



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 3, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Gilmer
Charter Number 5288**

**Post Office Box 520
Gilmer, Texas**

**Office of the Comptroller of the Currency
Southwestern District
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 **The First National Bank of Gilmer** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of June 3, 1997. 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**.

First National Bank has a satisfactory record of meeting community credit needs. This satisfactory rating is based upon:

- ▶ The bank's loan-to-deposit ratio of 41.13% is comparable to other banks headquartered in Upshur County.
- ▶ Credit activity is reasonably distributed to borrowers of different income levels.
- ▶ Geographic distribution of loans within the assessment area reflects a reasonable penetration throughout the assessment area.
- ▶ A significant portion of the bank's core loan products are extended within its assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>THE FIRST NATIONAL BANK OF GILMER</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 have been received since the previous CRA examination.		

DESCRIPTION OF INSTITUTION:

The First National Bank of Gilmer is a community bank with total assets of \$146 million. Outstanding loans on March 31, 1997 totaled \$54 million. Loan products offered include consumer, commercial, agricultural, and 1-4 family residential (permanent and interim construction) loans. Composition of the loan portfolio by type is as follows: consumer related 44%; commercial 22%; agricultural 12%; residential real estate 15%; and other 7%. The primary business focus is consumer lending. There are no legal impediments which limit the bank's ability to meet the credit needs of the assessment area. The main office is located at 201 North Wood Street, Gilmer, Texas. In addition, a full service branch was opened on January 29, 1997 and is located in the Walmart Supercenter in Gilmer at 1923 North Wood Street. Each office location has an ATM for customer convenience.

DESCRIPTION OF UPSHUR COUNTY:

The Board has designated the bank's assessment area as Upshur County. The designated assessment area is part of the Longview - Marshall Metropolitan Statistical Area. The designated assessment area includes Block Numbering Areas (BNA) 9501, 9502, 9503, 9504, 9505, 9506, and 9507.98. The assessment area includes the communities of Bettie, Big Sandy, Diana, Gilmer, Ore City, and Pritchett. Within the assessment area, one BNA is designated as moderate income area; the remaining six BNA are designated as middle income areas. The county's population is 31,370, according to 1990 Census Bureau data. Approximately 25% of the families are low income, 18% are moderate income, 22% are middle income, and 35% are upper income families. According to 1996 Department of Housing and Urban Development (HUD), the median family income in Upshur County is \$34,100. The area economy is stable with an unemployment rate of approximately 5.7%. Local employment opportunities are centered in the following industries: manufacturing, agriculture, publishing, government. Major area employers include Gilmer Potteries, Dean Lumber, Rob Roy Industries, Annie's Attic, Needlecraft Shop, and local school districts. A significant portion of the workforce commutes daily to nearby cities of Longview and Tyler for employment opportunities. A recent contact with a local government official revealed that area financial institutions have been responsive to the needs of the community. The official also believed that there continues to be a need for small business development loans within the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO:

The loan-to-deposit ratio of The First National Bank of Gilmer is comparable to other banks in Upshur County. As of March 31, 1997, The First National Bank of Gilmer's loan-to-deposit ratio equaled 41.13%. The loan-to-deposit ratio has averaged 38.41% since our previous assessment of the bank's CRA activities dated February 22, 1994. The average loan-to-deposit ratio of three other banks headquartered in the assessment area was 46.94% during the same time period. Individual loan-to-deposit ratios for these banks averaged from a low of 39.36% to a high of 53.56%. More revealing, the loan-to-deposit ratio of The First National Bank of Gilmer has increased from a low of 28.44% to the present level of 41.13% since the previous assessment of CRA activities. Compared to other banks in the assessment area, The First National Bank of Gilmer recorded the greatest increase in lending during this time-frame.

LENDING IN ASSESSMENT AREA:

A majority of the bank's consumer and 1-4 family residential lending (permanent and interim construction) is conducted within the assessment area. Our analysis revealed, by number, 79% of consumer loans and 94% of 1-4 family residential loans are extended within the assessment area. Based on the dollar volume of loans originated, 84% of consumer loans and 91% of 1-4 family residential loans are originated within the assessment area.

A majority of the bank's business loans, 68% based on the number of loans, are originated within the assessment area. Based on dollar volume, less than a majority of business loans are originated within the assessment area. Our sample revealed 37% of business loans, based on dollar volume, are extended within the assessment area. Within the assessment area, demand for large business loans is limited. Consequently, business loans granted outside the assessment area tend to be larger loans. The bank continues to actively seek business lending opportunities within the assessment area.

Tables I & II are used to support conclusions on the assessment criteria Lending in Assessment Area. Data was derived from a sample of new loans originated by the bank in the 1996 and the first quarter of 1997. The sample included 53 consumer, 17 residential mortgage, and 19 business loans. The following tables reflect the results of our analysis.

Table I:

(By Number of Loans)	LENDING WITHIN THE ASSESSMENT AREA					
	Loans Within Assessment Area		Loans Outside Assessment Area		TOTAL	
Loan Types	#	%	#	%	#	%
Consumer Loans	42	79%	11	21%	53	100%
Business Loans	13	68%	6	32%	19	100%
Residential Mortgages	16	94%	1	6%	17	100%

Table II:

(By Dollar Volume of Loans)	LENDING WITHIN THE ASSESSMENT AREA					
	Loans Within Assessment Area		Loans Outside Assessment Area		TOTAL	
Loan Types	\$ (000)	%	\$ (000)	%	\$ (000)	%
Consumer Loans	\$65	84%	\$12	16%	\$77	100%
Business Loans	\$1,985	37%	\$3,385	63%	\$5,370	100%
Residential Mortgages	\$738	91%	\$72	9%	\$77	100%

LENDING TO BORROWERS OF DIFFERENT INCOME AND TO BUSINESSES OF DIFFERENT SIZES:

The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels, and businesses of different sizes. The distribution of loans within each income category approximates the income characteristics of the population within the assessment area. We performed an analysis based on a sample of consumer, residential mortgage, and business loans originated within the bank's assessment area in 1996 and 1997. The following table details the results of our analysis:

Lending to Borrowers of Different Income Levels										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	25%		18%		22%		35%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	1	6%	5	31%	4	25%	6	38%	16	100%
Consumer	14	33%	11	26%	9	22%	8	19%	42	100%
Revenue Ranges	Less than \$100,000		\$100,000-\$500,000		\$500,000--\$1,000,000		Over \$1,000,000			
Business	2	15%	5	39%	3	23%	3	23%	13	100%

GEOGRAPHIC DISTRIBUTION OF LOANS:

The geographic distribution of loan originations reflects a reasonable distribution throughout the Block Numbering Areas (BNA) within the assessment area. Based on addresses of loan recipients, we were able to determine in which BNA our sample of consumer, residential, and business loans were originated. The following table reflects the distribution by number of loan origination in the assessment area:

Geographic Distribution of Loans										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	0%		14%		86%		0%		100%	
Count	0		1		6		0		7	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	2	13%	14	87%	0	0%	16	100%
Consumer	0	0%	5	12%	37	88%	0	0%	42	100%
Commercial	0	0%	1	8%	12	92%	0	0%	13	100%

RESPONSE TO COMPLAINTS:

There have been no written complaints related to CRA performance since the previous CRA examination. Furthermore, we did not identify any substantive violations involving anti-discrimination laws or regulations.