



Comptroller of the Currency
Administrator of National Banks

500 North Akard
1600 Lincoln Plaza
Dallas, Texas 75201-3394

PUBLIC DISCLOSURE

February 17, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Texas National Bank
Charter Number: 22807**

**400 East Broadway
P.O. Box 510
Sweetwater, Texas 79556**

**Office of the Comptroller of the Currency
Southwestern District
500 N. Akard, 1600 Lincoln Plaza
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 Community Reinvestment Act (CRA) performance of **Texas National Bank** prepared by **The Office of the Comptroller of the Currency** the institution's supervisory agency, as of February 17, 1998. 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**.

Texas National Bank's lending levels reflect a reasonable responsiveness to its community credit needs. The bank's loan to deposit ratio averaged 31.62% over the last nine quarters. This ratio is comparable with that of other institutions within the same assessment area. A majority of the bank's loans are within its designated assessment area. A review of all housing related loans originated and purchased in 1996 and 1997, and a limited sample of consumer and small business loans originated in 1997 reflect a reasonable level of credit extensions to individuals of different income levels and businesses of different sizes. Our review also reflects a reasonable geographic distribution of loans throughout the assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Texas National Bank</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		X	
Response to Complaints	No complaints were received since the prior compliance examination		

DESCRIPTION OF INSTITUTION

Texas National Bank (TNB) is a small community bank in west Texas, in the city of Sweetwater. TNB has only one banking office and offers an automated teller machine (ATM) and a drive up facility. As of December 31, 1997, the bank reported total assets of \$65 million, with net loans of \$22 million. The bank's lending focus is small business and commercial loans. Commercial loans represent 43% of total loans, with real estate and consumer loans representing 26% and 31%, respectively. TNB does not participate in government guaranteed loan programs for housing or small farms. A full range of deposit and other banking services are available. Loan and deposit products offered are commensurate with the bank's size and resources. Neither the bank's financial condition nor the legal, regulatory, or economic environment hinder its ability to make loans and provide reasonable banking services.

DESCRIPTION OF THE ASSESSMENT AREA

The bank defines its assessment area as the City of Sweetwater, in Nolan County, Texas. Nolan County is not located in a metropolitan statistical area (MSA). According to 1990 Census Bureau demographic and income data, Sweetwater, with a population of approximately 13,628, is divided into 4 block numbering areas (BNAs). Two (50%) of the BNAs are categorized as moderate-income, and two are upper-income. There are no low or middle income areas. The bank's assessment area is legal and does not arbitrarily exclude low- and moderate-income areas. The 1990 Census Bureau's statewide average median family income for Non-MSA areas is \$24,586. This income figure is used to determine the income category of the BNAs in the assessment area. The 1997 updated Housing and Urban Development's (HUD) statewide average median family income for Non-MSAs is \$31,500. This amount is used to determine the income category of borrowers.

There are approximately 3,723 families within the assessment area. Twenty three percent of the families are low-income, 17% are moderate-income, 19% are middle-income, and 41% are upper-income. Approximately 84% of the housing units in Sweetwater are occupied, with 58% of those being owner occupied. The median age of the housing units is 38 years, with a median value of \$32,136.

The economy in Sweetwater is considered stable. The principal industries include farming, ranching, oil and gas production, manufacturing, and gypsum mining. The area immediately surrounding the bank consists primarily of small businesses and farms. Competition in the area consists of one other national bank, which is owned by a large multi-bank holding company, and a small branch of a state bank. OCC examiners conducting other examinations in the area interviewed two community contacts in September 1997. The contacts indicated that although the local banks are doing a good job of meeting the needs for agricultural, small business, and consumer loans, the most pressing needs of home purchase and home improvement financing geared toward low-income individuals are not being adequately met. TNB does not offer any affordable housing credit products.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOANS-TO-DEPOSITS

TNB's lending levels are reasonable and commensurate with its size, available resources, and the nature of its lending activities. The bank's loan to deposit ratio averaged 31.62% over the last nine quarters since the previous CRA examination conducted in August 1995. The loans-to-deposits ratio at December 31, 1997 was 36.84%. This ratio compares favorably with that of the other national bank in town, which has \$103 million in assets. Although the state bank has a much larger loans-to-deposits ratio, it operates only a small branch in Sweetwater.

ASSESSMENT AREA CONCENTRATION

A majority of the bank's lending is within its assessment area. According to the December 31, 1997 internal account distribution analysis, 59% of the total dollar volume of loans are within the assessment area. Based on a cursory review of the data, the internal reports are considered to be reliable. Our sample of all housing related loans originated and purchased in 1996 and 1997 indicated that 92% of the number and 94% of the dollar volume of loans were extended within the assessment area. In addition to all housing loans, our sample included 30 consumer loans and 30 business loans.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS

The distribution of loans to borrowers of different income levels and businesses of different income sizes is reasonable. The table below clearly indicates a shortage of housing related loans extended to low- and moderate-income individuals. TNB does not offer any special credit products which target low- and moderate-income individuals. Management stated that the local nonprofit community action committee in town is very active in providing its affordable housing program loans to low-income individuals.

DISTRIBUTION OF 1996 & 1997 HOUSING RELATED LOANS BY APPLICANT INCOME			
Applicant Income as a Percent of HUD Median Family	\$(000)	#	% of Total #
Low	12	1	2%
Moderate	61	2	4%
Middle	231	9	18%
Upper	1,672	37	76%
TOTAL	1,976	49	100%

DISTRIBUTION OF CONSUMER LOANS MADE IN 1997 BY APPLICANT INCOME - OCC SAMPLE			
Applicant Income as a Percent of HUD Median Family	\$(000)	#	% of Total #
Low	49	7	23%
Moderate	88	13	43%
Middle	89	6	20%
Upper	128	4	13%
TOTAL	354	30	100%

1997 LENDING TO BUSINESSES OF DIFFERENT SIZES - OCC SAMPLE								
Revenue Ranges	< \$100M		\$100M - \$500M		\$500M - \$1MM		>\$1MM	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
Loans to Businesses	9	600	12	600	2	264	7	1,276

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans reflect a reasonable dispersion throughout the assessment area. Our limited sample indicates that the bank’s loan production adequately penetrates all four BNAs in the assessment area.

GEOGRAPHIC DISTRIBUTION OF HOUSING RELATED LOANS ORIGINATED/PURCHASED IN 1996 & 1997			
Income Characteristics of Block Numbering Areas (BNAs)	\$(000)	#	% of Total #
Low	0	0	0%
Moderate	225	14	29%
Middle	0	0	0%
Upper	1,751	35	71%
TOTAL	1,976	49	100%

GEOGRAPHIC DISTRIBUTION OF CONSUMER AND SMALL BUSINESS LOANS MADE IN 1997 - OCC SAMPLE			
Income Characteristics of BNAs	\$(000)	#	% of Total #
<i>Consumer Loans</i>			
Low	0	0	0%
Moderate	83	13	43%
Middle	0	0	0%
Upper	271	17	57%
TOTAL	354	30	100%
<i>Small Business Loans</i>			
Low	0	0	0%
Moderate	860	11	37%
Middle	0	0	0%
Upper	1,880	19	63%
TOTAL	2,740	30	100%

FAIR LENDING ANALYSIS

The analysis we performed did not disclose any discriminatory treatment or illegal credit practices on the prohibited basis of the applicant's sex or marital status. We found no evidence of noncompliance with the provisions of any anti-discrimination laws or regulations at this bank.