



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**January 7, 2003**

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

**Citizens Bank of Texas, National Association  
Charter Number 22583**

**Highway 75 & FM 1375  
New Waverly, Texas 77358**

**Comptroller of the Currency  
San Antonio South Field Office  
10101 Reunion Place Blvd., Suite 402  
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 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.**

## TABLE OF CONTENTS

<b>INSTITUTION'S CRA RATING.....</b>	<b>1</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>1</b>
<b>DESCRIPTION OF ASSESSMENT AREA .....</b>	<b>2</b>
<b>CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....</b>	<b>3</b>

## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

The lending performance of Citizens Bank of Texas, N.A., New Waverly, Texas (CBOT), reflects a satisfactory response to community credit needs including small businesses, and low- and moderate-income individuals.

Factors in our assessment include the following:

- The bank's loan-to-deposit ratio is very good and exceeds the standards for satisfactory performance.
- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and to businesses and farms of different sizes.
- The geographic distribution of loans is appropriately dispersed throughout the assessment area (AA) and meets the standards for satisfactory performance.
- The ratio of loans made within the bank's AA is reasonable and meets the standards for satisfactory performance.
- There are no consumer complaints with respect to the bank's CRA performance.

## **DESCRIPTION OF INSTITUTION**

CBOT is a full service bank with three office locations. The bank offers drive-in facilities at all three locations and Automated Teller Machines at the Huntsville and The Woodlands locations. CBOT has total assets of \$120 million and, net loans represent 75.4% of total assets. The majority of the bank's stock was acquired by FVNB Corporation in 1999. FVNB Corporation is located in Victoria, Texas and has total assets of \$800 million. The bank is affiliated with Citizens Mortgage Company (CMC), Citizens Insurance Company (CIC), and First Victoria National Bank (Victoria, Texas). CMC and CIC are wholly owned subsidiaries of FVNB Corporation and are located in The Woodlands and New Waverly, Texas, respectively. Citizens Mortgage Co. processes residential mortgage loan applications for sale into the secondary market. Citizens Insurance Co. sells a full range of insurance products.

CBOT's main office is located in the rural community of New Waverly, Texas in Walker County, approximately sixty miles north of downtown Houston, Texas. The main office is located in a middle-income census tract. CBOT has a branch facility located in Huntsville, Texas (Walker County), approximately fifteen miles north of the main office. This branch is located in an upper-income census tract. CBOT also has a branch facility in the The Woodlands, Texas (Montgomery County), approximately 30 miles north of downtown Houston. This branch facility is located in an upper income census tract.

The bank's primary business focus is commercial and construction real estate lending, and

lending to small businesses.

There are no legal, financial or other factors impeding the CBOT's ability to help meet the credit needs in its AA.

The last CRA examination of CBOT was conducted as of February 9, 1998, at which time the bank received a Satisfactory rating.

The following table depicts the loan portfolio distribution as of September 30, 2002:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	33,137	35.8%
Commercial Real Estate Loans	24,278	26.2%
Commercial Loans	21,657	23.4%
Residential Real Estate Loans	5,975	6.5%
Consumer Loans	4,816	5.2%
Other Loans	2,666	2.9%
<b>Total</b>	<b>92,529</b>	<b>100%</b>

## **DESCRIPTION OF CBOT'S Assessment Area**

CBOT's AA includes all of the contiguous boundaries of both Walker and Montgomery Counties. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

### **Walker County**

The county consists of 8 Block Numbering Areas (BNA's) of which two are defined as moderate-income tracts, two as middle-income, and four as upper-income tracts. There are no low-income tracts in Walker County. The distribution of families in the county by income level is as follows: low-income 19.3%; moderate-income 14.6%; middle-income 16.1%; and upper-income 50.0%. The 2002 HUD adjusted Median Family Income for Walker County is \$36,100.

The population of the county is 61,578 as of the year 2000. The population growth of the county was 21% from 1990 to 2000. The bank's home office is located in New Waverly, a small farming and ranching community with a population of about 1,000. CBOT is the only bank in New Waverly; however, there are several financial institutions in nearby communities.

Huntsville is the county seat and the largest city in the county with a population of 35,000. The largest employers in Huntsville are the Texas Department of Criminal Justice and Sam Houston State University. The local economy has experienced modest growth with the addition of several prison sites and a growing number of retirees. Competition in Huntsville is strong with nine financial institutions.

### **Montgomery County**

The county consists of 39 census tracts of which one is defined as a low-income tract; nine as

moderate-income tracts; 18 as middle-income tracts; and 11 as upper-income tracts. The distribution of families in the county by income level is as follows: low-income 20.8%; moderate-income 17.1%; middle-income 22.2%; and upper-income 39.9%. The 2002 HUD adjusted Median Family Income for Montgomery County is \$59,600.

The current population of The Woodlands is about 60,000 and is the fastest growing area in Montgomery County. The Woodlands area is an area of substantial commercial and residential growth. The local economy is strong and is largely dependent on the strength of the Houston economy due to its close proximity to that city. The oil/gas and petrochemical industries continue to play a large part in the Houston economy's overall health. However, diversification has occurred with the growth of the medical, aeronautics, financial, insurance, and retail industries. The nearby Lake Conroe area also continues to enjoy strong residential growth due to its recreational value. Some areas of Montgomery County are dependent on agricultural businesses but that is gradually giving way to commercial developments. Competition for banking services is high in Montgomery County with over fifty offices of financial institutions.

One community member was contacted in conjunction with this CRA review. The community member contacted is an employee of a Government Housing Agency that provides assistance for residents in Walker County. The community member indicated that the credit needs, for Walker County residents, are consumer and affordable housing loans. The community member also indicated that area banks were satisfactorily meeting the credit needs of county residents.

The following table depicts additional information about the bank's assessment area:

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>		
<i>Population</i>	Walker County	Montgomery County
Number of Families	9,672	50,488
Number of Households	14,914	63,676
<i>Geographies</i>		
Number of Census Tracts/BNA	8	39
% Low-Income Census Tracts/BNA	0%	3%
% Moderate-Income Census Tracts/BNA	25%	23%
% Middle-Income Census Tracts/BNA	25%	46%
% Upper-Income Census Tracts/BNA	50%	28%
<i>Median Family Income (MFI)</i>		
1990 MFI for AA	29,882	38,994
2001 HUD-Adjusted MFI	35,800	58,500
2002 HUD-Adjusted MFI	36,100	59,600
<i>Economic Indicators</i>		
Unemployment Rate	2.68%	2.70%
1990 Median Housing Value	57,083	69,831
% of Households Below Poverty Level	24.83%	11.83%

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

## Loan-to-Deposit Ratio

CBOT's loan-to-deposit (LTD) ratio exceeds the standards for satisfactory performance with a quarterly average ratio (prior twenty quarters) of 85.3%. The bank's LTD ratio is on the upper end of similarly situated banks in the AA. The bank's quarterly LTD ratio has ranged from 70.4% to 98.9% since the prior CRA review. The following table depicts the LTD ratios of several similarly situated banks and CBOT.

<b>Institution</b>	<b>Assets (as of 9/30/2002)</b>	<b>LTD Ratio</b>
First Bank of Conroe, N.A.	168,934	87.2%
<b><i>Citizens Bank of Texas</i></b>	<b><i>129,087</i></b>	<b><i>85.3%</i></b>
First State Bank, Kosse	62,577	78.6%
FNB Huntsville	226,161	41.8%
Klein Bank, Spring	517,945	36.5%

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

CBOT meets the standards for satisfactory performance. The distribution of loans reflects a reasonable penetration among businesses of different sizes and individuals of different income levels, given the demographics of the AA.

The review of loans to businesses is based on an analysis of a random sample of twenty commercial loans originated in the AA since the prior CRA review. The following table reflects that the majority was to businesses with less than \$1,000,000 in annual revenues.

<b>BORROWER DISTRIBUTION OF SAMPLE LOANS TO BUSINESSES WALKER AND MONTGOMERY COUNTIES</b>		
<b>Business Revenues</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>
% of AA Businesses *	88.4	6.6
% of Bank Loans in AA #	75.0	25.0
% of Bank Loans in AA \$	42.1	57.9

\* 5.0 % of the businesses did not report revenues.

The review of residential real estate lending was based on an analysis of 143 residential loans (totaling \$6,499,000) made in the AA and originated between 1998 and 2001. The tables below show that the bank made residential loans to low- and moderate-income families, but at a proportionally lower level compared to the percentage of low-income and moderate-income families in the AA. This is primarily attributable to the new home development in the AA aimed at higher income individuals.

In an effort to address all the residential loan needs of the AA, the bank regularly refers applicants to its affiliate, CMC. CMC offers long-term conventional and FHA mortgages, which are sold into the secondary market. CMC also has a program for applicants with less than prime

credit histories. In 2002, CMC originated ninety-seven residential loans. The majority of these loans was made to individuals residing in the bank's AA and includes loans to moderate-income individuals. Seven of the ninety-seven loan originations were to individuals with less than prime credit history.

The following tables depict the bank's distributions of residential loan originations in the AA.

<b>Distribution of Borrowers by Income Level Residential Related Real Estate Loans – Walker County</b>								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
<b>% of AA Families</b>	<b>19.3</b>		<b>14.6</b>		<b>16.1</b>		<b>50.0</b>	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans made between 1998 – 2001 *	7.4	0.5	8.4	2.5	25.3	11.1	51.5	64.1

\* 7.4% of the number and 21.8% of the amount of loan originations, did not have income information available.

<b>Distribution of Borrowers by Income Level Residential Related Real Estate – Montgomery County</b>								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
<b>% of AA Families</b>	<b>20.8</b>		<b>17.1</b>		<b>22.2</b>		<b>39.9</b>	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans made between 1998 – 2001 *	4.2	0.4	10.4	1.4	18.7	4.2	50.0	68.6

\* 16.7% of the number and 25.4% of the dollar amount of total originations did not have income information available.

## Geographic Distribution of Loans

The geographic distribution, of the sample loans within the AA, meets the standards for satisfactory performance. The loan samples referred to in this section are the same ones used in the Lending to Borrowers of Different Incomes and Businesses of Different Sizes.

The following table reflects that thirty percent of the sample business loans made in the AA were to businesses located in moderate-income census tracts.

BUSINESS LOANS Walker and Montgomery Counties								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	<b>3.1</b>		<b>19.8</b>		<b>38.9</b>		<b>38.2</b>	
Loan Sample	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans made between 1998 – 2001	0	0	30.0	7.1	15.0	5.5	55.0	87.4

The following tables reflect that the bank’s record of residential lending approximates the percentage of owner-occupied units in low- and moderate-income census tracts.

RESIDENTIAL RELATED REAL ESTATE WALKER COUNTY								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied Units	<b>0</b>		<b>11.8</b>		<b>19.0</b>		<b>69.2</b>	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans made between 1998- 2001	0	0	15.8	15.1	29.5	20.2	54.7	64.7

RESIDENTIAL RELATED REAL ESTATE MONTGOMERY COUNTY								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied Units	<b>0.5</b>		<b>21.1</b>		<b>50.0</b>		<b>28.4</b>	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans made between 1998- 2001	2.1	0.3	29.2	15.2	31.3	11.6	37.4	72.9

### Lending in Assessment Area

A majority of the bank's lending activity is within its AA and meets the standards for satisfactory



performance. As illustrated in the following table, 74.5% of the number and 64.3% of the dollar amount of sample loans were made in the AA. The table reflects good performance in the small business loan category based on a random sample of 22 business loans (totaling \$5,889,000) originated between 1998 and 2001. The bank's performance in the residential real estate loan sector of the portfolio is not quite as good as in the small business loan sector but it still reflects satisfactory performance. The residential loan category includes all 194 residential loans (totaling \$11,505,000) made between 1998 through 2001 as reported on the bank's Home Mortgage Disclosure Act (HMDA) report.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Small Business	18	81.8	4,686	79.6	4	18.2	1,203	20.4
Home purchase	41	62.1	4,081	56.9	25	37.9	3,097	43.1
Home improvement	85	81.7	794	79.8	19	18.3	201	20.2
Residential refinance	13	86.7	939	85.9	2	13.3	154	14.1
Residential Multifamily	4	44.4	685	30.6	5	55.6	1,554	69.4
Total Reviewed	161	74.5	11,185	64.3	55	25.5	6,209	35.7

### Responses to Complaints

There have been no CRA-related consumer complaints received since the previous evaluation.

### Fair Lending Review

An analysis of five years of public comments, consumer complaint information, and HMDA data was performed according to the OCC's risk-based fair lending approach. Based on its analysis of this information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1998. There were no indications of any prescreening or discouragement of applicants noted during this review.