



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**September 29, 2008**

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

Big Bend Banks, National Association  
Charter Number 8674

301 South Highland Avenue  
Marfa, TX 79843-0000

Office of the Comptroller of the Currency

Lubbock Field Office  
5225 South Loop 289, Suite 108  
Lubbock, TX 79424

**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.

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

Big Bend Banks, National Association (BBB) has a satisfactory record of meeting community credit needs. The major factors that support this rating include:

- The bank's loan-to-deposit ratio is reasonable when compared to banks of similar size and characteristics in or near the assessment area (AA).
- A majority of BBB's loans were originated within the bank's AA. Based on a sample of 59 loans, 77.9 percent of the number of loans and 74.8 percent of the dollar amount of loans in the sample were originated within the AA.
- The lending performance to individuals of different income levels is reasonable.
- The geographic distribution of loans within the AA is reasonable given the BBB's business strategy and location.

### **DESCRIPTION OF INSTITUTION**

BBB is located in Marfa, Texas about 200 miles southwest of El Paso. BBB is an intrastate bank with the main office located in Marfa, Texas and one branch in Presidio, Texas. BBB is the resulting financial institution of The Marfa National Bank and First Presidio Bank merger in 2008. BBB is a wholly-owned subsidiary of Big Bend Bancshares Corporation, which reported total assets of \$63.8 million as of June 30, 2008.

The bank offers a full range of commercial and consumer banking products and related financial services. The bank provides 24-hour access to banking services through its website at [www.marfanb.com](http://www.marfanb.com) and through a telebanking service. Services include account balance inquiries, funds transfer between deposit accounts, and electronic bill pay.

As of June 30, 2008, BBB had total assets of \$63.8 million, with net loans and leases comprising 32.9% of this total. The bank's primary loan products include consumer, residential real estate, commercial real estate, and agriculture loans. Below is a breakdown of BBB's loan portfolio composition as of June 30, 2008.

<b>Loan Portfolio Composition as of June 30, 2008</b>		
<b>Loan Type</b>	<b>\$ (000)</b>	<b>%</b>
Consumer	7,427	34.33
Residential Real Estate	4,850	22.42
Commercial Real Estate	3,981	18.41
Agriculture	2,737	12.65
Commercial	1,835	8.48
Political Subdivisions	499	2.31
Agriculture Real Estate	303	1.40
<b>TOTAL</b>	<b>21,632</b>	<b>100.00%</b>

*Source: June 30, 2008 Loan Trial Balance*

Management and the Board's focus is to serve consumer, agriculture, and commercial customers

in Presidio County. The bank meets consumer needs by providing traditional loan and deposit products. Bank lobby and drive-through services are provided Monday through Friday. The motor bank at the Presidio branch is open on Saturday. The bank also maintains two automated teller machines (ATMs), one at each location. Based on BBB's financial condition, local economy, product offerings, and competition, the bank has the ability to meet the various credit needs in its community. BBB was rated "Satisfactory" at the previous CRA examination on June 5, 2002. BBB has no legal or financial circumstances that could impede the bank's ability to help meet the credit needs in its AA. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

## DESCRIPTION OF PRESIDIO COUNTY

BBB has designated Presidio County as its AA. Marfa is the county seat and is situated in the northeastern section of Presidio County. Presidio is the other principal city in Presidio County, and it is located on the United States-Mexico border. Specific demographic data and economic data for Presidio County are listed below.

<b>Demographic and Economic Characteristics of Presidio AA</b>	
<i>Population</i>	
Number of Families	1,859
Number of Households	2,508
<i>Geographies</i>	
Number of Census Tracts	2
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	50.00%
% Middle-Income Census Tracts	50.00%
% Upper-Income Census Tracts	0.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	36,380
2007 & 2008 HUD-Adjusted MFI	41,800
2006 HUD-Adjusted MFI	43,100
2004 & 2005 HUD-Adjusted MFI	42,000
<i>Economic Indicators</i>	
Unemployment Rate	4.90%
2007 Median Housing Value	\$34,113
% of Households Below Poverty Level	35.05%

*Source: 2000 Census data and HUD updated income data.*

The AA consists of only whole geographies and does not arbitrarily exclude low- and moderate-income geographies. The AA is comprised of two census tracts consisting of one moderate-income and one middle-income tract. Federal agencies have designated the middle-income census tract as distressed and underserved. The distressed designation indicates high levels of poverty, unemployment, and population loss. Underserved markets are typically defined by income class or geography.

According to 2000 Census data, the AA has a total population of 7,304. Marfa is the largest city in the AA with a population of 4,645. There are 3,299 housing units in the AA, of which 53.74 percent are owner-occupied, 22.95 percent are renter-occupied, and 23.31 percent are vacant.

Approximately 40.56 percent of families in the AA are considered low-income. Moderate-income families approximate 22.59 percent, while middle- and upper- income families make up the remaining 36.85 percent. The median housing value is \$34,113, with the median age of housing stock at 30 years.

BBB is the only bank headquartered in the AA. The other financial institution in the AA is a branch of Fort Davis State Bank in Presidio. The June 30, 2007, FDIC Deposit Market Share Report for Presidio County shows BBB to hold the largest deposit market share at 72.9 percent of deposits. Fort Davis State Bank has the remainder at 27.1 percent of deposits.

The economy is somewhat diversified due to the number of small business operations in the AA. Primary employers of Presidio County include the United States Border Patrol, Marfa ISD, and Presidio County. Business demographic data suggests that the local economy is centered in retail trade; accommodation and food services; professional, scientific, and technical services; and wholesale trade.

As part of this CRA examination, one community contact was made in the bank's AA to help ascertain the credit needs of the AA. According to the contact, the immediate credit needs of the community are being fulfilled. The contact stated that the local banks were responsive in meeting the needs of the local community.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

This Performance Evaluation (PE) assesses BBB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the assessment area; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints.

To evaluate BBB's lending performance, we reviewed a random sample of 60 loans. Our sample of major loan products offered by the bank consisted of 30 consumer loans and 29 residential real estate loans. Based on the analysis and consistent with available resources and capabilities, BBB is meeting the credit needs of the AA in a satisfactory manner.

### **Loan-to-Deposit Ratio**

BBB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. This determination is based on the bank's quarterly average loan-to-deposit ratio from June 30, 2002 through June 30, 2008 of 42.8 percent. During the evaluation period, BBB's loan-to-deposit ratio ranged from a low of 35.5 percent to a high of 47.8 percent. The average loan-to-deposit ratio of similarly situated banks within or contiguous to the AA for the same period was 51.0 percent.

The quarterly average loan-to-deposit ratio for each similarly situated bank in or contiguous to the AA is depicted below. Please note that these banks are listed alphabetically by city and that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 06/30/08)	Average Loan-to-Deposit Ratio
<b>Big Bend Banks, NA</b>	<b>63,802</b>	<b>42.85%</b>
First National Bank of Fort Stockton	53,902	36.05%
Fort Davis State Bank	64,405	47.94%
Pecos County State Bank - Pecos	114,115	47.24%
Transpecos Bank - Pecos	131,125	74.10%
Transpecos Bank- Iraan	22,212	49.99%

Source: Institution Reports of Condition from June 30, 2002 to June 30, 2008

### Lending in the Assessment Area

BBB's lending in their AA meets the standards for satisfactory performance. A majority of the bank's loans were made within its AA. In order to assess performance for this criterion, we reviewed 30 consumer and 29 residential real estate loans originated between July 2003 and June 2008. Our analysis determined that 77.9 percent of the number of loans and 74.8 percent of the dollar amount of loans in the sample were originated within the bank's AA. The breakdown by loan category is depicted in the following table.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Res RE	22	75.9	7	24.1	100.0	1,169,202	71.8	458,814	28.2	100.0
Consumer	24	80.0	6	20.0	100.0	778,059	79.7	197,700	20.3	100.0
Totals	46	77.9	13	22.1	100.0	1,947,261	74.8	656,514	25.2	100.0

Source: Sample of loans used for CRA performance analysis

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

BBB's loan portfolio reflects a reasonable distribution among individuals of various income levels, including low- and moderate-income. To perform our analysis, we reviewed income information of 22 residential real estate and 24 consumer-purpose loans in the AA.

Residential Real Estate Loans – Residential real estate loans to low-income borrowers is significantly below the percentage of low-income families in the AA. The percentage of loans to moderate-income borrowers is equal to the level of moderate-income families in the AA. Approximately 40.5 percent of families are low income and 22.5 percent are moderate income. Based on updated information, median family income for the area is \$41,800. Low-income families in the AA make less than \$20,900 per year. In addition, roughly 35.05 percent of families in the AA are below poverty level. Based on 2000 Census data, the median housing cost is \$34,113. Low-income individuals often do not qualify for mortgage loans at median housing values due to insufficient income levels and/or a lack of funds to cover down payments.

The following table reflects the results of our sample of residential real estate loans originated in the AA.

Borrower Distribution of Residential Real Estate Loans in Presidio County								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE	40.5%	0.0%	22.5%	22.7%	17.1%	22.7%	19.6%	54.6%

Source: Loan sample; U.S. Census data.

Consumer Loans – The distribution of consumer loans to low-income borrowers is near the percentage of low-income households in the AA. The bank’s percentage of consumer loans made to moderate-income borrowers exceeds the percentage of moderate-income households in the AA. The following table shows the distribution of sampled consumer loans made to borrowers of different income levels within the AA.

Borrower Distribution of Consumer Loans in Presidio County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	39.7%	33.3%	19.8%	29.2%	17.5%	16.7%	22.9%	20.8%

Source: Loan sample; U.S. Census data

### Geographic Distribution of Loans

The geographic distribution of loans within the AA census tracts is reasonable given the bank’s business strategy and locations. Our analysis included 22 residential real estate and 24 consumer-purpose loans originated between July 2003 and June 2008.

Residential Real Estate Loans – Geographic distribution of residential real estate loans in the moderate-income census tract is below the demographic composition of the AA. Based on 2000 Census data, 56.7 percent of owner-occupied housing units were located in the moderate-income census tract. Our sample determined that only 9.1 percent of residential real estate loans were located in the moderate-income census tract. This level of performance is somewhat mitigated by demographic composition and performance context factors previously discussed. In addition, another financial institution’s branch is located in Presidio and can meet the needs of the moderate-income tract.

The following table reflects the geographic distribution of residential real estate loans originated in the AA.

<b>Geographic Distribution of Residential Real Estate Loans in Presidio County</b>
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Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential RE	0.0%	0.0%	56.7%	9.1%	43.3%	90.9%	0.0%	0%

Source: Loan sample; U.S. Census data.

Consumer Loans – Geographic distribution of loans to consumers in the AA is below the demographic composition of the AA. Based on 2000 Census data, 57.1 percent of households were located in the moderate-income census tract. Our sample determined that 16.7 percent of the consumer loans were located in the moderate-income census tract. The following table reflects the results of our selected sample of consumer loans originated in the AA.

Geographic Distribution of Consumer Loans in Presidio County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.0%	0.0%	57.1%	16.7%	42.9%	83.3%	0.0%	0.0%

Source: Loan sample; U.S. Census data.

### Responses to Complaints

No complaints relating to CRA performance were received by BBB during the evaluation period.

### 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