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Comptroller of the Currency  
Administrator of National Banks

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**SMALL BANK**

## **PUBLIC DISCLOSURE**

**June 6, 2005**

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

**Main Street National Bank  
Charter Number 18104**

**23970 U.S. Highway 59 North  
Kingwood, TX 77450**

**Comptroller of the Currency  
Houston Field Office  
1301 McKinney Street  
Houston, TX 77010-9010**

**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.**

## **This institution is rated Satisfactory.**

Main Street National Bank (Main Street) meets the credit needs of its assessment area (AA). The following factors support this conclusion:

- Main Street National Bank's (Main Street) loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance.
- Main Street's lending to borrowers of different incomes is reasonable and meets the standards for satisfactory performance.
- Main Street's geographic distribution of loans is reasonable and meets the standards for satisfactory performance.

## **DESCRIPTION OF INSTITUTION**

Main Street is a \$57 million bank with full service branches in Liberty and Harris counties. The main office was recently changed from the Cleveland, Texas branch in Liberty County to a newly leased operations center in Harris County, at 23970 U.S. Highway 59 North, in Kingwood, Texas. The Cleveland branch continues to offer full service banking, with a drive-up facility and an Automated Teller Machine (ATM). The operations center will centralize the bank's records and facilitate the bank's leasing activities. There are two separate locations in Kingwood. One Kingwood branch offers full services with drive-up banking and an ATM. The other Kingwood branch is located in an assisted living center with more limited hours and services. Banking hours are reasonable with regular lobby hours Monday through Friday and drive-up services on Saturday. There are also three loan production offices for leases, the main office and small offices in Sacramento, California and Jupiter, Florida.

Main Street's primary loan types are construction, consumer, commercial, residential real estate, and leasing. Total loans outstanding, as of March 31, 2005, totaled \$25 million, which represents 44% of total assets. A wide array of deposit products is also offered. The following table details the types of loans by type and as a percent of total assets, as of March 31, 2005.

Loan Category	\$(000)	%
Construction and Land Development	7,852	31.0
Commercial Real Estate and Commercial	7,303	28.9
Lease Financing Receivables	4,073	16.1
Consumer	3,820	15.1
Residential Real Estate	2,242	8.9
Total	25,290	100.0

Source: March 31, 2005 Call Report

The bank operates in competitive markets. There is competition for market share in both the Cleveland and Kingwood areas. Both include branches of regional and national financial institutions. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of its AA. Main Street was rated Satisfactory at its last Community Reinvestment Act (CRA) examination, which was performed as of November 1, 1999.

During this examination, a representative from a local economic development organization was contacted to discuss the credit needs of the community. The contact stated that a credit need in the bank's AA is for small business loans. As the Highway 59 construction nears completion, small business growth is expected. The contact spoke highly of financial institutions in the area.

## DESCRIPTION OF MAIN STREET'S ASSESSMENT AREA

The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The AA includes twenty-seven census tracts in the Houston-Baytown-Sugar Land Metropolitan Statistical Area (HBSL-MSA). Ten are in Montgomery County, seven in Liberty Counties, six in Harris County, and four in San Jacinto County. The dispersion of census tract income levels is reasonable. The AA is comprised of one low-income tract, seven moderate-income level tracts, twelve middle-income tracts and seven upper-income tracts. Six of the upper-income tracts are the Harris county section of the AA. This area is largely Kingwood, a master-planned residential community. The following is demographic information about the AA.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<b><i>Population</i></b>	
Number of Families in AA	47,539
Number of Households in AA	60,197
<b><i>Geographies (entire AA)</i></b>	
Number of Census Tracts	27
% Low-Income Census Tracts	3.7%
% Moderate-Income Census Tracts	25.9%
% Middle-Income Census Tracts	44.5%
% Upper-Income Census Tracts	25.9%
<b><i>Median Family Income (MFI)</i></b>	
2000 MFI for AA	\$54,963
2000 MFI for AA, Harris County Tracts	\$83,674
<b><i>Economic Indicators</i></b>	
Unemployment Rate for AA	2.32%
2000 Median Housing Value for AA	\$79,202
% of Households Below Poverty Level	11.00%

Source: 2000 U.S. Census; U.S. Department of Labor.

The above table suggests that the economy of the AA is stable. Kingwood, in the southern portion of the AA, provides housing to many professionals that are employed in Houston. Hence, Kingwood is largely dependent upon the Houston economy, which is supported by the energy sector but also has one of the busiest ports in the world. The aeronautics, chemical, and medical services and research industries are also important sectors of the Houston economy. According to U.S. Department of Labor statistics, the unemployment rate for the HBSL-MSA, of which all of the tracts in the AA are included, is 5.5% while the national rate is 5.3% (seasonally adjusted).

The Cleveland area, which is north of Kingwood and includes portions of Liberty, Montgomery, and San Jacinto Counties, is somewhat reliant upon the Houston economy and also has a diverse array of businesses. Large employers include Campbell Concrete & Materials, Cleveland Independent School District, and Georgia Pacific Corporation. In addition to having easy highway access to both Houston and Beaumont, an interchange for a Burlington Northern & Santa Fe and Union Pacific rail line is in the area. The statistics above reflect a low unemployment rate for Main Street's AA.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

The LTD ratio is reasonable and meets the standard for satisfactory performance. Main Street's quarterly LTD average is 57.03% since the prior CRA exam. As of March 31, 2005, the LTD ratio is 66.58%. The average ratio for eight similarly sized banks (peer banks) in Harris, Liberty, Montgomery, and San Jacinto Counties is 71.44%. The LTD ratios of the individual banks range from a low of 32.22% to a high of 108.63%.

### **Lending in Assessment Area**

Our review focused on consumer, commercial, residential real estate, and commercial real estate loans made since the last CRA examination. We did not review residential construction loans or leases. Most of the construction loans are purchased from a broker and are not in Main Street's AA. Main Street has credit relationships with local builders of homes for moderate-income families but volume is impeded by competition. The leases were not included in the sample because all are outside of the bank's AA. Main Street's Strategic Plan involves making leases to any company at any geographic location, if certain credit criteria are met. Small business credit needs will be met with this program but most will be outside of the bank's AA.

Main Street meets the standard for satisfactory performance for lending within its AA. The following chart shows that at least 50% of both number and dollar volume for each category reviewed are in Main Street's AA.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	23	85.2	4	14.8	27	\$324	84	\$62	16	\$386
Commercial	20	71.4	8	28.6	28	\$1,151	77.5	\$335	22.5	\$1,486
Residential	15	57.7	11	42.3	26	\$897	50.6	\$878	49.4	\$1,775
Commercial Real Estate	16	64	9	36	25	\$3,079	70.1	\$1,316	29.9	\$4,395
Total Reviewed	74	<b>69.8</b>	32	30.2	106	\$5,451	<b>67.8</b>	\$2,591	32.2	\$8,042

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

Main Street's lending to borrowers of different incomes is reasonable and meets the standards for satisfactory performance. We reviewed random samples of residential real estate, commercial, and consumer loans to make this assessment. Tables are presented that summarize the results of the review.

Main Street meets the standard for residential real estate lending to families of different incomes. Main Street's residential real estate lending to low-income families is below the demographic comparator but Main Street's lending to moderate-income families exceeds the comparator.

Borrower Distribution of Residential Real Estate Loans								
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 Loans	20.4	<b>6.7</b>	17.4	<b>20.0</b>	21.3	13.3	40.1	53.3

Source: Loan sample; U.S. Census; Dunn & Bradstreet.

Main Street meets the standard of lending to businesses of different sizes. The number of loans made to businesses with gross revenues of less than \$1 million per year is similar to the demographic comparator. Two large loans in the sample to businesses with gross revenues of more than \$1 million affected the dollar volume measurement.

Borrower Distribution of Loans to Businesses				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	68.0	3.4	28.6	100
% of Bank Loans in AA by #	<b>60.0</b>	40.0		100
% of Bank Loans in AA by \$	<b>30.1</b>	69.9		100

Source: Loan sample, 2004 Dunn & Bradstreet data.

Main Street exceeds the standard of consumer lending to families of different incomes. Based on the sample, 52.2% of Main Street’s consumer loans were to low- and moderate-income families, which is higher than the demographic comparator of 35.4%.

Borrower Distribution of Consumer Loans								
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	21.0	<b>17.4</b>	14.4	<b>34.8</b>	19.3	26.1	45.3	21.7

Source: Loan sample; U.S. Census; Dunn & Bradstreet.

### Geographic Distribution of Loans

Main Street’s geographic distribution of loans is reasonable and meets the standards for satisfactory performance. We reviewed random samples of residential real estate, commercial, and consumer loans to make this assessment. Tables are presented that summarize the results of the review.

Main Street’s geographic distribution of residential loans in low- and moderate-income areas meets the standard for satisfactory performance. Based on the sample, 26.7% of Main Street’s residential real estate loans are in low- to moderate-income census tracts, which compares favorably to the demographic comparator of 24.7%

Geographic Distribution of Residential Real Estate Loans								
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 Loans	1.83	<b>6.7</b>	22.9	<b>20.0</b>	46.6	13.3	28.7	53.3

Source: Loan sample; U.S. Census; Dunn & Bradstreet.

Main Street’s geographic distribution of business loans in low- and moderate-income meets the standard for satisfactory performance. Based on the sample, 20% of Main Street’s loans to businesses are in low- to moderate-income census tracts, which is similar to the demographic comparator of 21.4%.

Geographic Distribution of Loans to Businesses								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial Loans	2.3	<b>0</b>	19.1	<b>20.0</b>	43.4	45.0	35.0	35.0

Source: Loan sample; U.S. Census; Dunn & Bradstreet.

Main Street’s geographic distribution of consumer loans in low- and moderate-income areas meets the standard for satisfactory performance. Based on the sample, 30.4% of the bank’s consumer loans are in low- and moderate-income census tracts, which is just above the demographic comparator of 23.5%.

Geographic Distribution of Consumer Loans								
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	1.8	<b>8.7</b>	21.7	<b>21.7</b>	46.1	65.2	30.4	4.4

Source: Loan sample; U.S. Census; Dunn & Bradstreet.

## Responses to Complaints

MSNB did not receive any consumer complaints regarding its CRA performance during the evaluation period.

## Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.