



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 7, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Sudan
Charter Number 12725**

**200 Main Street
Sudan, Texas 79371**

**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 **First National Bank of Sudan** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 1, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The bank has been active in meeting the needs of its assessment area with products and services not typically associated with community banks. The institution has an outstanding loan-to-deposit ratio with a substantial majority of lending originating within the assessment area. Lending patterns reflect a good penetration to individuals of different income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank of Sudan 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	Not Meaningful		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

First National Bank of Sudan (FNB) has one office in the city of Sudan which is located in Lamb County, Texas. The bank plans to construct a branch office in the county seat, Littlefield, Texas. FNB is a wholly owned subsidiary of Sudan Bancshares. The bank has Total Assets of 19 million. The financial condition of the bank is good; there are no legal impediments or other factors that inhibit the bank from meeting the credit needs of its assessment area. The prior CRA examination was January 25, 1995, and resulted in a "Satisfactory record of meeting community credit needs." The bank encounters a high level of competition from other financial institutions in the assessment area. Net loans represent 54% of Total Assets. Agricultural related loans represent 86% of the loan portfolio.

DESCRIPTION OF *Lamb County*

The assessment area has been designated as Lamb County which is a non-MSA county. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Lamb County has one tract that has been designated as a moderate income geography. There are also four middle and one upper income tracts. No low income tracts exist. The income level of families residing in the assessment areas are as follows: low-income 24%; moderate-income 20%; middle-income 19%; upper-income 37%. The population of Lamb County, according to the 1990 census data, is 15,072. The city of Sudan has a population of approximately 1,000. The 1990 United States Census median family income for Lamb County is \$28,900.

Major employers in the area are American Cotton Growers, Southwest Public Services, and Lowes' Pay-n-Save. Unemployment levels are seasonal and highly dependent on the local agricultural economy.

Credit needs in the assessment area are centered in agricultural loans to small and medium sized operations. There is also a need for small dollar consumer and commercial loans. There are no other financial institutions in the city of Sudan. There are seven other financial institutions located in the bank's assessment area in addition to the Production Credit Association and the Farmers Home Administration.

One community contact was made during the examination. We interviewed the Superintendent for the Sudan Independent School District. Information obtained during the meeting did not identify any unmet credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

The FNB has an excellent loan-to-deposit ratio. It has averaged 66% and has ranged from 58% to 82% since the last CRA examination. Also, it should be noted that FNB has a substantial amount of public deposits. By law, FNB is not permitted to lend public deposits. The loan-to-deposit ratio, excluding public deposits, has averaged 94% since the last examination. Information compiled from the Texas Independent Banker's Association Fact Book indicates that the June 30, 1996 average loan-to-deposit ratio for similarly situated institutions in the assessment area was 50%, compared to FNB's June 30, 1996, ratio of 70%.

Lending in the Assessment Area

A substantial majority of the FNB's lending activity occurred within its assessment area. Since the last CRA examination, 91% of loans were originated to persons residing within FNB's assessment area.

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

FNB's analysis of the loan portfolio reflects a good distribution of loans to all income levels, including loans to low- and moderate-income borrowers. In 1996, loans reflected the following income level distribution: low-income 19%; moderate-income 20%; middle-income 18%; upper-income 43%. This approximates the income distribution of the assessment area.

All of the agricultural loans originated by the bank are to small farms with gross annual incomes of less than one million. The small farm loans cover a wide range of loan amounts and a wide range of gross incomes.

Geographic Distribution of Loans

A geographic distribution analysis of lending patterns throughout the assessment area was not performed. The assessment area encompasses a large geographical area which includes a very diverse population representing all income categories. Therefore, a geographical lending analysis would not be meaningful.

Response to Complaints

No consumer complaints have been received since the last examination. No violations

of the substantive provisions of anti-discrimination laws and regulations were identified.

Meeting the Service Needs of the Assessment Area

FNB has been active in meeting the service needs of its assessment area. In an effort to better service customers located in the eastern portion of the assessment area, FNB applied for and received approval to build a branch office in Littlefield, Texas. This full service branch should be operational in the summer of 1997.

Meeting the Credit Needs of the Assessment Area

The bank has been innovative in meeting the credit needs of its assessment area. For example, FNB instituted a Non-Traditional Housing Program designed specifically to assist low- and moderate-income borrowers in obtaining mortgage financing. This program enables borrowers to purchase homes with minimal down-payment and reduced documentation. FNB has allocated 30% of its Tier I Capital to the program. As of January 1, 1997, FNB has disbursed funds under the program equal to 24% of Tier I Capital.

FNB has received approval to participate in a Community Development Project in conjunction with the West Texas Housing Finance Foundation. This program is designed to develop affordable housing in the city of Sudan for low- and moderate-income borrowers. The bank expended considerable effort and resources to initiate the program.