



PUBLIC DISCLOSURE

June 8, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Mason National Bank
Charter Number 7098**

**103 Westmoreland
Post Office Drawer N
Mason, Texas 76856**

**Office of the Comptroller of the Currency
San Antonio North Duty Station
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 **Mason National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 8, 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**.

Mason National Bank's (MNB's) lending performance reflects a reasonable responsiveness to community credit needs. The following describes the bank's performance:

- The loan-to-deposit ratio meets the standards for satisfactory performance given the bank's size, financial condition, and assessment area credit needs.
- A substantial majority of the number, and dollar volume, of loans originated from March 1995 through March 1998 are in MNB's assessment area.
- 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 February 1995 examination.

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

Small Institution Assessment Criteria	Mason 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

Mason National Bank (MNB) was chartered in 1904 and operates its one office in the city of Mason, Texas. It is a locally owned community bank with total assets of \$39 million, as of March 31, 1998. The bank provides banking services to the primarily rural area of Mason County, Texas. Lending is focused on agricultural, small business, and consumer loans.

As of March 31, 1998, the loan portfolio totaled \$18,982,000. This included agricultural loans of \$9,890,000 (52% of total loans), commercial loans of \$3,771,000 (20% of total loans), consumer loans of \$2,859,000 (15% of total loans), and 1-4 family residential loans of \$2,462,000 (13% of total loans). This distribution is consistent with MNB's main business strategy and expertise. The bank's financial condition is favorable and there are no legal impediments that interfere with its ability to make credit available in its assessment area.

Description of Assessment Area

Mason National Bank's delineated assessment area (AA) is Mason County. The county is 90 miles west of Austin and about 100 miles northwest of San Antonio. The AA consists of two block numbering areas (BNAs) that are not in a Metropolitan Statistical Area (MSA). Both BNAs are classified as middle-income based on the statewide nonmetropolitan area median family income (MFI) as compiled by the 1990 U.S. Census. There are no low-, moderate-, or upper-income tracts areas in the AA. The AA does not arbitrarily exclude any low- or moderate-income areas.

The county's economy continues to depend primarily on agriculture-related business, although recent growth in the economy of the city of Mason has been noted in real estate and tourism. The city is experiencing some population growth because of its more affordable housing prices when compared to the cities of Fredericksburg (42 miles south) and Llano (34 miles east), where the local tourism industries have driven real estate prices higher. Specific growth in the tourism area has been in bed and breakfast locations and in antique and gift shops. The largest single local employer remains the Mason School District.

Based on the 1990 U.S. Census, the population of the AA is 3,423, with 80% being white, 20% being Hispanic, and with small populations of other races/ethnic origins. Persons 15 and younger are 24% of the population, and those over 65 are 25%. Housing units total 2,356 with a 60% occupancy rate, 88% are 1-4 family residences, and 47% are owner occupied. The median housing value is \$43,429 and the median year built is 1953. The 1990 statewide nonmetropolitan MFI for the State of Texas is \$24,586 and the 1998 updated MFI amount is \$32,100.

The AA includes two other financial institutions. The Commercial Bank, an independent state-chartered community bank has one location in Mason and total assets of \$15,261MM as of March 31, 1998. It opened in 1901 and is also based in the city of Mason. A branch of Coastal Banc SSB, based in Houston, is also located in the city. All financial institution locations are around the town square.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit (L/D) ratio meets the standards for satisfactory performance given the bank's size, financial condition, and assessment area credit needs. MNB's loan-to-deposit ratio, as of March 31, 1998, is 55.04%. This ratio was stable the first two years since the prior evaluation and has been on a rising trend since the prior evaluation dated February 1995 with L/D ratios of 45.67% for 1995 and 46.46% for 1996. A recent rising trend is noted in the average L/D ratio of 54.59% for 1997. Only one other independent financial institution is in the AA and it is also located in the city of Mason. MNB's average loan-to-deposit ratio is 49.27% for the last 13 calendar quarters since the previous CRA Evaluation. The Commercial Bank's average L/D ratio over the same period is 37.52%. The average L/D ratio for all other banks in adjoining counties is 47.24%.

Assessment Area Concentration

A substantial majority of the number and dollar volume of loans are in the AA. An analysis of samples of consumer, residential, agricultural, and commercial loans showed that majorities of all types of loans are to borrowers from the AA. 90.6% of the number and 83.8% of the dollar amount of the sampled loans are in Mason County. See the following table for the distributions as of March 31, 1998:

Lending In Assessment Area							
\$ in 000's	In Mason County		Out of Mason County		Total		
		%		%	#	\$	%
Consumer #	44	91.7	4	8.3	48		100
Consumer \$	271	91.6	25	8.4		296	100
Residential #	20	90.9	2	9.1	22		100
Residential \$	652	73.2	239	26.8		891	100
Commercial #	10	83.3	2	16.7	12		100
Commercial \$	375	91.7	34	8.3		409	100
Agricultural #	13	92.9	1	7.1	14		100
Agricultural \$	637	89.3	76	10.7		713	100
TOTALS #	87	90.6	9	9.4	96		100
TOTALS \$	1,935	83.8	374	16.2		2,309	100

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

The distribution of borrowers reflects a reasonable penetration in loans to individuals and businesses of different income levels. Samples of agricultural, commercial and consumer loans as of March 31, 1998, and all residential loans made in 1997 were reviewed to assess the distributions among different income levels. Our sample consisted of 48 consumer loans, 22 residential loans, 14 agricultural loans, and 12 commercial loans. Only those loan files with income or revenue data are included in the following table which represents the distribution of loan originations by income level.

Loan Sample Distribution by Income Group										
<i>dollars in 000's</i>	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
Area Demographic Characteristics	32%		15%		20%		33%		100%	
# of Families	322		149		207		341		1,020	
Loan Type		%		%		%		%		%
Consumer #	16	50.0	9	28.1	4	12.5	3	9.4	32	100
Consumer \$	\$81	53.3	\$37	24.3	\$18	11.9	\$16	10.5	\$152	100
Residential #	3	15.0	3	15.0	4	20.0	10	50.0	20	100
Residential \$	\$63	7.6	\$100	12.0	\$153	18.3	\$518	62.1	\$834	100

The following distribution as of May 11, 1998, of lending to businesses and agricultural operations of different sizes is commensurate with the bank's size, financial resources, and capabilities.

Lending to Businesses and Agricultural Operations of Different Sizes										
Gross Revenues \$000's	Less than 100,000		100,000-250,000		250,000-1,000,000		More than 1,000,000		Total	
Loan Type	#	%	#	%	#	%	#	%	#	%
Commercial #s	7	63.6	2	18.2	2	18.2	0	0	11	100
Commercial \$s	142	35.0	76	18.8	187	46.2	0	0	405	100
Agricultural #s	8	72.7	3	27.7	0	0	0	0	11	100
Agricultural \$s	258	36.9	442	63.1	0	0	0	0	700	100

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was not performed. Such an analysis would not be meaningful since there are no low- to moderate-income geographies in the assessment area of Mason National Bank.

Response to Complaints

MNB has not received any complaints from the public regarding the bank's CRA performance.

A Fair Lending examination was performed in conjunction with this evaluation. We performed a comparative analysis of all residential loans made in 1997 to Hispanics and Whites. We found no evidence of disparate treatment or discriminatory practices.