



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**October 20, 2003**

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

**The First National Bank Of Brownfield  
Charter Number 11415**

**301 West Main Street  
Brownfield, TX 79316**

**Comptroller of the Currency  
Lubbock Field Office  
5225 South Loop 289 Suite 108  
Lubbock, TX 79424**

**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.**

The First National Bank of Brownfield (FNB) has a satisfactory record of meeting community credit needs. This is based on the following:

- The bank’s loan-to-deposit ratio is reasonable and averaged 28.2 percent during the evaluation period. Such performance is reasonable given the available loan demand within the assessment area.
- A substantial majority of FNB’s loans are within the bank’s assessment area. Based on a sample of loans, 88.9 percent of the number of loans and 92.4 percent of the dollar volume of loans were to borrowers within the assessment area.
- FNB has an excellent penetration of loans to farms of different sizes, and individuals of different income (including low- and moderate-income) levels.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- There have been no complaints with respect to FNB’s CRA performance.

**DESCRIPTION OF INSTITUTION**

The First National Bank of Brownfield is a community bank in Brownfield, Texas, which is approximately 35 miles southwest of Lubbock. FNB is an intrastate bank with one main office, and with drive-up facilities. FNB reported assets of \$115 million as of December 31, 2002.

As of June 30, 2003, FNB had total assets of \$107 million, with 27 percent in the loan portfolio. The bank's primary loan products include agricultural loans and consumer loans. The following chart details FNB's loan portfolio as of September 30, 2003.

<b>Loan Portfolio Composition as of September 30, 2003</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Agricultural	13,559	41.79
Residential Real Estate	5,037	15.52
Consumer	4,231	13.04
Commercial Real Estate	3,629	11.18
Agricultural Real Estate	2,840	8.75
Commercial & Industrial	2,734	8.43
Other	417	1.29
<b>Total</b>	<b>32,447</b>	<b>100.00</b>

Source: June 30, 2003 Report of Condition

Bank lobby and drive-through services are provided Monday through Saturday. Based on its financial condition, the local economy, product offerings, and competition, FNB has the ability to meet the various credit needs in its community. The bank was rated “Satisfactory” at the last CRA examination on June 1, 1999.

FNB’s business strategy is to provide outstanding banking services to customers in West Texas while increasing the long-term value of the owners’ investment. No legal impediments or other factors hinder FNB’s ability to provide credit in its assessment area. FNB’s Tier 1 Capital level was \$17.4 million, representing 15.5 percent of adjusted average assets as of June 30, 2003. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

## DESCRIPTION OF TERRY COUNTY

FNB has designated Terry County as its assessment area (AA). Terry County is located on the southern High Plains of West Texas and is among the state leaders in cotton production. Brownfield is the largest city in Terry County and is also the county seat. Smaller communities within the AA include Meadow and Wellman. Specific demographic data and economic data for this area are listed below.

<b>Demographic and Economic Characteristics of Terry County AA</b>	
<b>Population</b>	
Number of Families	3,556
Number of Households	4,427
<b>Geographies</b>	
Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	25.00%
% Middle-Income Census Tracts/BNA	50.00%
% Upper-Income Census Tracts/BNA	25.00%
<b>Median Family Income (MFI)</b>	
1990 MFI for AA	24,585
2002 HUD-Adjusted MFI	36,100
<b>Economic Indicators</b>	
Unemployment Rate	3.22
2002 Median Housing Value	36,332
% of Households Below Poverty Level	20.58

*Source: 1990 Census data and HUD updated income data.*

The bank's AA is comprised of four contiguous block numbering areas (BNAs). This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

Based on 1990 Census data, the AA has a total population of 13,218. There are 5,296 housing units in the AA, of which 61 percent are owner-occupied, 23 percent are renter-occupied, and 15 percent are vacant. Approximately 20 percent of the families in the AA are considered low-income. Moderate-income families approximate 17 percent of the population, while middle- and upper-income families comprise the remaining 63 percent. The local economy is based on agriculture and has been impacted by depressed crop prices and drought conditions. The largest non-agricultural

employers within the AA include the Texas State Department of Justice (Prison System) and education (Terry County Independent School District).

Competition in the AA consists of three financial institutions. Additional competition is provided by Ag Texas Farm Credit Services, Farm Service Agency, Brownfield Federal Credit, and John Deere Credit. One community member was contacted for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. The individual indicated that the local economy has stabilized and the local financial institutions are cooperative and diligent in trying to meet the community's credit needs. The individual did not identify any unmet credit needs in the community.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan-to-deposit ratio of FNB is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 28.2 percent since the prior CRA examination in June 1999. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 46.05 percent. Traditionally, FNB has primarily been an agricultural lender. The bank's loan-to-deposit ratio has been negatively impacted by the extended drought conditions experienced in Terry County. As a result, agricultural production loans have not been fully funded through the agriculture funding cycle resulting in a lower loan-to-deposit ratio.

The quarterly average loan-to-deposit ratio for each similarly situated bank in or contiguous to the assessment area is listed below. Please note that these banks are listed alphabetically by city and that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 06/30/03)	Average Loan-to-Deposit Ratio
First National Bank, Brownfield	107,270	28.20%
First National Bank, Lamesa	108,662	28.03%
First National Bank, Tahoka	46,975	35.46%
Lamesa National Bank	162,634	51.06%
Sundown State Bank	54,936	69.64%

Source: Institution Reports of Condition from September 1998 to June 2003

### Lending in Assessment Area

A substantial majority of the bank's loans were made within its AA. In order to assess performance for this criteria, we reviewed 20 agricultural and 25 consumer loans originated between January 2000 and December 2002. Our analysis determined that 88.9 percent of the number of loans and 92.4 percent of the dollar amount of loans in the sample were extended within the bank's AA. The breakdown by loan category is illustrated in the following table.

Lending in the Assessment Area								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Agricultural	20	100%	575	100%	0	0%	0	0%
Consumer	20	80.0%	193	75.4%	5	20.0%	63	24.6%
Total Reviewed	40	88.9%	768	92.4%	5	11.1%	63	7.6%

Source: Sample of loans used for CRA performance analysis

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

FNB's loan portfolio reflects an excellent distribution among individuals of various income levels (including low- and moderate-income) and farms of different sizes within its AA. To perform our analysis, we reviewed income information of 20 agriculture- and 20 consumer-purpose loans in the Terry County AA.

Agricultural Loans - Based on 2002 Farm Demographic Data, there are 177 agricultural operations with reported revenues located within the AA. Of this number, 94.4 percent of farms reported revenues less than or equal to \$1 million. Of the loans in the agricultural purpose sample, 100 percent were to farms reporting annual revenues below \$1 million. This level exceeds the assessment area information and reflects a substantial penetration of loans to small farmers. The following chart reflects the results of our selected sample of agricultural loans originated in this AA.

Borrower Distribution of Loans to Agricultural Operations in Terry County Assessment Area		
Agricultural Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farms	94.4%	5.6%
% of Bank Loans in AA by #	100%	0.00%
% of Bank Loans in AA by \$	100%	0.00%

Source: Loan sample; Dunn and Bradstreet data

Consumer Loans - Our analysis reflects an excellent penetration of consumer loans to low- and moderate-income households in the AA. Based on 1990 Census Information, 37.4 percent of households in the AA are low- and moderate income. Our review determined that 45 percent of consumer loans were made to low- and moderate-income households. The distribution of consumer loans exceeds the income characteristics of the AA for low- and moderate-income households. The following chart reflects the results of our selected sample of consumer loans originated in the AA.

Borrower Distribution of Consumer Loans in Terry County Assessment Area								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	23.1%		14.3%		15.8%		46.9%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	30.0%	9.8%	15.0%	12.0%	30.0%	29.9%	25.0%	48.3%

Source: Loan sample; 1990 U.S. Census data.

### Geographic Distribution of Loans

FNB's geographic distribution of loans within the census tracts is reasonable given the bank's business strategy and locations. Our analysis included 20 agricultural and 20 consumer loans originated during 2000 through December 2002.

Agricultural Loans - The performance in the moderate-income BNA was lower than the demographic composition of the assessment area. The moderate income BNA is located within the city limits of Brownfield. It consists of an older commercial area of Brownfield and consequently, represents little or no farmland. The following chart reflects the results of our selected sample of agricultural loans originated in FNB's AA.

Geographic Distribution of Agricultural Loans in Terry County AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Farms	0.00%		7.91%		57.63%		34.63%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	0.00%	0.00%	5.0%	1.4%	85.0%	92.0%	10.0%	6.6%

Source: Loan sample; Dunn and Bradstreet data

Consumer Loans - Our analysis indicated that the geographic distribution of loans in the moderate-income area for consumer loans did not reflect the make-up of the assessment area. Demographic information indicates that the moderate-income area is located in the older section of Brownfield City that is primarily businesses. The following chart reflects the results of our selected sample of consumer loans originated in Terry County.

Geographic Distribution of Consumer Loans in Terry County AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0%		18.3%		22.5%		59.2%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	0.0%	0.0%	5.0%	.3%	10.0%	4.3%	85.0%	95.4%

Source: Loan sample; 1990 U.S. Census data.

## Responses to Complaints

No complaints relating to CRA performance have been received by FNB.

## Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.