



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**October 27, 2003**

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

**The National Bank Of Madisonville  
Charter Number 20650**

**333 North May Street  
Madisonville, TX 77864**

**Comptroller of the Currency  
Assistant Deputy Comptroller - Houston West  
1301 McKinney Street, Suite 3410  
Houston, TX 77010**

**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.**

The National Bank of Madisonville is responsive to the credit needs of its community including low- and moderate- income individuals and small farms in the bank's assessment area. The following factors support this conclusion:

- The geographic distribution of residential real estate home mortgage loans and loans to farms in the assessment area exceeds the standards for satisfactory performance.
- The borrower distribution of lending to low- and moderate- income borrowers for residential real estate home mortgage loans is reasonable, and the borrower distribution of loans to farms in the assessment area meets the standards for satisfactory performance.
- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.

## **DESCRIPTION OF INSTITUTION**

The National Bank of Madisonville (NBM) is a \$38 million full service bank located in Madisonville, Texas. Based on its financial condition, NBM is able to meet the credit needs of the community, primarily agriculture and home mortgage loans. The loan portfolio is approximately \$18.5 million, or 47 % of total assets. Loan portfolio composition is agriculture (29%), home mortgage (28%), commercial (21%), consumer (18%), and all other (4 %). The bank's business strategy is focused on agriculture and home mortgage lending; however, officers actively solicit loans in all categories. Per bank officers, a large number of home mortgage loans have been granted for mobile homes with a small acreage, and the bank does not have a minimum loan amount for consumer loans. Prior lending performance has been satisfactory. The bank does not have any legal, financial, or other factors impeding its ability to help meet the credit needs in the assessment area. NBM is not a subsidiary of a holding company and does not have affiliates or subsidiaries. Currently, the bank does not have any branches. The branch in Centerville in Leon County has been closed since the prior Community Reinvestment Act (CRA) evaluation. Lobby banking hours are reasonable and are extended on Friday until 6:00 PM. The Drive-In Bank has extended hours from 7:30 AM in the morning until 5:30 PM Monday through Thursday and until 6:00 PM on Friday. An automated teller machine (ATM) is located in the Drive-In. The bank has a toll free telephone number for customers and offers Telebank services twenty-four hours per day and seven days per week. NBM received a satisfactory rating at the prior CRA examination dated July 20, 1998. For additional information, see the bank's Public File.

## **DESCRIPTION OF MADISON AND LEON COUNTY**

NBM's assessment area meets the requirements of the regulation and includes all of Madison and Leon County. Madison County has three middle-income census tracts and one moderate-income tract. Leon County has three middle-income census tracts. There are nineteen national

and state banks in a six county area in close proximity ranging in size from \$2 million to \$222 million. There are two other banks in Madisonville, Texas, and they compete directly with NBM. Madisonville State Bank is approximately \$160 million. The other bank in Madisonville is a branch of a large interstate banking system, Wells Fargo.

Madisonville is the largest city in Madison County with an approximate population of 4,234 in 2002. Madison County had approximately 13,290 residents in the same year. Major employers are the Texas Department of Criminal Justice (772 employees), Monterey Mushrooms, Inc. (574 employees), and Madisonville Consolidated Independent School District (285 employees). Recently, DaSilveria Southwest, Inc. who manufactures metal stalls and pens for the dairy industry has relocated to Madisonville from New Mexico. We contacted a local economic development community leader who stated that the greatest opportunity for lending in the area was in new home construction in the middle- and upper-income ranges. Our contact believed there was not a current need for low-income housing. Local economic conditions are expected to improve with the expansion of State Highway 21 from a two-lane to a four-lane highway. It will become four-lanes from the home of Texas A & M University, Bryan/College Station, Texas to Interstate 45, and it will be a short distance north of Madisonville. The county's economy is based on ranching, mineral production, and manufacturing.

Leon County is north of Madison County, and the bank's lending is concentrated in the southern half of the county. Buffalo is the largest city with a population of 1,784, and the total county population is less than 10,000 residents. The largest employer is Nucor who is the largest steel producer in the United States. Nucor employs about 1,200 at its Leon County location. Other major employers include Northwestern Resources employing about 700 in the coal industry and Houston Light and Power employing about 400 people.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio (LTD)**

The LTD is satisfactory. The bank's quarterly average ratio since the prior CRA examination is 64%, and it compares favorably to a peer group average of nineteen banks in the six rural counties in close proximity to NBM. This peer group quarterly average LTD was 56%. LTD ratios in this peer group range from a low of 7% to a high of 95%. We selected these banks as the peer group based on similar asset size, location in rural counties, and a similar customer base. The bank's most recent quarterly LTD ratio at September 30, 2003 was 53%, and it remained similar to the peer group average of 58%.

### **Lending in Assessment Area (AA)**

Lending in the AA is a majority and meets the standards for satisfactory performance both in number (87%) and dollar amount (59%) of loan originations. Our analysis included twenty-five home mortgage loans and twenty-seven agriculture loans. Performance in each loan category is shown in the following table:

<b>Table 1 - Lending in Madison and Leon County</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
Home Mortgage	20	80	5	20	25	562,349	57	423,269	43	985,618
Agriculture	25	93	2	7	27	402,432	62	245,271	38	647,703
Totals	45	87	7	13	52	964,781	59	668,540	41	1,633,321

Source: Sample from the loan trial balance for the period January 1, 2001 through December 31, 2002.

We found the reasons for loans granted outside the AA were reasonable. The reasons included the guarantor living in the AA, the borrowers were local residents, or the borrowers have had a checking and borrowing relationship with the bank for many years.

### **Lending to Borrowers of Different Incomes and to Farms of Different Sizes**

Lending to borrowers of different incomes meets the standards for satisfactory performance. We chose the bank's two largest loan products for our review, residential real estate home mortgage and agriculture loans. Home mortgages are presented first. Our sample included all home mortgage loans originated in 2002 and four randomly selected loans originated in 2001 for a total sample of twenty originations in the AA. We compared loan originations to income characteristics of the AA based on census data. Lending to low-income borrowers is reasonable considering the number of owner occupied homes, and lending to moderate-income borrowers is similar to the percent of moderate-income families in the AA. NBM's performance is shown in the following table:

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Madison and Leon 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
Home Mortgage	25.6	15.0	15.7	15.0	19.0	25.0	39.7	45.0

Source: loan sample; U.S. Census data.

Similarly, lending to farms of different sizes meets the standard for satisfactory performance. Our sample included all agriculture and farmland loans originated in 2002 in the AA, a sample of twenty-five. Dun and Bradstreet information for the same period was used for comparison. All loans were to farms with less than \$1 million in revenues as shown below:

<b>Table 2A - Borrower Distribution of Loans to Farms in Madison and Leon County</b>		
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Farms*	97.6	2.4
% of Bank Loans in AA by #	100.0	0
% of Bank Loans in AA by \$	100.0	0

Source: Loan sample; Dunn and Bradstreet data. \* 4% of AA farms did not report revenue data

### Geographic Distribution of Loans

The geographic distribution of loans exceeds the standards for satisfactory performance. The same primary loan products were chosen for the geographic distribution analysis as were used in the previous analysis for lending to borrowers of different incomes and farms of different sizes. The analysis reflects lending in all census tracts in the AA. For residential real estate home mortgage loans, the geographic distribution of those loans exceeded the census tract characteristics of the AA as shown in the following table:

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Madison and Leon 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
Home Mortgage	0.0	0.0	5.7	10.0	94.3	90.0	0.0	0.0

Source: loan sample; U.S. Census data.

Similarly, the distribution of agriculture loans exceeds the standards for satisfactory performance. We used Dun and Bradstreet information to analyze the geographic distribution. The analysis reflects lending in all census tracts in the AA. The bank's performance is reflected in the following table:

<b>Table 3A - Geographic Distribution of Loans to Farms in Madison and Leon County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agriculture	0.0	0.0	5.0	16.0	95.0	84.0	0.0	0.0

Source: loan sample; Dun & Bradstreet data.

### Responses to Complaints

The bank has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

### Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.