

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PUBLIC DISCLOSURE

The Bank of Livingston

Name of Institution

Livingston

City

Texas

State

Ana Rodriguez

Examiner-in-Charge

1700 W. Church

Street

Polk

County

77351

Zip Code

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CRA PERFORMANCE ASSESSMENT

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 Bank of Livingston, Livingston, Texas**, prepared by **Federal Reserve Bank of Dallas, Dallas, Texas**, the institution's supervisory agency, as of October 27, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION'S CRA RATING: This institution is rated satisfactory.

The satisfactory rating is primarily supported by the volume of lending in moderate income geographies. Of the sampled loans located inside the assessment area, 35% were located in moderate income block numbering areas. In addition, approximately 82% of the loans sampled were located inside the assessment area. The bank was rated satisfactory at its last CRA examination dated January 8, 1996.

DESCRIPTION OF INSTITUTION

The Bank of Livingston's (BOL) main office is located at 1700 W. Church Street. It has one full service branch in Onalaska, Texas. BOL is the smallest of three banks located in Livingston. As of June 30, 1997, the bank reported total assets of \$49.6 million, net loans of \$12.8 million and total deposits of \$45 million. The bank's primary lending focus remains consumer lending. Consumer loans totalled \$8 million and represented 58.95% of the loan portfolio. Further demonstrating the bank's commitment to consumer lending is the volume of residential real estate loans. These loans represent 25.13% of the loan portfolio and totalled \$3.4 million.

The bank's ability to meet the various credit needs of the community is not hampered by its capacity to lend, the capacity of other similarly-situated institutions in the assessment area to lend, demographic and economic factors present in the assessment area and the lending opportunities available in the assessment area.

DESCRIPTION OF POLK COUNTY

BOL has designated Polk County as its assessment area. Polk County is one of Texas' fastest growing areas and Livingston is the County Seat. Livingston is located approximately 70 miles north of Houston at the intersection of U. S. Highways 59 and 190. Polk County's economy is diverse. Timber related industries, tourism and the Texas Department of Criminal Justice - Terrell Unit are the local economic mainstays. Polk County is the number one timber producing county in Texas. Also located in Polk County is the Alabama-Coushatta Indian Reservation. The Alabama-Coushatta Indian Tribe, along with various State, County and Municipal governmental agencies are the major employers in the community.

According to data provided by the 1990 United States Census (Census) the population of Polk County is 30,687. There are 5 block numbering areas (BNA) in Polk County. One is considered moderate income and the remaining are considered middle income. Approximately 20% of the population live in the moderate income BNA. The Census indicated, the median family income of the assessment area was \$22,287. Based on the Census income information, approximately 26% of the families living in the assessment area are considered low income, 17% moderate income, 20% middle income and 37% upper income. The Department of Housing and Urban Development (HUD) updates the census information for the median family income on an annual basis and reports the 1997 state nonmetropolitan median family income at \$31,500. For CRA purposes, borrower income information for a nonmetropolitan area such as Polk County is analyzed using this figure.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

BOL's average loan-to-deposit (LTD) ratio is considered reasonable in light of the bank's performance context. Included in the performance context are the bank's capacity to lend, the capacity of other similarly-situated institutions to lend, demographic and economic factors present in the assessment area and the lending opportunities available in the assessment area.

As of June 30, 1997, the bank's LTD ratio was 28.50%. Since the last CRA evaluation, the average LTD ratio was 29.04%. To better understand the bank's performance in relation to its assessment area, a LTD analysis was made of the two other banks located Livingston. The average loan to deposit ratio for these banks was 32.45%. The bank's LTD ratio is low compared to the other banks. However, both banks are significantly larger and place a greater emphasis on commercial lending. In addition, when the volume of consumer lending is analyzed in relation to total assets, BOL has a larger percentage. Loans to individuals represent 15% of BOL's assets while at the other bank, these loans represent less than 10% of total assets. When loans secured by 1-4 family residential real estate are included in the analysis, BOL's lending to consumers increases to approximately 22%. One contributing factor affecting the low LTD ratios of all of the local banks is that the area is considered a haven for retirees who do relatively no borrowing but carry high deposit balances.

The fourth bank in the county, located in Corrigan, Texas, was excluded from the analysis despite it being more comparable to BOL in relation to total assets, branching structure, and loan portfolio mix. Management indicated that as Corrigan was in closer proximity to Lufkin, residents of the northern portion of the county are more likely to travel to Lufkin than Livingston to conduct banking business. Therefore, the market environment and competitive forces are different in Corrigan than Livingston.

LENDING IN ASSESSMENT AREA

The bank's performance under CRA was determined, in part, to a review of 79 consumer loans made between March 1, 1997 and August 31, 1997. These loans were analyzed based on location of the borrower and their income level.

The bank's volume of lending inside the assessment area is considered satisfactory as a majority of the loans sampled were located inside the assessment area. Based on the 79 consumer loans sampled 65 or 82% were located inside the assessment area. When reviewed by dollar volume, 91% of the sampled loans were located inside the assessment area. The remainder of lending analysis in this report will be performed on the 65 loans located inside the assessment area.

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

The 65 loans located inside the assessment area were analyzed based on borrower income. The following table details the various income levels used in this analysis based on the HUD adjusted 1997 median family income of \$31,500 for nonmetropolitan areas of Texas.

MSA MEDIAN FAMILY INCOME (\$31,500)		
INCOME CATEGORY	INCOME RANGE AS A PERCENT OF MEDIAN	UPPER LIMIT OF RANGE
LOW-INCOME	0-50%	\$15,750
MODERATE-INCOME	50-80%	25,200
MIDDLE-INCOME	80-120%	37,800
UPPER-INCOME	over 120%	37,800

The following table details the distribution of lending to borrowers of different income levels.

Loan Sample by Income Level		
INCOME CATEGORY	NUMBER OF LOANS BY INCOME OF APPLICANT	PERCENT OF TOTAL LOANS
LOW-INCOME	5	19
MOD-INCOME	5	19
MID-INCOME	8	29
UPP-INCOME	9	33
TOTAL *	27	100

* Excludes 38 loans were the bank did not collect current income information.

The bank does not routinely collect current income information on existing borrowers. As a result, other proxies for income are used in the analysis. While not conclusive, there may be a correlation between a borrower's income and the loan amount. As detailed in the following table, over 50% of the bank's consumer loans are for amounts under \$5,000, suggesting the bank extends credit to all income segments in the community.

Loan Sample by Loan Amount		
LOAN AMOUNT	NUMBER OF LOANS	PERCENT OF TOTAL LOANS
UNDER \$1,000	9	14
\$1,001 - \$2,500	14	21
\$2,501 - \$5,000	14	21
\$5,001 - \$10,000	18	29
OVER \$10,000	10	15
TOTAL	65	100

The bank's level of lending to borrowers of different income levels is considered satisfactory. However, because of the lack of current income information on a majority of the loans reviewed, this component of CRA will not be weighted heavily in the overall evaluation.

GEOGRAPHIC DISTRIBUTION OF LOANS

A review of the geographic distribution of loans within the assessment area revealed an adequate disbursement of loans. The assessment area is comprised of five BNAs. One is considered moderate income and the remaining are middle income. Of the sampled loans, 35% were located in the moderate income BNA. This compares favorably to the population distribution among the BNAs. Approximately 20% of the population live in the moderate income BNA.

RESPONSE TO COMPLAINTS

BOL has not received any written complaints about its CRA performance since the last examination.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS (ECOA, FHA, OR HMDA)

No substantive violations involving illegal discrimination or discouragement were noted during the concurrent consumer affairs examination.

