



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**June 29, 2011**

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

Bank Texas, National Association  
Charter Number 10646

412 East Goode Street  
Quitman, TX 75783-0000

Office of the Comptroller of the Currency

Longview Field Office  
1800 NW Loop 281 Suite 306  
Longview, TX. 75604-2516

**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 Satisfactory.**

Bank Texas, National Association (N.A.) has a satisfactory record of meeting community credit needs. This rating is based on the following:

- A substantial majority of the bank's lending is extending within their assessment area.
- The loan-to-deposit ratio is reasonable based on the bank's performance context and lending opportunities within its assessment area.
- The distribution of loans to borrowers of different income levels is reasonable given the overall demographics of the bank's assessment area.

**SCOPE OF EXAMINATION**

Conclusions regarding the bank's lending performance are based on each assessment area's primary loan types for the years of 2009, 2010, and 2011. Residential real estate and consumer loans were the primary loan types for the Wood County and Smith County assessment areas. Gregg County's primary loan types were residential real estate and commercial loans. Residential real estate loans represent 46% of the loans we reviewed by number and 49% by dollar amount. Consumer loans represent 36% of the loans we reviewed by number and 2% by dollar amount. Commercial loans sampled represent 18% by number and 49% by dollar amount.

Our evaluation placed more emphasis on the performance in the Wood County assessment area since the largest portion of reported loans are made in this assessment area and it accounts for the largest percentage of bank deposits in the overall assessment area. Additionally, the bank only recently expanded into the Gregg County and Smith County assessment areas during 2009. The evaluation period was from March 26, 2007 to June 29, 2011.

**DESCRIPTION OF INSTITUTION**

Bank Texas, N.A. is a \$199 million bank located at 412 E. Goode Street in Quitman, Texas. The bank is wholly owned by Quitman Bancorporation of Delaware, Inc., with this holding company being wholly owned by Quitman Bancorporation, Inc. The bank has six branch offices located at the Wal-Mart SuperCenter in Mineola, Texas; 1825 North Pacific Street in Mineola, Texas; 2365 S. F.M. 2869, Suite 3, in Hawkins, Texas (Holly Lake Ranch); 4405 Hwy 42 North in Kilgore, Texas; 3222 S. Main Street in Lindale, Texas; 1121 Judson Road in Longview, Texas; and 2096 Three Lake Parkway in Tyler, Texas. The bank operates automatic teller machines (ATM) at each location with one stand alone ATM located in Golden, Texas. Bank Texas is a retail oriented bank with focus on consumer, residential real estate and commercial loan originations.

As of March 31, 2011, loans totaled \$109 million and represented 55% of the bank's total assets. The following chart reflects the distribution of the bank's loan portfolio.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Residential Real Estate Loans	46,887	42.88%
Commercial Real Estate Loans	41,238	37.71%
Commercial Loans	11,784	10.78%
Agricultural Loans	1,940	1.77%
Consumer Loans	5,769	5.28%
State and Political Subdivision	1,643	1.50%
Other Loans	86	0.08%
<b>Total</b>	<b>109,347</b>	<b>100.00%</b>

There are no legal impediments or other factors which inhibit the bank's ability to meet the credit needs of the community. The bank was rated "Satisfactory" during the prior CRA Examination dated March 26, 2007.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

Bank Texas' overall assessment area (AA) is composed of three separate contiguous assessment areas: Gregg county in its entirety which is part of the Longview Metropolitan Statistical Area (MSA), Smith county in its entirety which is part of the Tyler MSA, and Wood county in its entirety. Wood County is not located in a MSA.

### **WOOD COUNTY ASSESSMENT AREA**

Wood County includes the communities of Mineola, Quitman, Hawkins, Winnsboro, Alba and other small rural communities. Each of the census tracts in this area have been designated as middle income areas. The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income geographies.

The following table provides a description of the bank's assessment area based on census data and 2010 Department of Housing and Urban Development (HUD) information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF WOOD COUNTY</b>	
<i>Population</i>	
Number of Families	10,663
Number of Households	14,578
<i>Geographies</i>	
Number of Census Tracts/BNA	8
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	0.00%
% Middle-Income Census Tracts/BNA	100.00%
% Upper-Income Census Tracts/BNA	0.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	36,380
2010 HUD-Adjusted MFI	46,500
<i>Economic Indicators</i>	
Unemployment Rate (as of 3/31/11)	8.3%
2000 Median Housing Value	67,536
% of Households Below Poverty Level	14.10%

Source: U.S. Census data and Bureau of Labor Statistics.

The bank's designated assessment area has a total population of 36,752. The distribution of families by income level, regardless of census tract location, consists of the following: 16.57% are low income, 17.06% are moderate income, 24.26% are middle income, and 42.11% are upper income. Major employers include Wal-Mart Supercenter, Quitman ISD, Mineola ISD, Wood County, Ozarka Bottling Company, Wood County Electric, East Texas Medical Center, and Peoples Telephone. Competition within the assessment area is strong with several banks, financial institutions, and mortgage companies located throughout the assessment area. The local economy is considered stable and has an unemployment rate of 8.3%.

A community contact revealed local financial institutions are active in the community and offer loan products that meet the community's credit needs.

## GREGG COUNTY ASSESSMENT AREA

Gregg County includes the communities of Longview, White Oak, Kilgore, Gladewater and other small rural communities. The census tracts in this area have been designated as moderate, middle, and upper income areas. The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income geographies.

The following table provides a description of the bank's assessment area based on census data and 2010 Department of Housing and Urban Development (HUD) information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF GREGG COUNTY</b>	
<i>Population</i>	
Number of Families	29,854
Number of Households	42,647
<i>Geographies</i>	
Number of Census Tracts/BNA	23
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	34.78%
% Middle-Income Census Tracts/BNA	39.13%
% Upper-Income Census Tracts/BNA	26.09%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	40,970
2010 HUD-Adjusted MFI	54,500
<i>Economic Indicators</i>	
Unemployment Rate (as of 3/31/11)	6.7%
2000 Median Housing Value	72,145
% of Households Below Poverty Level	14.67%

Source: U.S. Census data and Bureau of Labor Statistics.

The bank's designated assessment area has a total population of 111,379. The distribution of families by income level, regardless of census tract location, consists of the following: 20.39% are low income, 16.86% are moderate income, 20.16% are middle income, and 42.60% are upper income. Major employers include Good Shepherd Medical Center, Texas Eastman Company, LeTourneau, Inc., and SITEL. Competition within the assessment area is strong with several banks, financial institutions, and mortgage companies located throughout the assessment area. The local economy is considered stable with an unemployment rate of 6.7%.

A community contact with a local realtor revealed current economic conditions for the area are slowly improving, including home sales. Housing prices remain stable to increasing. While there is a good amount of housing stock available, affordable housing is very limited. Most available homes range from \$100 thousand and over. The oil and gas industry is supporting much of the market as high oil prices have benefitted the local industry.

## SMITH COUNTY ASSESSMENT AREA

Smith County includes the communities of Tyler, Lindale, Hideaway, Winona, Noonday and other small rural communities. Census tracts in this area have been designated as low, moderate, middle and upper income areas. The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income geographies.

The following table provides a description of the bank's assessment area based on census data and 2010 Department of Housing and Urban Development (HUD) information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF SMITH COUNTY</b>	
<i>Population</i>	
Number of Families	47,225
Number of Households	65,711
<i>Geographies</i>	
Number of Census Tracts/BNA	36
% Low-Income Census Tracts/BNA	5.56%
% Moderate-Income Census Tracts/BNA	27.78%
% Middle-Income Census Tracts/BNA	41.67%
% Upper-Income Census Tracts/BNA	25.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	44,565
2010 HUD-Adjusted MFI	56,200
<i>Economic Indicators</i>	
Unemployment Rate (as of 3/31/11)	7.6%
2000 Median Housing Value	81,023
% of Households Below Poverty Level	8.30%

Source: U.S. Census data and Bureau of Labor Statistics.

The bank's designated assessment area has a total population of 36,752. The distribution of families by income level, regardless of census tract location, consists of the following: 16.57% are low income, 17.06% are moderate income, 24.26% are middle income, and 42.11% are upper income. Major employers include Trinity Mother Frances, East Texas Medical Center, Tyler ISD, and Brookshire Grocery Company. Competition within the assessment area is strong with several banks, financial institutions, and mortgage companies located throughout the assessment area. The local economy is considered stable with an unemployment rate of 8.3%.

Contact with a local business organization revealed the primary community credit needs for the assessment area include consumer, commercial and residential real estate loans.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's overall lending performance is satisfactory. The bank's loan-to-deposit ratio is reasonable and a substantial majority of loans are within the bank's assessment area.

### Loan-to-Deposit Ratio

The loan-to-deposit ratio of Bank Texas, N.A. is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 66.61% since the prior CRA examination in March 2007. The bank's loan-to-deposit ratio is 64.01% as of March 31, 2011. The average loan-to-deposit ratio of banks within the assessment area since March 2007 was 74.97%.

Institution	Assets (000s) (as of 3/31/11)	Average LTD Ratio
Bank Texas, National Association	199,266	66.61%
Citizens Bank	315,291	73.31%
Kilgore National Bank	84,107	61.17%
Spring Hill State Bank	162,587	91.87%
American State Bank	240,638	62.40%
Citizens State Bank	259,301	82.16%
Lindale State Bank	105,230	66.21%
First National Bank of Winnsboro	149,100	105.55%
Mineola Community Bank, SSB	150,930	69.58%
Wood County National Bank	65,770	62.45%

**Lending in Assessment Area**

A substantial majority of the bank’s lending activity is located within the assessment area. We reviewed consumer, residential real estate and commercial loans which were originated since the last CRA examination. The breakdown by loan category is illustrated in the following table.

<b>Lending in Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	41	80.30	10	19.61	51	6,507	87.31	946	12.69	7,453
Commercial	14	70.00	6	30.00	20	4,737	63.24	2,754	36.76	7,491
Consumer	35	87.50	5	12.50	40	264	82.76	55	17.24	319
Totals	90	81.08	21	18.92	111	11,508	75.40	3,755	24.60	15,263

Source: loan sample

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

Bank Texas’ overall distribution of loans by income level of the borrower represents a reasonable penetration given the overall demographics of the bank’s assessment area.

**Wood County Assessment Area**

The distribution of residential loans by borrower income level is reasonable based on the demographics of the assessment area. While loans extended to low income borrowers were less than the demographics in the assessment area, those loans extended to moderate income borrowers were near to the demographics of the assessment area.

Furthermore, opportunities to lend to low income families are limited as 14% of households within this assessment area are below the poverty level. Additionally, the median housing cost equaled \$68M, limiting a low income borrower’s ability to qualify for a residential mortgage. Finally, competition for home mortgage products is strong with numerous institutions vying for these products.

<b>Borrower Distribution of Residential Real Estate Loans in Wood County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE	16.57	5.86	17.06	13.39	24.26	12.97	42.11	67.78

Source: Loan sample and U.S. Census data.

The bank’s distribution of consumer loans is reasonable. Consumer loans to low income households represent 9% compared to 21% of assessment households; however consumer loans extended to moderate income households represents an excellent penetration of 26% compared to 15% of assessment area households.

<b>Borrower Distribution of Consumer Loans in Wood County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	21.20	8.70	15.33	26.09	19.68	26.09	43.79	39.12

Source: Loan sample and U.S. Census data.

**Smith County Assessment Area**

The distribution of residential loans by borrower income level represents a reasonable penetration. The percentage of loans to low and moderate income borrowers is less than the assessment area demographics, however opportunities to originate loans to lower income families is limited, due to a lack of affordable housing available for purchase. Vacant housing units only represent 8% of all units and all rental units total 31%. Additionally, 8% of households have income below the poverty level. Furthermore, the assessment area’s median housing cost of \$81M makes it difficult for a lower income family to qualify for a home mortgage. Finally, competition for home mortgage products is strong with numerous institutions vying for these products. A loan production office, which opened in 2009 and recently became a branch, has been the bank’s only presence in Smith County.

<b>Borrower Distribution of Residential Real Estate Loans in Smith County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE	20.31	10.53	18.43	5.26	20.71	15.79	40.55	68.42

Source: Loan sample and U.S. Census data.

The bank’s distribution of consumer loans represents a reasonable penetration. Loans to low income households represents 5% compared to 23% of assessment area households; however loans to moderate income households represents 24% compared to 16% of assessment area households.

<b>Borrower Distribution of Consumer Loans in Smith County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	23.30	4.76	16.00	23.81	19.30	19.05	41.40	52.38

Source: Loan sample and U.S. Census data.

**Gregg County Assessment Area**

The distribution of residential loans by borrower income level represents a reasonable penetration. While there were no loans extended to low income borrowers, lending opportunities are limited as 15% of households have incomes below the poverty level. Further, Gregg County’s median housing cost of \$72M makes it extremely difficult for a low income borrower to qualify for a residential mortgage. Additionally, vacant housing units represent only 8% of total units and rental units account for 37% of all housing units. Finally, competition for home mortgage products is strong with numerous institutions vying for these products. Community contacts noted a limited amount of affordable housing. The distribution of residential loans to moderate income families approximates the percentage of assessment area families.

<b>Borrower Distribution of Residential Real Estate Loans in Gregg County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.39	0.00	16.85	11.11	20.16	11.11	42.60	77.78

Source: Loan sample and U.S. Census data.

The bank’s distribution of loans to small businesses is reasonable. The percentage of loans to businesses with reported revenues of \$1 million or less is 57% compared to 74% of businesses in the assessment area with 22% of businesses not reporting revenues.

<b>Borrower Distribution of Loans to Businesses in Gregg County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	74.11	4.12	21.77	100%
% of Bank Loans in AA by #	57.14	42.86	-----	100%
% of Bank Loans in AA by \$	27.99	72.01	-----	100%

Source: Loan sample; Dunn and Bradstreet data.

**Geographic Distribution of Loans**

Bank Texas’ overall geographic distribution of loans represents a reasonable dispersion given the overall demographics of the bank’s assessment area.

**Wood County Assessment Area**

Wood County is composed of only middle and upper income census tracts; therefore a geographical distribution analysis of this assessment area would not be meaningful.

**Smith County Assessment Area**

The geographic distribution of residential real estate loans represents a reasonable dispersion throughout the assessment area based on the performance context of the bank. While there were no loans extended to the low income census tracts, physical barriers exist between the bank’s only branch in south Tyler and the low income tracts located downtown and north of downtown. There is also significant competition for mortgage loans in the Tyler market as well as many branches of banks located in these low and moderate income tracts.

<b>Geographic Distribution of Residential Real Estate Loans in Smith County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential RE	2.09	0.00	17.19	4.26	55.58	87.23	25.14	8.51

Source: Loan sample and U.S. Census data.

The geographic distribution of business loans represents a reasonable dispersion. There is no penetration in the low census tracts; however there is excellent penetration in the moderate tracts with 25% of the number of loans compared to 22% of assessment area businesses.

<b>Geographic Distribution of Consumer Loans in Smith County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	2.82	4.76	22.15	23.81	50.25	19.05	24.78	52.38

Source: Loan sample and U.S. Census data.

**Gregg County Assessment Area**

The geographic distribution of residential real estate loans represents a reasonable dispersion throughout the assessment area based on the performance context of the bank. The distribution of loans in the moderate income tracts is 8% compared to 23% of owner occupied housing in the moderate tracts.

<b>Geographic Distribution of Residential Real Estate Loans in Gregg County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential RE	0.00	0.00	22.65	8.33	44.16	50.00	33.19	41.67

Source: Loan sample and U.S. Census data.

The geographic distribution of business loans represents an excellent dispersion. The distribution of loans in the moderate income tracts is 50% compared to 31% of businesses being in the moderate tracts.

<b>Geographic Distribution of Loans to Businesses in Gregg County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	0.00	0.00	30.80	50.00	40.63	41.67	28.57	8.33

Source: Loan sample; Dunn & Bradstreet data.

### **Responses to Complaints**

Bank Texas did not receive any CRA-related complaints during the evaluation period.

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

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