



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

March 22, 2013

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank Texas  
Charter Number 5750

507 North Gray, Killeen, TX 76540

Office of the Comptroller of the Currency  
Southern District  
San Antonio Field Office  
10001 Reunion Place, Suite 250, San Antonio, TX 78216-4165

**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 the safe and sound operation of the institution. 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.

**INSTITUTION'S CRA RATING: This institution is rated Needs to Improve.**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

The primary factors supporting the rating are summarized below:

- The full-scope, onsite examination dated February 10, 2014, identified violations of Section 5 of the Federal Trade Commission Act (FTC Act) in the bank's overdraft programs. These violations adversely affected the overall rating and resulted in reducing the rating from "Satisfactory" to "Needs to Improve". Refer to the FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW comment for further information.
- The bank's loan-to-deposit (LTD) ratio is reasonable when considering the volume of mortgage loan originations that are not reflected in this ratio and the impact of law changes during the evaluation period that eliminated the bank's ability to make new student loans.
- The bank originated a substantial majority (95%) of its loans within the designated assessment areas (AAs).
- The distribution of loans by borrower income and geography in Texas is reasonable and meets the standard for satisfactory performance.
- The bank's qualified investments and Community Development (CD) loans in the larger Texas AAs reflect an adequate responsiveness to affordable housing needs.
- The bank has demonstrated adequate responsiveness to CD related activities in its larger Texas markets, focusing primarily on financial literacy programs.

**SCOPE OF EXAMINATION**

We evaluated First National Bank Texas (FNBTX) using the Intermediate Small Bank (ISB) examination procedures, which include Lending and Community Development Tests. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through lending activities. The Community Development Test evaluates the bank's responsiveness to the identified needs in its AA through lending, qualified investments, and services.

Our review focused on the bank's primary loan products, which are home purchase loans and small consumer loans. In addition, in the Killeen and Houston markets, our review included business loans. Where applicable, our analysis also included a review of purchased student loans in the bank's AAs. Income information was not available for review on the purchased student loans.

In our analysis for loan originations in the years 2010 - 2011, we compared the bank's performance to AA demographics in the 2000 Census. For our analysis of loan originations in 2012, we used demographics from the 2010 Census data as the comparative data.

Two of the CD loans totaling \$270 thousand were used to renovate an affordable housing complex with 68 units providing affordable housing to LMI individuals and families in Holland, Texas. Two additional loans totaling \$1 million funded a new 44-unit apartment complex in Killeen Texas with over 58% LMI residents.

Another loan totaling \$250 thousand was used to purchase an investment in a CRA fund providing financing for an affordable housing apartment complex in Belton, Texas. Additionally, approximately 1% of the earnings from the CRA fund benefit the Senior Housing Crimes Prevention Foundation, which provides safe environments for seniors/veterans in nursing homes. FNBTX's loan proceeds and CRA fund earnings support crime prevention programs in the Texas Veteran's Home in Temple, Texas. Over 90% of the Veteran's home residents are LMI individuals.

### **Performance in Houston-Sugarland-Baytown AA**

FNBTX originated two loans totaling \$648 thousand to an entity in the HSB AA that provides housing primarily for LMI individuals and families. The bank's loans were used to purchase and renovate a 20-unit complex for LMI individuals and families in a moderate-income CT.

### **Performance in Dallas-Plano-Irving AA**

FNBTX originated two loans totaling \$5.9 million to entities that provide housing primarily for LMI individuals and families. These loans provided 305 housing units for LMI individuals and families.

### **Limited-Scope Assessment Areas**

The bank's performance in limited scope AAs is weaker than in the full-scope areas. CD lending in the limited-scope AAs has been limited to only one loan.

FNBTX originated a qualifying CD loan in the Austin-Round Rock-San Marcos AA totaling \$2.4 million to an entity that provides housing primarily for LMI individuals and families. The bank's loan provided 104 LMI housing units in a moderate-income CT. The bank had no other CD loans in the limited-scope AAs.

### **Number and Amount of Qualified Investments**

Overall, the bank's level of investment and qualified donations in the Texas AAs is satisfactory. Qualified investments in Texas AAs totaled \$7.6 million with an additional \$60 thousand in donations.

During the evaluation period, FNBTX purchased new CRA-qualified investments from Community Capital Management totaling \$1.3 million. This entire amount was allocated to the full-scope AAs in Texas. These investments are mortgage-backed securities (MBS) that are comprised of individual loans funding housing projects for LMI individuals and families in the bank's Texas AAs.

FNBTX has an additional \$6.3 million in remaining book value of similar prior period investments from Community Capital Management. These investments also consist of MBS, collateralized by residences and housing projects in the bank's Texas AAs.

### **Responses to Complaints**

There were no CRA-related complaints during this evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD test in Arizona is rated **"Needs to Improve."**

### **Number and Amount of Community Development Loans**

The bank originated one loan totaling \$500 thousand which was used to invest in a CRA fund providing affordable homes to three moderate-income borrowers within the Phoenix AA. Additionally, 1% of the earnings from the CRA Fund benefit the Senior Housing Crimes Prevention Foundation and the Arizona State Veteran's Home in Phoenix. The foundation indicates that 78% of the home's residents are LMI individuals.

### **Number and Amount of Qualified Investments**

FNBTX had no qualified investments during the evaluation period ending March 22, 2013.

### **Extent to Which the Bank Provides Community Development Services**

The bank had no CD service activities in this AA during the review period. The location of the bank's in-store offices in LMI areas does make the bank's services more accessible to LMI individuals. In the Phoenix AA, two of the 11 in-store locations are located in low-income CTs and one is located in a moderate-income CT. These stores represent 27% of the bank's locations in this AA.

### **Responsiveness to Community Development Needs**

FNBTX's responsiveness to CD needs in this AA is considered poor. CD activities in this AA are limited with the exception of the bank's in-store branch locations in LMI areas that provide increased access to financial services.

The bank's CD loans and investments do support the needs of LMI Senior Veterans and AA affordable housing needs; however, the impact is limited and a formal assessment of area needs has not been undertaken by the bank in this AA.

## **STATE RATING**

### **STATE OF NEW MEXICO**

**CRA Rating for New Mexico: Needs to Improve**

**The Lending Test is rated: Needs to Improve**

**The Community Development Test is rated: Needs to Improve**

- Loan volume in New Mexico is limited.
- Loan volume in the full scope AA was insufficient to perform a meaningful loan penetration and dispersion analysis. Because of the insufficient lending, the lending test is rated "Need to Improve."