

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PUBLIC DISCLOSURE

Bank of Troy

Name of Institution
Troy

City
Texas

State
Peggy L. Atcher

Examiner-in-Charge

18 South Central Avenue

Street
Bell

County
76579

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 **Bank of Troy, Troy, Texas**, prepared by **Federal Reserve Bank of Dallas, Dallas, Texas**, the institution's supervisory agency, as of **June 17, 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 rating is primarily supported by its consumer loan portfolio which exhibits an excellent dispersion throughout the assessment area by borrower income. Of consumer loans where current income data was available, approximately 67% were to low- or moderate-income borrowers. In addition, 84% of both the consumer and small farm loans were located within the assessment area.

The bank attained a satisfactory rating at its previous assessment conducted as of October 31, 1994.

The following table indicates the performance level of Bank of Troy, Troy, Texas, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Bank of Troy, Troy, 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	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Bank of Troy, Troy, Texas, is a subsidiary of Central Financial Bancorp, Inc., Lorena, Texas. It is located at 18 South Central Avenue and is the only financial institution in Troy, Texas.

As of March 31, 1996, the bank reported total assets of \$11.5 million and net loans represented 64.09% of deposits. The bank's primary lending focus is agriculture which accounted for 50.69% of gross loans. It also does a significant amount of residential real estate lending which accounted for 26.89% of the loan portfolio.

The bank's ability to meet various community credit needs has not been hampered by its capacity to lend. Contacts in the community indicated that the Troy area is experiencing significant growth. Reportedly, a large subdivision is being planned for the southern portion of the bank's assessment area.

As of March 31, 1996, the distribution of loans by product type is as follows:

LOAN TYPE	DOLLAR AMOUNT (THOUSANDS)	PERCENT OF GROSS LOANS
Real Estate:		
Construction	\$ 66	0.94
Residential 1-4	1,884	26.89
Multifamily	31	0.44
Commercial	75	1.07
Agricultural	128	1.83
Total Real Estate	2,184	1.17
Consumer:		
Open-end credit	0	0.00
All other	646	9.22
Commercial and Industrial	622	8.88
Agricultural	3,552	50.69
State and Political Obligations	0	0.00
Other	3	0.04
Total	\$7,007	100.00%

DESCRIPTION OF TROY ASSESSMENT AREA

Troy, Texas, is located approximately 30 miles south of Waco, Texas, on Interstate Highway 35. The bank's assessment area includes portions of Bell, Falls and McLennan Counties. Municipalities located within the assessment area include Troy, Temple, Rosebud, Lott, Chilton, Eddy, Bruceville and Lorena. Based on the 1990 Census, the population of the Troy assessment area is 67,383.

According to the 1990 Census, the labor force was 31,763 and the unemployment rate was 6.4%. The largest employers in Troy are the local school district and C&H Diecast. Contacts in the community indicated these employers draw their work force primarily from Temple. The contacts stated that Troy is a bedroom community of Temple and that most residents work and shop in Temple. In addition, the assessment area has a large population of retirees. Agriculture plays a significant economic role in the area surrounding the city of Troy. The agricultural products produced include sorghum, cotton, hay, wheat, corn and cattle.

Troy is located in the Killeen/Temple Metropolitan Statistical Area (MSA). The median family income for the MSA is \$31,200. The Texas nonmetropolitan median family income is \$28,700. The assessment area consists of five moderate income census tracts, seven middle income census tracts or block numbering areas (BNA) and nine upper income census tracts. (Refer to the Income Category chart in Distribution of Credit Within the Assessment Area section for definitions of income categories.)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Agricultural related loans represent the largest segment of the loan portfolio on a dollar basis and consumer loans represent a significant portion of the number of loans originated by the bank. As a result, Bank of Troy's CRA performance was analyzed based on a sample of 57 agriculture and 45 consumer loans originated between May 1995 and April 1996.

LOAN TO DEPOSIT RATIO

Bank of Troy's average loan-to deposit ratio is satisfactory in light of its performance context, which includes the bank's 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 and the lending opportunities available in the institution's assessment area.

Bank of Troy's average loan-to-deposit ratio since the last consumer affairs examination is 59.35%. As of March 31, 1996, the bank's net loans represented 64.09% of total deposits. The national peer ratio for the same period was 59.64%. To better understand the bank's performance in relation to other banks in the local area, a loan to deposit analysis was conducted on three banks of similar size located in the surrounding communities. The loan to deposit ratios of the three banks ranged from 44.47% to 76.78% and averaged 60.82%.

Management stated that the loan to deposit ratio is not indicative of the bank's actual lending performance. President Minor said that because of limitations imposed by state law on the amount banks can lend to any one borrower, the bank must sell portions of its larger loans to other banks. If the participated portion of the loans were included in the loan to deposit ratio, President Minor believes the ratio would rise to approximately 72%.

LENDING IN ASSESSMENT AREA

Bank of Troy's lending within the assessment area is acceptable. Approximately 84% of both the consumer and agricultural loans were located in the assessment area. When analyzed using dollar volume, 79% of each loan type is located within the assessment area.

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

The consumer loan review consisted of analyzing borrower income as a percentage of either the Texas nonmetropolitan or Killeen/Temple MSA median family income depending on the location of the loan. Also, on occasion, the bank makes agriculture loans using the borrower income rather than the business revenue. These loans were also reviewed by analyzing borrower income. A breakdown by income range for each category is detailed below:

MSA MEDIAN FAMILY INCOME \$31,200		
INCOME CATEGORY	INCOME RANGE AS A	UPPER LIMIT OF
LOW-INCOME	0-50%	\$15,600
MODERATE-INCOME	50-80%	\$24,960
MIDDLE-INCOME	80-120%	\$37,440
UPPER-INCOME	120% and over	over \$37,440

TEXAS NONMETROPOLITAN MEDIAN FAMILY INCOME \$28,700		
INCOME CATEGORY	INCOME RANGE AS A	UPPER LIMIT OF
LOW-INCOME	0-50%	\$14,350
MODERATE-INCOME	50-80%	\$22,960
MIDDLE-INCOME	80-120%	\$34,440
UPPER-INCOME	120% and over	over \$34,440

Bank of Troy has made significant efforts to lend to borrowers of different economic levels as evidenced by the volume of lending throughout the income categories. The table below indicates that the 67% of the bank's consumer lending is to low- and moderate- income borrowers. The level of lending to low- and moderate-income individuals is commendable because 76% of the census tracts or BNAs in the assessment area are considered middle or upper income.

Loan Sample by Income Level				
	Agriculture Loans		Consumer Loans	
INCOME CATEGORY	NUMBER OF LOANS BY INCOME OF APPLICANT	PERCENT OF TOTAL LOANS	NUMBER OF LOANS BY INCOME OF	PERCENT OF TOTAL LOANS
LOW-INCOME	0	0	6	25
MOD-INCOME	1	9	10	42
MID-INCOME	2	18	1	4
UPP-INCOME	8	73	7	29
TOTAL *	11	100	24	100

* Total does not include 1 agriculture and 14 consumer loans where bank did not collect income data. In addition, the total does not include 35 agriculture loans where the bank used farm revenues in the credit decision.

A review of the bank's distribution of agricultural loans in its assessment area by farm revenues was performed on the sampled loans. The review of the loan distribution among the various farm revenue levels revealed an acceptable distribution of loans. The sample included 35 loans where business revenue was used in the credit decision. The analysis indicated that 92% of these loans were made to farms with revenues less than \$250 thousand. The following table details the bank's agricultural loan distribution by business revenue:

AGRICULTURE LOAN SAMPLE		
GROSS REVENUES OF BUSINESS (THOUSANDS)	NUMBER OF LOANS BY INCOME OF APPLICANT	PERCENT OF TOTAL LOANS
\$0 - 100	24	69
\$100 - 250	8	23
\$250 - 1,000	2	6
OVER \$1,000	1	2
TOTAL *	35	100

* Total does not include 1 agricultural where bank did not collect income data. In addition, the total does not include 11 loans where the bank used borrower income rather than farm revenues in the credit decision.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's record of lending throughout its assessment area is adequate. The table below indicates that the majority of the bank's lending is conducted in middle and upper income census tracts. This is to be expected as there are no low income tracts in the assessment area. In addition, the five moderate income census tracts are located in Temple, in the southwest most portion of the assessment area. However, the analysis of the distribution of loans also indicated that the bank made loans in only 57% of the census tracts or BNA's within its assessment area.

Loan Sample by Census Tract				
	Agriculture Loans		Consumer Loans	
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
LOW-INCOME	0	0	0	0
MOD-INCOME	0	0	1	3
MID-INCOME	44	92	7	19
UPP-INCOME	4	8	28	78
TOTAL	48	100	36	100

RESPONSE TO COMPLAINTS

Bank of Troy has not received any written complaints about its CRA performance since the last examination.

INSTITUTION'S STRENGTHS AND AREAS FOR IMPROVEMENT

Bank of Troy has made significant efforts to lend to applicants throughout the income strata as evidenced by the volume of lending to low- and moderate-income individuals. Contacts in the community indicated that the economy is expanding and that there are significant opportunities for the bank to further meet the credit needs of the assessment area.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS (ECOA, FHA, OR HMDA)

No evidence of intentional discriminatory acts or practices were noted during the concurrent consumer compliance examination although one violation of Regulation B - Equal Credit Opportunity Act was cited. However, it appears the violation was primarily the result of clerical error or oversight rather than a systemic problem with the lending function.

IMPLEMENTATION OF DISCRIMINATORY OR OTHER TRAINING INITIATIVES AND POLICIES

None noted.