



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 5, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Marfa National Bank
Charter Number 8674**

**301 South Highland Street
Marfa, TX 79843**

**Comptroller of the Currency
San Antonio North Field Office
10101 Reunion Place Boulevard, Suite 402
San Antonio, TX 78216**

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.

TABLE OF CONTENTS

<u>INSTITUTION'S CRA RATING</u>	1
<u>DESCRIPTION OF INSTITUTION</u>	1
<u>DESCRIPTION OF PRESIDIO COUNTY</u>	2
<u>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</u>	3

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

Marfa National Bank's lending performance reflects a satisfactory response to community credit needs, including low- and moderate-income individuals and areas.

- The loan-to-deposit ratio is reasonable given the bank's size, market focus, and lending opportunities available in the assessment area.
- A majority of loans representing 85% of the number and 87% of the dollar volume in our loan sample were made to borrowers within the bank's assessment area.
- The distribution of loans reflects excellent penetration among individuals of different income levels and to businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

There have been no consumer complaints regarding the bank's CRA performance during this evaluation period.

DESCRIPTION OF INSTITUTION

The Marfa National Bank (MNB) is a community bank with one office located in Marfa, Texas. Marfa is the county seat of Presidio County and is located about 200 miles southeast of El Paso, Texas. An automatic teller machine is available at the office in Marfa. The bank is a locally owned and operated subsidiary of Big Bend Bancshares Corp. MNB also has an affiliate relationship with the First Presidio Bank based in Presidio, which is also a subsidiary of Big Bend Bancshares. MNB's primary lending focus is on consumer and commercial loans with a strong agricultural lending effort. The previous CRA Performance Evaluation rating dated February 4, 1997 was satisfactory. There are no legal or other impediments that limit the bank's ability to meet the credit needs of the assessment area (AA). As of March 31, 2002, MNB had total assets of \$33 million with net loans of \$13 million representing 39 percent of total assets. A summary of the portfolio as of that date is included below:

Loan Category	\$ (000)	%
Commercial & Commercial Real Estate Loans	3,443	26%
Consumer Loans	3,266	24%
Agricultural & Farm Land Loans	2,612	19%
Residential Real Estate Loans	3,930	29%
Other Loans	236	2%
Total Loans	13,487	100%

DESCRIPTION OF PRESIDIO COUNTY

The bank has designated Presidio County as its assessment area (AA). The designation meets the requirement of the regulation and does not arbitrarily exclude low or moderate income geographies. The county's economy is primarily agricultural and has traditionally been dominated by livestock production. Presidio, on the Mexican border, has experienced very strong population growth (from immigration) in the past 20 years and is the largest population center in the county. The area is relatively poor with a high rate of unemployment. Presidio County as a whole is divided into two Census block numbering areas (BNAs). The one centered around Presidio, in the southern part of the county, is defined as a low income BNA. The other (centered around Marfa) is designated as middle income. Forty-two percent of families in the county are considered low income, 20% are moderate income, 16% middle income and 22% upper income. The AA includes offices of several community banks. These include First Presidio Bank and branches of other community banks including Fort Davis State Bank. According to 2000 census information, the county now has a population of well over 7,000 people.

A summary of basic statistics concerning the area is included in the table below:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	1,757
Number of Households	2,301
<i>Geographies</i>	
Number of Census Tracts/BNA	2
% Low-Income Census Tracts/BNA	50%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	50%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 Census MFI	\$ 24,585
2001 HUD-Adjusted MFI	\$ 35,800
<i>Economic Indicators</i>	
Unemployment Rate	18%
Percent of owner occupied housing	54%
1990 Median Housing Value	28,730
% of Households Below Poverty Level	42%

In order to get input on conditions in the AA, examiners held an interview with an economic development organization in the Marfa area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan to deposit ratio is reasonable. The quarterly ratio has averaged 43% during the past four years. The bank's ratio was 45% as of March 31, 2002, having increased steadily in recent years. Average ratios (for the same period) for comparable area banks in the area ranged from as high as 78% for Van Horn State Bank to as low as 32% for First Presidio Bank.

Institution	Assets as of 12/31/01 (thousands)	Average LTD Ratio
Marfa National Bank	32,758	43%
Van Horn State Bank, Van Horn, Tx	24,804	78%
Fort Davis State Bank, Fort Davis, Tx	46,021	62%
Pecos County State Bank, Fort Stockton, Tx	82,785	47%
First National Bank, Fort Stockton, Tx	41,242	43%
Security State Bank, Pecos, Tx	89,885	39%
First Presidio Bank, Presidio, Tx	20,845	32%

Lending in Assessment Area (AA)

The bank makes a majority of its loans in the AA. Lending samples were analyzed to assess the degree to which lending activity is centered in the designated area. Specifically, samples of consumer, residential and commercial loans originated since our previous examination were taken. Of our total loan sample, 85% by number and 87% by dollar amount was made to borrowers in the AA. By number, 88% of our consumer loan sample and 90% of the residential sample was in the AA. Commercial loans were less centered in the area. By number, 75% of the commercial loan sample was in the AA.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	22	88%	125	90%	3	12%	14	10%
Residential	18	90%	718	90%	2	10%	81	10%
Commercial	15	75%	967	85%	5	25%	167	15%
Total Reviewed	55	85%	1,810	87%	10	15%	262	13%

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

The distribution of loans reflects excellent penetration among individuals of different income levels and to businesses of different sizes. As reflected in the tables below, the bank's consumer lending effort in particular reaches a somewhat larger proportion of low and moderate income borrowers than occur in the general population.

CONSUMER AND RESIDENTIAL LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of Households	42%		17%		17%		24%	
% of AA Families	42%		20%		16%		22%	
	% of Number	% of Amount						
Consumer	48%	30%	24%	33%	24%	36%	4%	1%
Residential	20%	9%	15%	12%	20%	23%	45%	56%

Our commercial sample suggested a strong effort at lending to small businesses in Presidio County. As reflected in the table below, all of the loans in the sample were to businesses with gross annual revenues of less than \$1 million. This does not necessarily reflect a *disproportionate* effort to small business since only 4% of businesses based in the county have annual gross revenues of over \$1 million. It should also be noted, however, that 75% of commercial loans reviewed (by number) were made to borrowers with revenues of under \$100 thousand.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES AND FARMS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	96%	4%
% of Bank Loans in AA #	100%	0%
% of Bank Loans in AA \$	100%	0%

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA. Lending is heavily centered around the bank's one office in the middle income block numbering area located in northern Presidio County. Our sample also indicated a number of consumer loans made in the county's low income area. The low income area appears more difficult to reach, being centered around Presidio, Texas, about 60 miles south of the bank's office in Marfa.

CONSUMER, RESIDENTIAL AND COMMERCIAL LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
	1		0		1		0	
% of owner occupied housing	47%		0%		53%		0%	
% of AA Households	45%		0%		55%		0%	
% of AA Businesses	43%		0%		57%		0%	
	% of Number	% of Amount						
Residential	0%	0%	NA	NA	100%	100%	NA	NA
Consumer	25%	22%	NA	NA	75%	78%	NA	NA
Commercial	5%	55%	NA	NA	95%	45%	NA	NA

The commercial lending effort includes several large loans made in the county's low income area. Although 95% of the sample (by number) was in the middle income Marfa area, 55% by dollar amount were made to businesses located in the low income Presidio area.

Responses to Complaints

No consumer complaints regarding the bank's CRA performance were received during the evaluation period.

Fair Lending Review

An analysis of 1998, 1999, 2000 and 2001 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 2000.