



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

OCTOBER 31, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank in Quanah
Charter #12307
Third & Mercer
Quanah, Texas 79252**

**Comptroller of the Currency
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3394**

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 in Quanah, Texas**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 31, 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 in Quanah (FNB) commitment to principals of Community Reinvestment Act:

- Highest percent of loans to individuals within the assessment area at 49%.
- Second highest percent of loans for RE within the assessment area at 35%.
- Loan to deposit ratio has risen from 19% since the last examination to 28% on September 1996.
- Eighty-eight percent of the number and 88% of the amount of new loans made since January of 1995 are within the assessment area.
- Sixteen percent of the loans made since January 1995 have been to low income applicants and 18% have been made to moderate income applicants.
- Although loan to deposit ratio is relatively lower than other banks in the assessment area, targeted groups have smaller loan requests which distorts the impact. Thirty-three percent of loans made since January 1995 were to low or moderate income borrowers, but represented only 12% of the dollars loaned.
- 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 in Quanah with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST NATIONAL BANK IN QUANAH</u> 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	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 \$39 million institution in the City of Quanah, Texas. The bank is a subsidiary of Quanah BankShares Inc., a one bank holding company located in Quanah, Texas. The last CRA examination was performed as of October 21, 1993, and resulted in a "Satisfactory record of meeting community credit needs." The bank has one ATM facility.

Total loans comprise just above 28 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	3,071	35.0
COMMERCIAL LOANS	1,132	26.7
AGRICULTURAL LOANS	4,310	27.6
INDIVIDUAL LOANS	4,579	29.4
TOTAL LOANS	15,589	100.0

FNB's competition is primarily with two other financial institutions, one in Quanah and one in the nearby community of Chillicothe, Texas. The Bank in Chillicothe also has a branch in Quanah. These institutions are able to provide similar banking and credit services to those offered at FNB.

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 and small industrial production. Lending is primarily needed for agricultural production and to accommodate consumer needs for home purchase or home improvement, automobiles, or other consumer needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

We reviewed the bank's loan-to-deposit ratio for each of the quarters since the last examination in 1993. The average ratio was 23% over the twelve quarters reviewed. The ratio as of September 30, 1996, was 28%. 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 lower than the ratios for other banks in the area. However, the loan to deposit ratio has improved since the previous examination, from 19% to 28%. The increase is partly attributable to the bank's focus on increasing consumer loans and loans to applicants of low and moderate incomes. The bank's focus on this group has increased the number of loans and volume, but since most are relatively small, it has had limited impact on the loan to deposit ratio. Some 33% of the bank's loans since January of 1995 have been to low or moderate income individuals but this has accounted for only 12% of the dollar amount. FNB has the financial ability to meet the credit needs of its AA.

Lending in the Assessment Area

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

Table 2: SUMMARY

LN TYPE	IN AA				OUTSIDE AA				TOTAL	
	#	%	\$(000)	%	#	%	\$(000)	%	#	\$(000)
Real Estate	54	88	1,295.0	86	7	12	220	15	61	6,819.0
Commercial	40	87	758.0	95	6	13	43	5	46	801.0
Individual	470	86	2,977.0	84	75	14	565	16	545	3,542.0
Agricultural	57	100	1,092.0	100	0	0	0	0	57	1,092.0
TOTAL SAMPLE	621	88	6,122.0	88	88	12	828	12	709	6,950.0

ALL %'S ARE BASED ON TOTAL LOANS ORIGINATED AFTER JANUARY 1, 1995 THROUGH OCTOBER 31, 1996.

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 information the bank was able to provide from loan filters, 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 reviewing loans originated since January of 1995, we were able to conclude that 33% of loans by number (12% by volume) were to low or moderate income borrowers. Also, all business and farm loans reviewed in our sample were found to meet the definition of a small business or small farm borrower.

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. We found that the principals of fair lending to be adequately considered in loan decisions and compliance with fair lending laws is very good. No violations were noted.

Responses to Complaints

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