

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PUBLIC DISCLOSURE

First State Bank

Name of Institution
Mineral Wells

City
Texas

State
Sharon D. Ford

Examiner-in-Charge

101 East Hubbard St.

Street
Palo Pinto

County
76067

Zip Code

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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 **First State Bank of Mineral Wells, Mineral Wells, Texas**, prepared by **Federal Reserve Bank of Dallas, Dallas, Texas**, the institution's supervisory agency, as of September 9, 1996. 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.

The bank's record of lending within its assessment area is significant. Ninety percent of the loans sampled were within the bank's assessment area. Its average loan to deposit ratio is higher than its local competitor which is significantly larger in asset size. Also, the bank's average loan to deposit ratio is higher than other competitors located in surrounding communities located in Palo Pinto County, Texas, the bank's assessment area. Overall the bank's record of meeting the needs of the community is reasonable given the size of the community and available lending opportunities. The institution's CRA rating as of the last assessment as of June 12, 1995, was Outstanding.

The following table indicates the performance level of First State Bank of Mineral Wells, Mineral Wells, Texas, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First State Bank of Mineral Wells</u> <u>Mineral, Texas</u> 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	Unable to perform a meaningful analysis due to a lack of available data.		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the previous assessment.		

DESCRIPTION OF INSTITUTION

First State Bank of Mineral Wells is a locally-owned entity in Mineral Wells, Texas, with its main office located at 101 East Hubbard Street. The bank has one full service branch location at 1404 Park Road 36, Graford, Texas. As of June 30, 1996, the bank had total assets of approximately \$36.8 million, a 4.9 percent increase from the previous twelve months. At this time period, loans represented almost 57 percent of deposits. The bank's primary lending focus is consumer loans, which accounts for 26 percent of its portfolio. The bank also has a significant presence in residential real estate loans (25.43 percent) and commercial real estate loans (23.22 percent). When compared to the same time last year the bank has experienced a 2.98 percent increase in its loan to deposit ratio.

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, or the lending opportunities available in the institution's assessment area.

The asset distribution by loan type is as follows as of June 30, 1996:

LOAN TYPE	DOLLAR AMOUNT (THOUSANDS)	PERCENT OF TOTAL LOANS
Real Estate:		
Construction	\$ 469	2.53
Residential 1-4	4,717	25.43
Multifamily	0	0.00
Commercial	4,307	23.22
Agricultural	931	5.02
Total Real Estate	10,424	56.20
Consumer:		
Open-end credit	0	0.00
All other	4,816	25.96
Commercial and Industrial	1,821	9.92
Agricultural	1,468	7.92
State and Political Obligations	0	0.00
Other	0	0.00
Total	\$18,529	100.00%

DESCRIPTION OF PALO PINTO COUNTY

The bank's assessment area has been defined as Palo Pinto County. Mineral Wells is the largest town in the county. It is located 47 miles west of Fort Worth, Texas, along U.S. Highway 180. According to the 1990 U.S. Census Bureau data, the county has a population of 25,055 and Mineral Wells consists of 14,837 of those residents. The census data indicates that a significant percentage of the county's population is age 22 to 59 (46.4 percent) and the median household income for the assessment area is \$20,391. The largest percentage of households in the assessment area are upper income households (41.2 percent).

The county's recreational facilities attract visitors to Possum Kingdom Lake, Lake Mineral Wells State Park and Palo Pinto Lake. The major economic source for the area is manufacturing. Currently the largest employer is the Mineral Wells Independent School District. Other large area employers include Cen-Tex Industries (plastic pipe), Centron Corporation (fiberglass pipe) and Perry Equipment Corporation (filters/flow measurement).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

The institution's loan-to-deposit ratio is reasonable, exceeding other area banks. In light of its performance context, which includes the institution's capacity to lend in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the institution's assessment area, the bank leads other area banks in terms of total loans in relation to total deposits.

The bank's average loan-to-deposit ratio since the last consumer affairs examination is 52.67 percent. As of June 30, 1996, the bank's total loans represented 55.01 percent of total deposits. The unadjusted national peer for the same period was 66.59 percent. A more meaningful comparison was made to the locally-owned City National Bank in Mineral Wells and two other national banks located in other communities in Palo Pinto County to better evaluate the bank's lending performance. When compared with the locally-owned national bank in Mineral Wells with assets of \$79.2 million and a loan-to-deposit ratio of 40.48 percent, First State Bank's loan-to-deposit ratio is more favorable. Compared to First National Bank, Graford, Texas and First National Bank, Santo, Texas, the two other national banks located in other communities of Palo Pinto County and loan-to-deposit ratios of 50.02 percent and 52.49 percent respectively, the bank compares more favorably. Bank management indicated that its local competitor, City National Bank has a large portion of its loan portfolio in real estate loans. A review of City National Bank's loan portfolio as of June 30, 1996, revealed that 74.50 percent of its loan portfolio is in real estate loans. Local contacts with individuals in real estate sales and the local independent school district also indicated that City National Bank was the most aggressive real estate lender in the community.

LENDING IN ASSESSMENT AREA

A review of sampled loans originated during the period of January 1, 1996, through June 30, 1996, revealed a significant majority of the loans made were to persons or entities inside the assessment area and the institution's performance is strong. The examiner analysis encompassed a review of 139 loans (including 56 consumer - motor vehicle, 43 consumer - installment unsecured, and 40 consumer -

term unsecured loans) to determine the bank's lending inside and outside its assessment area. According to the examiner's calculations, 82 percent of the motor vehicle loans, 98 percent of the consumer - installment unsecured loans, and 90 percent of the consumer - term unsecured loans (an average of 89.5 percent of the sampled loans) originated during the sample period were within the assessment area. Approximately 24 percent of the loans sampled did not contain sufficient data to determine if the borrowers were located inside the bank's assessment area.

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

A review of the bank's distribution of loans in its assessment area by borrower income was performed on the sampled loans. The unavailability of recent income information made a meaningful analysis unfeasible. The bank does not obtain current income information each time an applicant makes a credit request. In many instances the borrower had an established borrowing relationship with the bank and the income information on file was outdated. Utilizing the limited income information that was available, it appears that the bank has extended credit to all income levels within its assessment area. The examiner review indicated that 31.25 percent was to low income, 18.75 percent to moderate income, 18.75 percent to middle income, and 31.25 percent to upper income borrowers.

TEXAS NON-METROPOLITAN MEDIAN FAMILY INCOME \$28,700		
INCOME CATEGORY	INCOME RANGE AS A	UPPER LIMIT OF
LOW-INCOME	0-50%	\$14,349
MODERATE-INCOME	50-80%	\$22,959
MIDDLE-INCOME	80-120%	\$34,439
UPPER-INCOME	120% and over	over \$34,439

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's assessment area is composed of nine block numbering areas ("BNAs"), one moderate income and eight middle income. The distribution of credit within the assessment area, by geography, of the total loans sampled, revealed that of the consumer - motor vehicle loans 92 percent were in middle income BNAs and 8 percent were in the one moderate income BNA. Seventy percent of the consumer - installment unsecured loans were originated in middle income BNAs and 30 percent were in the one moderate income BNA. Ninety-four percent of the consumer - term unsecured loans were originated in middle income BNAs and 6 percent were in the one moderate income BNA. In all categories of loans reviewed, the majority of the bank's loans were made in the middle income BNAs in the assessment area.

Loan Sample by Census Tract						
	Motor Vehicle Loans		Unsecured Term		Unsecured	
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	Loans in CT Income Category	Percent of Total Loans by Loan Type
LOW-INCOME	0	0.00	0	0.00	0	0.00
MOD-INCOME	3	8.00	1	6.00	12	30.00
MID-INCOME	33	92.00	17	94.00	28	70.00
UPP-INCOME	0	0.00	0	0.00	0	0.00
TOTAL *	36	100.00	18	100.00	40	100.00

* Total excludes 20 motor vehicle loans, 22 unsecured term loans, and 3 unsecured installment loans for which actual BNA numbers could not be determined (P.O. Boxes or Rural Route addresses were provided).

RESPONSE TO COMPLAINTS

The institution has not received any written complaints about its CRA performance since the last examination.