

## **PUBLIC DISCLOSURE**

December 31, 1998

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Commercial National Bank of Brady  
Charter #8573**

**105 East Second Street  
Brady, Texas 76825-0591**

**Office of the Comptroller of the Currency  
Southwestern District  
1600 Lincoln Plaza, 500 North Akard  
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 the 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 **The Commercial National Bank of Brady** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 31, 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 assessed a rating of **Outstanding**.

The Commercial National Bank of Brady's (CNB) lending performance reflects an outstanding responsiveness to community credit needs. The following highlights the bank's performance:

- The loan-to-deposit ratio is well above most area banks' ratio and exceeds the standard for satisfactory performance. CNB's loan-to-deposit ratio averaged 65.5% from December 1995 to September 1998 while local competition averaged 50.5% for the same period.
- A vast majority of the number and dollar volume of loans in CNB's portfolio is in the bank's assessment area.
- The distribution of borrowers reflects a reasonable penetration to individuals of different incomes and an excellent penetration to businesses and farms of different sizes.
- The geographic distribution of consumer, residential, home improvement, and home equity loans reflect a level of lending in moderate-income census tracts significantly in excess of demographic characteristics. This lending pattern exceeds the standard for satisfactory performance.
- The bank received no consumer complaints concerning its CRA performance since our October 26, 1995 examination.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	The Commercial National Bank of Brady 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	There have been no complaints received since the last examination.		

## DESCRIPTION OF INSTITUTION

CNB has total assets of \$81 million with loans totaling \$45 million. The bank is located just off the square in downtown Brady, Texas. The bank has a drive-in facility and a walk-up automated teller machine (ATM).

Loans make up 56% of the bank's total assets. As of December 31, 1998, the loan portfolio consists of the following primary categories:

<b>Loan Portfolio Composition</b>		
<b>Loan Type</b>	<b>Amount (000's)</b>	<b>Percentage of Gross Loans</b>
<b>1-4 Family Residential Loans</b>	\$ 12,267	27.2%
<b>Agricultural Loans</b>	\$ 10,050	22.3%
<b>Consumer Loans</b>	\$ 8,887	19.7%
<b>Commercial Loans</b>	\$ 7,396	16.3%
<b>Commercial Real Estate Loans</b>	\$ 6,569	14.5%
<b>Total</b>	\$ 45,169	100%

CNB offers consumer, residential, small business, and small farm loan products. The bank originates a significant number of residential purchase, home improvement, and home equity loans in the area. This is primarily accomplished through offering these products at minimal cost to the customer. CNB has originated loans to finance multifamily structures qualified for subsidized rental programs. The bank also offers consumer loans with no minimum amount. During 1998, the bank originated 2,882 consumer loans, of which 37% were for amounts less than \$1 thousand.

The bank also participates in municipal funding needs through the purchase of municipal bonds or through direct lending to local government entities. No local bond issues have been offered since the last CRA examination and lending opportunities to municipal entities have been limited as well.

There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its assessment area. The previous CRA examination is dated October 26, 1995, at which the bank was rated **Outstanding**.

## **DESCRIPTION OF ASSESSMENT AREA**

### **McCulloch County**

CNB is located just off the square of downtown Brady, Texas. Brady is located approximately 75 miles southeast of San Angelo, Texas. Brady has a population of 5,948 and is the county seat of McCulloch County, Texas. McCulloch County population is 8,788.

McCulloch County is comprised of two moderate-income census tracts, one middle-income census tract, and one upper-income census tract. There are no low-income census tracts in the county. Makeup of the assessment area is reflected in 41% of households receiving social security benefits, 10% of households receiving public assistance, and 27% of households being below the poverty level. Based on income levels of families in the assessment area, 46% of families fall in the low- to moderate-income range. Housing statistics reflect 56% of available units are owner occupied, 21% are tenant occupied, 22% are vacant, and 1% are uninhabitable. Primary employers in the area include agri-business, manufacturing, services, retail trade, and local government. Brady's economy is diverse and normally is not significantly impacted by swings in the overall general economy.

Credit needs identified by community contacts in the area include affordable housing, home improvement, consumer, and small business/small farm loans. Community contacts indicated that appropriate loan products were available in the area and that participation by local banks was good.

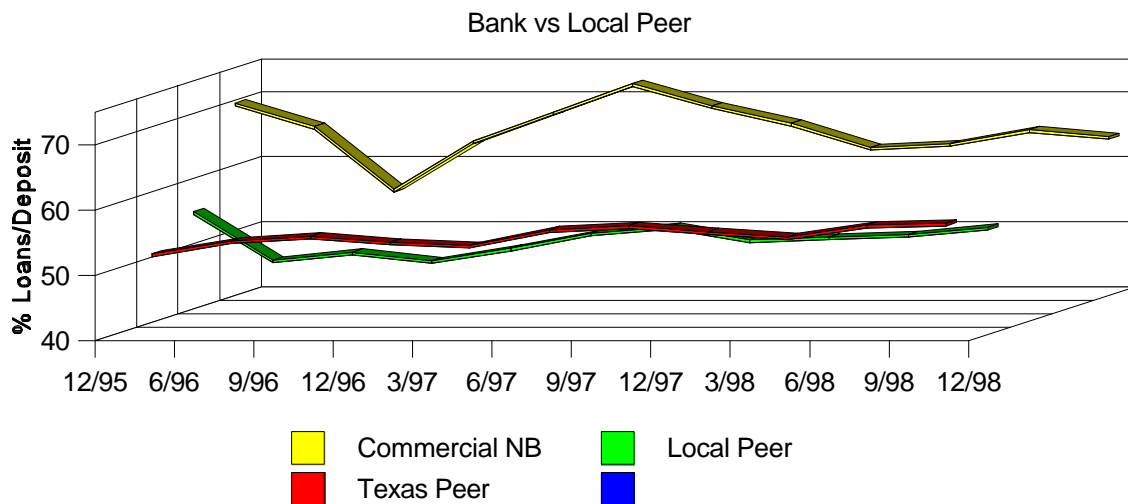
## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management's performance in meeting the credit needs of the assessment area, including low- and moderate-income individuals and areas, has been outstanding and is consistent with its resources and capabilities.

### Loan-to-Deposit Ratio

The loan-to-deposit ratio is well above most area banks' ratio and exceeds the standard for satisfactory performance. CNB's loan-to-deposit ratio averaged 65.5% from December 1995 to September 1998 while local competition averaged 50.5% for the same period. The bank's loan-to-deposit ratio, as of December 31, 1998, is 64.1%.

## Loan-to-Deposit Ratio Comparison



### Lending in the Assessment Areas

A substantial majority of the number and dollar volume of loans in the bank's portfolio is in the bank's assessment area. Based on bank-provided information, 83% of the number and 79% of the dollar amount of loans were within CNB's assessment area. A sample of 299 residential, consumer, and commercial loans originated during 1998, reflected levels in excess of 90% of the number of loans reviewed being in the assessment area.

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

The loan distribution to individuals with different income levels within the assessment area is reasonable. Our review of 58 consumer loans and 86 residential related loans originated in 1998, indicated that lending activity to low- and moderate-income families generally fell in line with demographic characteristics of the assessment area. The details of our review are reflected in the following table:

<b>Loan Sample Distribution by Income Group</b>										
	<b>Low- Income Families</b>		<b>Moderate- Income Families</b>		<b>Middle- Income Families</b>		<b>Upper- Income Families</b>		<b>Total # of Families</b>	
<b>Area Demographic Characteristics</b>	28%		17%		20%		35%		100%	
<b># of Families</b>	683		417		481		832		2,413	
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Consumer</b>	25	43%	18	31%	7	12%	8	14%	58	100%
<b>Residential</b>	3	6%	4	8%	9	17%	37	69%	53	100%
<b>Home Equity or Home Improvement</b>	5	15%	2	6%	8	24%	18	54%	33	100%
<b>Total</b>	33	23%	24	17%	24	17%	63	43%	144	100%

We also reviewed 33 commercial loans and 36 agricultural loans to determine the distribution among businesses and farms of different income levels. Our analysis reflected an excellent dispersion with 93% of loans reviewed being granted to entities having gross revenues of less than \$1 million. This is reflective of the bank's commitment to meet the needs of small business operators, ranchers, and farmers. Details of our review are reflected in the following table:

<b>Lending to Businesses of Different Sizes</b>										
<b>Gross Revenues \$</b>	Less than 100,000		100,000-250,000		250,000-1,000,000		More than 1,000,000		<b>Total</b>	
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Commercial</b>	17	52%	4	12%	9	27%	3	9%	33	100%
<b>Agricultural</b>	24	66%	8	22%	2	6%	2	6%	36	100%

### Geographic Distribution of Loans

The geographic distribution of consumer, residential, home improvement, and home equity loans reflects a level of lending in moderate-income census tracts significantly in excess of demographic characteristics. This lending pattern exceeds the standard for satisfactory performance. Consumer- and residential-related loans originated during 1998 were reviewed. The following table reflects the comparison of CNB loan distribution to the demographic characteristics of the bank's assessment area.

<b>Lending in Areas of Different Income Levels within the Assessment Area</b>										
	Low-Income Areas		Moderate-Income Areas		Middle-Income Areas		Upper-Income Areas		<b>Total</b>	
<b>Percent of Total Demographic Areas in AA:</b>	0%		50%		25%		25%		100%	
<b>Count:</b>	0		2		1		1		4	
<b>Loan Types</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Consumer</b>	0	0%	54	93%	0	0%	4	7%	58	100%
<b>Residential</b>	0	0%	49	92%	2	4%	2	4%	53	100%
<b>Home Equity or Home Improvement</b>	0	0%	30	91%	1	3%	2	6%	33	100%
<b>Totals</b>	0	0%	133	92%	3	2%	8	6%	144	100%



### **Response to Complaints**

The bank received no consumer complaints concerning its CRA performance since the October 26, 1995 examination.

### **Other Pertinent Information**

A Fair Lending examination was performed in conjunction with this evaluation and no evidence of disparate treatment or discriminatory practices was found.