



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 2, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**American National Bank
Charter Number 18303**

**1606 North Sarah Dewitt Drive
Gonzales, Texas 78629**

**Office of the Comptroller of the Currency
Southwestern District
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 **American National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 2, 1996. 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**.

American National Bank (ANB) is responsive to the credit needs of the community, including low- and moderate-income individuals and areas. This is demonstrated by the types of loans made and its strong loan to deposit ratio. A substantial majority, of the loans granted are within the defined assessment area. Loans are made to individuals and businesses of different income levels, as well as in geographies with different income levels, including low- and moderate-income neighborhoods.

The following table indicates the performance level of American National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>AMERICAN NATIONAL BANK</u> 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 complaints received since the prior examination.		

DESCRIPTION OF INSTITUTION

American National Bank is an independently owned community bank providing banking services through its main bank in the City of Gonzales, Gonzales County, Texas, and branches in the cities of Luling and Lockhart, Caldwell County, Texas. The bank operates ATM machines adjacent to its Gonzales and Lockhart facilities. The bank has total assets of \$55 million and loans totaling \$31 million. Loans make up almost 60% of the bank's total assets. The loan portfolio consists of the following primary categories: (percentages are of total loans)

- 12% - Residential real estate loans;
 - 14% - Consumer loans;
 - 19% - Commercial loans; and,
 - 55% - Agricultural loans.
- 100% Total loans.

The bank's financial condition is strong and there are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its assessment area. The previous Community Reinvestment Act examination is dated August 31, 1994.

DESCRIPTION OF ASSESSMENT AREA

American National Bank's assessment area consists of Gonzales and Caldwell Counties and includes the Cities of Gonzales, Luling and Lockhart. Caldwell County is included in the Austin - San Marcos Metropolitan Statistical Area (MSA). Gonzales County is not included in a MSA. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Gonzales County has a population of approximately 17,000. The county is served by four commercial banks, two savings and loan associations, and a credit union. The principal industry is agriculture. The 1990 U.S. Census median family income for the county is \$19,997 which is significantly below the 1996 Department of Housing & Urban Development (HUD) statewide non-MSA median family income of \$28,900. As defined by the United States Census Bureau, Gonzales County is composed of six Block Numbering Areas (BNA) of which three are designated as moderate-income, and three are middle-income¹ areas. Twenty-seven percent of the households are below poverty level.

¹**Low-income** Block Numbering Areas (BNA's) are equal to **less than 50 percent** of the median income, **moderate-income** BNA's are equal to **between 50 percent and 79 percent** of the median income, **middle-income** BNA's are equal to **between 80 percent and 119 percent** of the median income, and **upper-income** BNA's are equal to **120 percent and above** the median income.

Caldwell County has a population of approximately 26,400. There are four banks and a savings and loan association serving the county. The economy is dependent on agriculture and government employment. The median family income for the county is \$25,639; significantly below the median family income for the MSA of \$44,900. Thirty percent of the households in the county are below poverty level. Caldwell County is composed of 7 BNA's: 1 is low-income, 3 are moderate-income, and 3 are middle-income.

Our office conducted two community contacts in the bank's assessment area. The community contacts made no negative comments relating to the bank. Credit needs identified by the community contacts included: small farm and small business loans, affordable housing, home improvement, and consumer loans. Both contacts stated that the local financial institutions are meeting these needs to the best of their abilities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Management is performing satisfactorily in meeting the credit needs of the assessment area, including low- and moderate-income individuals and areas, consistent with its resources and capabilities.

- **Loan to Deposit Ratio**

The loan to deposit ratio is excellent. The average loan to deposit ratio for the last nine quarters is 66%. ANB's ratio ranks sixth out of thirty-two banks with assets less than \$250 million located in Gonzales, Caldwell and surrounding counties (excluding Travis County). As of June 30, 1996, the bank's ratio was 63% compared to its competitors' average ratio of 49%. This group's June 30, 1996, loan to deposit ratios ranged from 12% to 78%.

- **Lending in the Assessment Area**

A substantial majority of credit extended is within the assessment areas. Our consumer loan sample reflected 99% of the dollar volume and 97% of the number of newly originated consumer loans were within the assessment area. The 1996 year-to-date Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) reflects 75% of the dollar volume and 87% of the number of residential mortgage approvals were for properties located within the assessment area.

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

The distribution of loans to businesses and farms of different sizes within the assessment area is excellent with an emphasis on small farms and businesses. This is significant because 74% of the bank's lending activity is to business and agricultural borrowers. Our review of a sample of 30 new commercial and agricultural loans reflected the following distributions:

LENDING TO BUSINESSES AND FARMS OF DIFFERENT SIZES										
Business Revenue Ranges	Less Than \$100,000		\$100,000 - \$500,000		\$500,000- \$1,000,000		Less Than \$1,000,000		Total	
	#	%	#	%	#	%	#	%	#	%
Commercial & Ag. Loans	16	53%	8	27%	3	10%	3	10%	30	100%

The distribution of loans to individuals with different income levels within the assessment area is reasonable. Our review of year-to-date 1996 approved home loans (all loans reported on the HMDA-LAR), and a sample of 32 consumer loans made during 1996 reflected the following distributions:

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
	#	%	#	%	#	%	#	%	#	%
Area Demographic Characteristics:	33%		20%		21%		26%		100%	
Count	3,826		2,273		2,447		2,683		11,229	
Loan types	#	%	#	%	#	%	#	%	#	%
Residential	2	6%	6	18%	10	29%	16	47%	34	100%
Consumer	12	38%	4	12%	10	31%	6	19%	32	100%

This distribution demonstrates that the level of lending to borrowers of different income levels is reasonably in line with the area demographic characteristics.

- Geographic Distribution of Loans

The geographic distribution of loans in the assessment area reflects reasonable dispersion throughout the assessment area. Credit is being extended in most BNA's in the assessment area. Our analysis of the 1996 year-to-date HMDA-LAR, and a sample of 31 consumer loans reflected the following geographic distribution:

GEOGRAPHIC DISTRIBUTION OF LOANS										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	8%		46%		46%		0%		100%	
Count	1		6		6		0		13	
	#	%	#	%	#	%	#	%	#	#
Sample Types:										
Consumer	0	0%	11	35%	20	65%	0	0%	31	100%
Residential	1	3%	19	56%	14	41%	0	0%	34	100%

This distribution reflects reasonable dispersion, given the area's demographic characteristics. As noted earlier, there is only one low-income BNA in the assessment area and it is located in Caldwell County. ANB is a relatively new competitor in this market and a small percentage of the bank's business activity is generated in Caldwell County. As the Caldwell County branches grow, so should ANB's penetration of the low- and moderate-income BNA's in the county.

- Responses to Complaints

No complaints regarding the bank's CRA performance have been received since the previous examination. Further, based on the fair lending portion of the examination, no violations of the substantive provisions of antidiscrimination laws and regulations were identified.