



COMMUNITY REINVESTMENT ACT

PERFORMANCE EVALUATION

PUBLIC DISCLOSURE

Silsbee State Bank

404569/11487380

100 E. Avenue G
Silsbee, Texas 77656

As of
April 21, 1997

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.

Federal Reserve Bank Of Dallas

P. O. Box 655906, Dallas, Texas 75265-5906

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 **Silsbee State Bank, Silsbee, Texas**, prepared by **Federal Reserve Bank of Dallas, Dallas, Texas**, the institution's supervisory agency, as of April 21, 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.

Silsbee State Bank's (SSB) average net loan to deposit (LTD) ratio since the last assessment of 52.32% is considered excellent when compared to the average LTD ratio of 27.53% for similarly situated institutions over the same time period. In addition, approximately 83% of the loans reviewed were located within SSB's assessment area. The bank has a proactive CRA program which encompasses all employees and integrates with all areas of operations. SSB received a satisfactory rating at its previous assessment as of August 28, 1995.

DESCRIPTION OF INSTITUTION

SSB is a wholly owned subsidiary of Silsbee Financial Corporation, Silsbee, Texas. The bank has four locations which provide full service banking and convenient hours of operation. The main office and branches are located at:

- 100 East Avenue G, Silsbee, Texas
- 130 South Main, Lumberton, Texas
- 112 West Highway 105, Sour Lake, Texas
- Main and Commerce, Buna, Texas

Trust services are offered at the main office in Silsbee. The branch in Buna was opened in August 1996, when SSB purchased the deposits and selected assets of another financial institution.

As of December 31, 1996, the bank reported total assets of \$140 million and a LTD ratio of 49.02%. The bank's primary lending emphasis is consumer credit. Consumer loans totaled \$36.2 million or 53.91% of the loan portfolio. SSB also has a large consumer real estate department. Residential real estate loans totaled \$11.1 million or 16.52% of the portfolio. In addition, for 1996, the bank processed 127 residential real estate loans totalling \$10 million dollars for secondary market investors. As these loans are funded by the investor, rather than the bank, they are not reflected in the bank's loan portfolio.

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

DESCRIPTION OF HARDIN AND JASPER COUNTIES

The bank's assessment area is Hardin County and the southern two block numbering areas (BNA) of Jasper County. Hardin County is part of the Beaumont-Port Arthur Metropolitan Statistical Area (MSA). Silsbee is located in an area of Southeast Texas known as the Big Thicket National Preserve. Situated approximately 15 miles northeast of Beaumont, Texas, Silsbee is the largest city in Hardin County. Primary industries include forest wood and paper products, oil and gas, and railroad. In keeping with the major industries, the primary employers are Temple-Inland Forest Products Corporation and Kirby Forest Industries. The unemployment rate is 9.5%.

The 1990 United States Census (Census) estimates the total population of the assessment area at 50,350. The median family income (MFI) based on the 1990 census was \$28,708. This compares unfavorable to the MFI for the state of Texas of \$31,553. There are 14,382 families living in the assessment area. Approximately 21% of these families are considered low income and another 19% are moderate income. In addition, 7% of the households inside the assessment area are receiving public assistance. The Department of Housing and Urban Development (HUD) updates MFI on an annual-basis and reports a 1996 MFI for the Beaumont-Port Arthur MSA of \$37,300. For the purposes of this report, borrower income information was analyzed using the adjusted 1996 MFI figure.

Community contacts interviewed during the examination indicated that the population was growing rapidly as people move from Beaumont. One stated that the city of Lumberton was one of the fastest growing cities in Texas and it is rapidly becoming a bedroom community for the Beaumont area. The contacts further stated that Hardin County was trying to anticipate growth and that there are several active economic development corporations located in the county.

According to the 1990 census, there are 20,097 housing units in the assessment area. The housing stock is 72.5% owner-occupied, 16.6% rental and 10.9% vacant. Mobile homes comprise approximately 27% of these units. The median value of the housing stock for moderate and middle income census tracts is \$28,103 and \$48,543, respectively. The median age of these houses is 36 and 21 years, respectively. The median rent for the assessment area is \$352 per month. The community contacts indicated that because of the population growth, there is limited housing available in the assessment area. Reportedly, there is a need for affordable housing and home buyer assistance programs, conventional mortgages and home improvement loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

The bank's quarterly average LTD ratio is excellent in light of its performance context, which includes the bank's capacity to lend, the capacity of other similarly-situated institutions to lend, existing demographic and economic factors, and the lending opportunities available in the bank's assessment area.

As of December 31, 1996, net loans represented 49.02% of total deposits, down from 54.43% as of December 1995. Deposits grew during 1996 by \$15 million or 13.5%. During the same period, net loans grew by only \$1.3 million or 2.2%. President Randy Stuart attributes the rapid deposit growth to the acquisition of the Buna branch which included the purchase of a large volume of deposits. Reportedly, the selling bank retained a substantial majority of the loans associated with that branch and SSB is having to rebuild the Buna loan portfolio.

To better understand SSB's lending in conjunction with opportunities and demand in its assessment area, the bank's average LTD ratio was compared to that of similarly-situated financial institutions located in or near the assessment area. The bank's quarterly average LTD ratio since the previous examination was 52.32%. This ratio was compared with the average ratios for the same time period of two other financial institutions who were considered similar based on assets size, loan portfolio mix and other factors. The LTD ratios for these banks were 24.08% and 30.97% for an average of 27.5%. Overall, the bank's quarterly average LTD ratio exceeds the standards for satisfactory performance in this area.

LENDING IN ASSESSMENT AREA

SSB met the standards for satisfactory performance in this area as a majority of the loans sampled were located inside the assessment area. The sample consisted of 139 personal secured loans made between August 1, 1996, and January 31, 1997. In addition, the analysis included all 47 home improvement loans reported on the

bank's 1996 Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR). Because the two BNA's located in Jasper County are not part of an MSA, the location of any loans situated in this county are not reported on the LAR. As a result, the home improvement loan analysis is limited solely to the loans located within Hardin County. All other home improvement loans were considered, for analysis purposes only, to be outside the assessment area.

Overall, 81% on a number basis and 78% on a dollar basis of the sampled loans were located inside the assessment area. A summary analysis by each specific loan product is summarized on the following table:

Lending Inside the Assessment Area				
	Number of Loan Type	Percent of Loan Type	Dollar of Loan Type (000)	Percent of Loan Type
Personal (139)	112	81	649	73
Home Improvement (47)	42	89	464	87
Total (186)	154	83	1,113	78

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

The bank's distribution of loans in its assessment area by borrower income was considered reasonable and met the standards for satisfactory performance. Analysis of income levels was performed using the HUD adjusted 1996 MFI for the Beaumont-Port Arthur MSA of \$37,300. The following chart details the various income categories used in the analysis.

MSA MEDIAN FAMILY INCOME \$37,300		
INCOME CATEGORY	INCOME RANGE AS A PERCENT OF MEDIAN	UPPER LIMIT OF RANGE
LOW-INCOME	0 - 50	\$18,650
MODERATE-INCOME	50 - 80	29,840
MIDDLE-INCOME	80 - 120	44,760
UPPER-INCOME	over 120	over 44,760

The bank has made efforts to meet the credit needs of individuals throughout the income strata. Approximately 28% of the personal loans and 26% of the home improvement loans sampled were to low or moderate income individuals as detailed on the following table.

Loan Sample by Income Level				
	Personal Loans		Home Improvement Loan	
INCOME CATEGORY	NUMBER OF LOANS BY INCOME OF APPLICANT	PERCENT OF TOTAL LOANS	NUMBER OF LOANS BY INCOME OF APPLICANT	PERCENT OF TOTAL LOANS
LOW-INCOME	12	11	7	17
MOD-INCOME	19	17	4	9
MID-INCOME	42	37	15	36
UPP-INCOME	39	35	16	38
TOTAL	112	100	42	100

The bank's lending to low and moderate income borrowers may appear limited when compared to the 40% of families living in the assessment area that are considered low or moderate income. This is mitigated by the SSB's participation in various Affordable Housing and First Time Home Buyer loan programs. The bank takes and processes the application; however, an investor actually makes the credit decision and funds the loans. As a result, these loans do not appear on the bank's HMDA LAR. Some of the housing programs in which the bank participates include:

- RHS-Guaranteed Rural Housing Program
- FmHA Guaranteed Rural Housing Loan Program
- 3% community Homebuyer's Program
- Hardin-Orange County Bond Program

During 1996, the bank processed 10 applications totaling \$582 thousand under these programs. In addition, approximately 8% of the households in the assessment area are receiving public assistance and some may not be likely loan customers for the product types reviewed.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's assessment area consists of ten census tracts and two BNA's. Two of the census tracts are considered moderate income and the remaining geographies are middle income.

Overall, SSB's geographical lending distribution was considered reasonable and met the standards for satisfactory performance. The following table details the bank's lending distribution by geography:

Loan Sample by Geography				
	Personal		Home Improvement	
Income Category	Loans in CT Income Category	Percent of Total Loans by Loan Type	Loans in CT Income Category	Percent of Total Loans by Loan Type
LOW-INCOME	0	0	0	0
MOD-INCOME	6	5	6	14
MID-INCOME	106	95	36	86
UPP-INCOME	0	0	0	0
TOTAL	112	100	42	100

This table indicates that approximately 5% of the personal loans and 14% of the consumer loans were located in moderate income census tracts. When combined, 8% of all loans sampled were located in moderate income tracts. This closely approximates the 12% of the assessment area's population which lives in these tracts.

RESPONSE TO COMPLAINTS

There have been no complaints relating to CRA performance since the previous examination.

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

Violations of antidiscrimination laws were noted at the concurrent Consumer Compliance examination. However, they appeared to be the result of inadvertent clerical error or oversight rather than indicative of a systemic problem in SSB's lending program.