

Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Public Disclosure

August 17, 1998

Community Reinvestment Act Performance Evaluation

**Del Rio National Bank
Charter Number 7433**

**525 South Main
Del Rio, Texas 78841**

**Office of the Comptroller of the Currency
Southwestern District
San Antonio North Field Office
9601 McAllister Freeway, Suite 200
San Antonio, Texas 78216-4605**

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 **Del Rio National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 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**.

Del Rio National Bank's lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

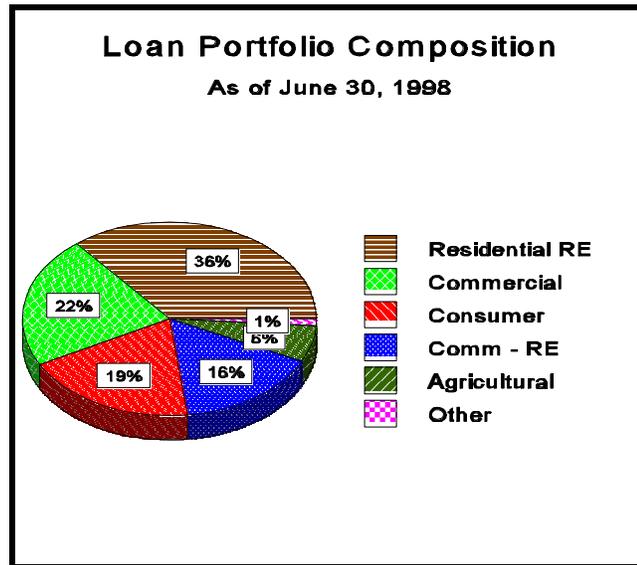
- The bank's loan-to-deposit ratio meets the standard for satisfactory performance.
- The bank makes a majority of its loans within the assessment area.
- The distribution of borrowers reflects an adequate penetration among individuals of different income levels and businesses of different sizes.
- The bank's geographic distribution of lending is reasonable.
- The bank received no CRA-related complaints since the previous CRA examination.

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

Del Rio National Bank Performance Levels			
Small Institution Assessment Criteria	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 previous CRA examination.		

Description of Institution

Del Rio National Bank (DRNB), a \$110 million financial institution, is one of three banks headquartered in the assessment area. The bank is 100% owned by DRNB, Inc., which is in turn 100% owned by Del Rio National Bancshares, Inc. DRNB has two branches in Del Rio, Texas, and has one in Eagle Pass, Texas. The bank has four automatic teller machines. Three are located in Del Rio, with one in Eagle Pass. DRNB is a full service bank and offers a variety of loan products with an emphasis on real estate loans. As of June 30, 1998, commercial real estate loans and residential real estate loans accounted for 16% and 36% of the bank's \$34 million loan portfolio,



respectively. Commercial loans equaled 22%, and consumer loans represented 19%. Agricultural loans totaled 6%, with other loans making up the remaining 1%.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its assessment area. DRNB opened the Eagle Pass branch on October 16, 1997. The bank has not closed any branches since the last CRA examination. At the previous CRA examination dated May 31, 1995, DRNB received a satisfactory rating.

Description of Assessment Area

The bank's assessment area includes Val Verde and Maverick counties in south Texas. Val Verde consists of seven block numbering areas (BNA's), and encompasses the city of Del Rio. Of the seven BNA's, four are moderate-income, one is middle-income, and two are upper-income. Maverick county covers six BNA's, three of which are low-income. Two BNA's are moderate income, and one is middle-income. The Maverick county section of the assessment area includes the town of Eagle Pass.

Del Rio is a border town located across from Ciudad de Acuna, Mexico. The population of Del Rio is approximately 30,000. Del Rio is roughly 170 miles west of San Antonio. The economy is dominated by government, with Laughlin Air Force Base serving as the largest employer. Other government entities employ a major portion of the local work force. The Maquiladora plants also employ a large number of residents. Tourism helps support the economy with the attractions of Lake Amistad and Mexico.

Eagle Pass is a small rural community with a population of about 25,000. Eagle Pass is located approximately 165 miles southwest of San Antonio. The economy is aided by a few Maquiladora plants across the border in Piedras Negras, Mexico.

The median family income for the assessment area is \$16,541, which is significantly less than the statewide median family income. The Texas 1997 nonmetropolitan median family income is \$32,100. Of all families in the assessment area, 38% are low-income, 20% are moderate-income, 16% are middle-income, and 26% are upper-income.

Examiners reviewed community contacts with the mayor and the Chamber of Commerce in Del Rio, as well as the local housing authority and the Chamber of Commerce in Eagle Pass. The contacts revealed no unmet 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 level of lending meets the standards for satisfactory performance. During the last 13 quarters ending June 30, 1998, the bank's average loan-to-deposit ratio was 31%. This compares to the average loan-to-deposit ratio of 42% for two other banks headquartered in the assessment area. Of the three banks, DRNB has the second highest average loan-to-deposit ratio. The other banks have average loan-to-deposit ratios of 30% and 55%. Three out of nine community banks headquartered in surrounding counties have lower average loan-to-deposit ratios over the same timeframe.

Lending in Assessment Area

DRNB extends a majority of its loans within the assessment area. Using bank-collected data, examiners reviewed all loans the bank made in 1997 and the first half of 1998. The bank made over 1,100 of its 1,400 loans, or 79%, within the assessment area. Of all consumer loans made in the same timeframe, the bank made 82% of the number and 79% of the dollar volume within the assessment area. Over 95% of the number and 80% of the dollar volume of residential real estate loans were made within the assessment area. Examiners verified the accuracy of the bank's information.

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

The distribution of loans to borrowers of different income levels demonstrates satisfactory lending efforts to low- and moderate-income borrowers. Examiners reviewed and verified bank collected information on consumer, residential real estate, commercial, and agricultural loans originated in 1997 and the first half of 1998. Based on the information, the bank lends to borrowers of various income levels and does not arbitrarily exclude any group of applicants.

Of the 805 consumer loans reviewed, the bank made 28% to borrowers with low-incomes and 21% to borrowers with moderate-incomes. These numbers compare favorably to 38% of all families in the assessment area having low-incomes and 20% having moderate-incomes. Of the 82 residential real estate loans that had income information, the bank made 5% to borrowers with low-incomes and 9% to borrowers with moderate-incomes. Below is a breakdown of the bank’s consumer and residential real estate 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	
Families	38%		20%		16%		26%		100%	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	228	28	167	21	142	18	268	33	805	100
Residential	4	5	7	9	10	12	61	74	82	100

The bank adequately lends to businesses and farms of different sizes, with a significant number of loans made to small businesses. Of the 178 commercial loans made in 1997 and 1998, the bank made 97% to businesses with gross annual revenues of less than \$1,000,000. Of the 45 commercial loans made in the Del Rio area in the first half of 1998, the bank made 98% to businesses with gross revenues less than \$1,000,000, including 56% to businesses with gross revenues of less than \$100,000. DRNB also made 100% of its agricultural loans to farms with gross annual revenues of less than \$1,000,000.

Geographic Distribution of Loans

The bank's geographic distribution of loan originations in the assessment area is reasonable. Of the 805 consumer loans made within the assessment area, 62 loans, or 8%, were made in low-income census tracts. The bank made 498 consumer loans, or approximately 62%, in the moderate-income census tracts. Of the 82 residential real estate loans made in the assessment area, DRNB made four loans (5%) in low-income census tracts and 34 loans (41%) in the moderate-income census tracts. These figures compare to 28% of all families in the assessment area living in the low-income census tract, and 47% of families living in the moderate-income areas.

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 all provisions of antidiscrimination laws and regulations. Examiners found no evidence of disparate treatment.