



## PUBLIC DISCLOSURE

March 03, 2014

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Moody National Bank  
Charter Number 8899

2302 Post Office Street Galveston, TX 77550-1935

Office of the Comptroller of the Currency

1301 McKinney Street, Suite 1410 Houston, TX 77010-3031

**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.

**Institutions Community Reinvestment Act Rating: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory**

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

The major factors supporting the ratings are as follows:

- The bank's loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance.
- The bank originates a substantial majority of its loans inside its assessment area.
- Lending to businesses of different sizes in the Galveston assessment area reflects reasonable penetration to business with revenues of \$1 million or less. The bank's performance reflects reasonable penetration to borrowers for residential home mortgage loans.
- The geographic distribution of loans to businesses exceeds the characteristics of the Galveston assessment area for loan originations in the low-and moderate-income census tracts for both 2012 and 2013.
- Our analysis revealed reasonable geographic dispersion throughout the Galveston assessment area in residential real estate loans.
- Overall, the bank's performance under the Community Development Test is outstanding and reflects excellent responsiveness to the needs of its assessment areas. We qualified 32 loans that promoted community development within the bank's assessment areas, totaling \$18.6 million.
- The bank did not receive any community reinvestment act related complaints during the evaluation period.

## **Scope of Evaluation**

We completed a review of Moody National Banks (MNB) Community Reinvestment Act (CRA) performance in its AAs. MNB was evaluated under the Intermediate Small Bank (ISB) CRA procedures, which includes a Lending Test and a Community Development (CD) Test. The Lending Test evaluates the bank's record of meeting the credit needs of the bank's AAs through its lending activities. The CD Test evaluates the bank's responsiveness to CD needs in its AAs through qualified CD lending, investments, and services. For the Lending Test, the time-period covered was January 1, 2012 to December 31, 2013. All of the Home Mortgage Disclosure Act (HMDA) files originated during the evaluation period were reviewed.

Our sample included 55 residential loans totaling \$8.6 million, 85 small loans to businesses originated in 2012 totaling \$15.5 million, and 524 small loans to businesses originated in 2013, totaling \$87.4 million. We used reliable data, collected by management, for both loan products.

For the Community Development Test, our review included all community development loans, investments and services since the last CRA examination dated April 12, 2010, through the date of this examination of March 3, 2014. Management provided reliable data for the Community Development Test.

Prior to the CRA examination, we conducted a data integrity review as of August 7, 2013. Management has elected to collect data regarding business loan originations, although not required to do so as an ISB. For 1-4 family residential loan originations, management is required to collect and submit data in accordance with HMDA. We concluded that the bank has implemented satisfactory internal controls to ensure the accuracy and reliability of both HMDA loan data and business loan data.

We chose a sample of 2012 business loans for our analysis. However, the bank changed the small business loan process in 2013 so we reviewed the entire population of the 2013 small business loans, excluding 259 loans to an auto dealer with revenues greater than \$1 million. Inclusion of those loans skewed the bank's actual performance. As a result, our analysis considered 524 small business loans for the 2013 evaluation period.

## **Description of Institution**

Moody National Bank (MNB) is owned by Moody Bancshares, Inc. MNB is a full-service intrastate community bank headquartered in Galveston, Texas with full trust powers. MNB is one of the oldest banks in Texas. The bank was chartered in 1907. The main office is located at 2302 Post Office Street in Galveston. The bank operates 20 branches in Galveston, Brazoria, Fort Bend, Harris, and Travis counties in Texas. The League City West branch was closed in 2013 and no branches have been opened. There are three offsite ATMs in Galveston and ATM services are available at all branches. In addition, all locations have reasonable hours of operation during the week. Most branches are open for additional hours on Saturday to help meet the banking needs of the community. The bank provides its customers with 24-hour account access through online and mobile banking.

Commercial business lending is the bank's primary lending focus, with 88 percent of the loan portfolio consisting of business loans. Commercial real estate and operating loans comprise the majority of business loans at 72 percent and construction and land development loans represent the remainder. Residential real estate and multifamily loans are 10 percent of the total portfolio, and all other loan categories combined are 2 percent.

Concerning deposits, approximately 80 percent are from Galveston County, 9 percent from Brazoria County, 8 percent from Harris County, 2 percent from Fort Bend County, and less than 1 percent is from Travis County. As of December 31, 2013, MNB had total assets of \$952 million and a Tier One Leverage Capital Ratio of 10.61 percent. There are no legal or financial factors that impede the bank's ability to meet the credit needs of the AA. The bank received a satisfactory rating at the prior CRA evaluation dated April 12, 2010.

*Please refer the MNB's CRA Public File for more information about this institution.*

## **Description of Assessment Areas**

MNB has two assessment areas (AA) in Texas that meet the requirements of the regulation. The primary AA is Galveston and includes four contiguous counties in the Houston-Sugarland-Baytown Metropolitan Statistical Area (MSA). The Galveston AA is comprised of 416 census tracts (CTs) in the four counties. It includes all 50 CTs in Brazoria County, all 76 CTs in Fort Bend County, all 66 CTs in Galveston County, and 224 of 785 CTs in Harris County. Approximately 32 CTs (8%) in the AAs are designated as low-income tracts and 119 CTs (29%) are designated as moderate-income tracts. Of the 19 branches in the Galveston AA, 9 are located in Galveston County, 5 in Brazoria County, 4 in Harris County, and 1 in Ft. Bend County. There are approximately 2.4 million residents in the Galveston AA; approximately 4 percent are unemployed, 12 percent are retired, and 19 percent receive social security benefits. The Housing and Urban Development (HUD) updated MSA median family income for 2013 was \$66,200. The Austin AA in Travis County includes all 218 CTs. Within the AA, 35 CTs (16%) are designated as low-income and 55 CTs (25%) are designated as moderate-income. The Austin AA has one branch in Travis County. Approximately 1 million residents reside in the Austin AA. An estimated 5 percent are unemployed, 11 percent are retired, and 15 percent receive social security benefits. The HUD updated MSA median family income for 2013 was \$73,200.

### **Galveston County**

Galveston County is the home and headquarters for MNB. There are seven low-income (11%) CTs, 17 moderate-income (26%) CTs, 22 middle-income (33%) CTs, and 20 upper-income (30%) CTs. As per 2010 U.S. Census, the county had a population of 291 thousand. The city of Galveston is the county seat, and it had 47 thousand residents as of 2010. A number of Galveston residents are still recovering from the effects of the 2008 Hurricane Ike, but rebuilding continues to support a thriving community. MNB was a major participant in Hurricane Ike programs. The largest city is League City with 84 thousand residents. In addition, Galveston County includes the communities of Bayou Vista, La Marque, Clear Lake Shores, Hitchcock, Dickinson, Jamaica Beach, Santa Fe, Texas City Junction, Friendswood, Virginia Point, League City, Nadeau, Kemah, Texas City, Bacliff, San Leon, Algoa, Bayview, Caplen, Flake, Galveston Island State Park, Crystal Beach, Gilchrist, Galveston, High Island, Port Bolivar, and the Village of Tiki Island.

According to the 2010 U.S. Census, Galveston County had 13 percent of its residents living below the poverty level. The unemployment rate as of 2012 was 7.7 percent according to the Texas Workforce Commission.

Galveston is a major tourist destination and is a port of entry for cruise ships. It is also a port of call for cargo ships. The largest employers are American National Insurance Company, BP Products North America, Clear Creek Independent School District (ISD), Dickinson ISD, Galveston ISD, Landry's Inc., Moody Gardens, Texas City ISD, University of Texas Medical Branch (UTMB), and Wal-Mart Associates Inc. The number of banks competing for the deposit market share in Galveston County has decreased slightly over the past few years. MNB has remained first in deposit market share among financial institutions in the area. The bank's largest deposit competitors are Texas First Bank, Hometown Bank, National Association (N.A.), and Mainland Bank, according to the Federal Deposit Insurance Corporation (FDIC).

### **Brazoria County**

Brazoria County is a neighboring county, which currently has 50 CTs. The county does not have any low-income CTs. It has 10 moderate-income (20%), 23 middle-income (46%), and 17 upper-income CTs (34%). As of the 2010 U.S. Census, the county had a population of 313 thousand. The county seat is Angleton with 19 thousand residents. The largest city is Pearland with a population of 91 thousand. According to the 2010 U.S. Census, Brazoria County had 10.9 percent of its residents living below the poverty level. The unemployment rate as of 2010 was 7 percent according to the Texas Workforce Commission.

Pearland is the fastest growing suburb in the Greater Houston area, and it is located adjacent to the south side of Houston, Texas. Significant retail, housing, and commercial growth is attributed to several master planned communities. The largest employers in Pearland are Pearland ISD, Wal-Mart, Home Depot, City of Pearland, Target, Kemlon Products, Inc., Packaging Service Company, HEB Grocery Company, L.P., Lowe's, Dillard's, and Macy's.

MNB is ranked 14th in deposit market share among financial institutions in the county. The largest competitors include Wells Fargo Bank, N.A., Texas Gulf Bank, N.A., Guaranty Bank, Texas Advantage Community Bank, N.A., First National Bank of Lake Jackson, and First National Bank of Alvin.

### **Harris County**

Of the 224 CTs included in the Harris County AA, there are 24 (11%) that are low-income and 84 CTs (38%) that are moderate-income. Middle-income CTs total 57 (25%), and upper-income CTs total 59 (26%). MNB's presence in Harris County is limited with only four of the total 20 branches located in the county.

Harris County is the most populous county in Texas and the third most populous in the nation. According to the U. S. Census Bureau as of 2010, the county had a population of 4 million.

The county seat is Houston, which is the largest city in Texas and the fourth largest city in the nation. U. S. Census information reveals the population increased almost 20 percent from 3.4 million in 2000. Houston has the largest medical center in the world, the Texas Medical Center. The Center's economic impact exceeds \$14 billion annually and it has approximately 106 thousand employees.

Houston is known as the Global Energy Capital of the oil and gas industry with over five thousand firms doing business in the region. Texas has more Fortune 500 companies than any other state in the nation, and many of those firms are headquartered in Houston. According to the 2010 U.S. Census, Harris County had 17.9 percent of its residents living below the poverty level. The unemployment rate as of 2012 was 6.8 percent according the Texas Workforce Commission.

Local banking competition is intense and includes branches of large national banks, regional banks, small community banks, and non-bank financial institutions. MNB is 66<sup>th</sup> in deposit market share among financial institutions in the county. The largest deposit competitors are JP Morgan Chase Bank, N.A., Bank of America, N.A., Wells Fargo Bank, N.A., Amegy Bank, N.A., and Compass Bank.

### **Fort Bend County**

There are 76 CTs in the Fort Bend AA with one low-income (1%), eight moderate-income (11%), 27 middle-income (36%), and 40 upper-income (52%). MNB's presence in Fort Bend County is limited to one branch, which results in reduced opportunities for loan originations. However, Fort Bend County has a high potential for loan growth as one of the fastest growing counties in the United States. As of the 2010 census, the county had a population of 585 thousand and a growth rate of 65 percent in the decade between 2000 and 2010. As of 2011, Fort Bend County was the wealthiest county in Texas and ranked as the 27<sup>th</sup> wealthiest county in the country. The county seat is Richmond, Texas. Major employers include the Fort Bend ISD with more than 9 thousand employees and Lamar Consolidated ISD with 3 thousand employees. Approximately 8.3 percent of the county's population lives below the poverty line. The unemployment rate as of 2012 was 6.1 percent according the Texas Workforce Commission.

Local banking competition is intense and includes branches of large national banks, regional banks, small community banks, and non-bank financial institutions. MNB is 33<sup>rd</sup> in deposit market share among financial institutions in the area. The largest deposit competitors are Wells Fargo Bank, N.A., JP Morgan Chase Bank, N.A., Bank of America, N.A., Prosperity Bank, and Amegy Bank, N.A.

### **Travis County (Austin AA)**

Travis County has 218 CTs. There are 38 low-income (18%), 55 moderate-income (25%), 59 middle-income (27%), and 66 upper-income (30%) CTs. The state capital of Texas is Austin, which is also the county seat. MNB's presence in Austin is limited with only one branch. As of the 2010 census, the county population exceeded one million. Austin ISD, the City of Austin, Dell Corporation, several federal government agencies,

IBM Corp., Seton Healthcare Network, St. David's Healthcare Partnership, the State of Texas, and the University of Texas at Austin are the county's largest employers. Approximately 17.4 percent of the county population lives below the poverty level. The unemployment rate as of 2012 was 5.7 percent according to the Texas Workforce Commission.

Local banking competition includes branches of large national banks, regional banks, small community banks, and non-bank financial institutions. MNB is 45<sup>th</sup> in deposit market share among financial institutions in the area. The largest deposit competitors are Wells Fargo Bank, N.A., Bank of America, N.A., JP Morgan Chase Bank, N.A., Frost Bank, and Compass Bank.

## **Conclusion with Respect to Performance Tests**

### **Lending Test**

MNB's performance under the Lending Test is Satisfactory.

### **Loan-to-Deposit Ratio**

MNB's loan-to-deposit (LTD) ratio is reasonable given the bank's performance context. The quarterly LTD ratio averaged 54.57 percent for the 15 quarters since the last CRA evaluation, and has slightly increased over the review period. The ratio is below the average LTD ratio of 67.84 percent, of seven similarly situated banks throughout the Houston MSA, with less than \$1 billion in assets. The ratio is also below the average LTD of 63.57 percent, for two similarly situated peer banks in the Austin MSA with less than \$1 billion in assets. The ratios of banks in both peer groups ranged from a low of 9.28 percent to a high of 92.41 percent.

The bank's LTD ratio continues to improve as indicated by the increase from 54 percent and 33 percent at the previous CRA evaluations. The economy in both MSAs is stable and competition with other banking institutions is intense. As previously mentioned, MNB has the highest market share in Galveston County at 15 percent. The bank's market share in other counties is lower, with 1.69 percent in Brazoria County, 0.20 percent in Ft. Bend County, 0.03 percent in Harris County, and 0.03 percent in Travis County. MNB also has approximately \$62 million in public funds that are not available for lending purposes.

### **Lending in the Assessment Area**

The bank originates a substantial majority of loans inside its AA. Our analysis included 664 loans, which consisted of small business and residential real estate loans originated in 2012 and 2013. The bank's lending performance is reflected in the table on the following page.

<b>Lending in Galveston &amp; Austin Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential R/E 2012 & 2013	50	91%	5	9%	55	7,700	89%	\$953	11%	\$8,653
Small Business 2012	77	91%	8	9%	85	14,155	91%	\$1,396	9%	\$15,551
Small Business 2013	408	78%	116	22%	524	70,312	80%	\$17,132	20%	\$87,444
Totals	535	81%	129	19%	664	92,167	83%	\$19,481	17%	\$111,648

Source: Data reported under HMDA and loan data collected by bank.

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

Overall, the level of lending to borrowers of different incomes and to businesses of different sizes is reasonable compared to census characteristics.

Lending to businesses of different sizes in the Galveston AA reflects reasonable penetration to businesses with revenues of \$1 million or less. This factor was given more weight in the overall rating, as business loans represents 88 percent of the total loan portfolio. The 2012 data is from a sample, and the 2013 data represents the entire population, excluding loans from a car dealership, as previously described. The following tables reflect the performance for 2012 and 2013.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Galveston AA (2012)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	72.90	2.96	24.14	100%
% of Bank Loans in AA by #	64.91	29.82	5.27	100%
% of Bank Loans in AA by \$	54.58	39.92	5.50	100%

Source: Loan data collected by bank; Dun and Bradstreet data.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Galveston AA (2013)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	72.90	2.96	24.14	100%
% of Bank Loans in AA by #	53.30	43.15	03.55	100%
% of Bank Loans in AA by \$	47.98	49.67	02.35	100%

Source: Loan data collected by bank; Dun and Bradstreet data.

Lending to businesses with revenues of \$1 million or less in the Austin AA reflects reasonable penetration. The 2012 and the 2013 data represents the entire population. The 2013 penetration exceeds the demographic comparator. Total loans for the Austin AA represent a small portion of loans for the combined assessment areas.



There were 26 loans in 2012 and 14 loans in 2013 for the Austin AA. The following tables reflect the performance for 2012 and 2013.

Table 2A - Borrower Distribution of Loans to Businesses in the Austin AA (2012)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	69.39	3.47	27.14	100%
% of Bank Loans in AA by #	45.00	50.00	5.00	100%
% of Bank Loans in AA by \$	46.25	53.36	0.39	100%

Source: Loan data collected by bank; Dun and Bradstreet data.

Table 2A - Borrower Distribution of Loans to Businesses Austin AA (2013)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	69.39	3.47	27.14	100%
% of Bank Loans in AA by #	92.86	07.14	0.00	100%
% of Bank Loans in AA by \$	98.78	01.22	0.00	100%

Source: Loan data collected by bank; Dun and Bradstreet data.

### Residential R/E performance in the Galveston AA

The distribution of residential real estate loans reflects a reasonable penetration among borrowers of different incomes considering the demographics, bank’s products, and MNB’s limited lending opportunities. We analyzed originations for home purchase, home improvement, and refinance loans to the percentage of AA families based on 2010 U.S. Census information. According to the updated 2013 HUD MSA, the median income for the Galveston AA is \$66,200.

The bank’s performance reflects reasonable penetration to low-and moderate-income (LMI) borrowers for residential home mortgage loans. The percentage of bank loans LMI borrowers is slightly below the characteristics of the Galveston AA. However, there is no absence of lending to LMI borrowers. As of 2013, the HUD updated MSA Median Family Income for the Galveston AA for low-income families is \$33,100. In the Galveston AA, the median housing cost is \$146,854. The bank made one residential real estate loan in the Austin AA. An analysis of this loan would not have been meaningful.

The bank’s performance in the Galveston AA is depicted in the following table.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Galveston AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential R/E	20.81%	14.29%	16.13%	12.24%	18.20%	14.29%	44.86%	57.14%

Source: 2010 Census data and HMDA reportable loans for 2012 and 2013.

Note: 2.04 percent of residential loans did not have reportable income.

**Geographic Distribution of Loans**

Overall, the geographic distribution of loans is excellent in both bank’s AAs. Geographic distribution of loans to businesses exceeds the characteristics of the Galveston AA for loan originations in the LMI census tracts for both 2012 and 2013. The following tables reflect the performance for 2012 and 2013.

Table 3A - Geographic Distribution of Loans to Businesses in Galveston (2012)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Small Business loans	3.81%	5.26%	20.95%	21.05%	28.91%	36.84%	46.32%	36.84%

Source: Sample of loans; U.S. Census data, 0.01% of the businesses did not have reported income in the assessment area.

Table 3A - Geographic Distribution of Loans to Businesses in Galveston (2013)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Small Business loans	3.81%	7.36%	20.95%	21.83%	28.91%	37.3% <sup>1</sup>	46.32%	33.50%

Source: Data collected by bank; U.S. Census data, 0.01% of the businesses did not have reported income in the assessment area.

The geographic distribution of loans to businesses in the Austin AA for 2012 and 2013 significantly exceeds the characteristics of the AA for loan originations in the low-income CTs and shows excellent dispersion. However, the geographic distribution of loans to businesses located in moderate-income CTs reflects poor penetration. More weight was given to the Galveston performance, as there were only 26 small business loans for the Austin AA in 2012 and 14 for 2013.

The following tables reflect the performance for 2012 and 2013.

Table 3A - Geographic Distribution of Loans to Businesses/Farms in Austin AA (2012)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Small Business Loans	8.77%	45.00%	16.41%	5.00%	22.63%	15.00%	52.09%	35.00%

Source: Data obtained from Loan Sample; Dun and Bradstreet. 0.10% of the businesses did not have reported income in the assessment area.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Small Business Loans	8.77%	35.71%	16.41%	7.14%	22.63%	0.00	52.09%	57.15%

Source: Data collected by bank; U.S. Census data. 0.10% of the businesses did not have reported income in the assessment area  
 Note: Income was not available for 0.105 of the AA census tracts.

Our analysis revealed reasonable dispersion throughout the Galveston AA in residential real estate loans. This is based on 55 residential real estate loan originations reflected on the HMDA reports for 2012 and 2013. Fifty of these were located in the AA. Funds were used for the purchase, home improvement, and refinance of homes.

The geographic distribution of loans for residential real estate loans in the Galveston AA is similar to the characteristics of the AA for loan originations in the low-income CTs and represents reasonable dispersion. The distribution of residential real estate loans exceeds the characteristics of the AA for loan originations in moderate-income CTs and this represents excellent dispersion. The bank’s performance is depicted in the following table.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential R/E	2.54%	2.04%	19.32%	28.57%	32.26%	34.69%	45.88%	34.70%

Source: 2010 Census data and HMDA data for 2012 and 2013.

**Residential lending performance in the Austin AA**

The bank did not originate/renew or purchase a sufficient number of residential mortgage loans in 2012 or 2013 to enable meaningful analysis. Management attributed this to loan competition in the Austin AA and limited visibility of the branch. In addition, regulatory changes prompted management to suspended residential mortgage lending in the fourth quarter of 2011 through the first quarter 2012 in order to centralize residential mortgage lending processes. Lending has since resumed and management plans to relocate operations in Austin to increase MNBs presence and visibility. As previously stated, the Austin AA comprises only one percent of total deposits for MNB.

**Community Contacts****Galveston:**

We spoke with a local small business development center representative, who spoke very positively about experiences with financial institutions in the area. The representative mentioned the increase in start-up businesses and stated that local banks consistently meet these needs in the community. A MNB employee is a board member of this organization and ensures that the bank stays abreast of and meets community needs. The representative did state that a potential opportunity for local banks is more Small Business Administration (SBA) lending for new and/or small businesses.

**Austin:**

An Office of the Comptroller of the Currency (OCC) Community Affairs Officer provided comments from a local Austin organization. Positive banking relationships were noted in the Austin AA, although the representative stated that financial institutions could provide more financial education to small business owners throughout the year and not just annually.

**Community Development Test**

Overall, the bank's performance under the Community Development Test is Outstanding and shows excellent responsiveness to the needs of its AAs. The bank responded to community development needs with continued lending and renewals from Hurricane Ike with loans for disaster relief, affordable housing and economic development. The level of investments was strong with six investments supporting affordable housing and economic development. The bank's response to service needs is excellent with bank officers serving as members of 27 organizations throughout the community.

**Number and Amount of Community Development Loans**

During the evaluation period, the bank qualified 32 loans that promoted community development within the bank's AAs, totaling \$18.6 million. Loans primarily helped to provide disaster relief (16 loans) within the community, as well as promote economic development (6 loans) and affordable housing (7). Three loans provided funds for organizations that provide community services to LMI individuals.

CD lending was predominately concentrated in the Galveston AA, with minimal lending activity in the Austin AA. While lending is concentrated in the Galveston AA, this is reasonable as the Austin AA accounts for less than one percent of the total deposit base.

**Number and Amount of Qualified Investments**

During the evaluation period, the bank qualified 6 investments and 134 donations totaling \$6.27 million. Those include equity investments promoting economic development, community services to LMI individuals, and CRA qualified mortgage-backed securities that support affordable housing and economic development. Investments in the Galveston and Austin AAs included two \$1 million commitments to Small Business Investment Companies (SBICs), of which \$173 thousand has been funded. The SBICs broadly encompass the state of Texas, with both serving the bank's AAs.

Other activities included three investments totaling \$4.6 million in an affordable housing foundation that provides safe and secure living environments for LMI elderly and one mortgage-backed security of \$1.3 million that promotes affordable housing. The bank's community donations were substantial in volume and totaled approximately \$160 thousand. The majority of donations were in the Galveston AA. Organizations benefiting from donations included those that promote economic development, as well as provide community services to LMI individuals.

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

MNB provided 31 CD services within the AAs. Of the services provided, 12 promote economic development, two provide affordable housing and 17 provide community services to LMI individuals. In addition, bank officers serve as directors and members of numerous organizations that promote community development. Bank officers serve as board members or directors of 27 organizations and bank employees volunteered at five organizations. Among the services mentioned, Moody NB also offers reasonable access to services in its AAs. The bank operates 20 full-service branches that allow reasonable access to ATMs, night deposit boxes, and other services.

While the majority of branch locations are located in middle and upper income tracts, access for LMI individuals is reasonable. All of the branches offer ATMs, with two ATMs provided at additional locations in Galveston. Various other products are offered that include checking, savings, certificates of deposit, money markets, online bill pay, mobile deposit, wire transfer, consumer loans, commercial loans, real estate loans, and small business loans. Specific products that allow access to LMI individuals include checking accounts for minors, and free checking accounts with unlimited check writing.

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

Overall, management's response to CD needs is outstanding. The bank has originated a significant level of qualified CD loans relating to disaster relief and affordable housing. The level of investments and services further supports the outstanding level of CD activity.

### **Responses to Complaints**

The bank did not receive any CRA related complaints 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.