

**SMALL BANK**

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**Comptroller of the Currency  
Administrator of National Banks**

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## **PUBLIC DISCLOSURE**

October 12, 1999

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

**Fort Hood National Bank  
Charter Number 15606**

**Building 137  
Fort Hood, Texas 76544**

**Office of the Comptroller of the Currency  
Southwestern District, Austin Field Office  
8310 Capital of Texas Highway, Suite 250  
Austin, Texas 78731-1080**

**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 CRA performance of *Fort Hood National Bank (FHNB)* prepared by the *Office of the Comptroller of the Currency*, the institution's supervisory agency, as of October 12, 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.”**

FHNB's lending performance reflects a satisfactory responsiveness to community credit needs. The following highlights the bank's performance:

- C The loan-to-deposit (LTD) ratio is well below other banks having an office or branch on a military base, but is in line with banks identified as having military personnel as their primary customer (peer). On a quarterly basis, FHNB's LTD ratio averaged 13.1% from June 1996 to June 1999; peer averaged 27.5% for the same period. The bank's LTD ratio, as of September 30, 1999, was 32.1%.
- C A substantial majority of the number and dollar volume of loans originated from January 1997 through September 1999 are in the bank's assessment area.
- C The distribution of borrowers reflects a satisfactory penetration to individuals of different incomes and businesses of different sizes.
- C The geographic distribution of loans reflects a reasonable penetration throughout the bank's assessment area.
- C FHNB was assessed a rating of “Outstanding” at the March 11, 1996 examination. The bank has

not received any consumer complaints concerning its CRA performance since that time.

## DESCRIPTION OF INSTITUTION

FHNB is located on the Fort Hood Army Post. As of September 30, 1999, the bank had total assets of \$107 million and total loans of \$31 million, 29% of total assets. The bank's market niche is consumer lending. Even though consumer loans total only 31% of the loan portfolio, this loan type has historically been in the 60% of portfolio range. The loan mix changed significantly when FHNB purchased \$19 million in commercial real estate loans from its affiliate First National Bank - Texas in Killeen (FNBT) in September 1999. FHNB's loan portfolio as of September 30, 1999 is detailed in the following table.

Loan Type	Dollar Amount (000's)	% of Total
Commercial Real Estate	\$ 18,948	61.9%
Consumer Loans	\$ 9,535	31.2%
1 - 4 Residential Real Estate	\$ 1,357	4.4%
Commercial and Industrial Loans	\$ 507	1.7%
Agricultural Loans	\$ 218	0.7%
Multifamily Real Estate	\$ 13	0.1%
Total	\$ 30,578	100%

There are no legal or financial impediments which affect the bank's ability to meet the credit needs of the community. However, FHNB does face strong competition for the consumer market from area banks, credit unions, pawn shops, captive finance companies, and quasi-governmental agencies such as the U.S. Army and U.S. Air Force Exchange Service.

FHNB has an extensive branching network for a bank of its size. The bank has four full service offices, three Post Exchange offices which offer teller and new account services, four new account processing centers, and 52 automatic teller machines (ATMs), all located on the Fort Hood Army Post. The bank also provides expanded hours to accommodate the varied military personnel schedules. Full service banking is available at two locations seven days a week. New account and various teller services are available from 7:00 a.m. until 10:00 p.m. The bank has a 24 hour toll-free telephone number that allows customers to obtain deposit account information and apply for loans by telephone. FHNB also accepts new account applications, loan applications, and customer service requests over the Internet at [www.fhnb.com](http://www.fhnb.com). These services are available worldwide. The bank also offers numerous deposit products directed to the lower-income customers. One cent will open any checking account the bank offers.

The bank is 100% owned by First Community Bancshares, Inc., a two-bank holding company. The bank is affiliated through common ownership with FNBT which had total assets of \$260 million at September 30, 1999. FNBT has several branches and numerous ATMs located in FHNB's assessment area and has an agreement to provide certain banking services to FHNB's customers.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area includes a portion of the Killeen-Temple Metropolitan Statistical Area. The bank's assessment area specifically includes the Fort Hood Army Post and the adjacent cities of Copperas Cove, Harker Heights, Killeen, and Nolanville. Fort Hood is the largest United States military installation. Data from the Fort Hood Public Affairs Office indicates that there are 41 thousand assigned military personnel. Family members and civilian personnel employed at the base approximate an additional 29 thousand. On-post population is approximately 70 thousand. There are an additional 221 thousand persons off-post related to the military and 33 thousand retirees who live in the surrounding communities. Fort Hood is the single largest employer in the state of Texas. The post provides a total economic impact to the area of \$3.7 billion. The combined population of the cities of Copperas Cove, Harker Heights, Killeen, and Nolanville approximates 149 thousand.

The assessment area includes 27 census tracts, 15 of which are middle-income. Six upper-income census tracts are located in the southeastern Killeen and Harker Heights areas. Five moderate-income areas include Fort Hood and contiguous census tracts. The only low-income census tract in the assessment area is located in downtown Killeen, a predominantly commercial area. Statistics from the Department of Housing and Urban Development indicate that the area's updated 1999 median family income is \$39,000.

Management has identified small consumer loans as the primary credit need for their target market. Contacts with two military officials indicate there are no unmet credit needs in the community. Both contacts did express a concern about access to cash and the fees associated with ATMs and check-cashing programs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

FHNB's lending performance is adequate in relationship to the lending opportunities available within the assessment area. The bank offers credit throughout its entire assessment area; however, due to the location of its offices, the majority of the bank's customers include current and former Fort Hood military personnel, as well as civilians working on post. In order to more actively participate in those areas off-base, FHNB has purchased interests in local commercial real estate loans from its affiliate FNBT. FHNB's LTD ratio averaged 13.1% on a quarterly basis for the three year period ending June 30, 1999. The LTD ratio was 32.1% as of September 30, 1999. This significant increase is the result of FHNB purchasing loan participation from its affiliate FNBT. The majority of these loans are to small businesses located in the

bank's assessment area.

FHNB's average LTD ratio of 13.1% was in line with two of four banks identified as having military personnel as their primary customer, but was below the average LTD ratio of 27.5% for these banks. A negative impact on the bank's LTD ratio is the volume of military payroll deposited on a monthly basis which averages \$22 million or 23.2% of core deposits. Also impacting FHNB's LTD ratio is the number of small loans originated by the bank. The LTD ratio does not reflect the bank's true lending volume. From January 1998 through September 1999, the bank approved 18,742 loans with an average loan amount of \$671. FHNB approves many small loans through its "Flash Cash" and "Fresh Start" programs. The "Flash Cash" loan program allows a borrower to obtain credit without an established credit history. The minimum loan amount available is \$50. The "Fresh Start" loan program allows borrowers to pay overdrafts from checking accounts on an installment basis.

FHNB receives very few residential home loan applications since the military provides housing or housing allowances to the soldiers and the average tour of duty at the post is only three years. Home loan applications are referred to First Community Mortgage Company, a subsidiary of FNBT in Killeen. Additionally, the bank receives very few commercial loan applications. Management states that soldiers are discouraged from starting outside businesses because of their required mobility.

### **Borrower Distribution**

The loan distribution by borrower reflects a good penetration among individuals of different income levels, particularly low- and moderate-income individuals. From January 1998 through September 1999, the bank made 91% of all its consumer loans to low- and moderate-income borrowers. This is consistent with the demographics of FHNB's primary customer base, enlisted personnel who traditionally fall in the low- to moderate-income population.

### **In/Out Ratio and Geographic Distribution**

Given the nature of the assessment area, the geographic distribution of loans reflects a reasonable dispersion throughout the entire assessment area. Internal bank-prepared reports indicate that 91% of the number of loans originated since January 1998 were within its assessment area. Internal reports also indicate that FHNB funded 67% of consumer loans since January 1998 to borrowers in low- (1%) to moderate-income (66%) census tracts. Again, this is consistent with the demographics given that a significant number of enlisted personnel live on post, a moderate-income area.

### **Complaints**

During this evaluation period, FHNB has not received any consumer complaints regarding its CRA

performance. Further, based on the fair lending portion of the examination, no violations of the substantive provisions of antidiscrimination laws and regulations were identified.