



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 21, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Rio National Bank
Charter Number 18554**

**North 23rd at Quince
McAllen, Texas 78502**

**Office of the Comptroller of the Currency
Corpus Christi Duty Station
5350 South Staples, Suite 405
Corpus Christi, Texas 78411**

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 Community Reinvestment Act (CRA) performance of **Rio National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, May 21, 1997. 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.**”

- Rio National Bank’s loan-to-deposit ratio meets the standard for satisfactory performance, averaging 70% for the 33-month period since the prior CRA Evaluation. This compares favorably with similar institutions having offices in Hidalgo County.
- A majority of Rio National Bank’s loans and other lending related activities are within the bank’s assessment area (AA). For all loans made in 1996, 80% of the number and 75% of the dollar amount of loans were made in the AA. As of April 18, 1997, 80% of the number and 82% of the dollar volume of consumer, mortgage, and commercial loans are within the AA.
- Rio National Bank’s geographic distribution of loans reflects a reasonable dispersion throughout the AA.
- The distribution of borrowers reflects a strong penetration among individuals of different income levels and businesses of different sizes.
- There have been no consumer complaints with respect to Rio National Bank’s CRA performance.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	RIO NATIONAL BANK 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 were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Rio National Bank (Rio) has total assets of \$37 million. Rio is independently owned and headquartered in McAllen, Texas, with its main office located northwest of downtown at North 23rd Street and Quince. Rio has one branch located northeast of downtown McAllen. Competition is strong with two multinational, three regional, and several community banks, and credit unions operating in the area, in addition to numerous financial services companies.

Rio is a retail bank with an emphasis on consumer, small business and residential loans. The consumer and commercial portfolios primarily consists of automobile and small business loans, respectively. A breakdown of the loan portfolio, as of March 31, 1997, is shown below:

Loan Type	Dollar Volume (000's)	% of Loan Portfolio
Consumer	\$ 10,246	43.2%
1-4 Family Residential	\$ 4,660	19.6%
Commercial	\$ 4,753	20.0%
Commercial Real Estate	\$ 2,884	12.1%
Small Business Administration	\$ 851	3.6%
Agriculture	\$ 365	1.5%
Total	\$ 23,759	100.0%

Management indicated the bank's size limits its participation in broader-based community development projects. There are no legal, other financial, or other factors that impede the bank's ability to help meet the credit needs in its AA.

DESCRIPTION OF HIDALGO COUNTY

Management updated the bank's defined AA during this evaluation as Hidalgo County, Texas. The revised AA has no low-income census tracts (CT's) and no moderate-income tracts were arbitrarily excluded. The AA includes 63 CT's composed of 19 moderate-income, 27 middle-income, and 17 upper-income tracts. Approximately, 36% of the total 103,514 households are below the poverty level. The median family income of the AA is \$22,900.

The population of the AA reflects an increasing trend. It was estimated at 384 thousand for 1996 as compared to 283 thousand in 1990. There has been no change in the ethnic makeup as a result

of this growth. Minorities (85% Hispanic and 1% other) continue to make up a majority of the population.

The major employers are the wholesale/retail trade sector (30%) government entities (26%) and service industry (18%). The economy in the area is strong and continues to experience high growth in all major industries. This has been positive on the unemployment level which declined from over 21% in 1990 to 19% in 1996.

Our two community contacts indicated a need for continued development of the overall infrastructure, primarily in moderate-income CT's. They also identified a need small business loans in amounts less than \$50 thousand and affordable housing loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

- **Loan to Deposit Ratio**

Rio's loan-to-deposit (L/D) ratio meets the standard for satisfactory performance and compares favorably with other similar institutions in the area. Rio's L/D ratio has averaged 70% since the prior CRA Evaluation dated August 1, 1994. Over this same 33 month period, banks of similar size (under \$60 million in total assets) in the AA had a L/D average of 65%. Rio has consistently had a percentage greater than this peer group, although its L/D ratio has steadily declined over this period while the peer group's ratio has steadily increased. As of March 31, 1997, Rio's L/D ratio was 69%.

Rio's level of community development lending and performance in providing services and branches meets the standards for satisfactory performance. Rio has made one community development loan to help meet the need for affordable housing. This loan originated in 1996 and the proceeds were used to construct a four-plex for low-income housing. Low-cost deposit accounts are offered to students and senior citizens over the age of 55. Hours of operation are reasonable, as full service banking is available Monday through Thursday until 4 PM, Friday until 5 PM, and Saturday until noon. Bank offices are accessible by all segments of the AA.

- **Lending in the Assessment Area**

A majority of Rio's loans are in the AA, meeting the standards for satisfactory performance. A consultant's analysis of all loans originated in 1996 indicates 80% of the number of loans and 75% of the loan dollars are made within the AA. This analysis also shows that as of April 18, 1997, 80% of the number and 82% of the loan dollars are within the AA. A review of Home Mortgage Disclosure Act reports for 1995, 1996, and year-to-date 1997 and samples of consumer and commercial loans originated up to March 31, 1997 indicates over 90% of these loans being originated in the AA.

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

The distribution of consumer and small business loans to borrowers of different income levels demonstrates high lending levels to low- and moderate-income (LMI) persons. Based on the consultant's analysis, 44% of consumer loans were to LMI persons. Residential lending to LMI persons is declining as LMI residential loans were 41%, 19% and 17%, respectively, in 1995, 1996, and as of March 31, 1997. This decline is due primarily to the reduction of lending for mobile homes.

Our consumer sample of 25 loans made during 1996 and 1997 and review of the Home Mortgage Disclosure Act reports for 1995, 1996 and 1997 reflects similar findings. Our comparison of the loans reviewed to the AA demographic data is detailed below.

	Loan Sample Distribution by Income Group									
	Low Income Households		Moderate Income Households		Middle Income Households		Upper Income Households		Total # of Households	
Area Demographic Characteristics	26 %		16 %		16%		42%		100%	
# of Households:	26,700		16,380		16,380		44,053		103,513	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	3	12.0	8	32.0	5	20.0	9	36.0	25	100.0
Residential - 1995	15	9.6	50	31.8	44	28.0	48	30.6	157	100.0
Residential - 1996	2	5.4	5	13.5	21	56.8	9	24.3	37	100.0
Residential - 1997	0	0	1	16.8	1	16.8	4	66.4	6	100.0

The distribution of loans to businesses of different sizes also demonstrates high lending efforts to small businesses in the AA. A sample of 21 commercial loans indicates 17 or 81% are to businesses with less than \$250 thousand in gross revenues and three or 14% are to businesses with gross revenues between \$250 thousand and \$1 million. The sample has one loan to a business with gross revenues of more than \$1 million and it comprises five percent of the sample.

The terms requested/granted on 40 approved and 36 denied used automobile applications were reviewed to determine if there are any indications of illegal discrimination on the basis of sex. Based on our sample, there is no indication discrimination has occurred on this basis in the granting or denial of these loans. No violations of the substantive provisions of anti-discrimination laws and regulations were identified.

- **Geographic Distribution of Loans**

The geographic loan distribution reflects a reasonable dispersion given the demographic characteristics of the AA. The analysis of all loans originated in the AA in 1996 reflects 19% of the number and 22% of the dollars of loans are made in moderate-income CT's. Both of these levels are lower than the 30% percent moderate-income CT's in the AA.

The analysis for all loans in the loan portfolio as of April 18, 1997 is consistent with the analysis of loans originated in 1996. This loan analysis as of April 18, 1997 is shown below:

Lending in Areas of Different Income Levels within the Assessment Area										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Percent of Total Demographic Areas in AA:	0%		30%		43%		27%		100%	
Count:	0		19		27		17		63	
Loan Types	#	%	#	%	#	%	#	%	#	%
Consumer	0	0.0	207	22.6	337	36.7	374	40.7	918	100.0
Real Estate	0	0.0	65	15.1	195	45.4	170	39.5	430	100.0
Commercial	0	0.0	44	18.6	91	38.4	102	43.0	237	100.0
Total	0	0.0	316	19.9	623	39.3	646	40.8	1,585	100.0

- **Responses to Complaints**

Rio has not received any comments from the public regarding their CRA performance.