



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**February 15, 2002**

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

**Texas National Bank of Jacksonville  
Charter Number 18594**

**300 Neches Street  
Jacksonville, TX 75766**

**Comptroller of the Currency  
Southwestern District  
Longview Field Office  
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.**

Texas 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 based on its size and complexity.
- A majority of the bank's loans are extended within its assessment area.
- Credit activity is reasonably distributed to borrowers of different income levels.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

## **DESCRIPTION OF INSTITUTION**

Texas National Bank is a \$47 million bank which is wholly owned by Texas National Bancorporation. The bank is located at 300 Neches Street, Jacksonville, Texas and has a full service branch located at 1106 North Main in Rusk, Texas. As of December 31, 2001, loans totaled \$25 million and represented 53% 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>       |
|-------------------------------|-----------------|----------------|
| Commercial Real Estate Loans  | 3,515           | 14.04          |
| Commercial Loans              | 12,375          | 49.45          |
| Residential Real Estate Loans | 6,671           | 26.65          |
| Consumer Loans                | 2,469           | 9.86           |
| <b>Total</b>                  | <b>25,030</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 April 9, 1997.

## DESCRIPTION OF THE ASSESSMENT AREA

The Board has designated specific block numbering areas (BNA) located in Cherokee County as its assessment area. These BNAs make up a contiguous assessment area and include all BNAs with the exception of 9510 and 9511, which are located in the extreme southern part of the county. The assessment area includes no low-income tracts, three moderate-income tracts, five middle-income tracts and one upper-income tract. 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 2001 Department of Housing and Urban Development (HUD) information.

| <b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b> |          |
|---|----------|
| <i>Population</i>                                     |          |
| Number of Families                                    | 9,720    |
| Number of Households                                  | 13,199   |
| <i>Geographies</i>                                    |          |
| Number of Census Tracts/BNA                           | 9        |
| % Low-Income Census Tracts/BNA                        | 0%       |
| % Moderate-Income Census Tracts/BNA                   | 33.33%   |
| % Middle-Income Census Tracts/BNA                     | 55.56%   |
| % Upper-Income Census Tracts/BNA                      | 11.11%   |
| <i>Median Family Income (MFI)</i>                     |          |
| 1990 MFI for AA                                       | \$24,585 |
| 2001 HUD-Adjusted MFI                                 | \$35,800 |
| <i>Economic Indicators</i>                            |          |
| Unemployment Rate                                     | 3.21%    |
| 2001 Median Housing Value                             | \$41,161 |
| % of Households Below Poverty Level                   | 21.59%   |

The bank's designated assessment area has a total population of 36,288. The distribution of families by income level, regardless of census tract location, consists of the following: 22.14% are low income; 17.82% are moderate income; 19.75% are middle income; and 40.29% are upper income. Major employers in Cherokee County include Texas Department of Criminal Justice, Rusk State Hospital, medical related services and industries and educational facilities. Though there are no independent banks comparable to Texas National Bank in size and services within the assessment area, competition is strong with two large regional institutions headquartered in Jacksonville, and branches of other banks and credit unions in Cherokee County. The local economy is considered stable with an unemployment rate of 3.21%.

Contacts with local business organizations in Jacksonville and Rusk revealed the primary community credit needs for the assessment are small business loans and residential mortgages. One of the organizations also noted the lack of available housing stock in Cherokee County.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio:

The loan-to-deposit ratio of Texas National Bank is reasonable given the bank's size, financial condition and assessment area credit needs. While the ratios of other banks located in the assessment area are higher, these institutions are much larger and have multiple branches located throughout the East Texas area. There are no independent banks located in the assessment area which are considered comparable to this institution. The bank's quarterly average loan-to-deposit ratio was 52.59% since the prior CRA examination in April of 1997 with the current ratio at 56.64%. The average loan-to-deposit ratio of banks within the assessment area, regardless of size, for the same time period, was 73.98%.

| Institution                       | Assets (000s)<br>(as of 9/30/01) | Average LTD<br>Ratio |
|-----------------------------------|----------------------------------|----------------------|
| Texas National Bank, Jacksonville | 44,000                           | 52.59%               |
| Austin Bank, Jacksonville         | 556,000                          | 74.24%               |
| Jacksonville Savings Bank         | 351,000                          | 95.13%               |

### Lending in Assessment Area:

A majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 24 residential mortgages, 24 commercial loans and 34 consumer loans which originated since January 2000. This sample reflected that approximately 80% of the number of loans and 82% 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          | 21                 | 87.50 | 1,777     | 84.08 | 3                      | 12.50 | 337       | 15.92 |
| Commercial           | 20                 | 83.33 | 5,126     | 82.13 | 4                      | 16.67 | 1,115     | 17.87 |
| Consumer             | 25                 | 73.53 | 245       | 76.15 | 9                      | 26.47 | 77        | 23.85 |
| Total Reviewed       | 66                 | 80.49 | 7,148     | 82.38 | 16                     | 19.51 | 1,529     | 17.62 |

### 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. Texas National Bank's primary product lines are commercial and commercial real estate, residential and consumer loans. Our sample of loans inside the assessment area included 21 residential loans totaling \$1.8 million, and 25 consumer loans totaling \$245M. The distribution of home purchase and

consumer loans generally approximates the income characteristics of the assessment area. Home purchase loans to low- and moderate-income families are at a low level compared to the demographics of the assessment area. However, borrowing for home purchases by low- and moderate-income individuals is limited due to the low level of affordable housing stock available in the area. Consumer loans to low-income households are also lower than the county demographics though loans to moderate-income households exceed the percentage. Two state prison facilities located in Cherokee County house a large number of residents considered low income, which limits the bank's ability to extend loans of any type to the low-income population of the county.

| RESIDENTIAL REAL ESTATE |             |             |             |             |             |             |             |             |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Borrower Income Level   | LOW         |             | MODERATE    |             | MIDDLE      |             | UPPER       |             |
| % of AA Families        | 22.1        |             | 17.8        |             | 19.8        |             | 40.3        |             |
|                         | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount |
|                         | 4.76        | 2.25        | 4.76        | 4.92        | 14.29       | 13.14       | 76.19       | 79.69       |

| CONSUMER              |             |             |             |             |             |             |             |             |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Borrower Income Level | LOW         |             | MODERATE    |             | MIDDLE      |             | UPPER       |             |
| % of AA Households    | 26.5        |             | 15.6        |             | 15.4        |             | 42.4        |             |
|                       | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount |
|                       | 16.00       | 6.93        | 36.00       | 27.82       | 12.00       | 15.70       | 36.00       | 49.55       |

The distribution of business loans reflects a reasonable penetration among businesses of different sizes. Based on U.S. Census information, there are 991 businesses in the assessment area with revenues less than \$1 million. This number represents 84.70% of all businesses within the assessment area. Our sample of commercial loans inside the assessment area included 20 loans totaling \$5 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                                 | 84.70        | 7.18         |
| % of Bank Loans in AA #                            | 75.00        | 25.00        |
| % of Bank Loans in AA \$                           | 75.24        | 24.76        |

## Geographic Distribution of Loans

The distribution of loans reflects a reasonable penetration throughout the assessment areas given the bank's overall strategy, locations, and the availability of owner-occupied housing. The distribution of home purchase and consumer loans generally approximates the percentages of households and families located in the various tract categories.

| RESIDENTIAL REAL ESTATE   |             |             |             |             |             |             |             |             |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Census Tract Income Level | LOW         |             | MODERATE    |             | MIDDLE      |             | UPPER       |             |
| % of AA Owner Occupied    | 0%          |             | 19.2%       |             | 67.6%       |             | 13.3%       |             |
|                           | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount |
|                           | 0           | 0           | 19.05       | 10.34       | 33.33       | 48.84       | 43.48       | 40.83       |

| CONSUMER                  |             |             |             |             |             |             |             |             |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Census Tract Income Level | LOW         |             | MODERATE    |             | MIDDLE      |             | UPPER       |             |
| % of AA Households        | 0%          |             | 22.7%       |             | 61.5%       |             | 15.8%       |             |
|                           | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount |
|                           | 0           | 0           | 16.00       | 9.45        | 68.00       | 80.76       | 16.00       | 9.79        |

The geographic distribution of business loans is also reasonable based on the bank's locations and the demographics of each area. Much of the bank's commercial lending has originated from the new Rusk branch which is located among middle-income tracts.

| BUSINESS LOANS            |             |             |             |             |             |             |             |             |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Census Tract Income Level | LOW         |             | MODERATE    |             | MIDDLE      |             | UPPER       |             |
| % of AA Businesses        | 0           |             | 18.97%      |             | 36.07%      |             | 44.96%      |             |
|                           | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount |
|                           | 0           | 0           | 10.00       | 10.10       | 75.00       | 74.71       | 15.00       | 15.19       |

## Responses to Complaints

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

## **Fair Lending Review**

An analysis of 1998 through 2001 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 2000.