



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 30, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The American National Bank Of Mount Pleasant
Charter Number 16799**

**301 South Madison Avenue
Mount Pleasant, TX 75455**

**Comptroller of the Currency
ADC - Longview (NE Texas & NW Louisiana)
1800 West Loop 281 Suite 306
Longview, TX 75604**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

American National Bank has a satisfactory record of meeting community credit needs. This rating is based on the following:

- The bank's loan-to-deposit ratio is reasonable when compared to other area banks.
- A majority of the bank's loans are extended within its assessment area.
- Credit activity is reasonably distributed to borrowers of different income levels.

DESCRIPTION OF INSTITUTION

American National Bank is a \$72 million bank located at 301 South Madison Avenue, Mount Pleasant, Texas. As of December 31, 2002, loans totaled \$52 million and represented 72% of the bank's total assets. The following chart reflects the distribution of the bank's loan portfolio.

Loan Category	\$ (000)	%
Commercial Real Estate Loans	7,638	14.78
Commercial Loans	9,448	18.28
Residential Real Estate Loans	24,155	46.75
Consumer Loans	10,430	20.19
Total	51,671	100.00%

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 May 11, 1998.

DESCRIPTION OF TITUS COUNTY

The Board has designated Titus County as its assessment area which consists of eight block numbering areas (BNA). Census bureau data indicates there are no tracts designated as low or moderate income, while six are middle income tracts and two are upper income tracts. The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low and moderate-income geographies.

The following table provides a description of the bank's assessment area based on census data and

2002 Department of Housing and Urban Development (HUD) information.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	6,451
Number of Households	8,474
<i>Geographies</i>	
Number of Census Tracts/BNA	8
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	6
% Upper-Income Census Tracts/BNA	2
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$27,964
2002 HUD- Adjusted MFI	\$36,100
<i>Economic Indicators</i>	
Unemployment Rate	4.90%
2000 Median Housing Value	\$44,775
% of Households Below Poverty Level	21.24%

The bank's designated assessment area has a total population of 24,009. The distribution of families by income level, regardless of census tract location, consists of the following: 20.10% are low income, 14.5% are moderate income, 20.8% are middle income, and 44.7% are upper income. Major employers in Titus County include Pilgrim Pride, TXU Mining, Titus Regional Medical Center, Wal-Mart Supercenter and TXU Electric and Gas. Competition throughout the assessment area is considered strong with several banks and bank branches located in Mount Pleasant and the surrounding communities. The local economy is considered stable with an unemployment rate of 4.9%.

Contacts with a local business organization and government official in Mount Pleasant revealed the primary community credit needs for the assessment area are residential mortgages and consumer loans.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio of American National Bank is reasonable given the bank's size, financial condition and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 83.57% since the prior CRA examination in May of 1998. The average loan-to-deposit ratio of banks within the assessment area for the same time period was 83.42%.

Institution	Assets (\$000's) (as of 9/30/02)	Average LTD Ratio
American National Bank	72,000	83.57
Guaranty Bond Bank	515,000	78.98
Pilgrim Bank	229,000	87.70

Lending in Assessment Area

A majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 32 residential mortgages, 26 commercial loans and 28 consumer loans which originated since May 1998. This sample reflected that approximately 76% of the number of loans and 70% of the dollar amount of loans in our sample were extended within the bank's assessment area. The breakdown by loan category is illustrated in the following table.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential	25	78.13	1,497	82.03	7	21.88	328	17.97
Consumer	20	71.43	171	68.09	8	28.57	80	31.91
Commercial	20	76.92	2,958	65.90	6	23.08	1,531	34.10
Total Reviewed	65	75.58	4,626	70.47	21	24.42	1,939	29.53

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

The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. American National Bank's primary product lines are residential and consumer loans. Our sample of loans inside the assessment area included 25 residential loans totaling \$1.497 million, and 20 consumer loans totaling \$171 thousand. The distribution of home purchase and consumer loans generally approximates the income characteristics of the assessment area. While lending to low income borrower's for residential purposes is lower than the demographics of the assessment area, 21.24% of the assessment area families are below poverty level. The bank's distribution to moderate-income families more closely matches the demographics of the assessment area. Additionally, the bank's consumer lending reflects a reasonable distribution to all income levels.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	20.1		14.5		20.8		44.7	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	8.00	3.73	16.00	4.92	28.00	23.06	48.00	68.28

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	24.5		12.8		16.1		46.6	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	25.00	25.10	15.00	7.92	15.00	12.12	45.00	54.85

The distribution of business loans reflects a reasonable penetration among businesses of different sizes. Based on U.S. Census information, there are 1,150 businesses in the assessment area with revenues less than \$1 million. This number represents 74.92% of all businesses within the assessment area. Our sample of commercial loans inside the assessment area included 20 loans totaling \$2.958 million. The distribution of commercial loans generally approximates the income characteristics of the assessment area.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	74.92	5.86
% of Bank Loans in AA #	75.00	25.00
% of Bank Loans in AA \$	72.75	27.25

Geographic Distribution of Loans

A geographic analysis of lending activity within the bank's assessment area was not performed. There are no low or moderate-income geographies located in the bank's assessment area and therefore, an analysis would not be meaningful.

Responses to Complaints

Management has not received any written complaints related to CRA performance since the prior CRA examination.

Fair Lending Review

A Fair Lending Examination commenced October 28, 2002 to assess the bank's compliance with the Fair Housing Act, Equal Credit Opportunity Act, the Federal Reserve Board's Regulation B and the Comptroller of the Currency's implementing regulation, 12 CFR 202. These laws and regulations codify the obligations of a financial institution with respect to discrimination in any aspect of a credit transaction.

Using OCC risk-based examination procedures detailed in the Comptroller of the Currency's *Community Bank Consumer Compliance Handbook*, we reviewed the bank's policies and a sample of approved and denied applications for compliance with the substantive and technical requirements of 12 CFR 202 and determined whether the bank treated applicants as explicitly required by law.

No violations of the substantive provisions of anti-discrimination laws and regulations or exceptions to bank policy were noted during this examination. The files that were reviewed gave no indication that lenders acted selectively on a prohibited basis or made oral or written statements that indicated that prohibited factors were considered in credit policies or decisions. American National Bank has adequate policies, procedures, and training programs in place to prevent discriminatory or other illegal credit practices. Applications or underwriting requirements or policies do not appear to disproportionately burden or exclude members of a prohibited basis group.