



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 12, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Pioneer National Bank
Charter Number 17626**

**1710 N. Llano
Fredericksburg, Texas 78624**

**Office of the Comptroller of the Currency
Southwestern District, Field Office South
1600 Lincoln Plaza
500 North Akard Street
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 CRA performance of **Pioneer National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 12, 1997. 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.**”

- Pioneer National Bank’s loan-to-deposit ratio meets standards for satisfactory performance, averaging 38.5% for the twenty-four month period ending December 31, 1996. This level of lending is slightly below that of banks having similar characteristics in the area.
- A substantial majority of Pioneer National Bank’s loans and other lending related activities are in the bank’s assessment area (AA). Based on a sample of consumer, mortgage, commercial, and agricultural loans made since the December 31, 1994 examination, 95.7% of the number of such loans were in the bank’s AA compared to 96.1% by dollar volume.
- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses and farming operations of different sizes.
- There have been no consumer complaints with respect to the bank’s CRA performance.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>(NAME OF FINANCIAL INSTITUTION)</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	Geographic analysis is not meaningful as there are no low- or moderate-income block numbering areas in the bank's assessment area.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Pioneer National Bank (Pioneer) has total assets of \$44 million. The bank is located in Fredericksburg, Texas, with the main office located north of downtown at 1710 North Llano, and a branch located south of downtown at 1037 Highway 16 South. Pioneer is owned by Pioneer Bankshares, Inc., a one bank holding company. Most of the bank's direct lending is residential real estate and commercial loans. A breakdown of the bank's loan portfolio, as of December 31, 1996, is depicted below:

Loan Type	Dollar Volume (thousands)	Portfolio by Dollar
1-4 Family Residential	\$ 10,229	64.9%
Commercial	\$ 2,444	15.5%
Commercial Real Estate	\$ 1,551	9.8%
Consumer	\$ 1,017	6.4%
Agriculture	\$ 531	2.5%
Total	\$ 15,772	100%

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its assessment area. The bank's CRA performance was previously evaluated as of November 28, 1994, when it was also rated satisfactory.

ASSESSMENT AREA DESCRIPTION

The AA is defined as Gillespie County, Texas. It does not arbitrarily exclude low- or moderate-income geographies. The bank's AA consists of five block numbering areas having no low- or moderate-income tracts, four middle-income tracts, and one upper-income tract. Although there are no low- to moderate-income tracts, 30% of the families in the AA have low or moderate incomes. The population of the AA is estimated at 17,200 while the city of Fredericksburg's population is approximately 7,000. The United States (U.S.) Department of Housing and Urban Development 1996-updated statewide median family income (MFI) for all non-Metropolitan Statistical Areas (MSA) is \$28,900. This compares quite favorably to the MFI for Gillespie County, Texas, also a non-MSA, of \$27,969. Almost 19% of the housing units are rental units. Persons over 65 years of age account for 25% of the population, a relatively large percentage. Unemployment is relatively low at 2% of the labor force.

Business demographic data for the AA indicates that the vast majority of businesses have less than five employees and have total revenues of less than \$500,000. Major industries include services, manufacturing, and construction.

The bank's competition is strong with three other banks, a thrift, and a credit union operating in the area.

Two community contacts were made during the examination. The first contact was a government official with the city of Fredericksburg. The contact indicated that the city is in a growth mode and that real estate prices and rental rates are high. A related problem is a shortage of affordable housing. One affordable housing project is being built, others are being considered. One important point made by the contact, which correlates with the demographic data quoted above, is that Fredericksburg, Texas is in the top 10 locations for people to retire in the U.S. The other contact was a church leader in Fredericksburg, Texas. This contact also cited a severe shortage of affordable housing in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Management is performing satisfactorily in meeting the credit needs of its assessment area, consistent with its resources and capabilities.

- **Loan to Deposit Ratio**

Pioneer's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's average loan-to-deposit ratio for the twenty-four month period ending December 31, 1996, is 38.5%; the trend is stable. A comparison of lending activity places the bank slightly below the average loan-to-deposit ratio of banks having similar characteristics in the area. The loan-to-deposit ratios for banks in Gillespie County and surrounding counties range from 69.7% to 25.4%.

- **Lending in the Assessment Area**

A substantial portion of loans and other lending-related activities are in the bank's AA. Pioneer National Bank does not do a formal analysis of lending activities in and out of its lending territory. However, a sampling of ninety-three mortgage, consumer, and commercial loans made since the December 31, 1994, examination indicated that 95.7% by number and 96.1% by dollar volume were within the bank's AA.

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

The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and business of different sizes. Based on our sample of loans originating since the December 31, 1994 examination, 11.9% of consumer and residential loans were made to low-income households. Further review indicated that 6.8% of consumer and residential loans sampled were made to moderate-income households.

A comparison of our loan sample to the AA demographic data is detailed below.

	Loan Sample Distribution by Income Group									
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
Area Demographic Characteristics	14.5%		15.4%		23.9%		46.2%		100%	
# of Families	740		748		1,219		2,350		5,092	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	7	35.0	2	10.0	3	15.0	8	40.0	20	100
Residential	0	0.0	2	5.1	10	25.6	27	69.3	39	100
Total	7	11.9	4	6.8	13	22.0	35	59.3	59	100

The distribution of loans to businesses and farming operations of different sizes demonstrates very good lending efforts in the AA. A sample of thirty loans indicated that 60.0% were to businesses or farming operations having less than \$100,000 in gross revenues and 13.3% to businesses or farming operations having gross revenues between \$100,000 and \$250,000. Businesses or farming operations having gross revenues between \$250,000 and \$1,000,000 comprised 23.3% of our sample.

A summary of our file review is detailed below.

	Lending to Businesses and Farming Operations of Different Sizes									
Gross Revenues \$	Less than 100,000		100,000-250,000		250,000-1,000,000		More than 1,000,000		Total	
Loan Types	#	%	#	%	#	%	#	%	#	%
Commercial	6	40.0	2	13.3	6	40.0	1	6.7	15	100
Agricultural	12	80.0	2	13.3	1	6.7	0	0.0	15	100

- **Geographic Distribution of Loans**

There are no low- or moderate-income block numbering areas in the bank's AA making an analysis of this component meaningless. Refer to the tables above for lending activity involving low- and moderate-income families and small businesses.

- **Responses to Complaints**

Pioneer National Bank has not received any comments from the public regarding their CRA performance. Furthermore, no violations of the substantive provisions of the anti-discrimination laws and regulations were identified.