



PUBLIC DISCLOSURE

July 20, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The National Bank of Madisonville
Charter Number: 20650**

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

**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 Community Reinvestment Act (CRA) performance of **The National Bank of Madisonville** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 20, 1998. 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*.

The National Bank of Madisonville has a *satisfactory* record of meeting credit needs within the community, as evidenced by the following:

- A loan-to-deposit ratio which meets the standards for satisfactory performance;
- A majority of loan originations within the bank's assessment area;
- A reasonable distribution of loan originations to borrowers of different income levels and businesses of different sizes;
- A reasonable geographic distribution of lending within the assessment area; and,
- No consumer complaints were received since the prior examination. However, the bank has a satisfactory process to handle consumer complaints.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>THE NATIONAL BANK OF MADISONVILLE</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		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The National Bank of Madisonville is a \$43 million institution serving its customers with a main location in Madisonville, Texas and a branch office in nearby Centerville, Texas. The main office has an Automated Teller Machine (ATM) inside the building. To help meet the credit needs of its community, the bank offers general loan products for consumers, small farms, and small businesses. Lending activity is in the following categories: loans to individuals (25%), one-to-four family residential (24%), commercial and industrial loans (21%), loans to farmers (20%), farmland (4%), real estate (4%), and all other loans (1%). The bank offers a variety of deposit accounts and other banking services as well.

DESCRIPTION OF ASSESSMENT AREA

The bank's designated assessment area includes seven census tracts in two counties. The counties and tract numbers are Madison (9801, 9802, 9803, and 9804) and Leon (9501, 9502, and 9503). Six census tracts are designated middle income, and only one census tract in Madison County (9801, Midway) is moderate income. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The assessment area has a population of about 24 thousand people, with 23% living below the established poverty level. The area is primarily rural. The city of Madisonville has the largest concentration with about 4 thousand people within the city limits. The ethnic composition is white (75%), black (17%), and Hispanic (7%).

The assessment area has approximately 11 thousand housing units with 70% being one-to-four family units. Owner occupied units account for 58% of the total. The percentage of vacant housing units is high at 26% of the total. The median housing value is \$44,376, and the median monthly gross rent is \$313. As of the 1990 census, the HUD Non-Metropolitan Statistical Area Median Family Income was \$24,586. The updated HUD Median Family Income is \$31,500. Social security payments are received by 39% of the population within the assessment area.

The bank is subject to competition from several other national banks, state chartered banks, and non-bank financial entities in the area. Three other financial institutions are located in Madisonville.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

The National Bank of Madisonville actively attempts to meet the credit needs of its assessment area. The bank's loan-to-deposit ratio evidences that, averaging 69% since the prior Performance Evaluation dated January 27, 1995. This meets the standard for satisfactory performance. The bank's ratios for the five most recent quarters compared to similar peer groups are shown in Table 1.

Table 1

LOAN-TO-DEPOSIT RATIO FOR THE QUARTER ENDED	THE NATIONAL BANK OF MADISONVILLE	BANKS IN COUNTIES OF MADISON, LEON, WALKER, BRAZOS, AND ROBERTSON	RURAL BANKS IN TEXAS UNDER \$50 MILLION IN TOTAL ASSETS
March 31, 1998	69.57%	59.31%	54.14%
December 31, 1997	71.52%	58.30%	55.03%
September 30, 1997	71.56%	60.59%	55.82%
June 30, 1997	69.43%	61.12%	55.43%
March 31, 1997	67.51%	58.89%	51.30%
Five Quarter Average	69.92%	59.64%	54.34%

LENDING IN THE ASSESSMENT AREA

A management analysis revealed a majority of the dollar amount of the bank's loans was within its assessment area. This analysis revealed 79% of the dollar total (\$22.2 million of \$28.2 million) was within the bank's assessment area. Of the bank's approximate total of 2,200 loans, the number within the assessment area could not be determined. However, a limited sample of loans used to review income level and geographic distribution revealed 89% (71 of 80) was within the assessment area. This meets the standard for satisfactory performance.

Community contact during the examination indicates the bank is active in the community in both lending and service.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

Overall, the bank’s level of lending to individuals of different income levels and businesses of different sizes meets the standard for satisfactory performance. Loan applications are solicited from all income levels.

The consumer analysis in Table 2 is based on a sample of loans approved during 1997 and 1998 for home mortgages, consumer loans made in 1998, and all home improvement loans on the books as of the examination date. The commercial sample is based on current, new, and renewed loans for businesses and farms. The total volume of lending to low- and moderate-income borrowers exceeds the characteristics of the assessment area. Also, commercial lending is concentrated in businesses and farms with revenues less than \$500 thousand.

Table 2

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	26%		16%		19%		39%		100%	
Loan Types	#	%	#	%	#	%	#	%	#	%
Mortgage	1	5%	2	10%	6	30%	11	55%	20	100%
Consumer	12	48%	9	36%	2	8%	2	8%	25	100%
Home Improvement	3	34%	2	22%	2	22%	2	22%	9	100%
Total	16	30%	13	24%	10	18%	15	28%	54	100%
Revenue Ranges	< \$100M		\$100M--\$500M		\$500--\$1MM		> \$1MM			
Commercial	12	46%	11	42%	0	0%	3	12%	26	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

Our sample of loans from the bank’s mortgage, consumer, home improvement, and small business/small farm portfolios revealed a satisfactory geographic distribution of loans. The bank has made loans in every census tract within its assessment area and meets the standard for satisfactory performance.

The bank’s assessment area has mostly middle income census tracts. Only one is moderate income. The distribution of loans approximates the census tract characteristics of the assessment area. The following table details the distribution of a sample of the bank’s loans:

Table 3

GEOGRAPHIC DISTRIBUTION OF LOANS										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	0%		14%		86%		0%		100%	
Count	0		1		6		0		7	
	#	%	#	%	#	%	#	%	#	%
Loan Types										
Mortgage	0	0%	1	7%	14	93%	0	0%	15	100%
Consumer	0	0%	6	25%	18	75%	0	0%	24	100%
Home Improvement	0	0%	3	30%	6	70%	0	0%	9	100%
Small Business and Small Farm	0	0%	3	13%	20	87%	0	0%	23	100%
Total Loans	0	0%	13	18%	58	82%	0	0%	71	100%

RESPONSE TO COMPLAINTS

The bank's process for responding to complaints is satisfactory. During this evaluation period, The National Bank of Madisonville did not receive any consumer complaints concerning loan requests.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

A Fair Lending review was performed at the same time as this CRA examination. The National Bank of Madisonville is in compliance with the provisions of antidiscrimination laws and regulations. We found no evidence of practices intended to discourage potential borrowers from applying for credit at this bank.

OTHER CONSIDERATIONS

The National Bank of Madisonville participates in other projects designed to contribute to the general welfare of the community. This includes providing home improvement loans with no or low closing costs, and permanent home purchase loans to low- and moderate-income borrowers. In addition, the bank does not charge origination fees or discount points on home loans.

The bank's Board of Directors, officers, and employees are very active in the Madisonville County Fair and the Leon County Livestock Show Auction. In addition, the bank makes contributions to many local organizations in the normal course of business.