

## **PUBLIC DISCLOSURE**

October 1, 2001

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

FNB West Texas  
RSSD # 407252

3000 Olton Road  
Plainview, Texas 79072

Federal Reserve Bank of Dallas

2200 North Pearl Street  
Dallas, Texas 75201

**NOTE:** This document is an evaluation of this 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. 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.

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

FNB West Texas' performance in meeting the credit needs of all segments of its community merits a satisfactory rating for the period covered by this evaluation. The rating is supported by the following factors: 88 percent of commercial and agricultural loans sampled were made to businesses with gross annual revenue under \$1 million and small farms with gross annual revenue under \$500,000. In addition, 77 percent of the consumer motor vehicle loans sampled were made to low and moderate-income borrowers. The evaluation also noted a majority of loans were extended to borrowers that reside and businesses that operate in the bank's defined assessment area. Furthermore, the loan-to-deposit ratio was considered satisfactory. The institution received a satisfactory rating at the last CRA evaluation conducted by the Office of the Comptroller of the Currency as of August 28, 1997.

#### **DESCRIPTION OF INSTITUTION**

FNB West Texas, Plainview, Texas (FNB) is a wholly owned subsidiary of First Hale Center Investments, Inc., Hale Center, Texas, a one bank holding company. FNB is a small, independent, retail bank whose main office is located in Plainview. Plainview, the county seat of Hale County, is approximately 47 miles north of Lubbock, Texas and 76 miles south of Amarillo, Texas. As of June 30, 2001, the bank reported total assets of \$35.3 million and total deposits of \$32 million.

FNB operates two banking locations in Hale County. The following table depicts the bank's locations and office hours:

<b>OFFICE</b>	<b>ADDRESS</b>	<b>COUNTY</b>	<b>LOBBY HOURS</b>
Main	3000 Olton Road Plainview, TX 79072	Hale	M-F 9 a.m – 3p.m Sat. 9 a.m –Noon
Branch	701 Main Street Hale Center, TX 79041	Hale	M-F 9 a.m –3p.m

The following table details the bank's loan portfolio as of June 30, 2001. While the primary lending focus is agriculture, comprising approximately 46 percent of the loan portfolio, commercial loans/commercial real estate lending, at 31 percent, represents a large percentage of the portfolio.

LOAN TYPE	DATA (IN THOUSANDS)	PERCENT OF GROSS LOANS
Real Estate		
Commercial	1715	11.09
Residential	609	3.94
Construction/Land Development	7	0.05
Agriculture	664	4.29
Total Real Estate	2,995	19.37
Consumer	1,414	9.14
Commercial and Industrial	3,086	19.96
Agricultural	7,116	46.02
Other	853	5.51
Gross Loans	15,464	100.00

As of June 30, 2000, FNB ranks sixth in deposit market share among all FDIC insured institutions operating in Hale County, with deposits of \$31.2 million or 7.9 percent of the county's total deposits. FNB is one of eight financial institutions doing business in Hale County, and it is the only bank in Hale Center. 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 lending opportunities available in the bank's assessment area.

## DESCRIPTION OF HALE COUNTY

FNB's assessment area (AA) is comprised of seven of nine Block-Numbering-Areas (BNA) in Hale County. The two BNAs not included in the bank's AA are middle-income areas. The bank's assessment area consists of two moderate-, four middle- and one upper-income BNAs. According to 2000 census data, the population of Hale County is 36,602. This represents an increase of approximately 5.6 percent since 1990. Although 2000 census data is not available for population estimates on a census tract or BNA basis, it can be presumed that the bank's assessment area has experienced similar growth.

While the assessment area relies heavily on agriculture, employment opportunities in packaging, distribution centers and with small manufacturers is on the increase.

The table below details the demographic information of the bank's assessment area.

DEMOGRAPHIC INFORMATION*	ASSESSMENT AREA	STATE NON-METROPOLITAN AREAS
Population	30,123	2,820,852
Number of Families	7,726	759,277
Percent Low-Income Families	20.8%	23.2%
Percent Moderate-Income Families	18.4%	16.6%
Percent Middle-Income Families	22.6%	19.2%
Percent Upper-Income Families	38.2%	41.0%
Percent of Families Below Poverty Level	18.1%	18.4%
Number of Housing Units	11,368	1,269,927
Percent Owner-Occupied	54.9%	58.4%
Percent of Housing Rented	39.5%	24.6%
Median Housing Value	\$38,033	39,125

\*1990 data

The following table illustrates the distribution of the population by Block-Numbering-Area income level:

DISTRIBUTION OF POPULATION BY CENSUS TRACT INCOME LEVEL						
Census Tract Income Level	Total Tracts		Total Families		Total Population	
	#	%	#	%	#	%
Low income	N/A	N/A	N/A	N/A	N/A	N/A
Moderate income	2	28.60	2,474	32.00	10,139	33.70
Middle income	4	57.10	3,474	45.00	13,859	46.00
Upper income	1	14.30	1,778	23.00	6,125	20.30
Total	7	100.00%	7,726	100.00%	30,123	100.00%

The 2000 MFI for Hale County is \$36,400, compared to \$34,700 for the state non-metropolitan area. The state non-metropolitan median family income figure is used for analysis purposes in this evaluation.

According to 1990 census data, there are 11,368 total housing units in the assessment area. Owner occupancy in the assessment area is at 54.9 percent, compared to the state owner-occupancy rate of 52.7 percent. Rental units comprise 39.5 percent of all housing units in the assessment area. Seventy-five percent of assessment area housing units are single-family, seven percent are multi-family units (housing for five or more families), nine percent are 2-4 family units, and nine percent are mobile homes.

Two community contacts were made during the CRA evaluation. Both contacts spoke favorably of the

bank and were supportive of its efforts in the community. Management stated that the bank financed affordable housing units for migrant workers in Plainview further demonstrating FNB's commitment to meeting the credit needs of the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LOAN-TO-DEPOSIT RATIO

The quarterly average loan-to-deposit (LTD) ratio is reasonable given the bank's size and resources, and it is comparable to a similarly situated institution in Hale County. FNB's net loan-to-deposit ratio was 47.55 percent as of June 30, 2001 and the quarterly average ratio since the last CRA evaluation was 43.36 percent. The quarterly average reflects competition from area auto and farm equipment dealers, which has impacted loan demand. Further, in spite of such competition, examiners noted the bank's loan to deposit ratio has remained constant over the last several years. Therefore, based on the bank's consistent lending, as well as the overall economic nature of the assessment area, the loan-to-deposit ratio is considered satisfactory.

The following table compares the Loan-to-Deposit ratio of FNB and other similarly situated financial institutions.

BANK	COUNTY	TOTAL ASSETS 06-30-2001 (000)	LTD RATIO 06-30-2001	QUARTERLY AVG. LTD RATIO*
FNB West Texas Plainview, TX	Hale	\$35,264	47.55%	43.36%
Kress National Bank Kress, TX	Swisher	\$23,353	45.81%	68.67%
First State Bank Albernathy, TX	Hale	\$40,562	76.93%	40.39%

\* Based on 16 quarters

## LENDING IN ASSESSMENT AREA

Commercial and agricultural loans made between January 1, 2000 to December 31, 2000 and consumer motor vehicle loans made between July 1, 2000 and December 31, 2000 were sampled. The sample consisted of 59 commercial and agricultural loans and 33 consumer motor vehicle loans. Of the 92 loans sampled, 63 percent by number and 45 percent by dollar volume were made to borrowers that reside or businesses that operate in the assessment area. The low percentage of loans by dollar volume can be attributed to the number of assessment area residents who borrow to support farms and ranches outside the assessment area. Many of these loans are large dollar agricultural loans. Based on area demographics, the bank's lending in its assessment area is considered reasonable.

The following table illustrates the bank's lending in the assessment area:

DISTRIBUTION OF CONSUMER MOTOR VEHICLE, COMMERCIAL AND AGRICULTURAL LOANS				
LOCATION	NUMBER	PERCENT OF NUMBER	DOLLAR AMOUNT	PERCENT OF DOLLAR VOLUME
Within AA	58	63.00	2,330,130	45.00
Outside AA	34	37.00	2,819,066	55.00
Total	92	100.00%	5,149,196	100.00%

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

The bank's performance in this category reflects a satisfactory penetration among businesses and farms of different sizes and individuals of different income levels. Under the Community Reinvestment Act, a small business is defined as one that generates gross annual revenues of less than \$1 million, and a small farm is one that generates less than \$500 thousand in gross annual revenues.

FNB is satisfactorily meeting the credit needs of small businesses/small farms. Approximately 88 percent of commercial/agricultural loans sampled were made to businesses with gross annual revenues under \$1 million and farms with gross annual revenues less than \$500 thousand, demonstrating the bank's commitment to meeting the needs of small businesses/small farms. The following table reflects lending distribution of sampled originations inside the assessment area.

<b>DISTRIBUTION OF SMALL BUSINESS AND SMALL FARM LENDING BY GROSS REVENUE</b>		
<b>GROSS ANNUAL REVENUE</b>	<b>#</b>	<b>%</b>
Less than \$100,000	6	19.35
\$100,001 to less than \$250,000	5	16.13
\$250,001 to less than \$500,000	18	58.06
\$500,001 to less than \$750,000	1	3.23
\$750,001 to \$1,000,000	1	3.23
Total	31	100%

FNB's commitment to small businesses and small farms is further evidenced by the bank's willingness to make small dollar loans, as shown in the following table:

<b>DISTRIBUTION OF SMALL BUSINESS AND SMALL FARM LENDING BY LOAN AMOUNT</b>		
<b>LOAN AMOUNT</b>	<b>#</b>	<b>%</b>
Less than \$100,000	27	87.10
\$100,001 to less than \$250,000	2	6.45
\$250,001 to less than \$1,000,000	2	6.45
Total	31	100%

The following table illustrates the distribution of consumer motor vehicle loans by gross income of borrower.

<b>DISTRIBUTION OF CONSUMER MOTOR VEHICLE LOANS BY GROSS INCOME OF BORROWER</b>		
<b>GROSS INCOME</b>	<b>#</b>	<b>%</b>
Low income	12	44.00
Moderate Income	9	33.00
Middle Income	5	19.00
Upper Income	1	4.00
Total	27	100.00%

Of the consumer motor vehicle loans sampled that are within the bank's assessment area, 77 percent were made to the low- and moderate-income borrowers. The percentage of loans made to low- and moderate-income borrowers as compared to 39 percent of low- and moderate-income families in the assessment area reflects the bank's strong commitment to serving the credit needs of borrowers of all income levels.



The analysis of lending to borrowers of different income levels is performed using the median family income for Hale County, as adjusted annually by the U. S. Department of Housing and Urban Development. The following table indicates the income level ranges for the year 2000. The analysis is performed by classifying the sampled loans based on the borrower income as noted below:

<b>TEXAS NON-METROPOLITAN HUD-ADJUSTED MEDIAN FAMILY INCOME</b>	
<b>INCOME LEVEL</b>	<b>2000</b>
Low income	\$0 - <\$17,350
Moderate income	\$17,350 - <\$27,760
Middle income	\$27,760 - <\$41,640
Upper income	\$41,640 and up
Median Family Income	\$34,700

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

The focus of this assessment factor is to determine the bank's performance in providing credit throughout all geographies, including those BNAs that are designated as low- and moderate-income areas.

The table below details distribution of lending by BNA income level.

<b>DISTRIBUTION OF LENDING BY BNA INCOME LEVEL</b>						
<b>BNA INCOME LEVEL</b>	<b>CONSUMER MOTOR VEHICLE</b>		<b>(COMMERCIAL &amp; AGRICULTURE)</b>		<b>TOTAL</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	NA	NA	NA	NA	NA	NA
Moderate-income	2	7.00	2	7.00	4	6.00
Middle-income	21	78.00	24	77.00	45	78.00
Upper-income	4	15.00	5	16.00	9	16.00
<b>TOTAL</b>	<b>27</b>	<b>100.00%</b>	<b>31</b>	<b>100.00%</b>	<b>58</b>	<b>100.00%</b>

The bank's geographic distribution of loans sampled reflects a reasonable dispersion throughout the assessment area. The percentage of loans made in the two moderate-income BNAs appears low when compared to the nearly 34 percent of assessment area residents that live in those moderate-income BNAs. However, these BNAs are located in the city of Plainview, and while many of the loans originated by FNB were to farmers and ranchers who live and operate in the rural, middle-income BNAs. In addition, 46 percent of the families living in the moderate-income tracts are living below the poverty level, which results in a lower level of demand for loans because of a lack of disposable income. Given area demographics, FNB's geographic distribution of loans is satisfactory.

## **RESPONSE TO COMPLAINTS**

The bank has not received any CRA-related complaints since the previous evaluation.

## **COMPLIANCE WITH ANTI-DISCRIMINATION LAWS (ECOA, FHA OR HMDA)**

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified during the evaluation.