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Comptroller of the Currency  
Administrator of National Banks

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## **Public Disclosure**

November 3, 1997

### **Community Reinvestment Act Performance Evaluation**

**Zapata National Bank  
Charter Number 14955**

**7th & Hidalgo  
Zapata, Texas 78076**

**Office of the Comptroller of the Currency  
San Antonio 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 CRA performance of **Zapata National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 3, 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.**”

Zapata National Bank makes a substantial majority of the number and dollar amount of loans in their defined assessment area (AA). Loans are made to individuals of different income levels, including those with low- and moderate-income, and to businesses of different sizes. The loan-to-deposit ratio is reasonable.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>ZAPATA NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		✓	
Lending in Assessment Area	✓		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		✓	
Geographic Distribution of Loans	Analysis of this criterium was not meaningful.		
Response to Complaints	No complaints were received since the prior examination.		

## **DESCRIPTION OF INSTITUTION**

Zapata National Bank (ZNB) is a \$39 million institution that opened in 1961 in the city of Zapata, Texas. The city is located in Zapata County, approximately 50 miles Southeast of Laredo, Texas. ZNB is an independently owned bank that operates one main office with drive thru facilities. ZNB is the only subsidiary of its parent holding company, Zapata Bancshares, Inc. There are only five other towns in Zapata County, all of which are very small.

At August 31, 1997, the bank's asset structure consists of 53% investment securities and federal funds sold, and 39% loans. The loan portfolio mix is as follows:

- 1-4 family residential (46%)
- consumer (27%)
- non-farm/non-residential (13%)
- farm land (7%)
- construction (4%)
- commercial (2%)
- agricultural (1%)

These loan products have helped the low- to moderate-income population of the community.

There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs in its AA. The last CRA examination for ZNB is dated June 30, 1994 when the bank was rated satisfactory.

## **DESCRIPTION OF ZAPATA NATIONAL BANK'S ASSESSMENT AREA**

The AA is defined as Zapata County, Texas. The area is divided into 3 block numbering areas; all are defined as moderate-income. However, of the families residing within the AA, 39.04% are low-income, 16.76% are moderate-income, 17.21% are middle-income, and 26.99% are upper-income families.

Based on the 1990 United States (U.S.) census, the statewide non-metropolitan median family income for Texas is \$24,586. That same figure updated for 1997 by the U.S. Department of Housing and Urban Development reflects median family income of \$31,500, a modest improvement.

The AA has a population of approximately 9,300. The unemployment rate is 5% with population growth being stable. Major employers include the County of Zapata (government), the school district, and oil service companies. Tourists visiting from the northern part of the U.S. also are important to the local economy. The general economy is stable.

ZNB is one of only two financial institution locations in their AA. The competitor is a state chartered community bank which is an affiliate of a large state chartered bank located in Laredo, Texas.

We met with the leaders of two organizations that provide services in the bank's AA. One organization provides a safe place for children to go after school and during the summer, when school is not in session. The other community contact was a local church leader.

The first contact identified the lack of education as a problem. This contact also commented that the local housing authority is a problem because it is not actively involved in the community outside of its narrow focus on low-income rental properties. The second contact did not have any noteworthy observations.

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

### **▣ *Loan To Deposit Ratio***

Zapata National Bank's average loan-to-deposit ratio for the past twelve quarters is 39.27%. At June 30, 1997, ZNB's ratio was 41.64% which is below the average of 64.44% for other similarly situated institutions located throughout the U.S. Although ZNB's ratio is below other banks, it still is considered reasonable based on its size, its financial condition, and the AA's credit needs.

However, ZNB's ratio for June 1997 is stronger when compared to the loan-to-deposit ratio of its only competitor in the AA of 24.68%. Expanding the comparison to all banks with assets less than \$250 million located in the AA and adjacent counties (excluding Webb County, a metropolitan area) shows a total of five banks. ZNB's ratio ranks second out of the five banks. The five banks in this custom group have loan-to-deposit ratios that range from 18.91% to 58.62%.

### **▣ *Lending In The Assessment Area***

A substantial majority of loans and other lending related activities are in the bank's AA. Out of a sample of 78 new loans funded since March 1995, 98.7% of the number of loans and 99.5% of the dollar volume of loans were made within the bank's AA.

### **▣ *Lending To Borrowers Of Different Incomes And To Businesses Of Different Sizes***

Using the same sample used to determine the extent of lending activities located within the bank's AA, the distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. The distribution generally reflects the income characteristics of the AA. While 56% of the population is low- and moderate-income, 52% of the mortgage and consumer loans in our sample were made to low- and moderate-income families. A comparison of our loan sample to the AA demographic data is detailed below.

<b>Lending To Borrowers Of Different Income Levels</b>										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Totals	
Area Demographic Characteristics	39.04%		16.76%		17.21%		26.99%		100.00%	
	#	%	#	%	#	%	#	%	#	%
<b>Loan Types</b>										
Mortgage	9	26%	8	23%	13	37%	5	14%	35	100%
Consumer	8	26%	9	29%	4	13%	10	32%	31	100%
<i>Note: Dollar amounts in the following chart are in thousands of dollars.</i>										
	\$	%	\$	%	\$	%	\$	%	\$	%
Mortgage	147	15%	161	16%	365	36%	334	33%	1,007	100%
Consumer	11	6%	26	15%	13	8%	119	71%	169	100%

<b>Lending To Businesses/Farms Of Different Sizes</b>										
Revenue Ranges	<\$100,000		\$100,000 to \$500,000		\$500,000 to \$1,000,000		>\$1,000,000		Totals	
	#	%	#	%	#	%	#	%	#	%
Loan Type										
Commercial	6	50%	6	50%	0	0%	0	0%	12	100%
<i>Note: Dollar amounts in the following chart are in thousands of dollars.</i>										
	\$	%	\$	%	\$	%	\$	%	\$	%
Commercial	206	68%	98	32%	0	0%	0	0%	304	100%

Note: Agricultural lending represents an insignificant portion of the bank's lending business. The small volume of loans in this category makes any analysis of the category meaningless.

➤ *Geographic Distribution Of Loans*

Analysis of this element is not meaningful to Zapata National Bank because all of the geographies in the AA are moderate-income. However, a visual observation of the bank's geographic distribution map reflected that the bank is lending in each of the geographies in its AA.

➤ *Responses To Complaints*

Zapata National Bank has not received any comments from the public regarding their CRA performance. Based on the loans sampled during our examination, we did not identify any violations of the substantive provisions of the anti-discrimination laws and regulations.