



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**April 12, 2010**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Santa Anna National Bank  
Charter Number 13854

610 Wallis Avenue  
Santa Anna, Texas 76878

Office of the Comptroller of the Currency  
Southern District  
San Antonio - North Field Office  
10001 Reunion Place, Suite 250  
San Antonio, Texas 78216

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with the safe and sound operation of the institution. 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.

**INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”**

Santa Anna National Bank’s (SANB) lending performance is satisfactory in meeting the known credit needs of its assessment area (AA).

- SANB’s average loan to deposit (LTD) ratio of 53% is reasonable considering the size of the institution, its limited lending opportunities, and rural location.
- The bank exceeds the standards for satisfactorily lending within its AA. Approximately 88% of the loans reviewed were originated to borrowers within the AA.
- SANB has demonstrated a strong willingness to extend loans to businesses of different sizes. The distribution of consumer loans among varying income levels is reasonable.
- The bank’s performance in lending to consumers and businesses within moderate-income level census tracts is more than reasonable.

**SCOPE OF EXAMINATION**

SANB was evaluated under the Small Bank examination procedures, which includes a lending test. The lending test evaluates the bank’s record of meeting the credit needs of its AA through its lending activities. The test was conducted using commercial and consumer loans, and covered the bank’s performance from January 1, 2008, to April 1, 2010, and is representative of its lending strategy since the last CRA examination dated November 21, 2005.

**DESCRIPTION OF INSTITUTION**

SANB is an intrastate bank established in 1933. As of December 31, 2010, the bank’s assets totaled \$37 million. The bank is independently owned and operates out of a single location in Santa Anna, Texas. The bank offers full-service banking Monday through Friday for deposit and lending activities. SANB also offers Internet banking to provide more convenient banking services to its customers.

There are no legal, financial, or other factors hindering the bank’s ability to help meet the credit needs in its AA. The previous CRA examination, dated November 21, 2005, was rated “Satisfactory” under the small bank criteria.

As of December 31, 2009, loans totaled \$15 million, representing 40% of total assets. A summary of the loan portfolio is as follows:

<b>Loan Portfolio Summary by Loan Product December 31, 2009</b>		
<b>Loan Category</b>	<b>Dollar Volume \$(000)</b>	<b>% of Outstanding Dollars</b>
Commercial	8,070	55.53%
Agricultural/Farm	2,301	15.83%
Consumer	2,299	15.82%
Residential	1,863	12.82%
Other Loans	0	0%
<b>Total</b>	<b>14,533</b>	<b>100%</b>

*\* Information from Consolidated Report of Condition and Income December 31, 2009*

SANB offers standard deposit and lending products. Deposit customers can choose from regular

checking and savings accounts, individual retirement accounts (IRAs), certificates of deposit (CDs), Super Now accounts, and money market accounts. Loan products range from personal vehicle loans to business loans. The bank’s largest loan categories are commercial, agricultural, and consumer. Services are available in the lobby, or the bank’s two drive-thru windows. The bank issues debit cards, but does not own or operate an automatic teller machine (ATM) machine.

**DESCRIPTION OF ASSESSMENT AREA(S)**

The Community Reinvestment Act requires a financial institution to define the AA in which it will be evaluated. SANB has designated their AA as fifteen contiguous census tracts located in Coleman County and Brown County. These tracts are not part of a metropolitan statistical area (MSA). Coleman County contains three tracts that include moderate- and middle-income levels. Brown County holds twelve tracts ranging from moderate- to the upper-income level. The primary cities located in the AA include Brownwood, Coleman, Santa Anna, and Bangs. Brownwood is the largest city in the AA. The bank does not arbitrarily exclude any low- or moderate-income areas in their designation of an AA. See table below for demographic information.

<b>DEMOGRAPHIC INFORMATION FOR SANTA ANNA NATIONAL BANK AA</b>					
	<b>#</b>	<b>% Low</b>	<b>% Moderate</b>	<b>% Middle</b>	<b>% Upper</b>
Geographies (Census Tracts)	15	0%	20%	73.33%	6.67%
Population by Geography	46,909	0%	20.24%	72.52%	7.24%
Owner Occupied Housing Units by Geography	13,237	0%	17.56%	76.16%	6.28%
Businesses by Geography	4,339	0%	32.01%	62.96%	5.03%
Farms by Geography	270	0%	16.33%	77.04%	6.63%
Family Distribution by Income Level	12,682	21.67%	17.34%	21.33%	39.66%
Household Distribution by Income Level	18,233	26.56%	15.23%	18.26%	39.95%
<b>Income and Housing Statistics</b>					
Census Median Family Income (MFI)		\$36,380	Median Housing Value		\$46,252
HUD – Adjusted MFI: 2009		\$45,600	Households Below Poverty Level		18.19%
HUD – Adjusted MFI: 2008		\$43,600	Unemployment Rate		3.03%
HUD – Adjusted MFI: 2007		\$41,800			

Coleman County and Brown County have a combined population of 47,000 people. Brown County is a more densely populated area while Coleman County total population is 9,000 people. The AA includes about 18,000 households with 39% designated as high-income. However, 27% are low income, and 18% are below the poverty level. The mostly rural area is about 60 miles from the Abilene metropolitan statistical area (MSA).

The area’s largest industries include services, retail trade, and agriculture. The area’s main employers include 3M, Kohler, and Load Craft, all located in Brownwood. Brownwood is home to Howard Payne University (HPU). HPU is a four-year private Baptist university with 1,400 students. The local school districts remain the key employers in the more rural areas. The bank’s AA has a total of 4,609 businesses, including agricultural and farming businesses. Over 91% of these businesses are single location establishments operating solely out of the AA.

According to the US Bureau of Labor Statistics, the seasonally-adjusted unemployment rate for the nation was 9.7% as of March 2010. The unemployment rate for the state of Texas was 8.2% according to

the Bureau’s most updated state information as of February 2010. Unemployment rates in the bank’s AA are well below national and state averages at 3%. However, the area is experiencing cut backs and layoffs from the large factories that employ many locals. An April 2010 article in the local news paper expressed optimism in the economy by stating Coleman County’s April sales tax has shown an increase over 2009 comparable numbers. Overall, the bank’s AA is fairing better than the national economy as a whole.

In conducting the assessment of the bank’s performance, we contacted two members of the community. One community contact expressed optimism in the local economy after last year’s cut backs and layoffs. The other contact described the community’s economy as mediocre. The drought in 2009 negatively affected the local farmers and ranches. Also, the lack of industry in Coleman County is further hindering the economy. Both contacts believe the bank is meeting the credit needs of the individuals in the AA and the needs of the community as a whole.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**Lending Test**

Santa Anna National Bank’s performance under the lending test is satisfactory relative to its performance context and needs of its AA.

**Loan-to-Deposit Ratio**

The LTD ratio was averaged over the past seventeen quarters since the last CRA examination. The LTD ratio for SANB averaged 53%. This is relatively stable compared to the bank’s previous CRA examination completed in 2005. To assess SANB’s performance, we compared it with three other similarly situated banks. LTD ratios ranged from 53% to 81% with an average LTD ratio of 64%. The closest comparable bank was First State Bank in Abilene, TX (FSB). The banks are similar in size. However, FSB is part of the Abilene MSA, and therefore, has more lending opportunities. Citizens National Bank in Brownwood also has access to a much larger commercial and consumer market than SANB. Santa Anna National Bank’s LTD ratio is considered reasonable considering the size of the institution, its limited lending opportunities, and rural location. Please see table below for further details.

<b>INSTITUTION</b>	<b>TOTAL ASSETS AS OF 12/31/09 \$(000s)</b>	<b>AVERAGE QUARTERLY LTD RATIO AS OF 12/31/09</b>
Citizens National Bank, Brownwood	\$181,923	69.47%
Coleman County State Bank, Coleman	\$65,801	75.63%
First State Bank, Abilene	\$33,755	59.18%
<i>Santa Anna National Bank, Santa Anna</i>	<b>\$36,453</b>	<b>52.84%</b>

**Lending in Assessment Area**

A substantial majority of the number of loans reviewed were inside the AA. Out of a total of 40 loans, 88% were in the AA. A total of \$1.14 million in loans were reviewed as part of the sample. Ninety-six percent of these loans were inside the AA while only 4% of the dollar amount of loans was outside the AA. The bank is doing an outstanding job distributing their lending among Brown and Coleman Counties. The table on the following page illustrates the results of our analysis.

TABLE 1 LENDING IN ASSESSMENT AREA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	18	90%	2	10%	20	998,916	96.24%	39,010	3.76%	1,037,926
Consumer	17	85%	3	15%	20	91,410	92.75%	7,150	7.25%	98,560
<b>Totals</b>	<b>35</b>	<b>87.5%</b>	<b>5</b>	<b>12.5%</b>	<b>40</b>	<b>1,090,326</b>	<b>95.94%</b>	<b>46,160</b>	<b>4.06%</b>	<b>1,136,486</b>

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

**Commercial**

The majority of loans made within the AA was to businesses with annual revenues below \$1 million. About 72% of businesses in the AA realize revenues below \$1 million, and these businesses represented 95% of the bank’s lending. The majority of the dollar amount of loans (60%) was to businesses with revenues over \$1 million. However, these results are skewed by one large \$600 thousand loan. The bank exceeds the standards for satisfactory lending to businesses of different sizes within its AA. The following table illustrates the bank’s lending in its stated AA to businesses with annual revenues above and below \$1 million.

TABLE 2A BORROWER DISTRIBUTION OF LOANS TO BUSINESSES IN SANB’S ASSESSMENT AREA (BROWN COUNTY AND COLEMAN COUNTY)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.95%	2.90%	25.15%	100%
% of Bank Loans in AA by #	95%	5%	NA	100%
% of Bank Loans in AA by \$	40.41%	59.59%	NA	100%

**Consumer**

Loans originated to low-income households are below demographic data benchmarks. However, loans originated to moderate-income borrowers are above demographic data. Loans made to moderate-income borrowers represented 20% of the sample. This compares favorably to demographic data that indicates approximately 15% of households in the AA are moderate-income. Overall, the majority of loans were to middle-income households. Demographic data shows the majority of households within the AA to be part of the upper-income demographic. Distribution of consumer loans improved from the previous examination and displays reasonable penetration among borrowers of different income levels. See the table on the following page for further details.

TABLE 2B BORROWER DISTRIBUTION OF CONSUMER LOANS IN BROWN AND COLEMAN COUNTIES								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	26.56%	15%	15.23%	20%	18.26%	35%	39.95%	30%

**Geographic Distribution of Loans**

The geographic distribution of loans to low- and moderate-income (LMI) areas within the AA meets the standards for satisfactory performance. Due to the fact that there are no low- income census tracts in the AA, our analysis is limited to the bank’s lending performance to moderate-income areas.

SANB’s lending performance to businesses within moderate-income census tracts is reasonable, and the bank’s lending is representative of the area’s demographic data. Demographics show that 32% of the AA’s businesses are located in a moderate-income census tract. According to our sample, 30% of the bank’s loans were originated to businesses residing in moderate-income census tracts. The bank has shown improvement in this area since the previous CRA examination. See the table below for further details.

<b>TABLE 3A GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN BROWN AND COLEMAN COUNTIES</b>								
<i>Census Tract Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Commercial	0.00%	0.00%	32.01%	30.00%	62.96%	70.00%	5.03%	0.00%

SANB’s performance in lending to consumers within moderate-income level census tracts is excellent. Demographic information shows that 20% of households in the bank’s AA are located in a moderate-income census tract. Our sample revealed that 35% of loans made were to consumers residing in moderate-income census tracts. Detailed information is included in the table below.

<b>TABLE 3B GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS IN BROWN AND COLEMAN COUNTIES</b>								
<i>Census Tract Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	0.00%	0.00%	19.90%	35%	74.99%	65.00%	5.11%	0.00%

**Responses to Complaints**

SANB has received no complaints relating to their CRA performance.

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.