
Comptroller of the Currency

SMALL

Administrator of National Banks

BANK

PUBLIC DISCLOSURE

July 19, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Bank of Daingerfield
Charter Number 4701**

**107 Webb Street
Daingerfield, TX 75638**

**Office of the Comptroller of the Currency
Longview Field Office
1800 West Loop 281
Suite 306
Longview, Texas 75604**

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 **The National Bank of Daingerfield** prepared by the **Office of the Comptroller of the Currency** the institution's supervisory agency, as of **July 19, 1999**. 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 **Satisfactory**.

The National Bank of Daingerfield has a satisfactory record of meeting community credit needs. This rating is based on the following:

- < The bank's loan-to-deposit ratio is reasonable when compared to other area banks.
- < A substantial majority of the bank's loans are extended within its assessment area.
- < Credit activity is reasonably distributed to borrowers of different income levels.

DESCRIPTION OF INSTITUTION:

The National Bank of Daingerfield (NBD) is a \$41 million bank located at 107 Webb Street in Daingerfield, Texas and operates as a sub-chapter S corporation. In addition to the main office, the bank has a drive-in facility located at 1217 Linda Drive in Daingerfield, Texas. The bank also has three automated teller machines (ATMs) located at the drive-in facility and at 1001 Broadnax, Daingerfield, Texas and North Main Street, Naples, Texas. Loan products offered include real estate loans, commercial loans, and consumer loans. As of March 31, 1999, loans totaled \$21 million and represented 49% of the bank's total assets. Loans are distributed as follows: \$9 million or 43% are residential mortgages, \$6 million or 28% are commercial and commercial real estate, \$3.5 million or 17% are consumer loans, and \$2.5 million or 12% were agriculture loans. There are no legal impediments or other factors which inhibit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory during the previous CRA examination dated May 30, 1996.

DESCRIPTION OF MORRIS COUNTY AND A PORTION OF CASS COUNTY:

The Board has designated all of Morris County and block numbering area (BNA) 9507 in Cass County as its assessment area. This area includes four BNAs and is not a part of a Metropolitan Statistical Area (MSA). All of the BNAs in the assessment area are designated as middle income. The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low and moderate income geographies.

The bank's designated assessment area has a total population of 18,211. The distribution of families by income level consists of the following: 21.64% are low income, 17.92% are moderate income, 21.22% are middle income, and 39.22% are upper income. According to 1998 Department of Housing and Urban Development (HUD) information, the median family income for this area is \$33,900 with 23.04% of the households below poverty level. Housing units within the assessment area include 64.57% owner occupied units and a median housing value of \$35,275. Major employers in this area include Lone Star Steel Corporation, Daingerfield Star Independent School District, Atlas Roofing, Scot Industries and A & E Machine Shop. Competition within the assessment area includes five banks and one credit union. The local economy is considered stagnant with an unemployment rate of 12.10% as of June 1999.

Contact with a local government official revealed the primary community credit needs for the assessment are residential loans and small business loans. This official also stated housing stock in all price ranges was very limited.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO:

The loan-to-deposit ratio of NBD is reasonable given the bank’s size, financial condition, and assessment area credit needs and meets the standards for satisfactory performance. The bank’s average quarterly loan-to-deposit ratio was 59.50% since the prior CRA examination in May of 1996. The average loan-to-deposit ratio of other local community banks within the assessment area, for the same time period, was 62.30%. The average quarterly loan to deposit ratio of these banks ranged from a low of 50.11% to a high of 69.40%.

LENDING IN ASSESSMENT AREA:

The bank’s lending activity within the assessment area meets the standards for satisfactory performance. A substantial majority of the bank’s lending activity is located within its assessment area. We reviewed a sample of 48 residential mortgages, 30 commercial loans and 25 consumer loans which have originated since July 1996. This sample reflected that approximately 78.64% of the number of loans and 69.35% of the dollar amount of loans in our sample were extended within the bank’s assessment area. While a majority of commercial loans by number are within the assessment area, 61.78% of the dollar amount are extended outside the assessment area. However, this total includes a large loan in which the bank purchased a participation from outside the assessment area. Commercial credits within the assessment area are primarily lower dollar amount loans to small locally owned businesses. The breakdown by loan category is illustrated in the following tables:

Consumer Loans	Number	Percent	\$ (000's)	Percent
Inside Assessment Area	20	80.00%	38	84.79%
Outside Assessment Area	5	20.00%	7	15.21%

Home Purchase Loans	Number	Percent	\$ (000's)	Percent
Inside Assessment Area	41	85.42%	1,514	84.61%
Outside Assessment Area	7	14.58%	275	15.39%

Business Loans	Number	Percent	\$ (000's)	Percent
Inside Assessment Area	20	66.67%	344	38.22%
Outside Assessment Area	10	33.33%	556	61.78%

LENDING TO BORROWERS OF DIFFERENT INCOME AND TO BUSINESSES OF DIFFERENT SIZES:

The level of lending to borrowers of different income and to businesses of different sizes meets the standards for satisfactory performance. The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. NBD's primary product lines are residential loans, commercial and commercial real estate loans, and consumer loans.

The distribution of home purchase and consumer loans generally approximates the income characteristics of the assessment area. While home purchase loans to low income families are at a low level compared to the demographics of the assessment area, consumer loans closely approximate the percentage of low income families. Borrowing for home purchases by low income individuals is limited due to the low level of affordable housing stock available in the area. In addition, the unemployment rate of 12.1% remains significantly higher than the state average and 23% of the households within the assessment area are below the poverty level. To assist low income individuals with the purchase of a residence, the bank offers Federal National Mortgage Association (FNMA) and Federal Housing Administration (FHA) loans which offer lower down payments and closing costs, and more flexible loan terms. The following tables detail the results of our analysis.

Lending to Borrowers of Different Income Levels Home Purchase Loans					
Borrower Income Category	# of Loans	Percentage	\$ (000's)	Percentage	% of Families within each Income Category
Low	2	4.88%	27	1.78%	21.64%
Moderate	9	21.95%	173	11.45%	17.92%
Middle	8	19.51%	173	11.44%	21.22%
Upper	22	53.66%	1,141	75.33%	39.22%
Total	41	100.00%	1,514	100.00%	100.00%

Lending to Borrowers of Different Income Levels Consumer Loans					
Borrower Income Category	# of Loans	Percentage	\$ (000's)	Percentage	% of Families within each Income Category
Low	4	20.00%	5	11.99%	21.64%
Moderate	8	40.00%	20	54.04%	17.92%
Middle	5	25.00%	7	19.37%	21.22%
Upper	3	15.00%	6	14.60%	39.22%
Total	20	100.00%	38	100.00%	100.00%

The distribution of business loans also reflects a reasonable penetration among businesses of different sizes. Based on U.S. Census information, there are 370 businesses in the assessment area with revenues less than \$1 million. This number represents 75% of all businesses within the assessment area. Based on our review, 100% of the business loans we sampled which originated within the bank's assessment area were to small businesses with gross annual revenues of less than \$1 million. Refer to the following table for details:

Distribution of Small Business Loan Originations Sample Within the Assessment Area by Business Revenues				
Business Annual Revenues	# Loans	Percentage	\$(000's)	Percentage
Less than \$100,000	6	30.00%	53	15.41%
\$100,000 to \$250,000	8	40.00%	174	50.58%
\$250,000 to \$1,000,000	6	30.00%	117	34.01%
Subtotal Small Businesses	20	100.00%	344	100.00%
Over \$1,000,000	0	.00%	00	.00%
Totals	20	100.00%	344	100.00%
Distribution of Businesses in the Assessment Area by Annual Revenues of the Business:			< 1 Million	75%
			> 1 Million	7%
			Unknown	18%

Source: Dun & Bradstreet Business Demographic Data

GEOGRAPHIC DISTRIBUTION OF LOANS:

A geographic analysis of lending activity within the bank's assessment area was not performed. All of the BNAs within the assessment area are considered middle income with no low- or moderate-income geographies located within the assessment area. Further analysis would not provide meaningful information.

RESPONSE TO COMPLAINTS:

Management has not received any written complaints related to CRA performance since the prior CRA Examination.

RECORD OF COMPLIANCE WITH ANTIDISCRIMINATION LAWS:

A Fair Lending Examination was performed in conjunction with this examination. We reviewed a sample of unsecured consumer loan approvals and denials to test for discrimination on the basis of gender. Based on the sample reviewed, no discriminatory practices were noted. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.