



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

October 13, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Jasper
Charter Number 14886**

**301 East Houston
Jasper, Texas 77626**

**Office of the Comptroller of the Currency
Houston East Duty Station
1301 McKinney Street, Suite 3750
Houston, Texas 77010**

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 Jasper** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 13, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25. A copy of this document should be placed in the bank's public file.*

INSTITUTION'S CRA RATING: This institution is rated “*Satisfactory.*”

First National Bank of Jasper has a *satisfactory* record of meeting credit needs within the community. The bank's loan-to-deposit ratio is low but reasonable considering the credit needs of the community. A majority of loans originated by First National Bank of Jasper are within the assessment area. The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. The bank's record of lending to borrowers of different income levels, including low-and moderate-income individuals and businesses of different sizes is reasonable.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST NATIONAL BANK OF JASPER</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		X	
Response to Complaints	No complaints were received since the prior CRA examination.		

DESCRIPTION OF INSTITUTION

First National Bank of Jasper is a \$169 million institution serving its customers with a main location in Jasper, Texas and a branch location on Highway 190 East in Woodville, Texas. The Jasper location has a stand alone ATM. In August 1996, a drive-up ATM was installed at the Woodville branch location. To help meet the credit needs of its community, the bank offers general loan products for consumers and small businesses. Lending activity is in the following categories: loans to individuals (46%), one to four family residential property (23%), real estate (17%), and commercial and industrial loans (13%). The bank offers a variety of deposit accounts and other banking services as well.

DESCRIPTION OF ASSESSMENT AREA

First National Bank of Jasper's assessment area consists of eight block numbering areas (BNAs) which includes Jasper and Tyler Counties. Of the eight BNAs within the assessment area, only one is defined as moderate-income. The other BNAs are middle-income. The assessment area does not have any BNAs designated as low or upper income. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The assessment area has a population of about 31 thousand people, with 20% living below the established poverty level. The city of Jasper has most of the population with approximately 8,600 residents. Jasper has a moderate senior citizen population (16%) and retired individuals comprise 16% of the population. The remaining population lives in rural areas in close proximity to Jasper and Tyler Counties. The assessment area has approximately 14 thousand housing units with 72% being one to four family units. The number of owner occupied units is high accounting for 65% of the one to four family units. The percentage of vacant housing units is low at 17% of the total. The median housing value is \$38,355 and the median monthly gross rent is \$323. According to the 1990 census, the weighted average Metropolitan Statistical Area (MSA) Non-MSA's Census Median Family Income was \$24,586. The updated Median Family Income of all Non-MSAs is \$32,100. Social security payments are received by 34% of the population in the assessment area.

Competition in the area, especially in the city of Jasper, is intense. First National Bank of Jasper is subject to competition from three other banks (a branch of a national bank and two state chartered banks), as well as several other non-bank financial entities in the area. Two New York brokerage houses maintain local offices in Jasper and sell a significant amount of investment products, including mutual funds and annuities. Although there are several other financial institutions in close proximity to the Woodville branch, there is less competition.

Jasper is the largest city in the county and is the county seat. Timber growth, logging, pulpwood production, saw milling and other manufacturing wood products are important contributors to the local economy. Tourism is the second largest industry in the area. Visitors come to see the local national forests and fish in the renowned Lake Sam Rayburn, the largest freshwater lake wholly within the state of Texas.

As of June 30, 1998, unemployment was 10.4% for the city of Jasper and 12.5% for the county. Major employers in the area include: Temple Inland, Inc.; Louisiana Pacific; Walmart Supercenter; Jasper Independent School District; Jasper Oil Company; and Jasper Memorial Hospital.

COMMUNITY'S CREDIT NEEDS

First National Bank of Jasper has identified general consumer loans, residential loans, and small business loans as the assessment area's primary credit needs. A segment of the population is made up of retirees who are savers rather than borrowers. Also, due to the high level of unemployed residents, the demand for credit is low. Community organizations, contacted during the examination, indicate that the banks in the area are active in the community in both lending and providing service. These community contacts also indicated the need for community development funding. To a degree, it is noted that the banks in the area are impeded from participating in the funding of the major economic development projects because of size and available resources.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

First National Bank of Jasper actively attempts to meet the credit needs of its assessment area. The bank's loan-to-deposit ratio is low but reasonable based on the community's credit needs. This ratio is also affected by the intense competition in the bank's assessment area.

The loan-to-deposit ratio as of September 30, 1998 was 27%. Since the prior CRA Performance Evaluation dated March 29, 1995, the bank's loan-to-deposit ratio has averaged 26% and is in line with the average of other similarly situated banks in the two counties, 31%. First National Bank of Jasper's ratios for the five most recent quarters are shown in Table 1.

Table 1

QUARTER ENDED	LOAN-TO-DEPOSIT RATIOS
September 30, 1998	27.48%
June 30, 1998	27.43%
March 31, 1998	27.02%
December 31, 1997	30.20%
September 30, 1997	28.59%
Five Quarter Average	28.14%

LENDING IN THE ASSESSMENT AREA

A bank prepared analysis (based on zip codes) revealed that a majority of First National Bank of Jasper's loans is within its assessment area. This analysis revealed that 93% of the loans originated within the bank's assessment area.

Examiner analysis performed during the examination included a sample of 82 consumer, residential real estate, and small business loan files. This analysis revealed that 80% of the number and 85% of the dollar volume were within the assessment area.

Detail relating to this analysis is shown in Table 2.

Table 2

1998 LENDING IN THE ASSESSMENT AREA				
Type	Within		Outside	
Consumer	\$ 213,439	77%	\$ 62,442	27%
	# 30	73%	# 11	23%
Residential	\$ 945,625	94%	\$ 63,260	6%
	# 15	88%	# 2	12%
Small Business	\$2,525,734	82%	\$546,321	18%
	# 21	88%	# 3	12%

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

Overall, First National Bank of Jasper’s level of lending to individuals of different income levels and businesses of different sizes is reasonable. Loan applications are solicited from all income levels. However, our sample of consumer loans revealed a greater proportion of lending to low- and moderate-income borrowers than reflected by the area demographics. The bank has a significant portion of it’s consumer loans to low-and moderate-income borrowers. A review of a sample of residential home purchase loans showed a majority of the loans were made to middle and upper income borrowers. In addition, our sample of commercial loans revealed a majority of loans were to small businesses with revenues less than \$1 million per year.

Table 3 summarizes our review.

Table 3

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	0%		10%		90%		0%		100%	
Loans	#	%	#	%	#	%	#	%	#	%
Residential	3	20%	3	20%	4	27%	5	33%	15	100%
Consumer	15	52%	8	28%	5	17%	1	3%	29	100%
Total	18	41%	11	25%	9	20%	6	14%	44	100%
Revenue Ranges	< \$100M		\$100M--\$500M		\$500--\$1MM		> \$1MM		Total	
Commercial	6	27%	7	32%	4	18%	5	23%	22	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. Our sample of loans from the bank’s consumer, mortgage, and small business portfolios revealed a reasonable geographic distribution of loans. The percentage of loans in moderate income tracts and middle income tracts closely approximates the area demographic characteristics.

Table 4 is based upon that information and details the distribution of loans within the assessment area.

Table 4

GEOGRAPHIC DISTRIBUTION OF LOANS										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	0%		13%		87%		0%		100%	
Count	0		1		7		0			
	#	%	#	%	#	%	#	%	#	%
Loan Types										
Residential	0	0%	2	13%	13	87%	0	0%	15	100%
Consumer	0	0%	5	17%	25	83%	0	0%	30	100%
Small Business	0	0%	4	19%	17	81%	0	0%	21	100%
Total Loans	0	0%	11	17%	55	83%	0	0%	66	100%

RESPONSE TO COMPLAINTS

First National Bank of Jasper did not receive any consumer complaints since the prior CRA examination. However, the bank has a satisfactory procedure in place to handle consumer complaints.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

A Fair Lending review was performed in conjunction with the CRA examination. No violations of the substantive provisions of the anti-discrimination laws and regulations were cited during the examination.

OTHER CONSIDERATIONS

First National Bank of Jasper actively participates in lending projects designed to contribute to the general welfare of the community. This includes offering and originating "Low Doc" Small Business Administration loans and home purchase loans under a "Special Home Purchase Loan Program". Also, to further encourage consumer borrowing, the bank offers and originates credit to low-and moderate-income customers in amounts as low as \$50.

The bank's loan officers have actively solicited and made community development loans which includes loans to several area churches and funds for several rural water supply systems. First National Bank of Jasper also invests in the community through the purchase of bonds for both the City of Jasper and Jasper County, as well as the purchase of similar securities in Tyler County where the branch is located. First National Bank of Jasper financed bonds in Tyler County for road and bridge construction.

First National Bank of Jasper made a commitment and has provided funds at reasonable rates to groups involved in the renewal and refurbishment of the community's historic business district, Main Street Project. Specifically, in 1997, First National Bank of Jasper financed the renovation of an old hotel in the downtown area. This historical landmark has been restored and now serves as a bed and breakfast and restaurant.

The bank provided funds for the construction of an assisted living center in the Woodville segment of the assessment area. The opening of the living center resulted in new jobs for the unemployed as well as providing housing for the elderly in the area.

First National Banks of Jasper has invested in the community and monitor this investment by direct involvement with numerous clubs and organizations.