



## **PUBLIC DISCLOSURE**

May 04, 2016

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

The First National Bank of Edgewood  
Charter Number 10624

119 N.E. Front Street  
Edgewood, TX 75117

Office of the Comptroller of the Currency

225 E. John Carpenter Fwy  
Suite 900  
Irving, TX 75062

**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, 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 Satisfactory**

The First National Bank (FNB) of Edgewood exhibits satisfactory performance in meeting the credit needs of its community. The primary factors that support this rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A majority of loans originations are within the assessment area (AA).
- Lending practices reflect reasonable penetration among borrowers of different income levels.

## **SCOPE OF EXAMINATION**

This Performance Evaluation (PE) of FNB assesses the bank's performance using interagency Small Bank Community Reinvestment Act (CRA) examination procedures. The evaluation period ranges from June 14, 2010, the date of the prior PE, through March 1, 2016.

We identified consumer loans as the bank's primary loan product. Although, the residential real estate portfolio accounts for 42 percent of total loans outstanding as of March 31, 2016, management stated that the bank no longer originates these types of loans. In addition, we were unable to obtain a minimum sample of 20 residential real estate loans originated since the prior CRA examination; therefore, this product was not evaluated. To evaluate the bank's performance, we selected a random sample of 20 consumer loans that originated from January 1, 2014 through December 31, 2015.

In our evaluation of the distribution of loans, we utilized the demographics and geographies related to the 2010 Census as it applies to the years 2014 and 2015.

## **DESCRIPTION OF INSTITUTION**

The FNB of Edgewood (FNB) is headquartered in Edgewood, Texas. As of March 31, 2016, the institution had total assets of \$24.5 million. FNB is wholly owned by its shareholders, the largest group being the Pickens family. Its only location is the main office in Edgewood. There is one automatic teller machine located at a non-affiliated convenience store in Edgewood. Management has not opened or closed any branches during the evaluation period. However, a new bank building is under construction and expected to be completed in the second half of 2016. While FNB offers a range of traditional deposit and loan products and services, the bank no longer originates residential mortgages. The bank received a Satisfactory rating at the prior CRA examination dated June 14, 2010.

There are no legal or financial factors impeding the bank's ability to meet the credit needs of the AA.

As of March 31, 2016, net loans represent 29 percent of total assets. A summary of the loan portfolio is as follows:

<b>Loan Portfolio Summary March 31, 2016</b>				
<b>Loan Category</b>	<b>Dollar Volume \$ (000)</b>	<b>% of Dollars</b>	<b>Number of Loans</b>	<b>% of Number</b>
Consumer	1,299	18%	105	47%
Residential	3,031	42%	51	23%
Commercial	1,897	26%	45	20%
Agriculture	1,050	14%	18	8%
Other	14	0%	4	2%
<b>Total Loans</b>	<b>7,291</b>	<b>100%</b>	<b>223</b>	<b>100%</b>

Source: March 31, 2016 Report of Condition and bank records

## **DESCRIPTION OF ASSESSMENT AREA(S)**

FNB's AA includes all of Van Zandt County. The AA is comprised of 10 census tracts (CTs), none of which are designated low- or moderate-income tracts. There are nine tracts designated middle-income and one tract designated upper-income. Per the 2015 Federal Financial Institutions Examination Council's (FFIEC) list of distressed or underserved nonmetropolitan middle-income geographies, none of the middle-income CTs are classified as distressed or under-served. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

Edgewood is located in Van Zandt County approximately 55 miles east of the Dallas Fort Worth metro area and 50 miles west of Tyler on US Highway 80. According to the 2010 US Census Bureau, Van Zandt County has an estimated population of 52,579. Economic conditions are stable. The weighted average of FFIEC updated MSA Median Family Income (MFI) for the AA is \$52,800 with 14.8 percent of the households below poverty level. Approximately 37 percent of the households receive social security benefits and 20 percent are retired. The largest employers in Van Zandt County are the school districts. The economy of the AA is heavily dependent on Canton Trade Days, which attracts out-of-town people to area hotels and restaurants. Competition in the AA consists of nine FDIC insured financial institutions operating 19 offices, most of which are branches of regional and larger national financial institutions. Per the June 30, 2015 FDIC Deposit Market Share Report, FNB deposits in the AA totals \$20 million, which is 3.36 percent of the market share. The bank ranks seventh out of the nine depository institutions.

The following table contains a summary of economic and demographic data for the AA.

<b>Demographic and Economic Characteristics of AA</b>	
<b>Population</b>	
Total Population	52,279
Number of Families	13,984
Number of Households	19,559
<b>Geographies</b>	
Number of Census Tracts/BNA	10
% Low-Income Census Tracts/BNA	0%
% Moderate Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	90%
% Upper-Income Census Tracts/BNA	10%
<b>Median Family Income (MFI)</b>	
2015 Weighted Average Median Family Income (MFI)	\$51,819
2015 Weighted Average of Median Household Income	\$43,467
2015 Weighted Average of FFIEC Updated MSA MFI	\$52,800
<b>Economic Indicators</b>	
Unemployment Rate	3.78%
2015 Median Housing Value	\$98,986
% of Households Below Poverty Level	14.79%
% of Households on Social Security	36.76%
% of Households Retired	20.28%

Source: 2010 US Census Data

We spoke with two community contacts to assist with identification of the AA credit needs. One was an employee with the *City of Edgewood* and the other an employee with *Edgewood Independent School District*. The *City of Edgewood* provides improvements to city streets (i.e. signage, repairs), city parks, helps fund the volunteer fire department, and sells permits for building homes. In addition, the *City of Edgewood* provides water and utilities, including sewer services. The *Edgewood Independent School District* manages money received through state and property taxes, which are maintained at FNB. Funds are paid through the Texas Education Agency (TEA) and the Van Zandt Appraisal District. Both contacts indicated that FNB strives to meet the credit needs of the community, which are primarily consumer loans and small business loans.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB/s performance under the Lending Test is **Satisfactory**.

### Loan-to-Deposit (LTD) Ratio

FNB’s LTD ratio is reasonable given the bank’s size, local competition, location, financial condition, and the credit needs of the AA. This determination is based on the quarterly average LTD ratio of 38 percent from June 30, 2010 through March 31, 2016. During this evaluation period, FNB’s LTD ratio ranged from a low of 30.4 percent to a high of 43.5 percent.

The table below compares FNB’s quarterly average LTD ratio to that of similarly situated institutions (SSI) operating within the AA. Please note that no ranking is intended or implied.

<b>Loan-to-Deposit Ratios</b>			
<b>Financial Institution</b>	<b>Total Assets (\$000’s) (as of 3/31/2016)</b>	<b>Market Share of Deposits (as of 6/30/2015)</b>	<b>Average LTD Ratio</b>
Citizens National Bank of Wills Point	136,536	18.42%	64.51%
First State Bank of Ben Wheeler, Texas	135,233	19.56%	46.08%
Mineola Community Bank, SSB	196,579	5.85%	79.95%
<b>The First National Bank of Edgewood</b>	<b>24,465</b>	<b>3.36%</b>	<b>38.31%</b>

### Lending in Assessment Area

A substantial majority of FNB’s loans originated during this review period were inside the bank’s AA. As depicted in Table 1 below, 100 percent of the number and dollar amount of loans sampled were originated inside the AA.

<b>Table 1 - Lending in FNB AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	20	100	0	0	20	302,679	100	0	0	302,679
Total	20	100	0	0	20	302,679	100	0	0	302,679

Source: loan sample

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

The distribution of consumer loans among borrowers of different income levels exhibits a reasonable penetration.

<b>Table 2 - Borrower Distribution of Consumer Loans in FNB AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	21.30	35	14.31	15	18.54	25	45.85	25

Source: loan sample; U.S. Census data

FNB demonstrated reasonable penetration of all borrower income levels within the AA. As illustrated in Table 2 above, the percentage of consumer loans by number to low-income borrowers exceed the percentage of households in that income level. In addition, the bank’s distribution of consumer loans to moderate-income borrowers at 15 percent is reasonable compared to the demographic of 14.31.

**Geographic Distribution of Loans**

FNB’s AA does not contain any low- or moderate-income census tracts. Therefore, analysis of the institution’s geographic distribution of loans would not be meaningful.

**Responses to Complaints**

FNB has not received any complaints regarding its CRA performance during the evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.