



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 10, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of San Benito
Charter Number 16809**

**1151 West Highway 77
San Benito, Texas 78586**

**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 **First National Bank of San Benito** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, September 10, 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**”.

First National Bank of San Benito is responsive to the community's credit needs, including low- and moderate-income individuals and areas. This is evidenced by the following:

- First National Bank of San Benito's loan-to-deposit ratio meets the standards for satisfactory performance, averaging 53.8% over the 25 month period since the prior CRA Evaluation. This is comparable to similar institutions in its assessment area.
- A substantial majority of First National Bank of San Benito's loans are within its assessment area which exceeds the standards for satisfactory performance. Approximately 94% of all loans and 96% of residential loans originated in 1996 are within the assessment area.
- The distribution of borrowers reflects a strong penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans originated by First National Bank of San Benito reflects a reasonable dispersion considering the demographic characteristics of the assessment area.
- There have been no consumer complaints regarding First National Bank of San Benito's CRA performance during this evaluation period.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK OF SAN BENITO 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

First National Bank of San Benito (FNB) is an independently owned commercial bank located in San Benito, Texas with total assets of \$46 million. FNB has an automated teller machine on its premises but does not have any branch offices. It is the only financial institution headquartered in San Benito. Competition is considered strong. There are three other independent banks in the assessment area as well as several regional branch offices, numerous community bank branches, credit unions, and other financial services companies. Many are located in the adjacent city of Harlingen, Texas.

FNB is a wholly owned subsidiary of San Benito Bancshares, Inc., a one bank holding company. Lending is centered in the small commercial, real estate, agricultural, and consumer areas. A breakdown of the loan portfolio, as of June 30, 1997, is shown below:

Loan Type	Dollar Volume (000's)	% of Loan Portfolio
Consumer	\$ 3,229	15.4%
1-4 Family Residential	\$ 4,038	19.3%
Commercial	\$ 4,421	21.1%
Commercial Real Estate	\$ 6,852	32.7%
Agricultural	\$ 1,935	9.2%
Agricultural RE	\$ 490	2.3%
Total	\$ 20,965	100.0%

Management indicates the opportunities for community development projects are limited. There are no legal, other financial, or other factors that impede the bank's ability to help meet the credit needs of the assessment area.

DESCRIPTION OF THE ASSESSMENT AREA

FNB's assessment area is defined as the northern two thirds of Cameron County which is in the lower Rio Grande Valley and a part of the Brownsville/Harlingen Metropolitan Statistical Area . It includes San Benito, Harlingen, La Feria, Los Fresnos, Port Isabel, and South Padre Island as well as several small, rural, unincorporated communities. The assessment area encompasses 31

census tracts with an estimated population of 135 thousand. San Benito and Harlingen have populations of approximately 20 thousand and 49 thousand, respectively. Agriculture is the primary industry with crops centered in cotton, grain sorghum, sugar cane, aloe, vegetables, and citrus. The Rio Grande Valley experienced a severe cotton crop failure in 1995, otherwise the economy is good with increases in retail sales, construction permits, bank deposits, and tourism. Despite this, unemployment is high due to the migrant nature of the labor force. The median age of the area is 26 years.

The assessment area is comprised of three moderate, 18 middle, and 10 upper income census tracts. While the assessment area does not include any low income census tracts, 23.7% of the households are defined as low income. The median family income is \$23,300 which defines low- and moderate-income as at or below \$18,640. Contact with government agency representatives indicated affordable housing continues to be the primary credit need of the community. The assessment area meets the requirements of the regulation, contains whole census tracts, and does not arbitrarily exclude any low- to moderate-income areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

- **Loan to Deposit Ratio**

FNB's loan-to-deposit ratio meets the standard for satisfactory performance and is comparable to other similar institutions in the area. FNB's loan-to-deposit ratio has averaged 53.8% since the prior CRA evaluation dated May 12, 1995. As of June 30, 1997, the loan-to-deposit ratio was 51.1%. The average loan-to-deposit ratio for the four banks whose home office is located in the assessment area is 52%. FNB's loan-to-deposit ratio, net of public funds is 68%.

- **Lending in the Assessment Area**

A substantial majority of FNB's loans are in the assessment area, exceeding the standards for satisfactory performance. Management's internal analysis indicates 94% of the number of all loans and 96% of the number of residential loans originated in 1996 are within the assessment area. Our sample review of consumer loans originated in 1996-97 reflects similar results with 24 of the 25 borrowers reviewed or 96% were within the assessment area. Our commercial loan sample also reflected strong penetration of 90%, both by dollar volume and number, within our assessment area. Likewise, our review of the Home Mortgage Disclosure Act (HMDA) reports for 1996 and year to date 1997 reflected 95% and 84% penetration of the assessment area by number and dollar volume, respectively.

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

FNB’s efforts regarding the distribution of consumer and small business loans exceeds the standards for satisfactory performance. The distribution demonstrates high lending levels to low- and moderate-income (LMI) individuals, and businesses with gross sales of less than \$1 million. Our sample review of 24 consumer files indicated 50% of those loans originating in 1996-97 were to LMI households. HMDA reportable loans in 1996 and year to date 1997 indicated 26% were to LMI households. This compares favorably to the demographic distribution of income throughout the assessment area. Our comparison of the loans reviewed to the demographic income characteristics of the assessment area are detailed in the table below:

	Loan Sample Distribution by Income Group									
	Low Income Households		Moderate Income Households		Middle Income Households		Upper Income Households		Total # of Households	
Assessment Area Demographic Characteristics	24%		14%		16%		46%		100%	
# of Households	9,657		5,848		6,574		18,674		40,753	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer Sample	6	25%	6	25%	8	33%	4	17%	24	100%
HMDA - 1996	3	8%	7	18%	8	21%	20	53%	38	100%
HMDA -1997	5	12%	6	14%	9	22%	22	52%	42	100%

The distribution of loans to businesses of different sizes also demonstrates high lending efforts to small businesses in the assessment area. Our sample of 18 commercial loans in the assessment area indicates all but two or 89% are to businesses with gross revenues of less than \$1 million.

- **Geographic Distribution of Loans**

The geographic distribution of loans is reasonably dispersed throughout the assessment area. While penetration in the moderate income tract is limited, it generally corresponds with the demographic income characteristics of the assessment area as shown on the following page:

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 Census Tracts in the Assessment Area	0%		10%		58%		32%		100%	
Number of Tracts	0		3		18		10		31	
Loan Types	#	%	#	%	#	%	#	%	#	%
Consumer Sample	0	0%	1	4%	15	63%	8	33%	24	100%
Commercial Sample	0	0%	1	5%	10	56%	7	39%	18	100%
HMDA-1996	0	0%	1	3%	23	60%	14	37%	38	100%
HMDA-1997	0	0%	0	0%	30	71%	12	29%	42	100%

- **Responses to Complaints**

No complaints concerning FNB's CRA performance have been received during this evaluation period. No practices were detected which are intended to discourage applicants from applying for the types of credit offered. We reviewed the terms requested/granted on six approved and 24 denied consumer applications 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.