



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

September 23, 2002

Community Development Investment Letter #2002-6

June 2004

12 CFR 24

Mr. Eddie Leal
Senior Vice President
First National Bank
P.O. Box 810
Edinburg, Texas, 78540

Dear Mr. Leal:

This is in response to correspondence from First National Bank (the "Bank"). On July 2, 2002, we received a request from the Bank to make an equity investment of \$6,000,000 for the purchase of stock in the CRA Qualified Investment Fund (the "Fund"). On July 17, 2002, we received two requests from the Bank to make equity investments of \$109,082 and \$529,276, respectively, in the First National Group Community Development Corporation (the "CDC"), a CDC subsidiary. The Bank certifies that these investments are consistent with 12 U.S.C. § 24 (Eleventh) (the "statute") and 12 C.F.R. Part 24 (the "regulation") concerning national bank community development corporations, community development projects and other public welfare investments.

The OCC is treating the Bank's submissions as prior approval requests since the investment amounts, when added to the Bank's previous aggregate Part 24 investments, exceed 5 percent of the Bank's capital and surplus. Additionally, on August 8, 2002, we received a letter from the Bank that requests the OCC's prior approval to self-certify its future Part 24 investments up to, but not to exceed 10 percent of the Bank's capital and surplus.

The Bank indicates that its investment in the Fund primarily benefits low- and moderate-income individuals and areas. The Fund's investment strategy is to make investments that qualify for positive consideration under the Community Reinvestment Act of 1977. Specifically, the Fund invests in single-family, multifamily and economic development loans backed by securities issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. The Fund also invests in taxable municipal bonds whose primary purpose is community development and in certain securities that are issued by the U.S. Small Business Administration. Other Fund investments also include certificates of deposit that are insured by the Federal Deposit Insurance Corporation and are issued by financial institutions that are (1) certified as Community Development Financial Institutions, or (2) minority- or women-owned, which primarily lend to, or facilitate lending in low- and moderate-income areas or to low- and moderate-income individuals to promote community development.

The Bank's investment in the Fund demonstrates nonbank community involvement by the composition of the CRA Fund's Board of Trustees, which includes representatives with expertise in financing community development and reinvestment, business development and financial risk management.

Based on the Bank's information, we believe that the Bank's investment in the Fund primarily promotes the public welfare, consistent with the statute and regulation, and is approved.

The Bank made two investment increases in its CDC subsidiary to enable the CDC to engage in additional community development activities. The CDC used the first Bank funds to provide long-term financing, at reduced interest rates and fees, to low- and moderate-income families in the La Joya, Texas area. These families also received down-payment or closing cost assistance grants from the CDC, the South Texas Economic Development Corporation, the La Joya Housing Project, and the La Joya Economic Development Council. The CDC applied to the Federal Home Loan Bank for its portion of the grant funds.

The CDC used the second Bank funds to provide financing to low- and moderate-income families to purchase their first homes. The selected families were former renters which received Section 8 Housing Program assistance and that successfully completed homeownership and credit counseling from the Edinburg Housing Authority.

The Bank formed the CDC on July 30, 1999, after receiving the OCC's approval that the corporation meets the requirements of the statute and regulation. Based on the Bank's information, we believe that the two new investments by the Bank in the CDC are consistent with the CDC's purpose to primarily benefit low- and moderate-income persons, low- and moderate-income areas, or other areas targeted by federal, state, or local government. The CDC demonstrates nonbank community involvement through the composition of its board of directors, which includes a nonbank community representative.

The aggregate amount of the Bank's Part 24 investments, including those in the Fund and in the CDC, is [] percent of the Bank's capital and surplus. In no event shall the Bank's aggregate Part 24 investments exceed 10 percent of its capital and surplus.

You will be pleased to know that the OCC will permit the Bank to self-certify future Part 24 investments up to [] percent of its capital and surplus. The OCC's decision to approve the Bank's future investments up to [] percent of its capital and surplus includes the consideration that the Bank is [], and that the additional investment amounts do not pose significant risk to the federal deposit insurance fund. In no event shall the Bank's aggregate investments, including their contingent liabilities, under the statute or the regulation exceed 10 percent of its unimpaired capital and surplus.

If requested by the OCC, the Bank shall provide reports concerning its investments in the Fund and in the CDC, including both the Fund and CDC's financial status, activities and accomplishments. Copies of all reports submitted to the OCC shall also be provided to the Deputy Comptroller, Southwestern District.

You should be cautioned that the opinions set forth in this letter are based on information and representations provided to us by the Bank. Any changes in the nature, amount, or purpose of the Bank's investments, or in the purpose of the Fund and CDC, could result in a different response being rendered concerning the conformance of the Bank's investments with the statute and the regulation.

This opinion regarding the Bank's Part 24 investments and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the U.S., any agency or entity of the U.S., or an officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

If you have questions regarding this letter, please contact Karen Bellesi, Manager, Community Development Investments, at (202) 874-4930. You also may access general information about the OCC's Community Development Corporation Investment Program (Part 24), including the CD-1 form for submitting Part 24 requests, on <http://www.occ.treas.gov/cdd/CD-1.doc>.

Sincerely,

/s/ Barry Wides

Barry R. Wides
Director
Community Development Division

cc: Robert Gandy III, President, First National Bank, Texas
Edna Martinez, Branch President