

Southwestern District
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3394

PUBLIC DISCLOSURE

July 12, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The State National Bank of Caddo Mills
Charter Number: 12936
2312 Main Street
Caddo Mills, Texas 75135**

**Office of the Comptroller of the Currency
Dallas North Field Office
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 State National Bank of Caddo Mills** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of July 12, 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**.

The following factors support this overall rating:

- ! The bank's quarterly average loan to deposit ratio exceeds the standards for satisfactory performance given its size, financial condition, and assessment area credit needs.
- ! The bank originated a substantial majority of business, agricultural, and home loans sampled during this examination within the bank's assessment area.
- ! The bank's lending performance reflects a reasonable distribution of credit to businesses of different sizes and borrowers of different income levels.
- ! The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

The following table shows the performance level of The State National Bank of Caddo Mills with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	THE STATE NATIONAL BANK OF CADDO MILLS 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	SNB did not receive any complaints concerning its CRA performance.		

Scope of the Examination

This evaluation of The State National Bank of Caddo Mills' (SNB) CRA performance covers the period from February 8, 1996 through July 12, 1999. The evaluation includes an analysis of SNB's designated assessment area, which covers the areas of Hunt and Rockwall Counties, Texas. We also base our analysis on SNB's business and agricultural lending and home loan activity.

Description of Institution

SNB is a \$33 million institution, with its main office on Main Street in Caddo Mills, Texas and a branch office on Ridge Road in Rockwall, Texas. The bank is 99.08% owned by a one-bank holding company, Caddo Financial Corporation, a Texas corporation

The bank serves the communities of Hunt County and Rockwall County. SNB has one ATM at the Caddo Mills location. In addition, drive-up facilities provide extended weekday hours at both branch offices and Saturday hours at the Rockwall branch office. SNB was rated "Satisfactory" in the previous CRA public disclosure dated February 8, 1996.

SNB offers a wide range of credit products to its community: construction, commercial, mortgage, consumer, and agricultural loans.

SNB's main competition stems from local national and local state banks. Additional competition comes from financial institutions in Greenville, Texas. Regardless, SNB does not have any financial or legal obstacles affecting its ability to meet its community's credit needs. The following table portrays the principle loan mix of SNB:

TYPES OF DOMESTIC LOANS OUTSTANDING		
JUNE 30, 1999		
(\$000's)		
<i>TYPE OF LOANS</i>	<i>AMOUNT</i>	<i>PERCENTAGE</i>
Construction & Land Development	\$9,381	39%
Commercial Loans	\$4,358	18%
Installment	\$3,500	14%
Finance Agricultural Production	\$3,175	13%
1-4 Family Residential Loans	\$2,012	8%
Secured by Real Estate	\$1,874	8%
Other Loans (obligations)	\$40	<1%
TOTAL	\$24,340	100%

Description of Assessment Area (AA)

SNB has defined its assessment area as Hunt County and Rockwall County both within Dallas MSA #1920. The assessment area consists of 23 census tracts (CT) and block numbering areas (BNA). The assessment area meets regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas. The following table reflects the demographics for the county.

ASSESSMENT AREA DEMOGRAPHICS			
<i>Designation</i>	<i># CTs/BNAs</i>	<i>% of Total CTs/BNAs</i>	<i>% of Households Residing in the CTs/BNAs</i>
Low	1	4%	4%
Moderate	10	44 %	39%
Middle	6	26%	30%
Upper	6	26%	27%
TOTAL	??	??	??

More than 89,947 residents populate the assessment area. Based on the updated HUD-1999 Census information, the median family income for the Dallas MSA is \$58,200. The median housing value for the bank's assessment area is \$61,834, with the median age of housing stock at 27 years. The total occupied housing units for the assessment area is at 85%, with owner-occupied housing at 61% and rental-occupied housing at 24%. Vacant housing units in the assessment area are at 15%.

Unemployment rates have remained low and steady over the past two years at approximately 4%. The largest industries in the assessment area are agriculture production, retail trade, and services. The largest employer in Caddo Mills is the Caddo Mills Independent School District, for Hunt County, it's Raytheon, and in Rockwall, Continental P.E.T. Technologies, Inc. is the largest employer.

We determined the credit needs of the community through discussions with management. Management indicated that the primary credit needs are consumer and home loans. In addition, we contacted a Chamber of Commerce member from the city of Caddo Mills and the city of Rockwall during the examination. The community contacts stated that financial institutions are meeting community credit needs.

Conclusions with Respect to Performance Criteria:

This review covers business, and agricultural loans made January 1999 to July 12, 1999 and all home mortgage loans made the period from February 2, 1996 to July 12, 1999.

Loan-to-Deposit Ratio

SNB's quarterly average loan-to-deposit ratio for the past 13 quarters is 73%. Given the bank's size, financial condition, and assessment area credit needs, SNB exceeds the standards for satisfactory performance.

We compared SNB's quarterly average loan-to-deposit ratio to its local peer group, which consists of state- and national-chartered banks in Hunt and Rockwall Counties, with total assets of \$35 million or less. The local peer group's quarterly average loan-to-deposit ratio is 54%, which is lower than the bank's 13-quarter average.

Lending in Assessment Area (AA)

Based on our sample, the bank originated a substantial majority of business, agricultural, and home loans within its assessment area. We took a sample of 71 commercial loans, 20 agricultural loans, and reviewed SNB's home loan activity reports for 1996 to 1999 to determine the location of loan originations.

ASSESSMENT AREA LENDING					
Loan Type	Total Sampled	# of Loans in AA	% of # Loans in AA	Amount (\$000s)	% of Amount

ASSESSMENT AREA LENDING					
Home Loans	30	27	90%	\$1,125	96%
Commercial Loans	71	60	85%	\$1,928	40%
Agricultural Loans	20	17	85%	\$338	58%
Total	121	104	86%	\$3,391	52%

Lending to Businesses of Different Sizes

SNB's lending to businesses of different sizes is adequate. Small business loans are defined as loans made to businesses with revenues of less than \$1.0 million. Small farm loans are defined as loans made to farms with revenues of less than \$500 thousand. As of June 30, 1999, SNB has 275 loans outstanding to small businesses and small farms totaling \$9.4 million or 39% of the bank's total loan portfolio.

Based on our sample, 51 of the 60 or 85% of the business-related loans made within the bank's assessment area were to small businesses. In addition, 11 of the 17 or 65% of the agricultural loans made within the bank's assessment area were to small farms.

Lending to Borrowers of Different Incomes

SNB's record of lending to borrowers of different income levels is adequate. Our review of home mortgage and agricultural loans revealed reasonable lending patterns.

Distribution of Loans to Borrowers of Different Incomes					
Income Classification	% Families	Home Mortgage		Agricultural	
		#	%	#	%
Low	24%	5	19%	5	29%
Moderate	20%	5	19%	1	6%
Middle	22%	8	29%	3	18%
Upper	34%	9	33%	2	12%
Not Available	0%	0	0%	6	35%
TOTAL	100%	27	100%	17	100%

SNB does not obtain current financial information on loan customers who have previous loan relationships with the bank. As a result, six of the 21 agricultural loans sampled did not have 1997,

1998, or 1999 financial information and therefore, were not included in the analysis of lending to borrowers of different incomes. However, the distribution of borrowers reflects a reasonable penetration among individuals of different income levels based on the loans that did have current financial information available.

Geographic Distribution of Loans

SNB has a reasonable distribution of loans in the assessment area. This distribution is reasonable considering competitive factors and the size and location of the bank. The following data shows the majority of lending penetration exists within the middle-income census tracts.

Geographic Distribution of Loans Sampled						
	Home Mortgage		Commercial		Agricultural	
	#	%	#	%	#	%
CT/BNA						
Low-Income	0	0%	0	0%	0	0%
Moderate-Income	8	30%	6	12%	1	6%
Middle-Income	17	63%	27	53%	15	88%
Upper-Income	2	7%	18	35%	1	6%
Total	27	100%	51	100%	17	100%

Compliance with Antidiscrimination Laws

A fair lending review performed with this CRA examination revealed satisfactory compliance with fair lending regulations. At this examination, we used alternative fair lending procedures. This entailed a review of the bank’s policy, procedures, and practices. As such, we noted no practices intended to discourage or impede potential borrowers from applying for credit.

Responses to Complaints

SNB has not received any complaints during this evaluation period.