

Southwestern District
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3394

PUBLIC DISCLOSURE

September 7, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Whitewright
Charter Number: 4692
201 West Grand
Whitewright, Texas 75491**

**Office of the Comptroller of the Currency
Dallas North Field Office
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201**

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 Whitewright** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of September 7, 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**.

The following factors support this overall rating:

- ! The bank's quarterly average loan to deposit ratio meets the standards for satisfactory performance given its size, financial condition, and assessment area credit needs.
- ! The bank originated a substantial majority of home and consumer loans sampled within the bank's assessment area.
- ! The bank's lending performance reflects a reasonable distribution of credit to businesses of different sizes and borrowers of different income levels.
- ! The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	THE FIRST NATIONAL BANK OF WHITEWRIGHT 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	FNBW did not receive any complaints concerning its CRA performance.		

Scope of the Examination

This evaluation of The First National Bank of Whitewright's (FNBW) CRA performance covers the period from April 29, 1996 through September 7, 1999. The evaluation includes an analysis of FNBW's designated assessment area, which covers Grayson County, Texas.

Description of Institution

FNBW serves the community of Grayson County, which is in the Sherman-Denison MSA #7640. The bank is a \$47 million institution, with its main office on West Grand in Whitewright, Texas and branch offices, including ATMs, on West Main Street in Denison, Texas and East Gallagher in Sherman, Texas. In addition, drive-up facilities provide extended weekday hours at both the Denison and Sherman branch offices and Saturday hours at all the branch locations.

FNBW continues to be a niche lender especially in consumer lending. Besides consumer loans, the bank offers additional credit products to its community, including real estate, commercial and business financing. The bank's main competition stems from area credit unions and local national and state

banks. FNBW does not have any financial or legal obstacles affecting its ability to meet its community's credit needs. The following table portrays the principle loan mix of FNBW:

TYPES OF DOMESTIC LOANS OUTSTANDING		
JUNE 30, 1999		
(\$000's)		
<i>TYPE OF LOANS</i>	<i>AMOUNT</i>	<i>PERCENTAGE</i>
Installment	\$10,773	40%
1-4 Family Residential Loans	\$9,236	34%
Secured by Real Estate	\$2,838	11%
Construction & Land Development	\$1,975	7%
Commercial Loans	\$1,418	5%
Finance Agricultural Production	\$604	2%
Other Loans (obligations)	\$34	<1%
TOTAL	\$26,878	100%

FNBW was rated "Satisfactory" in the previous CRA public disclosure dated April 29, 1996.

Description of Assessment Area

FNBW has defined its assessment area as Grayson County within the Sherman-Denison MSA #7640, which consists of 22 census tracts. The assessment area meets regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas. The following table reflects the demographics for the county.

ASSESSMENT AREA DEMOGRAPHICS			
<i>Designation</i>	<i># Census Tracts</i>	<i>% of Total Census Tracts</i>	<i>% of Households Residing in the Census Tracts</i>
Low	1	5%	<1%
Moderate	7	32%	22%
Middle	10	45%	57%
Upper	4	18%	21%
TOTAL	22	100%	100%

More than 95,021 residents populate the assessment area. Based on the updated HUD-1999 Census information, the median family income for the Sherman-Denison MSA is \$42,100. The median housing value for the bank's assessment area is \$47,150, with the median age of housing stock at 32 years. The total occupied housing units for the assessment area is at 83%, with owner-occupied housing at 58% and rental-occupied housing at 25%. Vacant housing units in the assessment area are at 17%.

Unemployment rates have remained low and steady over the past two years at approximately 3%. Bank management has stated that the local economy is good. The largest industries in the assessment area are retail trade and the medical industry. The largest employers in the Sherman-Denison MSA are TCIM, a telemarketing firm, MEMC, a silicon wafer producer, and North Texas Cement, a concrete production facility.

We determined the credit needs of the community through discussions with management. Management indicated that the primary credit need is low-income housing. In addition, we contacted a local business in the city of Denison during the examination. The community contact stated that financial institutions are meeting the community's credit needs.

Conclusions with Respect to Performance Criteria:

This review covers consumer loans made April 1999 to September 7, 1999, and home mortgage loans made the period from April 29, 1996 to September 7, 1999.

Loan-to-Deposit Ratio

FNBW's quarterly average loan-to-deposit ratio for the past 13 quarters is 59%. Given the bank's size, financial condition, and assessment area credit needs, FNBW meets the standards for satisfactory performance.

We compared FNBW's quarterly average loan-to-deposit ratio to its local peer group, which consists of state- and national-chartered banks in the Sherman-Denison MSA #7640, with total assets of \$50 million or less. The local peer group's quarterly average loan-to-deposit ratio is 51%, which is lower than the bank's 13-quarter average.

Lending in Assessment Area (AA)

Based on our sample, the bank originated a substantial majority of home mortgage and consumer loans within its assessment area. We took a sample of 20 home mortgage loans and 20 consumer loans to determine the bank's lending penetration.

ASSESSMENT AREA LENDING					
Loan Type	Total Sampled	# of Loans in AA	% of # Loans in AA	Amount (\$000s)	% of Amount

ASSESSMENT AREA LENDING					
Home Loans	20	19	95%	\$1,119	95%
Consumer Loans	20	17	85%	\$103	92%
Total	40	36	90%	\$1,222	95%

Lending to Businesses of Different Sizes

FNBW's lending to businesses of different sizes is adequate. Small business loans are defined as loans of less than \$1.0 million, and small farm loans are loans of less than \$500 thousand. As of June 30, 1999, FNBW has 110 loans outstanding to small businesses and small farms totaling \$4.7 million or 18% of the bank's total loan portfolio.

Lending to Borrowers of Different Incomes

FNBW's record of lending to borrowers of different income levels is adequate. Our review of home mortgage and consumer loans revealed reasonable lending patterns.

Distribution of Loans to Borrowers of Different Incomes					
Income Classification	% Families	Consumer		Home Mortgage	
		#	%	#	%
Low	20%	5	29%	1	5%
Moderate	18%	7	41%	4	21%
Middle	23%	2	12%	5	26%
Upper	39%	1	6%	9	48%
Not Available	0%	2	12%	0	0%
TOTAL	100%	17	100%	19	100%

FNBW does not obtain current financial information on loan customers who have previous loan relationships with the bank. As a result, two of the 17 consumer loans sampled did not have current financial information and therefore, were not included in the analysis of lending to borrowers of different incomes. However, the distribution of borrowers reflects a reasonable penetration among individuals of different income levels based on the loans that did have current financial information available.

Geographic Distribution of Loans

FNBW has a reasonable distribution of loans in the assessment area. This distribution is reasonable considering competitive factors and the size and location of the bank. Based on the bank's 1998 and 1999 home mortgage data, FNBW did not have any loan penetration to the low-income census tract within the assessment area. However, the bank made 26 loans to borrowers in moderate-income census tracts, which constituted 22% of the home mortgage loans made in 1998 and 1999.

Based on the consumer loan sample, most of consumer lending penetration exists within the middle-income census tracts. Thirteen or 76% of the consumer loans made from April 1999 to September 7, 1999 were to middle-income census tracts and three or 18% were to moderate-income census tracts.

The bank has no loan penetration in census tract 16.02, which is the low-income census tract. Census tract 16.02 is located in downtown Sherman. Based on the 1990 U.S. Census, the total number of housing units is 143, with 73% as rental units. In addition, the updated MSA median family income of census tract 16.02 is \$9,153. As such, the bank has limited opportunities to provide home mortgage loans to borrowers residing in this census tract.

Compliance with Antidiscrimination Laws

A fair lending review performed with this CRA examination revealed satisfactory compliance with fair lending regulations. We noted no practices intended to discourage or impede potential borrowers from applying for credit.

Responses to Complaints

FNBW has not received any complaints during this evaluation period.