



PUBLIC DISCLOSURE

July 6, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Sutton County National Bank
Charter Number 17585**

**207 Highway 277 North
Sonora, Texas 76950**

**Office of the Comptroller of the Currency
San Antonio North Field Office
9601 McAllister Freeway, Suite 200
San Antonio, Texas 78216-4605**

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 **Sutton County National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 6, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated **Satisfactory**.

Sutton County National Bank's lending performance reflects a reasonable responsiveness to community credit needs. The following describes the bank's performance:

- The loan to deposit ratio is reasonable given the bank's size and financial condition, the stable to modestly increasing economy, and the area's limited lending opportunities, and in comparison to similarly situated banks.
- The bank makes a substantial majority of the number and dollar amount of loans in the assessment area based on a review of a sample of loans made from August 1995 to June 1998.
- The distribution of borrowers reflects a reasonable penetration among individuals of different incomes and businesses of different sizes.
- An analysis of the geographic distribution of loans would not be meaningful because there are no low- or moderate-income tracts in the assessment area; therefore, such an analysis was not done.
- The bank received no consumer complaints concerning its CRA performance since the June 1995 examination.

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

Small Institution Assessment Criteria	Sutton County National Bank 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	Not Meaningful		
Response to complaints	No complaints were received since the prior examination.		

Description of Institution

Sutton County National Bank (SCNB) opened in 1982 in the town of Sonora, Texas. Total assets are \$26 million as of June 30, 1998. The town is located in Sutton County approximately 170 miles west of San Antonio, Texas. SCNB and Del Rio Bank and Trust, Del Rio, Texas are owned by the Westex Bancorp, Inc. holding company. SCNB operates one main office with an attached drive-thru facility and two automated teller machines. Sonora is the only town located in Sutton County.

The bank's asset structure consists of 50% investment securities and 35% loans. The loan portfolio mix is as follows:

- consumer (43%)
- 1-4 family residential (26%)
- commercial (13%)
- non-farm/non-residential (11%)
- agricultural (6%)
- farm land/construction (1%)

The bank keeps adequate resources to meet any legal loan requests. There are no legal or financial impediments that would interfere with the bank's ability to make credit available in its assessment area. The last Community Reinvestment Act examination for SCNB is dated August 22, 1995, at which time the bank was rated *Satisfactory*.

Description of Assessment Area

The bank defines its assessment area (AA) as Sutton County, Texas. The area is divided into two block numbering areas, both of which are classified as middle-income areas according to the 1990 U.S. Census. Of the families residing in the AA, 17% are low-income, 18% are moderate-income, 16% are middle-income, and 49% are upper-income, based on the Texas statewide non-metropolitan median family income (MFI) of \$24,586 as determined by the 1990 U.S. Census. The updated MFI for 1997 and 1998 are \$31,500, and \$32,100, respectively. The updated MFI was used to categorize borrower income for the samples of consumer and mortgage loans.

The assessment area has a population of approximately 4,500. The unemployment rate is 3% with population growth showing a very slight increasing trend since 1990. Major employers include the Sonora Independent School District, the City of Sonora, the Texas Department of Transportation, five oil/gas service companies, and a dirt contractor. The general economy has recovered from a downturn and is showing a modest increasing trend due to steady oil/gas activity. The general economic base is gradually shifting from historically strong agricultural sources to a stronger retail and light commercial base.

SCNB is one of three financial institutions in their assessment area. The other two financial institutions include another independently owned national bank, and an office of the Federal Land Bank. None of the three institutions command a majority of financial business in the AA.

We met with two community leaders. One provides counseling and assistance for consumers in need of housing assistance and works to increase base wages in Sutton County. The other represents county government interests. These contacts identified two specific needs where financial institutions could provide assistance. One was to assist students in completing loan applications for educational purposes. The second involves providing affordable housing programs or promoting development of rental units. Both contacts stated the local financial institutions could improve on their credit needs assessment efforts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

The loan-to-deposit (L/D) ratio meets the standard for satisfactory performance given the bank's size and financial condition, the stable to modestly increasing economy, the AA's limited lending opportunities, and in comparison to similarly situated banks. SCNB's average L/D ratio for the 11 quarters since the prior CRA evaluation is 28%, comparing reasonably to four other similarly situated banks in or contiguous to Sutton County (a six county area). The four other banks in the area have average L/D ratios for the last 11 quarters ranging from 25% to 45%. As a group, they averaged 38%. SCNB's L/D ratio has steadily risen to the current 34% at March 31, 1998, which is in line with the group average of 39%. Lending opportunities are limited as indicated by 40% of the local population being in age groups (29% under age 16 and 11% over age 65) that typically have lower borrowing needs and by the limited housing stock.

Lending in the Assessment Area

The bank makes a substantial majority of the number and dollar amount of loans in the assessment area. Based on a review of a sample of 58 new loans made from August 1995 to June 1998, 90% of the number of loans and 88% of the loan dollars were made within the AA.

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

The distribution of borrowers reflects a reasonable penetration among individuals of different incomes and businesses of different sizes. Lending performance exceeds area demographic characteristics for consumer loans while it lags the area characteristics in mortgage loans. Commercial/Agricultural lending performance is reasonably distributed based on area demographics and the bank's size and financial resources. The following tables summarize our findings.

Lending to Borrowers of Different Income Levels										
	Low-Income Families		Moderate-Income Families		Middle-Income Families		Upper-Income Families		Totals	
Area Demographic Characteristics	17%		18%		16%		49%		100%	
	#	%	#	%	#	%	#	%	#	%
Mortgage Loans	0	0%	0	0%	1	14%	6	86%	7	100%
Consumer Loans	6	33%	8	45%	2	11%	2	11%	18	100%
All \$ in (000's)										
	\$	%	\$	%	\$	%	\$	%	\$	%
Mortgage	0	0%	0	0%	28	7%	390	93%	418	100%
Consumer	26	23%	41	36%	21	18%	26	23%	114	100%

Lending to Businesses/Farms of Different Sizes										
Revenue Ranges	<\$100,000		\$100,000 to \$500,000		\$500,000 to \$1,000,000		>\$1,000,000		Totals	
Loan Types	#	%	#	%	#	%	#	%	#	%
Commercial	6	38%	5	31%	1	6%	4	25%	16	100%
Agricultural	11	73%	4	27%	0	0%	0	0%	15	100%
All \$ in (000's)	\$	%	\$	%	\$	%	\$	%	\$	%
Commercial	88	28%	95	30%	30	9%	105	33%	318	100%
Agricultural	257	56%	205	44%	0	0%	0	0%	462	100%

NOTE Bank management does not routinely keep current income data for all commercial and agricultural loans. For this sample, management provided many of the income figures based on their knowledge of the particular operation.

Geographic Distribution Of Loans

Analysis of this element is not meaningful for Sutton County National Bank.

Responses To Complaints

The bank has not received complaints regarding their Community Reinvestment Act performance since the previous examination. Based on the loans sampled during our examination, we did not identify violations of the substantive provisions of the anti-discrimination laws and regulations.