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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

OCTOBER 3, 1996

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

**First National Bank of Chillicothe  
Charter #12513  
200 Avenue H  
Chillicothe, Texas 79225**

**Comptroller of the Currency  
500 N. Akard  
1600 Lincoln Plaza  
Dallas, Texas**

**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 Chillicothe, Texas**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 3, 1996**. 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.

Factors which indicate First National Bank of Chillicothe (FNB) commitment to principals of Community Reinvestment Act:

- Average loan to deposit ratio since the previous CRA evaluation in March 1994 is 39.39%.
- Loan to deposit ratio has risen from 29% in March 1994 to 48% in June 1996.
- Currently outstanding loans within the assessment area total 78%..
- Loans were made to small farms and businesses and to persons with low or moderate income.

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

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b><u>FIRST NATIONAL BANK OF CLAUDE</u> PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
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	REVIEW WOULD NOT BE MEANINGFUL AS THERE ARE NO LOW OR MODERATE INCOME AREAS; SEE REVIEW BY INCOME AND SIZE		
Response to Complaints	NO COMPLAINTS HAVE BEEN RECEIVED		

## DESCRIPTION OF INSTITUTION

FNB is a \$37 million institution in the City of Chillicothe, Texas. During the first quarter of 1994, the bank opened a branch in Quanah, Texas. The bank is a subsidiary of Northern Bancshares, Inc., a one bank holding company located in Chillicothe, Texas.

The size of the bank somewhat limits the size of loans the bank can make. However, through participation agreements with other banks, the bank would be able to handle larger lines for customers in the area.

Total loans comprise just above 42 percent of Total Assets. Table 1 illustrates the composition of FNB loan portfolio as of September 30, 1996.

**Table 1**

LOAN TYPE	LOAN BALANCE	% OF TOTAL LOANS
REAL ESTATE LOANS	4,498	28.9
COMMERCIAL LOANS	2,202	14.1
AGRICULTURAL LOANS	4,310	27.6
INDIVIDUAL LOANS	4,579	29.4
TOTAL LOANS	15,589	100.0

FNB competition is primarily with five other financial institutions in the nearby communities of Quanah and Vernon, Texas. These institutions are able to provide similar banking and credit services to those offered at FNB, and in some cases, product offerings may be more extensive due to the size of the institution.

There are no legal or other financial factors which prevent FNB from being able to meet the credit needs of the assessment area.

## DESCRIPTION OF HARDEMAN COUNTY

FNB's assessment area (AA) is defined as Hardeman County, which is located 80 miles northwest of Wichita Falls, Texas. The AA meets the regulatory requirements and does not arbitrarily exclude any low or moderate income geographies. The County is not in an MSA but is a political subdivision. Chillicothe and Quanah are the largest cities in the County.

The population of the AA is approximately 5,200 consisting of two block numbering areas (BNAs). The two BNAs in Hardeman county are middle income tracts. Median Census Family Income is \$24,586, and the HUD Median Income for 1996 is \$28,900 (non-MSA).

The demographic information on the county indicates that persons with low- to moderate-income levels live throughout the county and in both BNAs. Of 1,443 families in the AA,

330 (22.87%) are identified as having low income and 244 families (16.91%) have moderate income.

The primary credit needs of the community relate to the agricultural economy. Lending is primarily needed for agricultural production. Local residents also need financing for home purchase or home improvement, automobiles, or other consumer items.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :**

**Loan-to-Deposit Ratio**

We reviewed the bank’s loan-to-deposit ratio for the quarters since the last examination in 1994. The average ratio was 44% over the twelve quarters reviewed. The ratio as of September 30, 1996, was 48%. This level is considered reasonable for the size and location of the bank as well as the economy of the area. We observed that the average ratio is higher than the ratios for other banks in the area with similar asset size. Lending volume is somewhat seasonal due to the level of agricultural loans extended.

**Lending in the Assessment Area**

The FNB lends primarily within its AA. Our assessment is based on a review of a sample of loans originated since January 1995. Table 2 reflects the distribution of loans within and outside the AA by loan type.

**Table 2: SAMPLE SUMMARY**

LN TYPE	IN AA				OUTSIDE AA				TOTAL BY TYPE			
	#	%	\$	%	#	%	\$	%	#	%	\$	%
COMMERCIAL	5	100	511.0	100	0	0	0	0	5	12.5	511.0	34.8
AG-RELATED	5	100	629.0	100	0	0	0	0	5	12.5	629.0	42.9
Residential Real Estate	10	100	178.0	100	0	0	0	0	10	25	178.0	12.1
CONSUMER	15	75	90.0	60.4	5	25	59	39.6	20	50	149.0	10.2
TOTAL SAMPLE	28	96	1,408.0	95.4	5	25	59	4.6	40	100.0	1,467.0	100.0

ALL %'S ARE BASED ON TOTAL LOANS SAMPLED

This distribution is a very good level of lending within the AA, indicating that the bank is concerned primarily with local needs. Our review showed that this lending pattern was consistent for all types of loans extended.

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

Using file information for the loans sampled, we observed that the bank lends to persons with low- and moderate-income levels. FNB also lends for small business and agriculture

purposes. Based on our lending sample, 40% of loans by number (8.1% by volume) were to low or moderate income borrowers. Also, the sample showed 12.5% of loans by number and 34.8% by volume were to small businesses, while 12.5% by number and 42.9% by volume were to small farm borrowers. These levels indicate that FNB satisfactorily lends to persons of all income levels through the AA.

### **Geographic Distribution of Loans**

Due to the limited number of geographies and the absence of any low or moderate income areas in the AA, a review of the geographic distribution of loans would not be meaningful. We based our determination that the bank is satisfactorily lending to all areas from our review detailed above of lending across various income levels.

A concurrent Fair Lending review was performed with this examination. There were no practices noted that would discourage applicants from applying for the types of credit offered. Management solicits loans from all segments of the population including individual with low or moderate income. There were no violations of the substantive provisions of antidiscrimination laws and regulations.

### **Responses to Complaints**

The Public File did not contain any complaints filed since the last examination.