



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 24, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Texas National Bank
Charter Number 22807**

**400 East Broadway
Sweetwater, TX 79556**

**Comptroller of the Currency
ADC- Dallas South
500 North Akard Street Street, Suite 1600
Dallas, TX 75201-3342**

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

INSTITUTION'S CRA RATING..... 2
DESCRIPTION OF INSTITUTION.....2
DESCRIPTION OF THE CITY OF SWEETWATER, TEXAS 3
CONCLUSIONS ABOUT PERFORMANCE CRITERIA..... 5

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- Texas National Bank's (TNB) loan-to-deposit ratio is reasonable given the bank's size, assessment area credit needs, and the competitive banking market in the Sweetwater area. The quarterly average loan-to-deposit ratio for the evaluation period is 45%. While this ratio slightly lags the competitor banks in the same assessment area (AA), it is considered reasonable.
- TNB's loan originations meet the standards for satisfactory performance. A majority of the loans, both number and dollar volume, are made within the bank's AA. Of the loans we reviewed, 82% of the number and 81% of the dollar volume were within the AA.
- The bank's lending to businesses of different sizes exceeds the standards for satisfactory performance. Of the business loans we sampled, 90% were made to businesses with gross annual revenues less than \$1 million.
- Overall, the bank's residential real estate and consumer lending to borrowers of different income levels meets the standards for satisfactory performance. While the bank originated only 5% of the number of residential real estate loans to low-income borrowers, 39% of the number of consumer loans sampled was to low-income individuals.
- The geographic distribution of loans is satisfactory. The bank's AA is comprised of two moderate and two upper-income geographies. Our sample indicates the numbers of consumer and residential loans in moderate-income geographies is below average compared to the percent of households and businesses in those areas. However, the bank demonstrates good performance in the volume of business loans with 73% to borrowers in moderate-income areas.
- Consumers have filed no complaints regarding TNB's CRA performance during this evaluation period.

DESCRIPTION OF INSTITUTION

Texas National Bank (TNB) is a community bank located in the West Texas city of Sweetwater. TNB is 100% owned by Mesa Financial Corp, a one-bank holding company. It has one banking office, one automated teller machine and one drive up facility. The bank has no branches or affiliates. TNB reported total assets of \$68 million and net loans of \$32 million at year-end 2002. The bank's primary lending focus is small business and consumer lending. The following table depicts the bank's loan mix:

Loan Category	\$ (000)	%
Commercial Loans	7,847	24%
Commercial Real Estate Loans	7,117	22%
Consumer Loans	9,672	30%
Residential Real Estate Loans	5,396	17%
Farm Loans, including Real Estate	2,417	7%
Total	32,449	100.00%

TNB's last CRA Performance Evaluation, dated February 17, 1998, was rated *Satisfactory*. TNB does not participate in government guaranteed loan programs for housing or small farms. A full range of deposit and other banking services are available. Loan and deposit products offered are consistent with the bank's asset size and resources. The bank has no financial or legal obstacles hindering its ability to meet its community's credit needs and provide reasonable banking services.

DESCRIPTION OF THE CITY OF SWEETWATER, TEXAS

TNB has one assessment area; a non-metropolitan area identified as the four Block Numbering Areas (BNAs) that make up the City of Sweetwater, Nolan County, Texas. Two of the BNAs are categorized as moderate-income and two are upper-income. There are no low- or middle-income geographies. The assessment area meets the requirements of the CRA regulation by including whole geographies and not arbitrarily excluding any low- or moderate-income areas. The 1990 Census Bureau's statewide average median family income for Non-Metropolitan Statistical Areas (MSA) is \$24,585. This income figure is used to determine the income category of the BNAs in the assessment area. The 2002 Housing and Urban Development's (HUD) statewide average median family income for Non-MSAs is \$36,100. The second amount determines the income category of borrowers. Based on 1990 Census Bureau demographic and income data, Sweetwater has a population of approximately 13,600. The following table depicts the demographics of the assessment area:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	3,723
Number of Households	5,116
<i>Geographies</i>	
Number of BNAs	4
% Low-Income BNAs	0 - 0%
% Moderate-Income BNAs	2 - 50%
% Middle-Income BNAs	0 - 00%
% Upper-Income BNAs	2 - 50%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$24,585
2002 HUD-Adjusted MFI	\$36,100
2001 HUD-Adjusted MFI	\$35,800
2000 HUD-Adjusted MFI	\$34,700
<i>Economic Indicators</i>	
Unemployment Rate	4.2%
2002 Median Housing Value	\$29,460
% Of Households Below Poverty Level	21.18%

The total occupied housing units for the assessment area is 85%, with 58% being owner-occupied and 27% rental-occupied. Vacant housing units present 17%. Large portions of the households in the assessment area are on fixed incomes. Based on 1990 US Census data, 11% of the households are retired and 42% of the households receive either social security or some other form of public assistance.

The economy in Sweetwater is considered stable. The principal industries include farming, ranching, oil and gas production, manufacturing, and gypsum mining. The area immediately surrounding the bank consists primarily of small businesses and farms. Major employers in the assessment area include Sweetwater Independent School District, The City of Sweetwater, USG Sheetrock Manufacturers, Ludlum Measurements (manufacturer of radiation detection equipment), and Oncor Power Plant. Competition in the area consists of one other National bank owned by a large multi-bank holding company and a small branch of a State bank.

Community contacts indicated that the local banks are doing a good job of meeting the needs for agriculture, small business, and consumer loans. The most pressing needs are home loan products geared toward low-income individuals. TNB does not offer any affordable housing credit products.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

TNB’s loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs and meets the standards for satisfactory performance. The bank’s 12-quarter average loan-to-deposit ratio is 44.79%. This is lower than the two similarly situated banks within the same assessment area, but not unreasonably so.

Institution	Assets as of 12/31/02	Average LTD Ratio
Texas National Bank	67,943	44.79%
First National Bank -Sweetwater	112,079	46.02%
Roscoe State Bank	50,162	51.32%

Lending in Assessment Area

Based on our review of TNB’s lending patterns, the bank meets the standards for satisfactory performance in lending within its assessment area. As of December 31, 2002, the total dollar amount of all loans booked inside the assessment area was 81%. Our sample included all residential real estate loans and samples of 30 each for consumer and commercial loans originated from January 1, 2000 to December 31, 2002. The following table shows the inside and outside distribution of the loans we sampled.

TOTAL LOANS REVIEWED (1/1/00 – 12/31/02)								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential Real Estate	87	78	3,896	76	24	22	1,207	24
Consumer	23	77	198	73	7	23	74	27
Commercial	30	100	1,295	100	0		0	0
TOTAL	140	82	5,389	81	31	18	1,281	19

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

Overall, TNB meets the standards for satisfactory performance for this assessment criterion. While our sample indicates that the distribution of consumer loans to low- and moderate-income borrowers and loans to businesses of different sizes is good to excellent, the distribution of residential loans to low-income borrowers is only fair, especially when compared to the percentage of low-income households and families residing within the bank's AA. The following table illustrates TNB's performance.

RESIDENTIAL REAL ESTATE (1/1/00 – 12/31/02)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	23%		17%		19%		41%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	5	2	16	7	15	15	58	68

*Income not available for 6% of the number of loans reviewed.

CONSUMER (1/1/00 – 12/31/02)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	27%		13%		18%		42%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	39	33	9	2	26	35	26	30

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES (1/1/00 – 12/31/02)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	73%	4%
% of Bank Loans in AA #	90%	10%
% of Bank Loans in AA \$	82%	18%

*Revenues not reported for 23% of Businesses in AA.

Geographic Distribution of Loans

The bank meets the standards for satisfactory performance for this assessment criterion. Our sample indicates that the distribution of residential and consumer loans in moderate-income geographies is low when compared to the percent of households. The volume of business loans within the moderate-income areas of the bank’s AA indicates good performance.

RESIDENTIAL REAL ESTATE (1/01/00 – 12/31/02)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Owner Occupied	0		50%		0		50%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	0	0	30	14	0	0	70	86

CONSUMER (1/01/00 – 12/31/02)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Households	0		53%		0		47%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	0	0	39	27	0	0	61	73

BUSINESS LOANS (Evaluation Period)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0		62%		0		38%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0	0	50	73	0	0	50	27

Responses to Complaints

Texas National Bank has not received any consumer complaints related to its CRA performance during this evaluation period.

Fair Lending Review

The OCC performed an analysis of three years public comments and consumer complaint information according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.