



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 5, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The State National Bank in West
Charter Number 13022
100 North Main
West, Texas 76691**

**Office of the Comptroller of the Currency
Southwestern District
500 North 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 CRA performance of **The State National Bank in West (SNB)** prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of September 5, 1996. 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**.

SNB's lending performance demonstrates a responsiveness to the credit needs of its community. The distribution of the bank's loans reflects a very good penetration among individuals of different income levels and businesses of different sizes. The bank's loan to deposit ratio is good relative to the nature of the community and available lending opportunities. A substantial majority of SNB's loans have originated within its assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>THE STATE 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	Not Meaningful		
Response to Complaints	No complaints were received since the prior compliance examination.		

DESCRIPTION OF INSTITUTION

SNB has one office located in downtown West, Texas. The bank was chartered in 1923. On June 30, 1996, the bank had total assets of \$44 million with \$13 million in loans. The bank's primary business focus is consumer and agricultural lending. The following reflects a detailed breakdown of SNB's loan portfolio on June 30, 1996:

LOAN TYPE	LOAN VOLUME	% OF TOTAL
REAL ESTATE:		
Construction	23	.2%
Farmland	370	2.9%
Residential (1-4)	1,651	13.2%
Multifamily	390	3.1%
Commercial	933	7.4%
CONSUMER	3,313	26.4%
COMMERCIAL/INDUSTRIAL	2,480	19.8%
AGRICULTURAL	3,323	26.5%
OTHER	60	.5%
TOTAL	12,543	100%

Currently, there are no financial or legal impediments that would limit SNB's ability to help meet the credit needs of its community. The bank is locally owned with three families owning the majority of the bank's shares. SNB is affiliated with CentraBanc Corp. of Waco, Texas, through common ownership.

DESCRIPTION OF ASSESSMENT AREA

Management has designated the northern portions of McLennan county and the southern portions of Hill county as the bank's assessment area. This assessment area includes four contiguous census tracts and four block numbering areas (BNAs) surrounding the community of West. The census tracts are in McLennan county and the Waco Metropolitan Statistical Area (MSA). The BNAs are in Hill county. The communities of Abbott, Acquilla, Bynum, Carl's Corner, Elm Mott, Gholson, Malone, Mertens, Penelope, Ross, West, and Whitney are included in this assessment area.

Based upon information from the 1990 census, the population for the bank's entire

assessment area is approximately 19 thousand as compared to the Waco MSA population of 189 thousand and Hill County population of 27 thousand. The population of West is approximately 2,515. Census data reports that the median family income (MFI) for the Waco MSA is \$26,770 and \$24,586 for Hill County. Updated 1996 income information from the Department of Housing and Urban Development (HUD) reflects that the MFI in the Waco MSA has increased to \$32,350. The MFI for Hill County has increased to approximately \$28,900.

Three of the census tracts and three BNAs in the bank's assessment area are considered middle-income areas (80-119% of the 1990 MFI). The remaining census tract and BNA are considered upper-income areas (>120% of the 1990 MFI).

The local economy is heavily dependent on the agricultural industry; however, the close proximity to Waco (20 miles) provides additional employment opportunities. The local livestock market has been hurt in the past year by lower prices and high feed costs. Although many Texas farmers have been hurt by recent drought conditions, the farmers in this area have not been as severely impacted. Bank management reports that this year's maize and milo crops have been good for farmers. West's major employers include the West Independent School District, West Rest Haven Nursing Home, West Community Hospital, a local feed mill, and an egg farm. There is only one other bank in SNB's assessment area, a state bank in West.

Discussions with bank management and a member of the community indicate that the most significant credit need in the assessment area is agricultural lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio

SNB's lending performance is good in relationship to its size, management's conservative lending philosophies, and the lending opportunities available within its assessment area. SNB's loan to deposit ratio has averaged 30% since the last examination in July 1993. Although this ratio is significantly lower than the ratios reported by other banks in McLennan and Hill counties, it is much higher than the other local bank, which averaged 16% for the same period. The bank's loan to deposit ratio is not truly reflective of its actual lending volume, as numerous small loans are made that are paid off in short periods of time. The size of SNB's loans are discussed further under another performance criteria - **Loans to Borrowers of Different Income Levels.**

Lending in the Assessment Area

A substantial majority of SNB's lending activity is within its assessment area. We sampled all (26) residential mortgage loans since 1994 and reviewed management's reports detailing all loan originations since 1994. We found that year-to-date 1996, the bank has originated 87% of its loans in the assessment area. In 1995 and 1994, the bank made 76% of its loans in the assessment area.

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

The distribution of the bank's loans reflects a very good penetration among individuals of different income levels and businesses of different sizes. Our loan sample for this performance criteria included the same real estate loans previously mentioned, 20 consumer loans, and 18 business/agricultural loans. The consumer and business loans in our sample originated in the past eighteen months. The chart below details the sample used and reflects the distribution of the loans to borrowers of different income levels and businesses of different sizes. The chart reflects that the bank has extended loans to borrowers of different incomes consistent with the demographic make-up of its assessment area. The bank has exceeded the benchmark for loans to low-income families.

Lending to Borrowers of Different Income Levels										
	Low-Income Families		Moderate-Income Families		Middle-Income Families		Upper-Income Families		Total	
Area Demographic Characteristics	17%		16%		21%		45%		100%	
Loan Types										
	#	%	#	%	#	%	#	%	#	%
Mortgage	8	31%	5	19%	5	19%	8	31%	26	100%
Consumer	11	55%	2	10%	3	15%	4	20%	20	100%
Total	19	41%	7	15%	8	17%	12	26%	46	100%
Revenue Ranges	< \$100M		\$100M -- \$250M		\$250M -- \$1MM		> \$1MM		Total	
Commercial/AG	4	22%	5	28%	5	28%	4	22%	18	100%

In addition to reviewing borrowers' incomes in our sample of loans, we reviewed the portfolio

to determine average loan size. While loan size does not provide a definite indicator of customer size and income, there is a general correlation between the two. Our analysis found that 64% of SNB's loans are less than \$5,000. This adds additional support that credit is being extended to smaller borrowers. The chart below details the number of loans originated by size in 1995 and year-to-date 1996.

Loan Size (000's)	# Consumer	#Commercial/ AG	#Real Estate	Total #	% of Total
<\$1	80	151	0	231	12.27%
\$1-5	347	597	26	970	51.51%
\$5-20	161	288	52	501	26.61%
\$20-80	39	79	48	166	8.8%
\$80-150	0	4	4	8	.42%
>\$150	0	7	0	7	.37%
Total	627	1,126	130	1,883	100%

Geographic Distribution of Loans

A meaningful analysis was difficult to perform as the bank's assessment area includes only middle- and upper-income census tracts and BNAs. Additionally, the areas are so large that lower-income areas are not readily distinguishable.

Response to Complaints

The bank has not received any consumer complaints regarding its CRA performance since the previous examination. The fair lending portion of the examination did not reveal any violations of antidiscrimination laws and regulations.