

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PUBLIC DISCLOSURE

First Bank & Trust Company

109 North Main

Name of Institution

Street

Dawson

Navarro

City

County

Texas

76639

State

Zip Code

Diane van Gelder

Examiner-in-Charge

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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 Bank & Trust Company, Dawson, Texas,** prepared by the **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 primary factor in the bank's satisfactory rating was the distribution of loans throughout the assessment area by borrower income and business revenue, which was further strengthened by a demonstrated willingness of the bank to make small dollar loans. Analysis of the consumer loan sample revealed that 61% of the loans were made to low- and moderate-income borrowers and 59% of the loans were made for amounts of \$2,000 or less. Also, a sample review of motor vehicle loans found that 65.8% were secured by cars or trucks that were aged 6 years or older, further evidencing the bank's willingness and efforts to meet the credit needs of the community. Analysis of the agricultural loan sample revealed that 55% of the loans were made to farm operations with gross revenues of \$250 thousand or less and 87% of the loans were made for amounts of \$10,000 or less.

The following table indicates the performance level of First Bank & Trust Company, Dawson, Texas, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST BANK & TRUST COMPANY DAWSON, TEXAS 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	Unable to perform a meaningful analysis due to lack of available data.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The First Bank & Trust Company (FBT) is a wholly-owned subsidiary of Dawson Bancshares, Inc., Dawson, Texas. The bank's only office is located at 109 North Main and offers full deposit and loan services with convenient banking hours for its customers. At the last CRA examination conducted as of January 30, 1995, FBT received a satisfactory rating.

As of June 30, 1996, the bank reported total assets of \$11.0 million. Net loans and leases represented 48.5% of total deposits. As indicated in the following chart, the bank's primary lending focus continues to be in consumer/retail lending. Consumer and 1-4 family secured real estate loans comprised 58.2% of the bank's loan portfolio as of June 30, 1996, in comparison to 52.5% as of September 30, 1994.

LOAN TYPE	DOLLAR AMOUNT	PERCENT OF TOTAL LOANS
Real Estate:		
Construction	\$ 12	0.24
Residential 1-4	1,396	27.75
Commercial	194	3.86
Agricultural	458	9.10
Total Real Estate	2,060	40.95
Consumer:		
All other	1,530	30.41
Commercial and Industrial	470	9.34
Agricultural	963	19.14
Other	8	0.16
Total	\$5,031	100.00%

Overall, 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, demographic or economic factors present in the assessment area, or the lending opportunities available in the institution's assessment area.

President and Chief Executive Officer Conrad Newton, III, indicated that the local economy has been somewhat affected by a weak agricultural sector as a result of drought conditions and record low cattle prices over the last year and plant closings and/or layoffs by major employers in nearby Corsicana, Mexia, and Waco, Texas. However, the negative impact on the local economy was mostly offset by other plant openings, relocations and staff increases of major employers in these cities as well as continued growth in the Dawson Independent School District's (DISD) workforce and student enrollment. DISD is the city's major employer with over 80 teachers and administrative personnel.

DISD has a total student enrollment of 510 students, which has increased by 150 or 5.2% on an annualized-basis over the last eight years due to family relocations to the area and a minor baby boom in this rural bedroom community's population.

DESCRIPTION OF ASSESSMENT AREA

The bank has identified its assessment area as consisting of two block numbering areas (BNAs): BNA #9613 located in the southeast portion of Hill County, Texas and BNA #9710 located in the southwest portion of Navarro County, Texas. The bank's office in Dawson, Texas, is located near the center of the bank's assessment area in Navarro County, Texas, approximately 30 miles east of Waco, Texas and 20 miles west of Corsicana, Texas. The 1990 United States Census (Census) estimated the population for the city of Dawson, Texas at 927 and a combined population for the two BNAs comprising the bank's assessment area of 4,897.

The 1990 median family income (MFI) for BNA #9613 and BNA #9710 was \$25,444 and \$26,771, respectively, both of which are considered middle-income BNAs. Approximately 37.8% of the families residing in the bank's assessment area were considered low- or moderate-income families based upon Census data. The Department of Housing and Urban Development updates MFI on an annual-basis and reports the 1995 Texas nonmetropolitan MFI at \$28,700. For CRA purposes, borrower income information for a nonmetropolitan area, such as Hill and Navarro Counties, are based upon the latter figure.

One community contact interviewed during the examination indicated that the local economy was stable, but was experiencing minimal economic growth and commercial and retail development. Along with this lack of economic growth and activity has been a deteriorating affordable housing situation. New employees of the local school system and other employers have been forced to live in neighboring cities and commute to work, as there is not a sufficient supply of affordable housing to meet the current demand. This has occurred due to an inactive local government, which has failed to address an aging housing stock situation and an inadequate sewer system that has dampened speculative home building in the area. There does not appear to be any organized or planned economic development function at the city government level. It was felt by the community contact, as well as by President Newton, that a concerted effort by local government, business, community, Lions Club, builders, and FBT representatives to obtain state and/or federal grants to improve the city's sewer system would remove a major impediment to improving the affordable housing situation. Increased home and apartment building would spur economic growth, provide employment opportunities, and create additional housing and credit opportunities the community, in particular for low- and moderate- income individuals. Finally, the community contact indicated that there was a secondary need for home improvement loans due to the average age of the local housing stock being in the 30-40 year range.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

The bank's quarterly average loan-to-deposit (LTD) ratio is satisfactory in light of its performance context, which includes the institution's capacity to lend, the capacity of other similarly-situated institutions to lend, existing demographic and economic factors, and the lending opportunities available in the institution's assessment area.

FBT's quarterly average LTD ratio since the last examination equaled 41.2%. As of June 30, 1996, the bank's net loans represented 48.5% of total deposits, which fell below the bank's national peer group level of 61.4%. FBT's quarterly average LTD ratio was compared with the five other banks operating within Hill and Navarro Counties, which were considered to be similarly-situated institutions based upon their respective asset sizes, loan portfolio mixes, quarterly average LTD ratios, and other factors. As of June 30, 1996, these five similarly-situated institutions had quarterly average LTD ratios which ranged from 21.9% to 68.4%.

LENDING IN ASSESSMENT AREA

The bank met the standards for satisfactory performance, as a majority of the 143 loans sampled were made inside the bank's assessment area. Overall, 74.1% on a number-basis and 80.9% on a dollar-basis of the loans sampled were made inside the bank's assessment area. An analysis of each specific loan product category reached a similar conclusion. Of the 54 motor vehicle loans sampled, 76% on a number-basis and 88% on a dollar-basis were made inside the bank's assessment area. Of the 57 unsecured loans sampled, 74% on a number-basis and 59% on a dollar-basis were made inside the bank's assessment area. Of the 32 agricultural loans sampled, 72% on a number-basis and 78% on a dollar-basis were made inside the bank's assessment area.

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

The bank's distribution of loans in its assessment area by gross revenue, borrower income, and dollar amount of loans met the standards for satisfactory performance. Examiner analysis included a review of 57 unsecured loans, 54 motor vehicle loans, and 32 agricultural loans extended during the six-month period from January 1, 1996, through June 30, 1996.

As the following chart demonstrates, only a limited analysis of the bank's distribution of agricultural loans by farm revenue could be performed. The bank did not collect revenue information for 12 of the 32 loans which were located in the bank's assessment area. Of the 11 loans with revenue data, 100% were to farms with gross revenues of less than \$1 million and 55% were extended to farm operations with gross revenues of \$250 thousand or less.

AGRICULTURAL LOAN SAMPLE WITHIN ASSESSMENT AREA BY INCOME LEVEL				
NUMBER OF LOANS		GROSS REVENUES (GR)	DOLLAR AMOUNT	
NUMBER OF LOANS BY INCOME OF APPLICANT	PERCENT OF TOTAL LOANS		NUMBER OF LOANS BY INCOME OF APPLICANT (THOUSANDS)	PERCENT OF TOTAL LOANS
2	18	GR under 100M	\$ 14	14
4	36	100M to 250M	19	19
5	46	Over 250M	68	67
11	100%	Totals*	\$101	100%

* Totals and percentages excluded 6 farm loans for which income data was not available and 6 farm loans upon which the bank relied upon borrower income information.

As detailed in the next chart, approximately 87% of the agricultural loans were originated for amounts of less than \$10,000, which demonstrates the bank's willingness and efforts to meet the community's credit needs, in particular for small dollar farm loans.

AGRICULTURAL LOAN SAMPLE WITHIN ASSESSMENT AREA ANALYSIS BY DOLLAR AMOUNT		
DOLLAR LEVEL	NUMBER	PERCENTAGE OF
\$0 - \$1,000	3	13
\$1,001 - \$5,000	7	30
\$5,001- \$10,000	10	44
\$10,001 OR ABOVE	3	13
TOTALS	23	100%

The unsecured and motor vehicle consumer loan analysis consisted of analyzing borrower income as a percentage of the 1995 Texas Nonmetropolitan MFI. A breakdown by income range for each income category is detailed below:

1995 TEXAS NONMETROPOLITAN MEDIAN FAMILY INCOME: \$28,700		
INCOME CATEGORY	INCOME RANGE AS A	UPPER LIMIT OF
LOW-INCOME	0 - 50%	\$14,350
MODERATE-INCOME	51 - 80%	\$22,960
MIDDLE-INCOME	81 - 120%	\$34,440
UPPER-INCOME	121% and over	over \$34,440

Analysis of the motor vehicle and unsecured loan distribution among the various income levels revealed a satisfactory loan distribution, which is summarized on the following table:

MOTOR VEHICLE AND UNSECURED LOAN SAMPLE WITHIN ASSESSMENT AREA BY INCOME LEVEL				
NUMBER OF LOANS		INCOME CATEGORY	DOLLAR AMOUNT	
NUMBER OF LOANS BY INCOME OF APPLICANT	PERCENT OF TOTAL LOANS		NUMBER OF LOANS BY INCOME OF APPLICANT (THOUSANDS)	PERCENT OF TOTAL LOANS
12	37	Low-income	\$ 50	31
8	24	Mod-income	28	18
3	9	Mid-income	8	5
10	30	Upp-income	74	46
33	100%	Totals*	\$160	100%

* Totals and percentages excluded 31 unsecured loans and 19 motor vehicle loans for which income data was not available.

Again, the analysis was somewhat limited by the examiner's inability to obtain income data on a large portion of the sample. However, a combined analysis of the 33 motor vehicle and unsecured loans made inside the assessment area found that 61% on a number-basis and 49% on a dollar-basis were made to low- or moderate-income borrowers. An individual analysis by product type revealed that 63% of the motor vehicle loans and 55% of the unsecured loans were made to low- and moderate-income borrowers. All of the combined and individual product type percentages of loans made to low- and moderate-income borrowers exceeded the 37.8% combined Census figure for low- and moderate-income families residing in the bank's assessment area. Low- and moderate-income families represented 21.7% and 16.1%, respectively, of the assessment area's total population based upon

Census data.

In order to mitigate the lack of borrower income information, an analysis of the 83 consumer loans made inside the bank's assessment area, by dollar amount of the motor vehicle and unsecured loan sample was performed. As shown in the following chart, 59% of the motor vehicle and unsecured loans were originated for amounts less than \$2,000:

MOTOR VEHICLE AND UNSECURED LOAN SAMPLE WITHIN ASSESSMENT AREA ANALYSIS BY DOLLAR AMOUNT		
DOLLAR LEVEL	NUMBER	PERCENTAGE OF
\$0 - \$1,000	32	38
\$1,001 - \$1,500	10	12
\$1,501-\$2,000	7	9
\$2,001 OR ABOVE	34	41
TOTALS	83	100%

Beyond that, a review of the 41 motor vehicle loans made inside the bank's assessment area found that 65.8% were secured by cars or trucks aged over six years or older. The average age of the collateral pledged on these 41 motor vehicle loans was 8.4 years. It is evident that the bank is making considerable efforts to make motor vehicle loans to all members of the community, including low- and moderate-income borrowers, based upon the significant number of small dollar loans and loans secured by collateral aged 6 years or older.

GEOGRAPHIC DISTRIBUTION OF LOANS

A meaningful analysis of the bank's geographic distribution of loans within the assessment area could not be performed and this performance criteria was not rated due to the following factors: 1) FBT's assessment area was comprised of two middle-income BNAs; 2) approximately 90% of the loans made inside the bank's assessment area had post office box mailing addresses as a result of the bank's rural location; 3) the bank's internal geocode tracking system for monitoring the distribution of credit by geography was based upon the individual borrower or business entity's zip code; and, 4) Vice President and Compliance Officer Ruth Rutledge indicated that there were no clear divisions or concentrations of low-, moderate-, middle-, and upper-income households within the community due to a lack of zoning.

RESPONSE TO COMPLAINTS

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