



## **PUBLIC DISCLOSURE**

May 23, 2022

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Quitaque  
Charter #11706  
320 East Main Street  
Quitaque, Texas 79255

Office of the Comptroller of the Currency  
5001 West Loop 289, Suite 250  
Lubbock, Texas 79414

**NOTE:** This document is an evaluation of this 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. This evaluation is not, and should not 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.

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## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

**The lending test is rated: Satisfactory.**

The major factors that support this rating include:

- A majority of loans sampled are within the bank's assessment area (AA).
- A reasonable quarterly average net loan-to-deposit (LTD) ratio during the evaluation period.
- Agricultural lending to farms of different sizes is reasonable.
- Geographic distribution of agriculture loans reflects reasonable dispersion.

### Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's loan-to-deposit ratio is reasonable.

The First National Bank of Quitaque (FNB) quarterly average LTD ratio calculated over the last 17 quarters is 54 percent. Similarly situated institutions located within or adjacent to the AA had a quarterly average LTD ratio of 57.9 percent, with a high average rate of 71.6 percent and a low average rate of 46.3 percent.

### Lending in Assessment Area

A majority of the bank's loans are inside its assessment area.

The bank originated and purchased 74 percent of its total loans inside the bank's AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria. Loans inside the AA are considered in the Lending Test.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Farm	20	74	7	26	27	1,011	82	222	18	1,234

### Description of Institution

FNB is an intrastate community bank headquartered in Quitaque, Texas, which is approximately 100 miles northeast of Lubbock, Texas. FNB is a wholly owned subsidiary of Quitaque National Corporation. As of December 31, 2021, FNB's assets totaled \$93 million.

The bank provides traditional banking services including a variety of traditional loan and deposit accounts. Bank lobby and drive-through services are provided Monday through Friday at the bank's main location in Quitaque and branch in Tulia. FNB also offers basic online banking services at [www.fnbquitaque.com](http://www.fnbquitaque.com).

FNB has no legal or financial circumstances that would impede its ability to meet community credit needs. The bank received a satisfactory rating on its November 13, 2017, CRA evaluation.

As of December 31, 2021, net loans totaled \$36.3 million and represented 44 percent of total deposits and 39 percent of total assets. The bank is primarily an agricultural lender.

Competition within the AA remains strong. In addition to FNB, there are 5 other financial institutions that operate within the AA. The June 30, 2021, FDIC Market Share Report shows FNB ranks second in the AA with 20 percent of total deposits.

The AA economy is based on agriculture production, primarily cotton production. Other major employers are independent school districts, the Texas Department of Corrections (Tulia), and Caprock Canyon State Park.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The CRA evaluation period is January 1, 2019, through December 31, 2021. The OCC evaluated FNB using small bank CRA performance standards that include five performance criteria: the LTD ratio, lending in the AA, lending to farms of different sizes, geographic distribution of loans, and responsiveness to CRA complaints. To evaluate FNB's lending performance, the OCC selected a random sample of loans originated during the evaluation period based on identified primary products in the bank's AA and the bank's business strategy. Primary loan types are those products originated at the highest percentage by number and/or dollar volume of loans and management's business strategy. During this evaluation period, primary products consisted of farm loans, by both dollar volume and number of loans. The bank originated a minimal number of home mortgages, small business, and consumer loans; therefore, an analysis of these product type is not meaningful.

### **Selection of Areas for Full-Scope Review**

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

### **Ratings**

The bank's overall rating is a blend of the state ratings, and where applicable, multistate ratings.

FNB has only one rating area, which is the State of Texas. The bank's overall rating is based on a full-scope review of the FNB Quitaque AA within the state.

The MMSA rating and state ratings are based on performance in all bank AAs. Refer to the "Scope" section under each state and MMSA Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## State Rating

### State of Texas

**CRA rating for the State of Texas:** Satisfactory

**The Lending Test is rated:** Satisfactory

The major factors that support this rating include:

- A majority of loans sampled are within the bank's assessment area (AA).
- A reasonable quarterly average net loan-to-deposit (LTD) ratio during the evaluation period.
- Agricultural lending to farms of different sizes is reasonable.
- Geographic distribution of agriculture loans reflects reasonable dispersion.

### Description of Institution's Operations in Texas

FNB is a \$93 million community bank headquartered in Quitaque, Texas, located approximately 100 miles northeast of Lubbock. FNB is a wholly owned subsidiary of Quitaque National Corporation. FNB is an intrastate bank with its main office located in Quitaque, and one branch located in Tulia, Texas.

FNB has designated Briscoe, Swisher, and Hall counties as its AA. The AA is comprised of three contiguous counties and does not arbitrarily exclude any low- or moderate-income areas. There are five census tracts in the AA. Briscoe and Swisher Counties consist of four middle-income census tracts while Hall County consists of one moderate-income census tract. The AA has a total population of 12,586, with 20 percent of households below the poverty level. A community contact was interviewed in order to determine that the public's perception of local financial institutions is satisfactory.

The unemployment rate for Briscoe County is 3.1 percent, while Swisher and Hall Counties are 3.3 and 3.4 percent respectively. Unemployment rates are similar to the State of Texas and United States unemployment rates of 4.3 and 3.6 percent. The local economy is based on agriculture and is centered in cattle and growing crops. Growing crops consist of cotton, wheat, and sorghum farming, plus pastureland used for hay. The largest non-agricultural employers include independent school districts, the Texas Department of Corrections in Tulia, and Caprock Canyon State Park.

We considered one community contact from a local governmental organization. Quitaque is predominately an agricultural community. Tourism is also a big part of the community due to Caprock Canyon State Park. There has been limited economic growth in the last several years. The contact identified the credit needs of the local community as predominately agricultural loans for crop production along with the need for hotel/motels in the town. The perception and experience of the local government and citizens of Quitaque regarding involvement by FNB Quitaque is excellent.

## FNB Quitaque AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: FNB of Quitaque 2021						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.0	20.0	80.0	0.0	0.0
Population by Geography	12,586	0.0	25.4	74.6	0.0	0.0
Housing Units by Geography	6,136	0.0	31.5	68.5	0.0	0.0
Owner-Occupied Units by Geography	3,186	0.0	24.6	75.4	0.0	0.0
Occupied Rental Units by Geography	1,238	0.0	29.9	70.1	0.0	0.0
Vacant Units by Geography	1,712	0.0	45.5	54.5	0.0	0.0
Businesses by Geography	691	0.0	28.4	71.6	0.0	0.0
Farms by Geography	183	0.0	26.2	73.8	0.0	0.0
Family Distribution by Income Level	3,196	29.2	18.5	18.0	34.3	0.0
Household Distribution by Income Level	4,424	31.2	16.9	16.1	35.8	0.0
Median Family Income Non-MSAs - TX		\$52,198	Median Housing Value			\$55,826
			Median Gross Rent			\$578
			Families Below Poverty Level			18.8%
<i>Source: 2015 ACS and 2020 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## Scope of Evaluation in Texas

As noted, the institution has one AA comprised of three contiguous counties. The AA received a full-scope review. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs. Consistent with the institution's primary lending focus, farm loans were analyzed. Bank dedicated AAs located in the same MSA, or as applicable CSA, are combined, analyzed, and presented as one AA for purposes of this evaluation. Similarly, bank delineated non-MSA AAs within the same state are combined, analyzed, and presented as one AA for purposes of this evaluation.

## LENDING TEST

The bank's performance under the Lending Test in Texas is rated Satisfactory.

## Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the FNB Quitaque AA is good.

## Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in the State.

### ***Small Loans to Farms***

Refer to Table S in the state of Texas section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to farms.

The bank originated 20 percent of farm loans in the only moderate-income census tract. This is slightly below demographic information showing 26 percent of farms are located in the moderate-income census tract. The bank is slightly below the aggregate lending to moderate-income census tracts. Lending to moderate-income census tracts is limited in number as there is only one moderate-income census tract in the bank's AA and there are no low-income census tracts.

### **Distribution of Loans by Income Level of the Borrower**

The bank exhibits a reasonable distribution of loans to farms of different sizes, given the product lines offered by the bank.

### ***Small Loans to Farms***

Refer to Table T in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to farms.

The bank exhibits a reasonable distribution of loans to farms of different sizes, given the product lines offered by the bank. The distribution of loans to farms with total revenues less than \$1 million is 85 percent, which is below the demographic of 97 percent. However, it does exceed the aggregate level of lending of 65 percent.

### **Responses to Complaints**

Neither the bank nor the OCC have received any CRA-related complaints during the evaluation period.

# Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

<b>Time Period Reviewed:</b>	01/01/19 to 12/31/21	
<b>Bank Products Reviewed:</b>	Small farm loans	
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
Texas		
FNB Quitaque AA	Full-Scope	Small farm loans

## Appendix B: Summary of MMSA and State Ratings

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RATINGS	THE FIRST NATIONAL BANK OF QUITAQUE
Overall Bank:	Lending Test Rating
The First National Bank of Quitaque	Satisfactory
State:	
Texas	Satisfactory

## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank’s assessment area.
- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.

Table S: Assessment Area Distribution of Loans to Farms by Income Category of the Geography																			2019-2021	
Assessment Area:	Total Loans to Farms				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	
FNB of Quitaque 2021	20	1,526	100	146	0.0	0.0	0.0	25.9	20.0	22.6	74.1	80.0	77.4	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Total</b>	<b>20</b>	<b>1,562</b>	<b>100</b>	<b>146</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>25.9</b>	<b>20.0</b>	<b>22.6</b>	<b>74.1</b>	<b>80.0</b>	<b>77.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	

Source: 2021 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2021 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues												2019-2021	
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available			
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans		
FNB of Quitaque 2021	20	1,526	100	146	97.3	84.6	65.1	1.1	15.4	1.6	--		
<b>Total</b>	<b>20</b>	<b>1,526</b>	<b>100</b>	<b>146</b>	<b>97.3</b>	<b>84.6</b>	<b>65.1</b>	<b>1.1</b>	<b>15.4</b>	<b>1.6</b>	<b>--</b>		

Source: 2021 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2021 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%