



Comptroller of the Currency
Administrator of National Banks

SMALL

PUBLIC DISCLOSURE

February 8, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**American National Bank
Charter Number 16617**

**2732 Midwestern Parkway
Wichita Falls, TX 76308**

Office of the Comptroller of the Currency

**500 N. Akard, Suite 1600
Dallas, Texas 75201**

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 **American National Bank, Wichita Falls, Texas** prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of February 8, 1999. 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**.

American National Bank's lending performance reflects satisfactory responsiveness to community credit needs. This conclusion is based on the following:

- C The loan-to-deposit ratio is reasonable given the bank's size, financial condition and assessment area credit needs.
- C A substantial majority of the bank's loans were originated in the bank's assessment area.
- C The distribution of borrowers reflects a reasonable penetration of loans to individuals with different incomes and businesses of different sizes.
- C The geographical distribution of loans among census tracts of different income levels is reasonable.
- C The bank received no consumer complaints concerning its Community Reinvestment Act performance since the prior examination.
- C No evidence of discrimination or other illegal credit practices was identified during a concurrent fair lending examination.

The following table indicates the performance level of American National Bank with

respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | American 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 dated January 22, 1996. | | |

DESCRIPTION OF INSTITUTION

American National Bank, Wichita Falls, Texas is a full-service retail bank with two full service locations in Wichita Falls, Texas and one full service location in Flower Mound, Texas. The Flower Mound branch opened in November of 1998, therefore, analysis of its performance is not included in this evaluation. In addition, the bank operates a loan production office in Abilene, Texas. The bank's primary product lines are commercial, small business, and residential mortgage lending. The bank offers a wide variety of loan and deposit products to serve the needs of the community.

As of December 31, 1998, the bank's loan portfolio was broken down as follows:

| Loan Type | \$ Volume (000) | % of Portfolio |
|-------------------|--------------------|-------------------|
| Commercial Loans | \$28,802 | 25% |
| Real Estate Loans | \$43,912 | 39% |
| Consumer Loans | \$10,213 | 9% |
| Mortgage Loans | \$30,284 | 27% |
| Total | \$113,211 | 100% |

Source: Bank Data

American National Bank participates in the government-guaranteed student loan program. Loans are processed, funded and serviced until the students graduate at which time the loans are sold. As of December 31, 1998, the bank had \$582,817 outstanding to 127 borrowers. The bank is an active participant in Fannie Mae Community Home Buyer Programs and provides home ownership counseling to potential borrowers upon request through brochures, videos and personal consultation. The bank participates in Nortex Housing Finance Corporation's Single Family Bond Program which provides down payment assistance and low interest rate mortgages for low and moderate income first-time home buyers. The bank has originated \$5.9 million in mortgages under this program since the last exam. The bank has also begun participation in the Texas Department of Housing and Community Affairs' Tax Exempt Mortgage Revenue Bond Program which provides mortgage loans to low and moderate income borrowers and targeted areas. Since January 11, 1999, the bank has originated two notes or \$99,647 under this program. The bank is active in the Federal Housing Association (FHA), Veteran's Administration (VA), and Small Business Administration (SBA) loan programs. The majority of the FHA and VA loans generated are sold to the secondary market. The downtown branch location is in close proximity to low- and moderate-income areas within the city.

Major competitors include branches of multinational financial institutions such as BankOne,

NationsBank, and Norwest as well as several smaller independent banks. Savings and loan associations and Federal credit unions also provide services to the community.

As of December 31, 1998, total assets of the bank were \$183 million. The bank currently has no known financial constraints or legal impediments that hinder its ability to meet the requirements of the Community Reinvestment Act. Performance under CRA was rated “Outstanding” at the prior examination dated January 22, 1996.

DESCRIPTION OF ASSESSMENT AREA

American National Bank’s assessment area is Wichita County, Texas. Wichita Falls, Texas is the largest populated city within the assessment area. Based on the 1990 U.S. Census, the population of Wichita County is 122,378 with the majority situated within the city of Wichita Falls. The updated median family income is \$37,400 based upon 1998 U.S. Department of Housing and Urban Development (HUD) statistics. The area’s largest employer is Sheppard Air Force base. Other major employers include, but are not limited to, a state prison, Pittsburgh Plate Glass, and United Regional Health Care.

The bank’s assessment area meets the requirements of the Community Reinvestment Act and has the following characteristics:

| Income Distribution of Census Tracts and Families | | | | | | | | | | | | | | | |
|---|-----|----------|-----|-----------------|-----|----------|-----|---------------|-----|----------|-----|--------------|-----|----------|-----|
| Low Income | | | | Moderate Income | | | | Middle Income | | | | Upper Income | | | |
| Tracts | | Families | | Tracts | | Families | | Tracts | | Families | | Tracts | | Families | |
| # | % | # | % | # | % | # | % | # | % | # | % | # | % | # | % |
| 5 | 13% | 6,656 | 20% | 10 | 26% | 5,823 | 18% | 15 | 39% | 7,140 | 22% | 8 | 22% | 12,892 | 40% |

The City of Wichita Falls has several housing programs geared toward low- and moderate-income individuals and families. These programs primarily benefit first-time home buyers. The city’s program provides assistance through federal block grants for down payment and closing costs. The Nortex Housing Finance Corporation’s program provides below market fixed-interest rate loan products along with down payment assistance. In addition, the city provides grants for paint, emergency home repair, etc.

A community contact was conducted with a city official as part of this exam. The contact indicated that rehabilitation of older housing stock and replacement of older housing stock were major needs in the community. The contact stated that there were programs available to meet the affordable housing needs of the community and opportunities were available for financial institution participation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The following paragraphs detail the analysis on which the bank's rating was based. A determination was made for each performance criteria as to whether the bank exceeds, meets or does not meet the standards for satisfactory performance. The standards for satisfactory performance were derived, in part, from the bank's ability to meet the credit needs of its assessment area, the characteristics of the assessment area and the performance of other financial institutions in the assessment area. All 1997 and 1998 Home Mortgage Disclosure Act related loans were analyzed. In addition, a sample of 28 small business loans and 28 consumer loans were analyzed. The sampled loans represent approximately 5% of the number of all commercial loans and consumer installment loans originated in 1998. Both the number and dollar amount of loans originated were considered.

Loan-To-Deposit Ratio

American National Bank's average loan-to-deposit ratio for the period from December 31, 1995 to September 30, 1998 was 61.94%. The average for six banks in Wichita County, including American National Bank, that were identified for comparison purposes was 60.5% for the same period. The following chart shows the asset size and loan-to-deposit ratios for the six banks compared.

| Comparison of Average Loan-To-Deposit Ratios from 12/31/95 to 9/30/98 Wichita Falls MSA | | | |
|--|---------------|------------------------------------|--------------------------------------|
| | Location | Assets as of 9/30/98 (000)'s | Average Loan- To-Deposit Ratio |
| First National Bank in Burkburnett | Burkburnett | \$91,510 | 73.10% |
| First National Bank | Wichita Falls | \$95,234 | 62.42% |
| American National Bank | Wichita Falls | \$172,528 | 61.94% |
| State National Bank of Iowa Park | Iowa Park | \$61,698 | 59.55% |
| The Burkburnett Bank | Burkburnett | \$102,433 | 59.32% |
| Electra State Bank and Trust Company | Electra | \$35,485 | 46.65% |

As of September 30, 1998, American National Bank had the highest loan-to-deposit ratio of the six banks at 69.72%. The bank's ratio is impacted by the fact that a majority of the mortgage loans originated by the bank are sold on the secondary market. In 1998, the bank sold \$32 million in mortgage loans. Had those loans been maintained on the bank's books, the loan-to-deposit ratio would be approximately 90% as of December 31, 1998. Taking this into account

along with the average loan-to-deposit for the period covered by this exam, American National Bank meets the standard for satisfactory performance under this assessment criteria.

Lending In Assessment Area

A substantial majority of American National Bank’s loans are originated in it assessment area. The following table shows the number, dollar amount and percentage of sampled loans originated in versus out of the bank’s assessment area.

| Sampled Loans Originated In Versus Out of the Bank’s Assessment Area | | | | | |
|---|----|--------------------|-----|------------------------|-----|
| | | IN Assessment Area | | OUT of Assessment Area | |
| | | \$/ | % | \$/ | % |
| Residential Real Estate Loans | # | 797 | 85% | 146 | 15% |
| | \$ | \$58,271,000 | 82% | \$12,931,000 | 18% |
| | | | | | |
| Small Business Loans | # | 26 | 93% | 2 | 7% |
| | \$ | \$2,951,904 | 92% | \$258,675 | 8% |
| | | | | | |
| Consumer Loans | # | 26 | 93% | 2 | 7% |
| | \$ | 223,186 | 90% | 26,111 | 10% |

Source: Bank Data

The bank exceeds the standard for satisfactory performance under this assessment criteria.

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

The bank’s distribution of loans to individuals of different income levels and businesses of different sizes is reasonable given the demographics of the assessment area. The following tables show the bank’s distribution of loans by individual income level and business size.

| Distribution of Residential Real Estate Loans in Assessment Area By Borrower Income Level | | | | | | | | |
|--|-------|-----|----------|-----|----------|-----|----------|-----|
| Income Levels | Low | | Moderate | | Middle | | Upper | |
| | #/\$ | % | #/\$ | % | #/\$ | % | #/\$ | % |
| Families | 6,656 | 20% | 5,823 | 18% | 7,140 | 22% | 12,892 | 40% |
| Number of Loans | 15 | 2% | 129 | 16% | 228 | 29% | 425 | 53% |
| Dollar Volume (000)'s | \$563 | 1% | \$5,717 | 10% | \$13,072 | 22% | \$39,381 | 67% |

Source: 1990 Census Data and Bank's 1997 and 1998 HMDA Data

ANB's level of residential real estate loans to low income borrowers, while below area demographic distribution, is comparable to the level of residential real estate loans made by all lenders in the assessment area to low income borrowers. ANB participates in several affordable housing programs in an effort to reach low and moderate income borrowers. The community contact confirmed that a relatively low response was received from low and moderate income individuals to some of the programs available. The distribution of residential real estate loans to borrowers of different income levels is reasonable.

| Distribution of Sampled Small Business Loans in Assessment Area By Gross Annual Revenue Category of the Business | | | | |
|---|---|-----|--|-----|
| Revenue Category | Gross Annual Revenues Less Than \$1 Million | | Gross Annual Revenues Greater Than \$1 Million | |
| | #/\$ | % | #/\$ | % |
| Businesses in Assessment Area | 4021 | 92% | 356 | 8% |
| Number of Loans | 16 | 62% | 10 | 38% |
| Dollar Volume | \$1,177,814 | 40% | \$1,732,765 | 60% |

Source: Bank Data and Business Demographic Data U.S.

| Distribution of Sampled Small Business Loans By Gross Annual Revenues | | |
|--|--------|---------------|
| Revenue | Number | Dollar Volume |
| | | |

| Distribution of Sampled Small Business Loans By Gross Annual Revenues | | |
|--|---|-------------|
| < \$100,000 | 6 | \$316,475 |
| \$100,000 - \$250,000 | 3 | \$24,675 |
| \$250,000 - \$500,000 | 1 | \$10,000 |
| \$500,000 - \$1,000,000 | 6 | \$826,644 |
| \$1,000,000 - \$3,000,000 | 8 | \$1,588,545 |
| > \$3,000,000 | 2 | \$144,220 |

Source: Bank Data

Business loans sampled ranged from a low of \$2,500 to a high of \$500,000. Several automobile dealer floorplan loans appeared in the sample due to the large number of individual fundings for these loans. A majority of these dealers had gross annual revenues greater than \$1 million thus increasing the numbers in that revenue category. ANB's distribution of small business loans to businesses of different sizes is reasonable.

| Distribution of Sampled Consumer Loans in Assessment Area By Borrower Income Level | | | | | | | | |
|---|----------|-----|----------|-----|----------|-----|----------|-----|
| Income Levels | Low | | Moderate | | Middle | | Upper | |
| | #\$ | % | #\$ | % | #\$ | % | #\$ | % |
| Families | 6,656 | 20% | 5,823 | 18% | 7,140 | 22% | 12,892 | 40% |
| Number of Loans | 6 | 24% | 8 | 32% | 6 | 24% | 5 | 20% |
| Dollar Volume | \$31,081 | 14% | \$87,071 | 40% | \$39,620 | 18% | \$58,146 | 28% |

Source: 1990 Census Data and Bank Data

ANB's distribution of consumer loans to borrowers of different income levels is good.

Based upon the data presented above, the bank meets the standard for satisfactory performance under this criteria.

Geographic Distribution of Loans

The bank's geographic distribution of loans within the assessment area is reasonable given the demographics of the assessment area. The following table shows the bank's geographic distribution of loans.

| Geographic Distribution of Sampled Loans By Census Tract Income Level | | | | | | | | | |
|--|----|------------|-----|-----------------|-----|---------------|-----|--------------|-----|
| Tract Income Levels | | Low Income | | Moderate Income | | Middle Income | | Upper Income | |
| All \$ in (000)'s | | #\$ | % | #\$ | % | #\$ | % | #\$ | % |
| Owner Occupied Housing Units | | 1,327 | 5% | 5,489 | 19% | 14,878 | 52% | 7,015 | 24% |
| Residential Real Estate Loans | # | 5 | 1% | 51 | 6% | 440 | 55% | 301 | 38% |
| | \$ | \$115 | 2% | \$2,214 | 4% | \$26,999 | 46% | \$29,405 | 52% |
| Tracts | | 5 | 13% | 10 | 26% | 15 | 39% | 8 | 22% |
| Small Business Loans | # | 6 | 23% | 8 | 31% | 4 | 15% | 8 | 31% |
| | \$ | \$797 | 27% | \$474 | 16% | \$810 | 27% | \$871 | 30% |
| Families In Tracts | | 1,604 | 5% | 6,399 | 20% | 16,759 | 52% | 7,749 | 23% |
| Consumer Loans | # | 2 | 8% | 6 | 23% | 11 | 42% | 7 | 27% |
| | \$ | \$34 | 15% | \$46 | 21% | \$105 | 47% | \$38 | 17% |

Source: 1990 Census Data and Bank Data

ANB's geographic distribution of residential real estate loans, while below area demographic distribution, is comparable to the overall distribution of residential real estate loans made by all lenders in the assessment area. ANB participates in several affordable housing programs in an effort penetrate low and moderate income areas. The community contact confirmed that a relatively low response was received from low and moderate income areas to some of the

programs available. In addition, a majority of new housing activity is occurring in middle and upper income areas. Geographic distribution of small business loans and consumer loans is good. ANB meets the standard for satisfactory performance under this criteria.

Response to Complaints

The bank has received no complaints concerning its performance under the Community Reinvestment Act. The bank has in place a process for handling complaints.

Discrimination or Other Illegal Credit Practices

A concurrent fair lending examination revealed no evidence of disparate treatment or other discriminatory acts or practices. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.