



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**August 28, 2006**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Bank of Navasota, N.A.  
Charter Number 17768**

**109 West Washington Avenue  
Navasota, TX 77868**

**Comptroller of the Currency  
Houston Field Office  
1301 McKinney Street, Suite 3410  
Houston, TX 77010**

**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.**

## **INSTITUTION'S CRA RATING: This institution is rated Outstanding.**

The Bank of Navasota, N.A (Bank of Navasota) has an outstanding record of meeting credit needs within the community. The bank was rated “satisfactory” at the last Community Reinvestment Act (CRA) examination dated September 4, 2001.

The following supports this rating:

- Bank of Navasota’s loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs.
- A substantial majority of loans are in the institution’s assessment area.
- The distribution of borrowers, given the demographics of the assessment area, reflects excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The bank’s assessment area includes only one moderate-income census tract. However, only three households and no businesses are located in this tract. Therefore, further analysis of geographic distribution would not be meaningful and no weight was given to this performance factor when deriving the final CRA rating.

## **DESCRIPTION OF INSTITUTION**

The Bank of Navasota, N. A. (Bank of Navasota) is an independently owned institution having one office with a drive-up facility. The bank does not operate an automated teller machine. Total assets were \$76 million as of December 31, 2005. The bank’s primary loan products are small consumer loans, residential real estate loans, and commercial loans as reflected by the loan portfolio mix with 34 percent of loans in commercial and commercial real estate, 32 percent consumer, and 23 percent residential real estate.

Lending opportunities are limited due to the small population of the area coupled with competition from several area banks and other financial services providers. The Bank of Navasota capitalizes on the limited lending opportunities by offering consumer loans with smaller minimum loan amounts than other banks in the area.

## **DESCRIPTION OF NAVASOTA ASSESSMENT AREA**

**The Bank of Navasota's assessment area (AA) consists of nine continuous geographies.** These geographies include all seven census tracts in Grimes County, one census tract in Washington County, and one census tract in Brazos County. Grimes and Washington County are not located in a metropolitan statistical area (MSA). Brazos County is part of the College Station-Bryan MSA, but since the AA does not extend into the MSA significantly, this census tract is combined with the other census tracts for analysis. The AA meets the legal requirements

and is appropriate for the bank. Navasota is located approximately 70 miles Northwest of Houston. Navasota’s economy is stable with a low unemployment rate. Large employment sectors include government, manufacturing, retail, healthcare and other services. The local economy relies heavily on the local industrial park and has a strong railroad presence. There are two prisons located in the AA.

<b>Demographic and Economic Characteristics of Bank of Navasota’s Assessment Area</b>	
<b>Population</b>	
Total Population	31,043
Number of Families	7,766
Number of Households	10,526
<b>Geographies</b>	
Number of Census Tracts	9
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	11%
% Middle-Income Census Tracts	67%
% Upper-Income Census Tracts	22%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$40,892
2005 HUD-Adjusted MFI	\$42,967
<b>Economic Indicators</b>	
Unemployment Rate	2%
2000 Median Housing Value	\$69,150
% Households Below Poverty Level	16%

*Source: 2000 Census data and HUD updated income data.*

**The area Chamber of Commerce reports a need in the Navasota area for housing, both affordable, as well as upscale homes.** This includes apartments, as well as affordable 1-4 family homes. The rising cost of land is the main detriment to affordable housing. The area is experiencing an influx of retirees from the Houston and Bryan-College Station areas.

The area supports two industrial parks, which provide ample employment opportunities. One of the industrial parks has a railroad spur located in the facility. This enables business owners to have a convenient shipping option. Texas A & M University has a Small Business Development Center located in Prairieview, Texas. The area banks work closely with this organization to attract new business to the area.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

**The loan-to-deposit ratio is reasonable.** Since the last CRA evaluation, Navasota’s loan-to-deposit ratio averaged 52 percent. The ratio compares favorably with three similarly situated banks operating within the bank’s assessment area, which had an average ratio of 51 percent for the same time period. Similarly situated banks had average ratios that ranged from 30 to 55 percent.

### Lending in Assessment Area

**The bank exceeds the standards for satisfactory performance under this criterion.** A substantial majority of loans by number and dollar have been originated within the assessment area.

We selected a sample of 91 loans from BNB’s primary lending products: commercial, consumer, and residential real estate. The sample reflects 88 percent of the bank’s loans by number and 91 percent by dollar amount were originated within the AA.

Table 1 – Lending in Navasota Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	26	84%	5	16%	31	614	86%	104	14%	718
Consumer	25	83%	5	17%	30	126	76%	39	24%	165
1-4 Family RE	29	97%	1	3%	30	1,369	96%	53	4%	1,422
<b>Totals</b>	<b>80</b>	<b>88%</b>	<b>11</b>	<b>12%</b>	<b>91</b>	<b>2,109</b>	<b>91%</b>	<b>196</b>	<b>9%</b>	<b>2,305</b>

*Source: sample of loans.*

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

**The bank exceeds the satisfactory level of performance under this criterion.** The distribution of commercial related loans to small businesses and consumer loans to low-and moderate-income borrowers is strong. The bank also has a strong distribution of residential real estate loans to moderate-income borrowers.

**The distribution of loans to small businesses is excellent.** The distribution of commercial loans reflects 81 percent by number and 87 percent by dollar were made to businesses with annual revenues less than \$1 million. This compares favorably to the AA that has 62 percent of the businesses with annual revenues of less than \$1 million.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Navasota Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	62	3	35	100%
% of Bank Loans in AA by #	<b>81</b>	7	12	100%
% of Bank Loans in AA by \$	<b>87</b>	12	1	100%

*Source: Loan sample; Dunn and Bradstreet data.*

**The distribution of consumer loans by borrower income is excellent.** The percentage of loans made to low-income and moderate-income borrowers far exceeds the percentage of households categorized as such within the AA.

<b>Table 2B – Borrower Distribution of Consumer Loans in Navasota Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer Loans	22	<b>44</b>	14	<b>36</b>	16	8	48	12

*Source: loan sample*

**The distribution of residential loans by borrower income reflects excellent performance.** The distribution of residential real estate loans to moderate-income borrowers far exceeds the percentage of moderate-income households that reside in the AA. Also, the percentage of loans to low-income borrowers is good after considering 16 percent of households live below the poverty level and this population would not typically be in the market to purchase a home and would encounter difficulty qualifying for a residential loan.

<b>Table 2C – Borrower Distribution of Residential Loans in Navasota Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans						
1-4 Family Residential	18	14	17	<b>31</b>	20	24	45	31

*Source: data reported under HMDA; U.S. Census data.*

## **Geographic Distribution of Loans**

**We did not perform a geographic distribution analysis and this performance criterion does not lend any support to the final CRA rating assigned to this institution.** The nine census tracts included in the assessment area are categorized as follows: 67 percent middle-income, 22 percent upper-income, and 11 percent moderate-income. Only one of the nine tracts is classified as moderate-income. This tract contains only twelve housing units, three households, and zero businesses. According to the 2000 US Census, the twelve housing units are comprised of six 1-4 family and six mobile home units, with 50 percent being vacant. All three households are middle-income families. This tract is occupied by a prison and housing is provided for its employees. Therefore, there are limited lending opportunities and analysis of the geographic distribution of loans would not be meaningful.

## **Community Development**

**The bank's community development activities helps support the overall CRA rating.** The Bank of Navasota President serves as the Salvation Army chairman. This organization provided several fund raisers for victims of Hurricane Katrina. He also serves as a board member of the Grimes County Economic Development Corporation. There were no community development loans or investments made during the evaluation period.

## **Responses to Complaints**

Bank of Navasota did not receive any CRA related complaints during the evaluation period.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.