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# **Public Disclosure**

April 18, 1997

## **Community Reinvestment Act Performance Evaluation**

**Lake Area National Bank  
Charter Number 20218**

**Post Office Box 1769  
1414 South Robb  
Trinity, Texas 75862**

**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 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 **Lake Area National Bank (LANB), Trinity, Texas** prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **April 18, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

**INSTITUTION'S CRA RATING:** This institution is rated as having a **"Satisfactory Record of Meeting Community Credit Needs"**.

LANB's performance rating is supported by the following factors:

- ◆ a satisfactory loan to deposit ratio as of March 31, 1997;
- ◆ a satisfactory record of lending to borrowers within the bank's assessment area;
- ◆ a reasonable distribution of loans by geography, income, and revenue; and,
- ◆ no record of public complaints regarding the bank's CRA performance.

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

Small Institution Assessment Criteria	(Name of Financial Institution) 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		No complaints have been received since the last examination.	

## DESCRIPTION OF INSTITUTION

LANB is a locally-owned independent bank located in Trinity, Texas. The bank has total assets of \$16.7 million including a loan portfolio of \$6.1 million as of March 31, 1997. The loan portfolio is comprised of commercial loans (43%), residential real estate loans (40%), and consumer loans (17%). Total deposits are \$15 million and capital totals \$1.7 million.

The bank offers a variety of traditional deposit and loan products and services. Types of deposit accounts available include regular checking and low-cost checking accounts, NOW accounts, savings accounts, money market savings accounts, certificates of deposit and individual retirement accounts. Loan products available include residential loans, commercial business loans, agricultural loans, auto loans, home improvement loans, and loans secured by stock, savings, certificates of deposit, and cash value of life insurance.

There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to help meet the credit needs of the community.

## **DESCRIPTION OF LAKE AREA NATIONAL BANK'S ASSESSMENT AREA**

LANB's assessment area meets the technical requirements of the CRA and does not arbitrarily exclude low- and moderate-income census tracts.

The bank's defined assessment area includes three census tracts in southwest Trinity County and two census tracts in northeast Walker County. The assessment area is located in southeast Texas approximately 120 miles north of the Houston metropolitan area. The assessment area is primarily rural but includes the communities of Trinity and Huntsville, Texas.

LANB's assessment area has a total population of 23,228 with 7,557 households. Two of the five census tracts in the assessment area are moderate-income, one is middle-income, and two are upper-income. Fourteen percent of the population reside in moderate-income census tracts, 13% live in the middle-income tract, and 73% live in upper-income census tracts.

Economic conditions have improved since the late 1980's and early 1990's and are now generally fair. The median family income of the assessment area is \$27,023. Unemployment is low at 3%. The median housing value is \$49,600 with the median year built being 1976. Owner occupied housing units comprise 48% of the total housing units in the assessment area, rental occupied units account for 22%, and vacant housing units are high at 28%.

Thirteen percent of the residents are over 65 years of age and over 50% of the assessment area households rely on retirement or social security as their primary source of income. Also, the Texas Department of Corrections is the major employer in the area and houses an additional twenty percent of the residents of Trinity. These factors all contribute to the weak loan demand in the area.

Management has identified affordable housing as the predominant credit need of the community. Community contacts initiated by representatives of our office also indicated affordable single family residential financing as the most pressing credit need in the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### Loan-to-Deposit Ratio

LANB's loan-to-deposit ratio is reasonable in view of relatively weak loan demand in the area. The bank has improved its loan-to-deposit ratio from 24% in 1994 to 41% as of March 31, 1997. The average loan to deposit ratio since the last examination is 35%.

### Lending in the Assessment Area

A majority of the bank's loans are within its assessment area. An internal analysis of 194 loans made or renewed in 1996 indicates that 86% were made within the assessment area. In addition, 75%, or \$3.1 million of the \$4.1 million making up the sample, were to borrowers within the assessment area. The following table depicts the results of this analysis.

	# of Loans	% of # of Loans	\$ of Loans	% of \$ of Loans
<b>Within Area</b>	167	86%	\$3,050,785	75%
<b>Out of Area</b>	27	14%	\$1,039,946	25%
<b>Total</b>	194	100%	\$4,090,731	100%

### Geographic Distribution of Loans

The geographic distribution of LANSB's loans within its assessment area is also reasonable. An analysis of the 167 loans made or renewed within the assessment area revealed that LANSB's distribution of credit is evenly disbursed. Thirty-six percent of the loans were to borrowers in moderate-income census tracts, 28% were to borrowers in the middle-income census tract, and 36% were to borrowers in the upper-income census tract. The distribution of credit by volume is skewed towards the upper-income census tracts. This is due to the tendency of upper-income customers to borrow in larger amounts than borrowers of other income categories.

	# of Loans	% of # of Loans	\$ of Loans	% of \$ of Loans
<b>Moderate Income</b>	60	36%	\$900,311	30%
<b>Middle Income</b>	47	28%	\$789,242	26%
<b>Upper Income</b>	60	36%	\$1,361,232	44%

	# of Loans	% of # of Loans	\$ of Loans	% of \$ of Loans
<b>Total</b>	167	100%	\$3,050,785	100%

### **Distribution of Credit by Borrower Income and by Annual Revenues**

Although the bank collects borrower income information in the normal course of business on its loan applications, management does not analyze the distribution of credit by borrower income. To accomplish this at our review, a sample of 49 consumer loans were randomly selected from the bank's credit files to assess the distribution of credit by borrower income. The analysis of this sample indicated that the distribution of credit by borrower income is reasonable. Sixteen percent of the sample of loans were to low-income borrowers, 29% were to moderate income borrowers, 24% were to middle-income borrowers, and 31% were to upper-income borrowers. The results of this analysis are depicted in the following table.

<b>Income Level</b>	<b>Number of Loans</b>	<b>% of Sample</b>
<b>Low-Income- &lt; 50% of MFI*</b>	8	16%
<b>Moderate-Income - 50% to 80% of MFI</b>	14	29%
<b>Middle-Income - 80% to 120% of MFI</b>	12	24%
<b>Upper-Income- &gt; 120% of</b>	15	31%
<b>Totals</b>	49	100%

\* 1996 Median Family Income of LANB's Assessment Area was \$27,023.

Fourteen business borrowers were randomly selected from the bank's commercial loan portfolio to ascertain the bank's distribution of loans to businesses by annual revenue. The results indicated that one-half of LANB's commercial loans are to businesses having annual revenues of less than \$1 million. This distribution is reasonable considering the competitive environment and economic conditions prevalent in LANB's assessment area.

### **Responses to Complaints**

There have been no complaints relating to LANB's CRA performance received by the bank or the OCC.

### **Fair Lending**

LANB is in substantive compliance with the provisions of all anti-discrimination laws and regulations. Applications for credit are actively solicited from all segments of the community.