT SIZES:

The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. The distribution of loans within each income category approximates the income characteristics of the population within the assessment area. We performed an analysis based on a sample of consumer, residential, and business loans originated within the bank's assessment area in 1996 and 1997. The following table details the results of our analysis.

Lending to Borrowers of Different Income Levels										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	32%		18%		17%		32%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	1	5%	4	17%	4	17%	14	61%	23	100%
Consumer	16	47%	9	26%	5	15%	4	12%	34	100%
Revenue Ranges	Less than \$100,000		\$100,000- \$500,000		\$500,000-- \$1,000,000		Over \$1,000,000			

Commercial	9	45%	7	35%	1	5%	3	15%	20	100%
------------	---	-----	---	-----	---	----	---	-----	----	------

GEOGRAPHIC DISTRIBUTION OF LOANS:

The geographic distribution of loan originations reflects a reasonable distribution throughout the Block Numbering Areas (BNA) within the assessment area. Based on addresses of loan recipients, we were able to determine in which BNA our sample of consumer, residential, and business loans were originated. The following table reflects the distribution by number of loan originations in the assessment area:

Geographic Distribution of Loans										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	0%		65%		35%		0%		100%	
Count	0		2		1		0		3	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	17	74%	6	26%	0	0%	23	100%
Consumer	0	0%	23	68%	11	32%	0	0%	34	100%
Commercial	0	0%	16	80%	4	20%	0	0%	20	100%

RESPONSE TO COMPLAINTS:

There have been no written complaints related to CRA performance since the previous CRA examination. Furthermore, we did not identify any substantive violations involving anti-discrimination laws or regulations.