



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**October 15, 2001**

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

**The First National Bank of Gilmer  
Charter Number 5288**

**201 North Wood  
Gilmer, TX 75644**

**Comptroller of the Currency  
Longview Field Office  
1800 West Loop 281 Suite 306  
Longview, TX 75604**

**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.**

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## INSTITUTION'S CRA RATING

**This institution is rated Satisfactory.**

First National Bank of Gilmer has a satisfactory record of meeting community credit needs. This rating is based on the following:

- ◆ The bank's loan-to-deposit ratio is reasonable when compared to other area banks.
- ◆ A majority of the bank's loans are extended within its assessment area.
- ◆ Credit activity is reasonably distributed to borrowers of different income levels.
- ◆ The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

## DESCRIPTION OF INSTITUTION

First National Bank of Gilmer is a \$176 million bank located at 201 North Wood, Gilmer, Texas. The bank is wholly owned by First Gilmer Bancshares, Inc. which is wholly owned by First Gilmer Delaware Limited. The bank has three full service branch offices, the main branch office in Gilmer and a full service branch located in the Wal-Mart Supercenter also in Gilmer. Furthermore, another full service branch is located at 908 West Broadway in Big Sandy, Texas. Automated teller machines (ATMs) are located at all branch locations, with an additional ATM housed in a convenience store in Bettie, Texas. The bank offers a variety of loan and deposit products, and will soon be offering Internet Banking options. As of September 30, 2001, loans totaled \$116 million and represented 63.0% 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>
Commercial Real Estate Loans	17,344	14.90%
Commercial Loans	21,659	18.60%
Residential Real Estate Loans	16,336	14.03%
Consumer Loans	61,089	52.47%
<b>Total</b>	<b>116,428</b>	<b>100.00%</b>

There are no legal impediments or other factors, which inhibit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Examination dated June 3, 1997.

## DESCRIPTION OF THE ASSESSMENT AREA

The Board has designated the Upshur County as its assessment area. The designated assessment area is part of the Longview - Marshall Metropolitan Statistical Area (MSA). The assessment area includes one moderate-income tract, and six middle-income tracts. The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude moderate-income geographies. The following table provides a description of the assessment area based on census data and 2001 Department of Housing and Urban Development (HUD) information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	8,850
Number of Households	11,373
<i>Geographies</i>	
Number of Census Tracts/BNA	7
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	14.29%
% Middle-Income Census Tracts/BNA	85.71%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$26,145
1990 HUD-Adjusted MFI	\$28,627
Update HUD-Adjusted MFI	\$41,500
<i>Economic Indicators</i>	
Unemployment Rate	3.51%
2001 Median Housing Value	\$40,984
% of Households Below Poverty Level	18.84%

The designated assessment area has a total population of 31,370. Only 14.29% of all families live in the moderate-income census tracts/block numbering areas (BNAs), and 85.71% live in middle-income census tracts/BNAs. The distribution of families by income level consists of the following: 24.7% are low income, 18.3% are moderate income, 22.3% are middle income, and 34.4% are upper income.

Major employers in the area include Rob Roy Industries, City of Gilmer, Wal-Mart Supercenter, and Gilmer Potteries. Competition within is moderate with several financial institutions. The local economy is considered stable with an unemployment rate of 3.51%.

Contacts with a local Housing Authority Official and realtor revealed the primary community credit needs for the area are residential mortgages and consumer loans. The housing authority official also discussed the need for affordable housing.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan-to-deposit ratio of First National Bank of Gilmer is reasonable given the bank's size, financial condition, and assessment of area credit needs. The bank's quarterly average loan-to-deposit ratio was 55.01% since the prior CRA examination in June 1997. The average loan-to-deposit ratio of banks within the assessment area for the same period was 57%. The quarterly average loan-to-deposit ratio for each bank in the assessment area is listed below.

Institution	Assets (as of 09/30/01)	Average LTD Ratio
Security State Bank, Ore City	47,929	65.16%
Gilmer National Bank	155,105	50.01%
<i>First National Bank of Gilmer</i>	<i>175,047</i>	<i>55.01%</i>

### Lending in Assessment Area

A majority of the bank's lending activity is located within the assessment area. We reviewed a sample of 578 residential mortgages, 9,557 consumer loans, and 1,479 commercial loans, which represents all loans originated since January 1998. This sample revealed that approximately 62.04% of the number of loans and 58.42% of the dollar amount of loans in our sample were extended within the bank's assessment area. The breakdown by loan category is illustrated in the following table.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	6,128	64.05	43,535	58.27	3,429	35.95	31,174	41.73
Commercial	650	43.95	17,238	50.83	829	56.05	16,677	49.17
1-4 family dwelling	433	74.91	15,570	70.61	145	25.09	6,482	29.39
Total Reviewed	7,211	62.04	76,343	58.42	4,413	37.96	54,333	41.58

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

The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. Our sample of loans in the assessment area included 433 residential mortgages totaling \$15,570M and 6,128 consumer loans totaling \$43,535M. This sample represents all loans made since 1998. The distribution of home purchase loans and consumer loans approximates the income characteristics of the assessment area. The table on the following page reflects the results of our analysis.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	25.0%		18.3%		22.3%		34.4%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans for years 1998 thru YTD 2001	16.17	5.60	19.40	11.16	27.84	26.83	36.49	56.42

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	28.2%		15.5%		19.1%		37.2%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans for years 1998 thru YTD 2001	36.80	22.45	25.69	22.63	17.82	19.57	19.70	35.35

The distribution of business loans reflects a reasonable penetration among businesses of different sizes. Based on U. S. Census information, there are 1,100 businesses in the assessment area with revenues less than \$1 million. This number represents 89.43% of all businesses within the assessment area. Our sample of commercial loans in the assessment area included 25 loans. The table below reflects the bank's lending distribution among large and small businesses within the assessment area.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	89.39%	5.13%
% of Bank Loans in AA #	56.00%	44.00%
% of Bank Loans in AA \$	49.93%	50.07%

The remaining 5.48% represents revenues not reported.

### Geographic Distribution of Loans

The distribution of loans reflects a reasonable penetration throughout the assessment area given the bank's overall business strategy and locations. The percentage of households below the poverty level in the moderate-income tract is 27.5%, compared to 17.9% in the middle-income tracts. This can negatively impact opportunities to originate residential mortgages in the moderate-income areas. The following charts indicates a reasonable penetration of loans to individuals in moderate-income level tracts.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied <sup>4</sup>	0%		10.1%		89.9%		0%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans for years 1998 thru YTD 2001	0%	0%	8.31%	8.37%	91.69%	91.63%	0%	0%

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0%		14.3%		85.7		0%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans for years 1998 thru YTD 2001	0%	0%	7.41%	7.28%	92.59%	92.72%	0%	0%

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses <sup>6</sup>	0%		0%		100%		0%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans for years 1998 thru YTD 2001	0%	0%	5.23%	5.71%	94.77%	94.29%	0%	0%

The geographic distribution of business loans is reasonable based on the bank's locations and the demographics of each area. The bank is lending to businesses in moderate-income areas that were not identified as a business in the demographic data used for comparisons.

### Responses to Complaints

Management has not received any written complaints related to CRA performance since the prior CRA examination.

## **Fair Lending Review**

An analysis of year 2000 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that performance of a comprehensive fair lending examination would not be necessary in connection with the CRA evaluation this year. The most recent comprehensive fair lending examination was performed in 2000.