

# **PUBLIC DISCLOSURE**

**October 25, 1999**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**State National Bank of Big Spring  
Charter Number 12543**

**901 South Main Street  
Big Spring, Texas 79720**

**Office of the Comptroller of the Currency  
Lubbock Field Office  
5225 S. Loop 289, Suite 108  
Lubbock, Texas 79424**

**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 **State National Bank of Big Spring** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 25, 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 **ASatisfactory.**@

- C The bank's loan-to-deposit ratio is reasonable, averaging 21% from January 1, 1996, to September 30, 1999. When adjusted for public deposits and large private depositors with no lending relationship, the average loan-to-deposit ratio is 37%.
- C A majority of the loans sampled during the examination are within the bank's assessment area: 82% of the number of loans and 70% of the dollar volume.
- C The lending pattern reflects a reasonable penetration among individuals of different income levels and a good penetration among businesses of different sizes.
- C Given the location of the banking office, the sample of loans reviewed during the examination reflects reasonable dispersion throughout the assessment area.
- C There have been no consumer complaints regarding the bank's CRA performance.

## DESCRIPTION OF INSTITUTION

The State National Bank of Big Spring (SNB) is in Big Spring, Texas, and reported total assets of \$135 million at September 30, 1999. SNB has one full-service banking location and two ATMs, all in the city of Big Spring. SNB has no affiliates.

The bank faces strong competition from other financial institutions within the assessment area, particularly for agricultural loans. The primary business focuses are agricultural and commercial lending.

At September 30, 1999, SNB's loan portfolio totaled \$25 million representing 19% of total assets. The following table provides a general breakdown of this loan portfolio in (\$000's).

LOAN TYPE	LOAN BALANCE	% OF PORTFOLIO
Agricultural (including those secured by farmland)	11,306	48.85%
Commercial (including Commercial real estate)	8,516	36.79%
Consumer	3,072	13.27%
1-4 Family Residential	1,892	8.17%
Other	359	1.55%
TOTAL	25,145	100.00%

Source: September 30, 1999 Report of Condition

The bank has no legal or financial impediments that interfere with its ability to make credit available in its assessment area. The last CRA rating is dated January 23, 1996, and the bank's performance was rated Satisfactory then. The evaluation period for this examination is from January 24, 1996, to September 30, 1999.

## DESCRIPTION OF ASSESSMENT AREA:

SNB's assessment area is Howard County. This assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

## HOWARD COUNTY

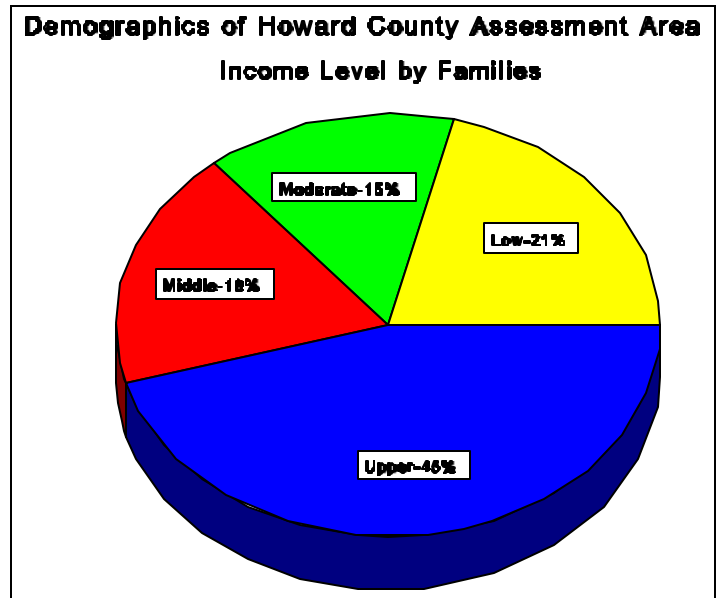
Howard County is in the Permian Basin region of Texas, approximately 40 miles northeast of Midland, and includes the city of Big Spring and the communities Coahoma, Forsan, Knott, Lomax, Vealmoor and Vincent.

The estimated current population of the county is 32,343, including the city of Big Spring with an estimated population of 25,594. Information obtained from local community organizations shows that the population has been stable since the previous examination. Howard College, which is a two-year college, is in Big Spring and has approximately 1,137 students. The two primary industries are agriculture and oil and gas related businesses; however, Big Spring is also a regional center for medical care.

The 1990 Census median family income is \$24,586.

The 1999 updated HUD median family income is \$33,900. Howard County contains nine block numbering areas (BNAs), including one low-income, one moderate-income, five middle-income, and two upper-income BNA. Thirty-six percent of the families have been identified as low- or moderate-income. The chart at right shows the demographic composition by income level of Howard County.

Major employers in Howard County include Big Spring State Hospital, Veterans Administration Hospital, Scenic Mountain Medical Center, Big Spring Independent School District, U.S. Justice Department (Bureau of Prisons), Cornell Corrections, City of Big Spring, Walmart Supercenter, Western Container, Fina Oil & Chemical Company and Howard College.



The Howard County economy is heavily influenced by agricultural production, primarily cotton. Over the last several years the local economy has been adversely affected by low agricultural commodity prices and adverse weather conditions, and, consolidation in the oil and gas service industry. Extended drought conditions have limited the credit needs for farms and agricultural related businesses.

SNB offers a variety of credit products, including agricultural, commercial, first and second lien residential mortgages, and consumer loans. Other financial institutions in Howard County include three branches of out-of-area commercial banks, a branch of a locally-owned bank and seven credit unions. The assessment area also has five finance companies. Strong competition for agricultural loans is also provided through the branches of the commercial banks located outside the assessment area.

We performed two community contacts during this examination. These contacts were with a member of the local housing authority and a member of the City of Big Spring government. The purpose of community contacts is to help in developing a community profile, identifying opportunities for participation by local financial institutions, and evaluating the performance of those institutions. In general terms, the contacts feel that the following issues could be improved upon through additional bank involvement:

- C Down payment and closing cost assistance for affordable housing applicants;
- C Home ownership and credit counseling services; and
- C Greater willingness to lend to persons with limited or no credit history.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

The bank's primary focus is on agricultural and commercial lending. Consumer loan data was also sampled during this examination, and an analysis of this loan product is also presented because it was considered in arriving at an overall performance rating. However, SNB's performance rating is driven by performance in the primary product lines of Agricultural and Commercial (Business) lending.

### **C Loan-to-Deposit Ratio**

SNB's loan-to-deposit ratio is reasonable. The quarterly loan-to-deposit ratio averaged 21% during the evaluation period and reflected typical seasonal agricultural lending patterns. We compared this ratio with nine other agricultural banks in counties contiguous to Howard County. All of the banks in this group had total assets of less than \$200 million. These nine banks had an average loan-to-deposit ratio during the same period of 39%. Five of the banks in this group had an average loan-to-deposit ratios ranging from 24% to 33%. Four of the banks had a ratio ranging from 48% to 63%. We found that several factors negatively affected SNB's loan-to-deposit ratio during this period.

- C SNB has strong competition for agricultural loans, which is its primary lending focus. According to bank management, several out-of-area financial institutions make agricultural loans in the assessment area. Loan market share information for other lenders in the assessment area is not available.
- C SNB has deposits that tend to inflate the deposit base upon which lending activity would normally be evaluated. SNB has the majority of public funds for Howard County. These deposits include all public funds for the following entities: Big Spring Independent School District (ISD), Howard County, Howard County Appraisal District, City of Big Spring, Big Spring Housing Authority, and West Texas Centers for Mental Health and Mental Retardation. In addition, SNB has public funds that are from outside Howard County that include: Glasscock ISD, Grady ISD, Sands ISD and C. R. M. Water District. The aggregate quarterly balance of these deposits has ranged from \$9.9 million to \$37.3 million during the evaluation period. The deposit base is further characterized by a concentration of customers with large balances (greater than \$200 thousand) who have no borrowing needs. These deposits totaled approximately \$25 million as of the evaluation date and have been stable. When adjusted for these factors, the average loan-to-deposit increases to 37%, with a seasonal high ratio of 47% at September 30, 1997.
- C Bank management has a conservative lending philosophy. SNB's senior management team has been in place for many years and is comfortable with its credit evaluation and underwriting standards. SNB offers a variety of agricultural, commercial and consumer loan products, and actively participates in the Farm Service Agency guaranty and subordination programs.

### **C Lending in the Assessment Area**

A majority of the loans sampled during this examination are in the bank's AA. Our sample included 45 agricultural loans, 30 business loans and 43 consumer loans originated since the previous evaluation. The following table summarizes the bank's record of lending in the assessment area based on our loan sample.

<b>Loans In The Assessment Area</b>				
<b>Loan Location</b>	<b>\$ Amount of Loans</b>		<b># of Loans</b>	
In Assessment Area	\$4,636	70%	97	82%
Outside Assessment Area	\$1,965	30%	21	18%
Total Reviewed	\$6,601	100%	118	100%

Source: Sample of loans reviewed during the examination

The level of loans originated within the AA is reasonable and meets the criteria for satisfactory performance.

### C Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

SNB is primarily an agricultural and commercial lender representing 49% and 37% of its loan portfolio, respectively. SNB has been responsive to the credit needs of businesses of different sizes. SNB's lending performance reflects the business demographic make up of the assessment area. As shown in the table below, 86% of the farm and business loans we sampled in the assessment area are to companies with annual revenues under \$1 million. This compares favorably to the demographic make up of 76% of the farms and businesses within the assessment area having annual revenues under \$1 million.

<b>Distribution of Small Farm and Business Loan Originations Sampled Within the Assessment Area By Business Revenues</b>								
<b>Sampled Loans in the Assessment Area</b>					<b>Annual Revenues &lt; \$1 Million</b>			
	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b>#</b>	<b>% *</b>	<b>\$ (000)</b>	<b>% *</b>
Farm Loans	29	100%	\$2,083	100%	29	100%	\$2,083	100%
Business Loans	28	100%	\$2,487	100%	20	71%	\$1,164	47%
Total Loans	57	100%	\$4,570	100%	49	86%	\$3,247	71%
<b>Distribution of Farms and Businesses in the Assessment Area by Annual Revenues of the Business:</b>					*As a percentage of loans sampled within the Assessment Area			
< 1 Million 76%								
> 1 Million 6%								
Unknown 17%								

Source: Business Demographic Data and sampled loans in the assessment area reviewed during the examination.

Of the 64 loans originated, including loans located outside the assessment area, to farms and businesses with annual revenues under \$1 million, our sample indicates a good responsiveness by SNB to the credit needs of businesses of varying sizes as detailed in the table below.

### Lending to Businesses of Different Sizes Based on Sample Reviewed

<b>Lending to Businesses of Different Sizes Based on Sample Reviewed</b>										
Annual Revenues of the Business	Less than \$100,000		\$100,000 - 250,000		\$250,000 - 500,000		\$500,000- 1,000,000		Total	
	#	%	#	%	#	%	#	%	#	%
<b>Number of Loans</b>	13	20%	23	36%	20	31%	8	13%	64	100
<b>Avg. Loan Size (\$000's)</b>	\$27		\$90		\$91		\$88		\$77	

Source: Sample of loans reviewed during the examination

SNB has a good record of making unsecured consumer loans to individuals of different incomes. The percentages of the number of loans to low- and moderate-income individuals exceeds the percentages of families in those income categories. The following chart summarizes SNB's record of consumer lending to individuals of different incomes.

<b>Distribution of Loans to Individuals by Borrower Income \$(000)</b>								
Income Level	Low		Moderate		Middle		Upper	
<b>Consumer Loans</b>	#	%	#	%	#	%	#	%
	13	52%	9	36%	3	12%	0	0%
	\$	%	\$	%	\$	%	\$	%
	\$12	38%	\$14	42%	\$6	12%	\$0	0%
<b>Distribution of Families in Assessment Area</b>	#	%	#	%	#	%	#	%
	1,806	21%	1,270	15%	1,543	18%	3,844	46%

Source: Sample of loans reviewed during the examination. Total loans excludes 18 loans sampled in which income information could not be determined.

This review shows that SNB meets the criteria for satisfactory performance in lending to borrowers of different incomes and business of different sizes.

### C Geographic Distribution of Loans

A geographic distribution analysis for agricultural and business loans could not be conducted as required information is not routinely collected by the bank. However, the geographic distribution of SNB's unsecured consumer loans we sampled is satisfactory. There are nine BNAs in the assessment area, including one low-income, one moderate-income, five middle-income, and two upper-income BNAs. However, the geographies tend to not be well-defined as to income level. The one moderate-income BNA in the assessment area has 43% of its families in the middle- and upper-income categories.

As noted in the table below, approximately 42% of the unsecured consumer loans in the assessment area are in low- or moderate-income tracts.

<b>Distribution of Unsecured Consumer Originations Sampled Within the Assessment Area By Income Level of the Census Tract</b>								
<b>Assessment Area Data</b>	<b>Low-Income</b>		<b>Mod-Income</b>		<b>Middle-Income</b>		<b>Upper-Income</b>	
Block Numbering Areas	1	11%	1	11%	5	56%	2	22%
<b>Loan Product</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Unsecured Consumer Loans	6	19%	7	23%	15	48%	3	10%

Source: Loans sampled during this examination. Total loans excludes 9 loans within the Assessment Area sampled in which geographic location could not be determined.

The overall geographic distribution of unsecured consumer loans sampled during this examination exhibits satisfactory performance.

## **OTHER FACTORS**

### **C Record of Compliance with Antidiscrimination Laws**

A Fair Lending examination was performed at this examination. Based on a comparative file review of approved unsecured loans between male and female applicants extended between January 1, 1999 and September 30, 1999, we did not identify any evidence of disparate treatment or discriminatory practices.

### **C Response to Complaints**

SNB has not received any complaints during this evaluation period regarding their CRA performance.