

PUBLIC DISCLOSURE

October 12, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Bells/Savoy
Charter Number: 7524
615 East Bells Boulevard
Bells, Texas 75414**

**Office of the Comptroller of the Currency
Dallas North Field Office
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3394**

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 First National Bank of Bells/Savoy** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 12, 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 following factors support this overall rating:

- ! The bank's loan-to-deposit ratio is reasonable, given the institution's size, financial condition, and assessment area credit needs.
- ! The bank originated a majority of business, consumer, and home loans sampled during this examination within the bank's assessment area.
- ! The bank's lending performance reflects a reasonable distribution of credit to businesses of different sizes and borrowers of different income levels.
- ! The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

The following table shows the performance level of **The First National Bank of Bells/Savoy** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	THE FIRST NATIONAL BANK OF BELLS/SAVOY 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 consumer complaints were received.		

Scope of the Examination

This evaluation of The First National Bank of Bells/Savoy's (First National Bank) CRA performance covers the period from September 18, 1996 through October 12, 1999. The evaluation includes an analysis of First National Bank's designated assessment area, which covers the area of East Grayson County and West Fannin County, Texas. We also base our analysis on First National Bank's business and consumer lending, in addition to the bank's home loan activity.

Description of Institution

First National Bank is a \$35 million institution, with its main office at 615 E. Bells Boulevard in Bells, Texas. The bank is a subsidiary of First Bells Bancshares, Inc., a Texas one-bank holding company. The bank currently has three ATM locations; two ATM's are located in Bells and one ATM is located in Savoy, Texas. First National Bank was rated **Satisfactory** in the previous CRA Public Disclosure dated September 18, 1996.

The bank's lending activity emphasizes mortgage and consumer loans. Additional products include small business and small farm loans. The bank's financial condition does not hinder its ability to meet community needs. The legal, regulatory, and economic environment do not significantly affect the institution's ability to make loans.

As of June 30, 1999, the bank's net loans to total assets ratio was 60%. The following table portrays the principle loan mix of First National Bank.

TYPES OF LOANS OUTSTANDING JUNE 30, 1999 (\$000's)		
<i>TYPE OF LOANS</i>	<i>AMOUNT</i>	<i>PERCENTAGE</i>
1-4 Family Residential Loans	\$8,459	39%
Installment	\$5,130	24%
Commercial & Industrial	\$4,133	19%
Commercial Real Estate Loans	\$2,543	12%
Agricultural	\$1,066	5%
Other	\$101	<1%
TOTAL	\$21,432	100%

Description of Assessment Area

First National Bank's assessment area consists of census tract (CT) 1.00 of Grayson County, which is in the Sherman-Denison MSA, and block numbering areas (BNA) 9503, 9504, and 9506 in Fannin County. The bank is in the eastern portion of Grayson County, approximately two miles west of Fannin County. The great majority of the assessment area, however, is located in Fannin County. The assessment area meets regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas. The following table reflects the demographics for the assessment area.

ASSESSMENT AREA DEMOGRAPHICS			
<i>Designation</i>	<i># CT/BNAs</i>	<i>% of Total CT/BNAs</i>	<i>% of Households Residing in the CT/BNAs</i>
Low	0	0%	0%
Moderate	1	25 %	15%
Middle	3	75%	85%
Upper	0	0%	0%
N/A	0	0%	0%

ASSESSMENT AREA DEMOGRAPHICS			
TOTAL	4	100%	100%

Approximately 17,962 residents populate the assessment area. The assessment area's median family income for 1999 is \$35,950. In addition, the median housing value is \$38,327, with the median age of housing stock in the assessment area at 32 years. Eighty-six percent of housing units are occupied, with owner-occupied housing at 65% and rental-occupied housing at 21%. Fourteen percent of housing units are vacant.

The city of Bells is primarily a bedroom community with individuals commuting to work in Sherman or Bonham. Unemployment rates have remained low and steady over the past two years at approximately 3%. First National Bank operates in a competitive environment, which includes six community banks. The asset sizes of these banks range from \$14 million to \$93 million.

We determined the credit needs of the community through discussions with management and a local community contact made by this agency. The credit needs identified included home mortgages and consumer loans. The local community contact identified affordable mortgages as a credit need. The community contact also stated that community development projects, such as public recreation facilities, need to be implemented.

Conclusions with Respect to Performance Criteria:

This review covered home mortgage, consumer, and business loans made within the period of January 1, 1998 to June 30, 1999.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable, given the institution's size, financial condition, and assessment area credit needs. First National Bank's quarterly average loan-to-deposit ratio for the past twelve quarters is 57%. The average loan-to-deposit ratio for the other six community banks in the assessment area was 53% during the same time. The average loan-to-deposit ratio during the same time frame for national peer banks was 64%. The national peer group consists of 235 banks located in MSAs throughout the United States. The asset size of the peer banks ranged from \$25 million to \$50 million. These banks, like First National Bank, have only one banking office. The bank's loan-to-deposit ratio has steadily increased since the last examination and was 68% as of June 30, 1999.

Lending in Assessment Area

Of the loans sampled, First National Bank originated a majority of home mortgage real estate, consumer, and commercial loans within its assessment area. We took a sample of 20 home mortgage real estate loans, 20 consumer loans, and 20 commercial loans that originated within the specified period to determine the location of loan originations. Thirty-nine out of the 60 or 65% of the loans reviewed were in the assessment area. Of the \$3.2 million in originations sampled, only \$1.49 million or 46% were in the assessment area. This is due primarily to one large commercial loan originating at

\$618 thousand and outside of the assessment area. A recap of our sampling results is summarized in the table on the following page.

ASSESSMENT AREA LENDING					
Loan Type	Total Sampled	# of Loans in AA	% of # Loans in AA	Amount (\$000s)	% of Amount
Home Loans	20	14	70%	357	59%
Consumer Loans	20	15	75%	69	66%
Commercial Loans	20	10	50%	1,065	43%
Total	60	39	65%	1,491	46%

Lending to Businesses of Different Sizes

First National Bank's lending to businesses of different sizes is adequate. In our sampling of ten business loans in the assessment area, nine or 90% had gross annual revenues of \$1 million or less.

Lending to Borrowers of Different Incomes

The distribution of loans to borrowers of different income levels is reasonable. The following table summarizes the results of our sample of mortgage and consumer loans within the assessment area and funded between January 1, 1998 and June 30, 1999.

Borrower Income Level	# of Loans	%	\$ Vol. of Loans (\$000s)	%	% Families
Low	2	7%	16	4%	22%
Moderate	7	24%	57	13%	16%
Middle	11	38%	194	46%	21%
Upper	9	31%	160	37%	41%
Total	29	100%	427	100%	100%

***% Families:** This data defines the composition, by income level, of the families in the assessment area. To illustrate, 22% of the families in the assessment area are low income families; sixteen percent are moderate income families, etc.....Source: 1990 U.S. Census Data*

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. The bank did not exclude any locations in the assessment area for lending purposes.

The assessment area consists of no low-income CTs/BNAs and only one moderate-income CT/BNA, which is in Bonham, Fannin County, Texas. Of the loans sampled, the bank originated no loans within the moderate-income BNA. The lack of penetration in the moderate-income BNA is attributed to (1) the presence of other financial institutions in Bonham and (2) First National Bank's location, which is 13 miles from Bonham.

Compliance with Anti-discrimination Laws

A fair lending review performed with this CRA examination revealed satisfactory compliance with fair lending regulations. We reviewed all *approved conventional home purchase loans made to female-only applicants*. We compared the rates and terms on the female-only applicants to the same for *approved home purchase loans made to male-only applicants*. Our sample consisted of four female applicants and eight male applicants. We found no violations of anti-discrimination laws or regulations.

Response to Complaints

First National Bank has not received any consumer complaints concerning CRA issues.