



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 2, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**McAllen National Bank
Charter Number 18068**

**1801 S. Col. Rowe Blvd.
McAllen, Texas 78502**

**Comptroller of the Currency
Southwestern District
San Antonio South Duty Station
5350 South Staples, Suite 405
Corpus Christi, TX 78411**

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 Community Reinvestment Act (CRA) performance of **McAllen National Bank, McAllen, Texas**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 2, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

McAllen National Bank (MNB) is responsive to community credit needs including low- and moderate-income individuals and areas. This is evidenced by the following:

- The loan to deposit ratio is reasonable given MNB's size, its financial condition, and the credit needs of the assessment area (AA). The bank's loan to deposit ratio averaged 56% over the past eleven quarters and is comparable to similar institutions in its AA.
- A substantial majority of loans are made within the bank's AA, which is defined as all of Hidalgo county.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersal throughout the AA.
- There have been no consumer complaints regarding the bank's CRA performance during this evaluation period.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	McALLEN 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 Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

MNB is an independently owned bank with total assets of \$55 million at December 31, 1997. Its one main office, along with a drive-up facility and an automated teller machine, is located in McAllen, Texas. There are twenty-one other financial institutions, with eighty-one offices, in the AA. MNB provides a variety of credit products and deposit services to the community. Credit products include the following types of loans: residential real estate, commercial real estate, small business, and consumer. There are no legal, financial, or other factors that impede MNB's ability to help meet the credit needs of the AA. A breakdown of the loan portfolio is shown in the following table:

Loan Portfolio Breakdown - December 31, 1997		
Loan Type	Dollar Volume (000's)	% of Loan Portfolio
1 - 4 Family Residential	13,861	41.43%
Commercial Real Estate	11,043	33.01%
Commercial	4,366	13.05%
Consumer	4,133	12.35%
Other	53	0.16%
Total	33,456	100.00%

DESCRIPTION OF THE ASSESSMENT AREA (AA)

McAllen National Bank designates Hidalgo county as its AA. The entire county is included in the McAllen Metropolitan Statistical Area. This county consists of 63 census tracts (CTs). Population totaled 383,545 in the 1990 Census with a median family income of \$24,800. Area economy is linked to retail trade and industrial development. A majority of the bank's outstanding loans are related to real estate.

The AA is comprised of 19 moderate-, 27 middle-, and 17 upper-income CTs. There are no low-income CTs in Hidalgo county. The percentage of families in the AA, by income level, is as follows: 25% low-income, 16% moderate-income, 17% middle-income, and 42% upper-income. Contacts made with two local community organizations indicated the primary credit need within the community is affordable housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management satisfactorily meets the community credit needs of its AA, including low- and moderate-income individuals, consistent with its resources and capabilities.

● Loan to Deposit Ratio

MNB's loan to deposit ratio (LTD) meets the standard for satisfactory performance and is comparable to similar area institutions. The bank's LTD ratio has averaged 56% since the previous CRA evaluation dated May 25, 1995. By December 31, 1997, this ratio had increased to 63%. The average LTD ratio for similar institutions in the county was 64%. These ratios ranged from 50% to 74%.

● Lending in Assessment Area

A substantial majority of loans are made within the bank's AA. Our sample of recently originated residential, consumer, and business loans indicates 94% of the number and 97% of the dollar amount were made within the bank's AA.

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

MNB meets the standards for satisfactory performance for this criteria with a reasonable penetration of loans to low- and moderate-income individuals and small businesses. The following two tables summarize the loan sample distribution by income group and lending to businesses of different sizes:

Loan Sample Distribution by Income Group										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
Area Demographic Characteristics	24.60%		16.48%		16.59%		42.33%		100.00%	
# of Families	21,801		14,605		14,701		37,507		88,614	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	3	6%	17	34%	14	28%	16	32%	50	100%
Residential	1	7%	2	13%	4	27%	8	53%	15	100%
Total	4	6%	19	29%	18	28%	24	37%	65	100%

Lending to Businesses of Different Sizes										
Gross Revenues \$	Less than 100,000		100,000-250,000		250,000-1,000,000		More than 1,000,000		Total	
Loan Type:	#	%	#	%	#	%	#	%	#	%
Commercial & Agricultural	2	13%	3	20%	7	47%	3	20%	15	100%

- **Geographic Distribution of Loans**

The distribution of loans within the AA is considered reasonable. The demographic data provided from the 1990 census indicates there are 63 CTs in Hidalgo county. There are 0 low-, 19 moderate-, 27 middle-, and 17 upper-income CTs. Our sample revealed a reasonable dispersal of loans within the AA. The following table summarizes the geographic distribution of loans within the AA:

Lending in Areas of Different Income Levels within the Assessment Area										
	Low Income CTs		Moderate Income CTs		Middle Income CTs		Upper Income CTs		Total	
Percent of Total Demographic Areas in AA:	0		30%		43%		27%		100%	
Count:	0		19		27		17		63	
Loan Types	#	%	#	%	#	%	#	%	#	%
Consumer	0	0%	7	15%	19	41%	20	43%	46	100%
Residential	0	0%	1	7%	5	36%	8	57%	14	100%
Commercial	0	0%	3	20%	5	33%	7	47%	15	100%
Total	0	0%	11	15%	29	39%	35	47%	75	100%

- **Responses to Complaints**

During this evaluation period, no consumer complaints regarding the bank's CRA performance were received. Based on the loans sampled in our review, we did not identify any violations of the substantive provisions of the anti-discrimination laws and regulations.