



**Comptroller of the Currency
Administrator of National Banks**

SMALL BANK

Public Disclosure

November 9, 1998

Community Reinvestment Act Performance Evaluation

**Blanco National Bank
Charter Number 8134**

**416 Fourth Street
Blanco, Texas 78606**

**Office of the Comptroller of the Currency
Southwestern District
San Antonio North Field Office
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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 **Blanco National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 9, 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.

Blanco National Bank's lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

- The bank's loan-to-deposit ratio meets the standard for satisfactory performance, averaging 60% since the previous examination. This exceeds the average for several similar institutions in the assessment area.
- A substantial majority of the bank's loans and other lending related activities are made in the bank's delineated assessment area (AA).
- The distribution of borrowers reflects a satisfactory penetration among individuals of different income groups and businesses of different sizes.
- As the bank has no low or moderate income areas within its assessment area, the geographic distribution of loans was not rated.
- There have been no consumer complaints with respect to the bank's CRA performance.

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

Small Institution Assessment Criteria	Blanco 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	This criteria was not rated.		
Response to complaints	No complaints were received since the previous examination.		

Description of Institution

Blanco National Bank was chartered in 1906 and provides banking services through its main office in Blanco, Texas as well as the branch in Fredericksburg, Texas. It is a locally owned and managed institution with \$ 60 million in total assets as of September 30, 1998. Net loans amounted to 48% of total assets as of that date. The bank offers traditional loan products with a primary focus on consumer lending. Consumer loans represented 36% of total loans as of September 30, 1998. Residential loans accounted for another 32%. Loan products also include consumer instalment, residential purchase, home equity, and small business loans. Although the bank offers Small Business Administration guaranteed loans, there are none currently on the books.

There are no financial or legal impediments to the bank's ability to meet the area's credit needs. The last CRA performance evaluation was performed as of July 17, 1996. The bank was rated "Satisfactory" at that time.

A breakdown of the bank's total loan portfolio as of September 30, 1998:

Loan Type	Amount	% of Portfolio
Commercial	9,430	32
Agricultural	1,458	5
Residential	7,703	27
Consumer	10,542	36
Total	29,133	100

Description of the Assessment Area

Blanco National Bank's assessment area has been defined as Blanco County plus census tracts and block numbering areas in several surrounding counties including Gillespie, Kendall, Comal and Hays County. Comal County is included in the San Antonio-New Braunfels Metropolitan Statistical Area (MSA) and Hays County is in the Austin-San Marcos MSA. The combined delineated area had a population of 105,870 in 1990. However, there has been considerable population growth in the assessment area since that time. The chief population centers are Blanco, Canyon Lake, and Fredericksburg, Texas. The bank's delineated assessment area does not include some of the more heavily populated areas of Comal and Hays County such as San Marcos and central New Braunfels. Twelve percent of families in the designated area live below the poverty line. Three percent are on public assistance. Persons over the age of 65 represent 15% of the population. Unemployment rates in the area are relatively low, ranging between 1% and 3%.

Fifteen percent of families in the overall assessment area are considered low-income, 16% are moderate-income, 21% are middle-income and 48% are upper-income. Three percent of households in the area receive public assistance. The combined assessment area includes twenty-four census tracts or block numbering areas. Nine are defined as upper-income, and fifteen as middle income. There are no low or moderate-income tracts in the assessment area.

Blanco, Kendall and Gillespie Counties

According to 1990 Census information, these non-metropolitan counties of the assessment area have a combined population of 31,652. The 1998 estimated median family income for all non-metropolitan areas in Texas was \$32,100. Each of the three counties has experienced strong, broad based population growth in recent years. The economy is centered in livestock and tourism but is becoming more diversified with population growth, particularly in those areas adjoining the two neighboring MSAs. Other financial institutions in these counties include four other community banks as well as several branches of larger, regional banks.

Hays and Comal Counties

Based on 1990 Census information, Hays County has a total population of 65,614. The Austin - San Marcos MSA's 1998 estimated median family income is \$ 50,800. Comal County's total population was 51,832. The San Antonio- New Braunfels MSA 1998 median family income is \$ 39,800. Both counties are economically diverse. Economic activity is centered in services, tourism, and commerce associated with the Interstate 35 corridor. To an increasing degree, portions of both counties are becoming "bedroom communities" of Austin and San Antonio. A number of community banks as well as branches of large regional banks, including NationsBank and Norwest Bank Texas, serve the area.

We conducted community contacts with the Blanco County Senior Citizens Center and the New Braunfels Housing Authority. Both contacts emphasized the strong local economy and the continued need for residential and consumer credit.

Conclusions with Respect to Performance Criteria

Management has demonstrated satisfactory performance in meeting the credit needs of the assessment area, including low and moderate income families.

Loan to Deposit Ratio

Blanco National Bank's loan to deposit ratio has averaged 60% since the previous CRA evaluation. Ratios for five similar institutions in the area averaged between 36% and 71% over the same period. The bank's ratio was 53% as of September 30, 1998.

Lending in Assessment Area

A large majority of the loans made in 1998 were within the bank's assessment area. We performed a sample analysis of 60 loans for our review. A majority of the loans reviewed in the study were to consumers or businesses within the designated assessment area. By number, 87% of the consumer loan sample and 95% of the residential sample were in the assessment area. Of the commercial loans sampled, 80% by number and 74% by dollar amount were to borrowers in the assessment area.

Of the total sample of 60 loans, 88% by number and 94% by dollar amount were located in the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of loans to borrowers of different income levels demonstrates reasonable lending efforts to low and moderate income borrowers, particularly in the consumer lending area. The following table reflects the distribution of consumer and residential originations in our sample:

Loan Sample Distribution by Income Group										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
Area Demographic Characteristics	15%		16%		21%		48%		100%	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	8	27	9	30	7	23	6	20	30	100
Residential	1	5	4	20	4	20	11	55	20	100

The distribution of loans to businesses of different sizes indicates a broad lending effort to small borrowers. In fact, 90% of the commercial loans in our sample were to borrowers with gross revenues of less than \$ 500 thousand dollars. Half were to borrowers with revenues of less than \$ 100 thousand dollars. The following table reflects the findings of our sample.

Lending to Businesses of Different Sizes										
Gross Revenues \$	Less than 100,000		100,000-500,000		500,000-1,000,000		More than 1,000,000		Total	
Loan Type	#	%	#	%	#	%	#	%	#	%
Commercial	5	50	4	40	0	0	1	10	10	100

Geographical Distribution of Loans

The bank's delineated assessment area (AA) consists of fifteen middle income and nine upper income census tracts or block numbering areas. Since the AA lacks any low or moderate income areas, this criteria was not rated.

Responses to Complaints

No complaints regarding the bank's CRA performance have been received since the previous examination. Furthermore, based on the fair lending portion of our examination, no violations of the substantive portions of antidiscrimination laws and regulations were found.