



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 30, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Santa Anna National Bank
Charter Number 13854**

**618 Wallis Avenue
Santa Anna, TX 76878**

**Comptroller of the Currency
Austin Field Office
8310 Capital of Texas Highway North Suite 250
Austin, TX 78731**

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.

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INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.

- Santa Anna National Bank's (SANB) lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area (AA).
- The bank's loan-to-deposit (LTD) ratio is satisfactory and has averaged 68% for this evaluation period. Such performance is reasonable given the available loan demand in the AA.
- A satisfactory majority of SANB's loans are within its AA.
- SANB has demonstrated a satisfactory willingness to extend loans to individuals of varying incomes and businesses of different sizes.
- There have been no complaints with respect to SANB's CRA performance.

DESCRIPTION OF INSTITUTION

SANB is located in the city of Santa Anna, Coleman County, which is 155 miles northwest of Austin. The bank is independently owned and operates one banking facility. As of June 30, 2001, the bank had total assets of 24 million with 12 million (50%) in total loans. The institution's principal focus is to promote economic development in its AA through its lending programs. SANB's primary lending products include agricultural, consumer, residential, and small business loans. The following reflects a detailed breakdown of SANB's loan portfolio as of June 30, 2001.

Loan Type	Dollar Amount \$ (000)	% of Total Loans
Real Estate (RE) Farmland	1,547	12.84
RE Residential (1-4)	1,899	15.76
RE Nonfarm Nonresidential	1,308	10.85
Agricultural Production	2,592	21.51
Commercial and Industrial	1,917	15.91
Consumer	2,749	22.81
Other	38	00.32
Total	12,050	100.00

DESCRIPTION OF BROWN AND COLEMAN COUNTIES

SANB has designated Brown and Coleman Counties as the bank's AA. Principal cities located in the AA include the City of Santa Anna, Coleman, Brownwood, and Bangs. Small communities also located within the AA include Blanket, May, Talpa, and Novice. Specific demographic data for this area is listed below.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	12,250
Number of Households	17,210
Geographies	
Number of Census Tracts/BNA	16
% Low-Income Census Tracts/BNA	6.25
% Moderate-Income Census Tracts/BNA	25.00
% Middle-Income Census Tracts/BNA	62.50
% Upper-Income Census Tracts/BNA	6.25
Median Family Income (MFI)	
1990 MFI for AA	23,386
2000 HUD-Adjusted MFI	34,700
2001 HUD-Adjusted MFI	35,800
Economic Indicators	
Unemployment Rate	3.44%
2001 Median Housing Value	34,058
% of Households Below Poverty Level	22.25

This area is made up of two contiguous Block Number Areas (BNA), which surround and include the one bank office located in the city of Santa Anna. This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies. Based on 1990 Census data, Brown and Coleman Counties have a combined population of 44M. There are 22M housing units in the AA of which 55% are owner-occupied, 22% renter-occupied, and 23% are vacant. Approximately 25% of the families in the AA are considered low-income. Moderate-income families approximate 19% of the population, while middle- and upper-income families comprise the remaining 56%. Principal non-agricultural employers in Brown and Coleman Counties include the Santa Fe Railroad, Kohler Corp., Superior Cable, 3M, and local school districts.

In order to gather more current information on the nature of the community and potential lending opportunities in the AA, we contacted one community leader during this examination. The contact is the Mayor of Santa Anna and Executive Director for the HUD office in the neighboring city of Bangs. This individual stressed the need for affordable rental housing to lower-income families within the AA. The contact further stated that SANB is active in the community and responsive to the credit needs in Brown and Coleman Counties.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Management is performing satisfactorily and has been successful in meeting the credit needs of its AA, including LMI individuals, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

SANB's LTD ratio is considered satisfactory, given its asset size, financial condition, and lending opportunities in the AA. Since the last CRA examination, the LTD ratio has decreased slightly from 74% at December 31, 1996, to 66% at June 30, 2001. The average LTD ratio over the past 18 quarters was 68%, which is below an average 75% during the previous examination. Such performance is consistent and reasonable given the available loan demand in the AA. Also, the LTD

ratio is reasonable when compared with other banks headquartered in the AA. During the period from March 1997 through March 2001, the competing banks had LTD ratios ranging from 48% to 85%. It should be noted that First Coleman NB had the highest LTD at 85% during this period. This high LTD ratio was due to the significant number of loans purchased from affiliated organizations outside of the AA.

The asset size and LTD ratio for SANB and the four competing banks during this period are listed below.

Institution	Assets as of 03/30/01	Average LTD Ratio %**
Texas Bank - Brownwood	151,660	73.14
Citizens NB - Brownwood	112,815	56.77
First Coleman NB - Coleman	54,403	84.86
Coleman County State Bank	42,732	48.49
Santa Anna NB	24,183*	68.44

* Represents total assets as of June 30, 2001.

** The average LTD ratio for the four competing banks is for the period from March 1997 through March 2001 (latest date information was available). The average LTD ratio for SANB is for the period from March 1997 through June 2001.

Lending in Assessment Area

SANB's lending in its assessment area is considered satisfactory. A majority of the bank's loans are made within its AA. In order to assess performance for these criteria, we reviewed a sample of 34 consumer, 29 agricultural, and 26 1-4 family residential loans originated during 1998 through July 2001. Our analysis determined that 96% of the number and 97% of the dollar amount of 1-4 family residential loans were made within the AA. We further determined that 71% of the number and 64% of the dollar amount of consumer loans were made within the AA. Finally, 69% of the number and 51% of the dollar amount of agricultural loans were made within the AA.

Total Loans Reviewed								
	In Assessment Area				Out of Assessment Area			
Loan Type	#	%	\$ (000s)	%	#	%	\$ (000s)	%
<i>Agricultural</i>	20	69	268	51	9	31	259	49
<i>Consumer</i>	24	71	129	64	10	29	74	36
<i>Residential</i>	25	96	643	97	1	4	21	3
Total Reviewed	69	77	1,039	75	21	23	354	25

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

The loan portfolio reflects a satisfactory distribution of consumer and residential loans among individuals of various income levels and agricultural businesses of different sizes within the AA. Our analysis included a sample of 21 consumer, 25 residential, and 20 agricultural loans originated during the period of 1998 through June 30, 2001.

Our analysis determined that SANB lends to all applicants, regardless of their income category. However, our initial analysis of residential real estate determined that the volume of loans to low-income families was below the area demographics. Based on the 1990 Census, 25% of AA families are low-income. Our review determined that 8% of residential loans were made to low-income families. The low penetration of residential loans to low-income households is due to the lack of affordable housing. The following charts reflect the results of our selected sample of loans originated in SANB's AA.

Residential Real Estate								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Families ¹	25		17.8		18.6		38.5	
	% of Number	% of Amount						
Total	8	4.3	16	8.6	20	24	56	63.1

Consumer								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Households ²	27.5		16.3		17.5		38.6	
	% of Number	% of Amount						
Total	33.3	16.4	14.3	5.7	23.8	25.3	28.6	52.6

SANB originates a satisfactory number of agricultural loans, the vast majority of which have been to "small businesses with revenues less than 1MM." Management continues to focus on providing loans that will enhance the local economy. The following chart reflects our analysis of a sample of 20 agricultural loans made since the last Performance Evaluation.

Borrower Distribution Of Small Loans To Businesses		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses ³	98.3%	1.7%
% of Bank Loans in AA #	95%	5%
% of Bank Loans in AA \$	91%	9%

Geographic Distribution of Loans

The geographic distributions of loans within the BNAs are reasonable given the demographics of

the AA. Our analysis included a sample of 25 residential loans originated in 1998 through July 2001, and 21 consumer and 21 agricultural business loans originated in 1999 through July 2001.

Initially, our analysis appeared to indicate that the geographic distribution of consumer and business loans did not reflect the make-up of the AA. Demographic information on consumers indicates that 31% of the households live in moderate-income areas. Our consumer loan sample revealed that only 19% were made in moderate-income areas. Demographic information also indicates that 30% of the AA businesses operate in moderate-income areas. Our business loan sample revealed that only 14% were made in moderate-income areas.

Limited lending opportunities and physical restrictions on these areas contribute to the low number of consumer and agricultural business loans made within the moderate-income BNAs. The 1990 Census determined that four of the 16 BNAs are considered moderate-income. Three of these areas are located in Brown County, two of which are in the city of Brownwood. This city is less rural in nature than the rest of the AA with limited agricultural loan demand. These BNAs are also more assessable to two other competing banks located in Brown County. The other moderate BNA is located in the city of Coleman, which is more assessable to two other banks headquartered in the city. A satisfactory percentage of the bank's consumer and agricultural-related loans are made to customers living in or adjacent to the city of Santa Anna, which is a middle-income BNA.

Residential Real Estate								
Census Tract Income Level	Low		Moderate		Middle		Upper	
% of AA Owner Occupied ⁴	2.3		29.1		59.9		8.7	
	% of Number	% of Amount						
Totals	12.0	9.8	36.0	36.1	52	54.1	0.0	0.0

Consumer								
Census Tract Income Level	Low		Moderate		Middle		Upper	
% of AA Households ⁵	3.5		30.7		57.6		8.3	
	% of Number	% of Amount						
Totals	4.8	1.7	19.0	8.8	76.2	89.5	0.0	0.0

Business Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
% of AA Businesses ⁶	1.7		29.9		67.2		1.1	
	% of Number	% of Amount						
Totals	9.5	16.2	14.3	6.5	71.4	61.7	4.8	15.6

Responses to Complaints

SANB has received no complaints relating to their CRA performance.

Fair Lending Review

An analysis of consumer automobile loans originated during 2000, public file comments, and consumer complaint information was performed in accordance with the OCC's risk-based fair lending examination standards. That analysis revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with this CRA evaluation. The latest fair lending examination was performed in April 2000.