



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Public Disclosure

November 1, 1999

Community Reinvestment Act Performance Evaluation

**Big Lake Bank, N.A.
Charter Number 20508**

**1300 Second Street
Big Lake, Texas 76932**

**Office of the Comptroller of the Currency
Southwestern District
San Antonio North Field Office
10101 Reunion Place Boulevard, Suite 402
San Antonio, Texas 78216-4160**

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 **Big Lake Bank, N.A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 1, 1999. 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**.

Big Lake Bank's lending performance reflects a satisfactory response to community credit needs. The following points summarize the bank's performance:

- C The bank's loan-to-deposit ratio meets the standard for satisfactory performance, averaging 67% since the previous CRA examination.
- C The bank makes a substantial majority of its loans within the assessment area.
- C The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- C The geographic distribution of the bank's lending shows a satisfactory penetration to the moderate-income portions of the assessment area.

Description of Institution

Big Lake Bank (BLB), a \$37 million financial institution, is one of several community banks headquartered in the assessment area. Laguna Bancshares Inc., a locally owned one-bank holding company, owns 100% of the bank's common stock. The bank's main office is in Big Lake, Texas with one branch location in Del Rio, Texas. The Del Rio branch includes an automatic teller machine. BLB is a full service bank and offers a variety of loan products with an emphasis on consumer and residential loans as well as a strong commercial effort. As of June 30, 1999, consumer loans amounted to 31% of the bank's \$27 million loan portfolio. Residential real estate loans represented 26%. Commercial and commercial real estate loans totaled 13% and 23%, respectively. Agricultural and other loans amounted to only 7%.

The bank is in sound financial condition and there are no legal impediments to providing credit in its assessment area. BLB has not opened or closed any branches since our last examination. At the previous CRA examination conducted as of October 22, 1996, BLB received a satisfactory rating.

Description of Assessment Area

The bank's assessment area consists of Reagan and Val Verde Counties, two geographically dispersed counties in West Texas. Neither county is part of a metropolitan statistical area. Val Verde County is composed of two upper income, one middle income and four moderate income block numbering areas (BNAs). The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income areas. Reagan County is composed entirely of one upper-income BNA. There are no low income BNAs in either county.

The Texas 1999 median family income for non-metropolitan counties in Texas is \$33,900. Of all families in the assessment area, 29% are defined as low-income, 19% are moderate-income, 17% are middle-income, and 35% are upper-income. Twenty-eight percent of families are below the poverty level.

Reagan County

Roughly 4,200 people live in Reagan County, with most of the population centered in Big Lake, the county seat. Big Lake is roughly 60 miles west of San Angelo, Texas. Its economy is dominated by oil and gas production as well as a strong agriculture component. The agricultural economy has suffered somewhat in recent years because of drought and unstable livestock prices. Oil and gas production has also been depressed for several years and the County's population has fallen significantly since the 1990 Census. Reagan County is served by two community banks.

Val Verde County

Val Verde County is located on the Texas-Mexico border about 160 miles west of San Antonio. It has a population of about 44,000, having experienced significant population growth since the 1990 Census. It has relatively diversified economy centered on government, tourism and agriculture. Del Rio, the county seat and primary population center, is increasingly active as a center of trade with Mexico. There are three community banks and three credit unions serving the area.

Examiners made community contacts with both the Del Rio and Big Lake Chambers of Commerce. Residential lending was cited as an ongoing need, particularly in the Del Rio area.

The contacts indicated area institutions were doing a reasonable job at meeting local credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management has demonstrated satisfactory performance in meeting the credit needs of the assessment area, including low- and moderate-income families.

Loan-to-Deposit Ratio

The bank’s overall level of lending is reasonable compared to other community banks located in the AA or surrounding counties. Based on quarterly averages, the bank’s loan-to-deposit ratio has averaged 67% since the previous CRA examination. This compares to loan-to-deposit ratios averaging between 15% and 69% over the same period for other community banks headquartered in Reagan, Val Verde or surrounding counties.

Lending in Assessment Area

Based on samples of loans made since the previous CRA examination, BLB extends a large majority of its loans within its assessment area. Our sample included 33 residential loans, 36 consumer loans, and 12 commercial loans. Ninety-four percent by number, and 95% by dollar amount, of the residential loans sampled were to borrowers within the assessment area. By number, 89% of the consumer loans sampled were within the assessment area. Of the 12 commercial loans sampled, 92% by number, and 99% by dollar amount, were made to borrowers inside the assessment area.

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

The distribution of the bank’s lending effort reflects satisfactory efforts to low- and moderate-income borrowers. Of the 36 consumer loans sampled, the bank made 28% to borrowers with low-incomes, comparable to the low income portion of the total population. A disproportionate number, 42%, were to borrowers with moderate-incomes, the next lowest income group. The bank’s level of residential real estate lending to low- and moderate-income borrowers is, understandably, lower. The bank made 18% of the number of residential loans to borrowers with low-incomes and another 18% to borrowers with moderate-incomes. Below is a breakdown of the bank’s consumer and residential loans by borrower income level, compared to the percentage of families in the assessment area with those incomes.

Loan Sample Distribution by Income Group										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Families	29%		19%		17%		35%		100%	
Loan Type	#	%	#	%	#	%	#	%	#	%

Loan Sample Distribution by Income Group										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Consumer	10	28	15	42	8	22	3	8	36	100
Residential	6	18	6	18	10	31	11	33	33	100

The bank adequately lends to businesses of different sizes, with a significant number of loans made to small businesses. Based on a sample of 12 commercial loans, the bank made 33% of its commercial loans to businesses with gross annual revenues under \$50,000. In fact, only one of the borrowers sampled had gross revenues greater than \$500,000.

Geographic Distribution of Loans

The bank's geographic distribution of loan originations in the assessment area is reasonable. Of the 31 residential loans sampled that were made within the assessment area, 65% were made in the moderate-income BNAs. This compares to 58% of the owner occupied housing units in the assessment area being located in those BNAs. Of the 32 consumer loans sampled that were made in the assessment area, BLB made 20 (63%) in the moderate-income BNAs. This figure is slightly above the 60% of the total population of the assessment area living in the moderate-income areas. The table below illustrates the bank's geographic distribution of loans based on the loan samples taken by examiners by number and dollar volume.

Geographic Distribution of Loans Sampled						
	Moderate		Middle		Upper	
Loan Type and Comparison	#	\$	#	\$	#	\$
Residential loans	65%	57%	0	0	35%	43%
Percent of owner-occupied units	58%		4%		38%	
Consumer loans	63%	71%	6%	5%	31%	24%
Percent of Population in AA	60%		10%		30%	

The distribution of commercial loans is also reasonable. Of the 11 commercial loans sampled that were made within the assessment area, six were made in the moderate-income areas. The other five were in upper-income areas. Relative to the other samples, the commercial distribution was more strongly effected by the fact that Reagan County is defined as an upper income area.

Response to Complaints

The bank received no CRA-related complaints since the previous CRA examination.

Compliance with Anti-Discrimination Laws and Regulations

Based on our review, the bank is in compliance with the provisions of anti-discrimination laws and regulations. Examiners found no evidence of disparate treatment.