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Comptroller of the Currency  
Administrator of National Banks

(SMALL BANK)

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## **PUBLIC DISCLOSURE**

**June 1, 1999**

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

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

**301 West Main  
Brownfield, Texas 79316**

**Office of the Comptroller of the Currency  
Southwestern District  
500 N. Akard, 1600 Lincoln Plaza  
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 Brownfield** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 1, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

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

- C The bank's loan-to-deposit ratio is reasonable, averaging 24% from December 31, 1996, to March 31, 1999. When adjusted for residential mortgage loans sold in the secondary market, public deposits, and large private depositors with no lending relationship, the average loan-to-deposit ratio is 34%.
- C A majority of the loans sampled during the examination, 88% of the number of loans and 85% of the dollar volume, are within the bank's assessment area.
- C The lending pattern reflects a reasonable penetration among individuals of different income levels and a good penetration among businesses of different sizes.
- C An analysis of the geographic distribution of loans would not be meaningful. There are no low-income geographies in the assessment area.
- C There have been no consumer complaints regarding the bank's CRA performance.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Brownfield</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	An analysis of the geographic distribution of loans would not be meaningful.		
Response to Complaints	The bank has not received any complaints regarding its performance under the CRA.		

## DESCRIPTION OF INSTITUTION

The First National Bank of Brownfield (FNB) is located in Brownfield, Texas, and reported total assets of \$129 million at March 31, 1999. FNB has one full-service banking location and two ATMs, all in the City of Brownfield. FNB is wholly-owned by a one-bank holding company in Brownfield, Texas, and has no other affiliates.

The bank faces strong competition from other financial institutions within the assessment area, particularly for agricultural loans. The bank is primarily an agricultural lender.

At March 31, 1999, FNB's loan portfolio totaled \$24 million representing 18% of total assets. The following table provides a general breakdown of this loan portfolio in (\$000's).

LOAN TYPE	LOAN BALANCE	% OF PORTFOLIO
Agricultural (including those secured by farmland)	12,107	51.49%
1-4 Family Residential	4,355	18.52%
Consumer	3,616	15.38%
Commercial (including Commercial real estate)	3,420	14.54%
Other	16	0.07%
TOTAL	23,514	100.00%

Source: March 31, 1999 Report of Condition

The bank has no legal or financial impediments that interfere with its ability to make credit available in its assessment area. The last CRA rating is dated October 21, 1996, and the bank's performance was rated Satisfactory then. The evaluation period for this examination is from October 22, 1996, to June 1, 1999. Primary emphasis was placed on the full years of 1997 and 1998, and year-to date 1999.

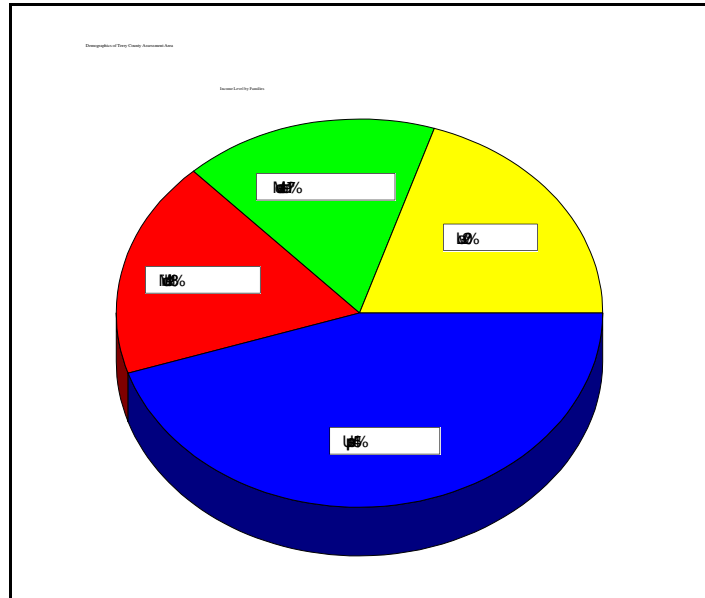
## DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area is Terry County. This assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

### **C Terry County**

Terry County is 40 miles southwest of Lubbock, Texas, and includes the communities of Brownfield, Meadow, and Wellman. The estimated current population of the county is 13,218, including the city of Brownfield with an estimated 10,000 people. Information obtained from the Brownfield Chamber of Commerce and the Brownfield Industrial Development Corporation shows that the population has been stable since the previous examination.

The 1990 Census median family income is \$24,586. The 1998 updated HUD median family income is \$33,900. Terry County contains four block numbering areas (BNA), including one moderate-income, two middle-income, and one upper-income BNA. There are no low-income BNAs in the assessment area. Thirty-seven percent of the families have been identified as low- or moderate-income. The chart at right shows the demographic composition of Terry County.



Major employers in Terry County include the Brownfield ISD, Brownfield Regional Medical Center, Jim Rudd Transfer Facility (correctional facility), Wal-Mart Discount Store, and United Supermarket.

The Terry County economy is heavily influenced by agricultural production, including cotton, grain sorghum, wheat, peanuts, and watermelons. Over the last several years the local economy has been adversely affected by low agricultural commodity prices and adverse weather conditions, and consolidation in the oil and gas service industry.

FNB offers a variety of credit products, including agricultural, commercial, first and second lien residential mortgages, and consumer loans. Other financial institutions in Terry County include branches of two out-of-area commercial banks and a credit union. The assessment area has several finance companies. Strong competition for agricultural loans is also provided by a branch of the Lubbock Production Credit Association and commercial banks located outside the assessment area.

We performed two community contacts during this examination. These contacts were with a local realtor and a member of the clergy. The purpose of community contacts is to help in developing a community profile, identifying opportunities for participation by local financial institutions, and evaluating the performance of those institutions. In general terms, the contacts feel that the following issues could be improved upon through additional bank involvement:

- C Down payment and closing cost assistance for affordable housing applicants;
- C Home ownership and credit counseling services; and
- C Greater willingness to lend to persons with limited or no credit history.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### C Loan-to-Deposit Ratio

FNB's quarterly loan-to-deposit ratio averaged 24% during this evaluation period and reflected typical seasonal agricultural lending patterns. We compared this ratio with eleven other similarly situated banks located in contiguous counties, excluding Lubbock County that is a Metropolitan Statistical Area. These eleven banks have an average loan-to-deposit ratio during the same period of 48%. Four of the banks in this group have average loan-to-deposit ratios ranging from 28% to 38%. Four of the banks have ratios ranging from 63% to 70%. All of the banks in this group had total assets of less than \$200 million. We found that several factors negatively influenced FNB's loan-to-deposit ratio during the period.

- C FNB has strong competition for agricultural loans, which is its primary lending focus. The local branch of the Lubbock Production Credit Association is very active in operating and fixed asset financing to Terry County farmers. One community contact stated that several out-of-area financial institutions make agricultural loans in the assessment area, particularly northern Terry County. Loan market share information for other lenders in the assessment area is not available.
  
- C FNB sells residential mortgage loans in the secondary market and has certain deposits that tend to inflate the deposit base upon which lending activity would normally be evaluated. During this evaluation period, FNB originated and sold \$1.4 million in residential mortgage loans. FNB accepts public fund deposits. The aggregate quarterly balance of these deposits has ranged from \$12.7 million to \$16.2 million during the evaluation period. After the date of this evaluation, the bank obtained an additional \$5 million in public fund deposits. The deposit base is further characterized by a concentration of customers with large balances who do not borrow from the bank. These deposits totaled \$14.8 million as of the evaluation date and have been stable. When adjusted for these factors, the average loan-to-deposit ratio increases to 34%, with a seasonally high ratio of 42% at September 30, 1998.
  
- C Bank management has a conservative lending philosophy. Holding company ownership is concentrated in a few individuals who are motivated to protect their investment by making sound loans. FNB's senior management team has been in place for many years and is comfortable with its credit evaluation and underwriting standards. FNB offers a variety of commercial and consumer loan products, and actively participates in the Farm Service Agency guaranty and subordination programs.

Considering these factors, FNB's LTD ratio is reasonable.

**C Lending in the Assessment Area**

A majority of the loans sampled during this evaluation are in the bank's assessment area. Our sample included 20 residential mortgage loans, five business loans, 15 agricultural loans, and 52 unsecured consumer loans originated since the previous evaluation. The following table summarizes the bank's record of lending in the assessment area based on our loan sample.

Loans in The Assessment Area				
Loan Location	\$ Amount of Loans		# of Loans	
In Assessment Area	\$2,045	85%	81	88%
Outside Assessment Area	\$348	15%	11	12%

Loans in The Assessment Area				
Loan Location	\$ Amount of Loans		# of Loans	
Total Reviewed	\$2,393	100.00%	92	100.00%

Source: Sample of loans reviewed during the examination

The level of loans originated within the assessment area is reasonable and meets the criteria for satisfactory performance.

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

FNB is primarily an agricultural lender with 51% of its loan portfolio centered in loans to farmers. FNB has been responsive to the credit needs of businesses of different sizes. FNB's lending performance reflects the business demographic make up of the assessment area. As shown in the table below, 95% of the business loans we sampled are to companies with annual revenues less than \$1 million, and 74% of the businesses within the assessment area have annual revenues less than \$1 million.

Distribution of Small Business Loan Originations Sampled (Within the Assessment Area) (By Business Revenues)								
					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
Farm Loans	15	100%	\$1,133	100%	15	100%	\$1,133	100%
Business Loans	5	100%	\$557	100%	4	80%	\$157	28%
<b>Distribution of Businesses in the Assessment Area by Annual Revenues of the Business:</b>				< 1 Million	74%	*As a percentage of total loans sampled		
				> 1 Million	7%			
				Unknown	19%			

Source: Business Demographic Data and sample of loans reviewed during the examination

Of the 19 loans originated to businesses and farms with annual revenues less than \$1 million, our sample shows a good responsiveness by FNB to the credit needs of businesses and farms of varying sizes as shown in the table below.

Lending to Businesses of Different Sizes (Based on Sample Reviewed)										
Annual Revenues of the Business	Less than \$100,000		\$100,000 - 250,000		\$250,000 - 500,000		\$500,000- 1,000,000		Total	
	#	%	#	%	#	%	#	%	#	%
<b>Number of Loans</b>	0	0%	6	32%	8	42%	5	26%	19	100
<b>Avg. Loan Size (\$000's)</b>	\$0		\$60		\$91		\$40		\$68	

Source: Sample of loans reviewed during the examination

FNB has a good record of making unsecured consumer loans to individuals of different incomes. The percentages of the number of loans to low- and moderate-income individuals exceeds the percentages of families in those income categories. A review of home mortgage-related products shows that a majority of loans made were to middle- and upper-income individuals. However, some loans were made to low- and moderate-income borrowers. The following chart summarizes FNB's record of consumer and residential lending to individuals of different incomes.

<b>Distribution of Loans to Individuals by Borrower Income</b>								
<b>\$(000)</b>								
<b>Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Consumer Loans</b>	7	18%	17	44%	7	18%	8	20%
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
	\$6	8%	\$28	37%	\$17	23%	\$24	32%
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Residential Loans</b>	2	10%	4	20%	7	35%	7	35%
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
	\$32	5%	\$70	12%	\$210	35%	\$294	48%
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Distribution of Families in Assessment Area</b>	706	20%	620	17%	621	18%	1,609	45%

Source: Sample of loans reviewed during the examination

This review shows that FNB meets the criteria for satisfactory performance in lending to borrowers of different incomes and businesses of different sizes.

### **C Geographic Distribution of Loans**

An analysis of the geographic distribution of loans would not be meaningful. There are only four BNAs in the assessment area, none of which are low-income. Geographies tend not to be well-defined as to income level. The one moderate-income BNA in the assessment area has 36% of its families in the middle- and upper-income categories. The one upper-income BNA has 31% of its families in the low- and moderate-income categories. Additionally, the moderate-income BNA is largely in the City of Brownfield, whereas the bank's lending focus is to farmers with operations outside the city limits.

## **OTHER FACTORS**

### **C Record of Compliance with Antidiscrimination Laws**

We performed a Fair Lending review at this examination. Based on a comparative file review of approved unsecured consumer loans to male and female applicants, we did not identify any evidence of disparate treatment or discriminatory practices.



**C Response to Complaints**

FNB has not received any complaints during this evaluation period regarding their CRA performance.