



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

September 4, 1997

Community Reinvestment Act Performance Evaluation

**Eastland National Bank
Charter Number: 14299**

**201 East Main
Eastland, Texas 76448**

**Office of the Comptroller of the Currency
Dallas South
500 North Akard, Suite 1600
Dallas, Texas 75201**

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.

Table of Contents

General Information	2
Definitions and Common Abbreviations	3
CRA Rating	4
Description of Institution	5
Description of the Assessment Area	6
Conclusions with Respect to Performance Tests	
Lending Test	7
Investment Test	9
Service Test	10
Fair Lending Review	11
Scope of Examination	12

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 CRA performance of **Eastland National Bank** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **September 4, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

This performance evaluation considers CRA activity occurring since the September 7, 1994 Performance Evaluation. The bank was rated satisfactory at that time.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Low-Income - Income levels that are less than 50% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Upper-Income - Income levels that are 120% or more of the MFI.

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loans with an original amount of \$500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

CRA Rating

Institution’s CRA Rating: This institution is rated “Satisfactory.”

The major factors which support this rating include:

- ▶ A substantial majority of loans are made in the institution’s assessment area (refer to Table 1 on page 7 of this Report.)
- ▶ The distribution of borrowers reflects good penetration among retail customers of different income levels as well as businesses and farm customers of different sizes (refer to Tables 2 & 3 on page 8 of this Report.)
- ▶ The bank exhibits an adequate record of serving the credit needs of its assessment area’s small farms and business in line with safe and sound banking practices.
- ▶ Eastland National Bank has been involved in local investment opportunities in the past. None exist at this time as no bond issues are currently available.
- ▶ ENB’s service delivery system is accessible to essentially all portions of its assessment area.

The following table indicates the performance level of **Eastland National Bank** with respect to the lending, investment, and service tests:

Performance Levels	Eastland National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		
Low satisfactory		X	X
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

Eastland National Bank (ENB) is owned by First Financial Bankshares, Inc., Abilene, Texas, an eight bank holding company. First Financial Bankshares, Inc. has total assets of \$1.3 billion. ENB is located in Eastland, Texas, which is the county seat of Eastland County.

ENB's assets totaled \$55 million as of June 30, 1997. The largest portion of ENB's loans are concentrated in Eastland County. Local competition is keen. ENB's competition is primarily a national bank in Cisco, Texas, and three state banks with a total of six branches.

ENB has one main office, one ATM, and a motor bank. The bank is located near a major interstate highway. Smaller state highways and farm to market roads make ENB accessible to all parts of the county.

ENB's primary lending focus is on consumer needs, with significant agricultural, commercial, and real estate portfolios. The bank offers a standard variety of retail products including mortgage and consumer loans. As of June 30, 1997, total loans were \$26 million. The loan portfolio is comprised of consumer (41%), commercial (20%), agriculture related (25%), and residential real estate (14%).

There are no financial impediments which would hamper ENB's ability to help meet the credit needs of its assessment area. ENB's CRA performance was last evaluated as of September 7, 1994. At that time, ENB's overall performance was rated "Satisfactory".

Description of the Assessment Area

ENB has identified Eastland County as its assessment area. Eastland County is located in central Texas, 65 miles east of Abilene, Texas and 95 miles west of Fort Worth, Texas. Eastland County is comprised of five Block Numbering Areas (BNA) developed by the U.S. Census Bureau to record general demographic and income statistics for county residents not located near a Metropolitan Statistical Area (MSA). The five BNAs are divided around the communities of Eastland, Cisco, Gorman, Ranger, and Rising Star. None of the BNAs are considered low-income areas. Only one BNA located near Ranger, Texas is considered a moderate-income area. The remaining four BNAs are considered middle-income areas.

Within the assessment area, 55% of housing is owner occupied, median housing value is \$24,900, and the median year houses were built was 1957.

Eastland County has a population of about 20,000 residents. Industry includes ranching, farming, small business, manufacturing, and some oil production. The county's economy was hurt in the 1980's with the drop in oil prices. The community focused its efforts to diversify its economic base by encouraging businesses to move to Eastland County and reduce its reliance on oil. The economy has been stable and is improving due to overall improvement in the Texas economy, specifically economic expansion in both the Dallas/Fort Worth Metroplex and Abilene.

ENB is the largest of the banking offices in Eastland County. Competition is provided by one locally headquartered bank (First National Bank Cisco) and six branches of three state banks. The branches are located in: Eastland (First American Bank); Ranger (Peoples State Bank Clyde, First American Bank); Rising Star (Peoples State Bank Clyde); Gorman (Security State Bank Abilene); and Cisco (First American Bank).

Community contacts conducted by our office were made to two economic development corporations within Eastland County. The comments indicated in general that local financial institutions were satisfactorily meeting the most pressing needs for consumer loans (automobiles, unsecured loans for personal and household expenses), agricultural (tractors, operating expense, equipment), and small business (inventory, accounts receivable, operating expense, equipment).

Conclusions with Respect to Performance Tests

LENDING TEST

- ▶ a substantial majority of loans are originated within ENB's assessment area (refer to Table 1 on page 7 of this Report).
- ▶ the distribution of borrowers reflects good penetration among business and farm customers of different income levels and different loan sizes based on 1996 information disclosed by the bank (refer to Table 2 on page 8 of this Report).
- ▶ the distribution of borrowers reflects good penetration to borrowers of different income levels based on 1997 data (refer to Table 3 on page 8 of this Report).

ENB has collected and reported data for small business and small farm loan originations in 1996. We verified the accuracy of the reported data through a review of limited samples. In addition, ENB began maintaining data on all bank's loans originated in 1997 with geocodes and income information. We included 1997 information in support of lending levels where applicable. The accuracy of this data was also verified and is included in tables where relevant.

Lending Activity/Assessment Area Concentration

Since the September, 1994 CRA evaluation, ENB's loan-to-deposit ratio has been relatively stable with a quarterly average of 50%. Loan-to-deposit ratios of financial institutions in Eastland County ranged from 14% to 62%. ENB's ratio is reflective of the moderate loan demand for both commercial and retail loans throughout the region.

Based on the overall loan-to-deposit ratio, the substantial majority of loans originated in the bank's assessment area, and the volumes of loans to consumers, small business, and farms, the bank's lending reflects excellent responsiveness to community credit needs. The level of loans in and out of the assessment area is detailed in **Table 1** below.

Table 1

Percentage Distribution of Loans In and Out of Assessment Area*		
	Volume	Dollar
Within Eastland County	90.1%	80.2%
Outside Eastland County	9.9%	19.8%
Totals	100.0%	100.0%

*Based on a sample of 807 non-commercial loans from 1/1/97 to 7/31/97.

Small Business and Small Farm Lending

We evaluated 326 loans by income levels to determine the extent ENB provides credit to small business and small farm borrowers. This analysis found that all loans provided to businesses and farms were made to borrowers with revenues less than \$1million in annual revenues (**Table 2**). A loan distribution analysis indicated these loans were primarily under \$100 thousand. The bank is satisfactorily supporting small business and small farm lending needs within the community.

Table 2

Distribution of Small Business and Small Farm Loan Originations in 1996 By Loan Size and Business Revenues				
Loan Size	Small Business		Small Farm	
	#/% of total	\$(000)/% of total	#/% of total	\$(000)/% of total
Less than \$100,000	194/60%	3,091/59%	129/39%	1,749/33%
100,000 to less than 250,000	0	0	3/1%	390/8%
250,000 to less than 1,000,000	0	0	0	0
Totals	*194/60%	3,091/59%	*132/40%	2,139/41%
Business Revenues: All 326 loans were extended to borrowers with revenues less than \$1 million.				

*Based on information provided in the March 1, 1997 CRA Annual disclosure statement.

Income Distribution For All Consumer Related Loans In 1997

An analysis of 807 consumer related loans (**Table 3**) indicates that ENB’s loan originations to borrowers of different income levels are reasonable (40% to low or moderate income borrowers).

Table 3

Distribution by Individual Borrower’s Income Level (Based on 1997 Non-MSA Median Income of \$31,500 for all counties in Texas)		
Income Level	#	%
Low: Less than 15,750	165	20.5
Moderate: 15,750 but less than 25,200	154	19.1
Middle: 25,200 but less than 37,800	204	25.2
Upper: Above 37,800	284	35.2
Totals	807*	100.0%

*Based on a sample of 807 non-commercial loans from 1/1/97 to 7/31/97.

Geographic Distribution of Loans within the Assessment Area

As of July 31, 1997, the bank has extended 109 loans totaling 898M to the only moderate income BNA in the assessment area. This level of lending is reasonable, representing 10% of the total number of loans on the books, and 11% of the total dollar volume of loans outstanding. The remaining four BNAs are middle income areas.

Product Innovation and Flexibility

In lieu of offering credit cards, the bank makes an average of 40 small dollar loans per month ranging in size from \$100 to \$1,000. Loan proceeds are used for school clothes, auto repairs, funeral expenses, and various other consumer needs. These loans are primarily intended to serve the needs of low-income and moderate-income borrowers, but the bank was unable to produce specific data on the volume of low and moderate income borrowers accessing this credit product.

INVESTMENT TEST - Overall

No qualifying investments are currently held in ENB's investment portfolio. There is limited opportunity for ENB to participate in qualified investments within its assessment area. At the previous CRA examination, ENB held bonds issued by a local junior college in its portfolio. These bonds have now matured and there have been no additional bond offerings in the bank's assessment area or surrounding counties. ENB provides investment in its community through donations and encouraging employees to donate their time and service to its community. During the evaluation, the bank provided the following support:

- ▶ Donations in excess of \$8 thousand dollars for year to date 1997 for agencies that assist LMI individuals.
- ▶ Officers serve on the Board of the Eastland Economic Development Council. This agency works to bring business to Eastland County and promote increased employment opportunities.
- ▶ Officers provide a day of counseling each year to the students of Eastland High School. Counseling includes information for obtaining credit, the importance of good credit, and how to apply for a loan. Many of the students are from LMI families.

SERVICE TEST - Overall

- ▶ ENB's delivery systems are accessible to essentially all portions of its assessment area.
- ▶ ENB's banking hours are reasonable and in line with area banks.
- ▶ Banking services are standard. Two services were added (detailed below) which assist LMI individuals and all ENB customers.
- ▶ ENB has not opened or closed any branches since the last CRA evaluation.

New Services

- ▶ The bank offers a checking account geared towards LMI customers, considered a community development service. This account requires no minimum balance, no monthly service charge and offers overdraft protection of \$300.
- ▶ In April, 1997, the bank began offering an alternative delivery system in the form of a 24 hour Telebanking service. This service enables customers to check on bank transactions and conduct other bank activities by telephone. As the service has only recently been implemented, it is too early to determine its effectiveness.

Fair Lending Review

The OCC conducted a fair lending examination concurrent with this CRA examination. The examination reviewed applications for purchased dealer auto loans to males and females in 1997. No violations or substantive provisions of the antidiscrimination laws and regulations (Equal Credit Opportunity Act or Fair Housing Act) were identified. ENB has had a satisfactory record of complying with consumer laws and regulations.

Scope of Examination

The scope of our evaluation focused on ENB's activities in its assessment area, Eastland County. We utilized the CRA Examination Procedures section of the *Comptroller's Handbook* to perform the evaluation. We evaluated activities between the prior CRA examination dated September 7, 1994 and September 4, 1997.

ENB collected and reported loan data for small business and small farm loan originations in 1996. In 1997, ENB began maintaining loan data on all originated loans. Given the availability of such data, we included an analysis on all consumer related loans in aggregate from January 1, 1997 up to July 31, 1997. Data regarding home mortgage originations was not obtained in 1996 as the bank was not required under the Home Mortgage Disclosure Act or the Fair Housing Home Loan Data System (FHHLDS) to do so.