

## **PUBLIC DISCLOSURE**

April 7, 2003

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

Sun Bank  
RSSD 178561

416 Main Street  
Sunray, Texas 79086

Federal Reserve Bank of Dallas

2200 North Pearl Street  
Dallas, Texas 75201

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.

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

Sun Bank's performance in meeting the credit needs of all segments of its community merits a satisfactory rating for the period covered by this evaluation. The rating is supported by the following factors: 92% of commercial and agricultural loans sampled were made to businesses with gross annual revenue under \$1 million and small farms with gross annual revenue under \$500,000. In addition, 49% of the consumer loans sampled were made to low and moderate-income borrowers. The evaluation also noted a majority of loans were extended to borrowers that reside and businesses that operate in the bank's defined assessment area. Furthermore, a reasonable loan-to-deposit ratio, with a quarterly average of 57% since the previous CRA evaluation. FRB files revealed no CRA-related consumer complaints since the last evaluation.

### **DESCRIPTION OF INSTITUTION**

Sun Bank, Sunray, Texas (Sun) is an independent community bank owned by Sun Bank, Delaware Corporation, a two-tiered holding company, which is owned by Sun Banc Corporation, Sunray, Texas. The main office is located in Sunray, Texas. There are two full-service branch locations, one in Dumas and another in Panhandle. The bank is approximately 65 miles from Amarillo and Amarillo is the largest nearby city.

As of December 31, 2002, Sun reported total assets of \$113.2 million, total deposits of \$92.4 million, and gross loans of \$57.5 million. The bank offers home mortgage, interim construction, home improvement, refinance, home equity, commercial, agriculture and consumer loan products. The bank originates a substantial amount of government-secured farm loans as well as Small Business Administration (SBA) loans. Deposit products offered include money market, savings, checking, NOW accounts and certificates of deposit. The bank has three cash dispensing automated teller machines (ATM), one at each branch.

Sun experiences competition within its assessment area from Bank of America, First State Bank, Dalhart Savings and Loans Association, First Bank & Trust Company, State National Bank of Groom and First National Bank of Borger. There were seven FDIC-insured institutions operating 10 banking offices in the assessment area as of June 30, 2002. Total deposits as of the aforementioned date were approximately \$222 million, with Sun holding a market share of 40.4%.

As noted on the chart below, real estate is the bank's primary lending product, which comprises approximately 41% of the loan portfolio. Agriculture, at 32% is also a major lending product, followed by commercial lending at 15% and consumer lending at 11%.

LOAN PORTFOLIO MIX	12/31/2002 \$(000)	% OF LOANS	12/31/2001 \$(000)	% OF LOANS
<u>Real Estate</u>				
Residential	12,900	22.4	11,147	19.9
Interim Construction	24	0.1	276	0.5
Agricultural	6,202	10.8	4,725	8.4
Multifamily	768	1.3	840	1.5
Commercial	<u>3,478</u>	<u>6.0</u>	<u>2,923</u>	<u>5.2</u>
Total Real Estate	23,372	40.6	19,911	35.5
Consumer	6,521	11.3	6,266	11.2
Agricultural	18,611	32.4	20,696	37.0
Public Funds	117	0.2	69	0.1
Commercial/Industrial	8,839	15.4	8,941	16.0
Other	48	0.1	88	0.2
Gross Loans	57,508	100%	55,971	100%

Sun received a satisfactory rating at its previous CRA evaluation conducted by the Federal Deposit Insurance Corporation as of July 27, 1998. Overall, the bank's ability to meet various community credit needs has not been hampered by its capacity to lend, the capacity of other similarly situated institutions to lend in the assessment area, demographic and economic factors present in the assessment area, or the lending opportunities available in the institution's assessment area.

### DESCRIPTION of MOORE and CARSON COUNTIES

Sun Bank has delineated its assessment area as Moore and Carson Counties. The assessment area consists of six block-numbering areas (BNAs), including the cities of Dumas, Sunray, and Panhandle. Sunray and Dumas are in Moore County while Panhandle is in Carson County. Panhandle is the county seat of Carson County and Dumas is the county seat of Moore County. Panhandle is located approximately, 67 miles from Sunray, Texas. Dumas is located 17 miles from Sunray, and 45 miles north of Amarillo. Sunray, Cactus City and Fritch are located within the county. Moore County is made of four BNAs, 9501, 9502, 9503, and 9504. All are middle-income with the exception of 9503, which is upper-income. Carson County is made up of two BNAs, 9501 and 9502, one middle and one upper-income tracts. There are no low- or moderate-income geographies within the assessment area; however, 27% of families are low- and moderate-income and 10% of the families are below the poverty level. The 2002 HUD-adjusted median family income for the assessment area is \$36,100 and was \$35,800 in 2001.

The assessment area is primarily agricultural-oriented. The major economic factors are natural gas, oil, farming, and ranching. Moore County produces large quantities of natural gas, as well as two-thirds of the nation's helium. Major crops in the assessment area include wheat, corn, grain sorghum, and soybeans. In addition, major employers include Monfort, Inc., Dumas School District, Diamond Shamrock Chemicals, and Moore County Hospital District.

Demographic and economic information impact the bank's performance context and are discussed below. Information was obtained from publicly available sources including the U.S. Department of Commerce's Bureau of the Census, 1990 and 2000; the U.S. Department of Labor; the U.S. Department of Housing and Urban Development (HUD); and the Texas Workforce Commission. The chart below details the demographic information of the assessment area as well as the state non-metropolitan areas:

<b>DEMOGRAPHIC INFORMATION</b>	<b>(ASSESSMENT AREA)</b>	<b>STATE NON-METROPOLITAN AREAS</b>
Population	24,441	2,820,852
Number of Families	6,794	759,277
Percent Low-Income Families	13.1	23.2
Percent Moderate-Income Families	13.6	16.6
Percent Middle-Income Families	20.7	19.2
Percent Upper-Income Families	52.6	41.0
Percent of Families Below Poverty Level	10.1	18.4
Number of Housing Units	9,693	1,269,927
Percent Owner-Occupied	63.8	58.4
Percent of Housing Rented	23.9	21.5

\*1990 census data

According to the 2000 census, the total population of Moore and Carson Counties is 26,636, an increase of nine percent over the 1990 census, of 24,441. However, Moore County is the most populated of the two counties and it experienced 13% population growth while Carson County's population decreased nine percent as reported on the 2000 census.

The households in the assessment area according to the 1990 census data, totaled 8,518 with 6,794 families. Approximately, 13% of the families are low-income, 14% are moderate-income, 21% are middle-income, and 53% are upper-income families. Poverty statistics indicate about 10% of the assessment area live below the poverty level, compared to 18% statewide.

There were 9,693 housing units in the assessment area in 1990 census and 10,293 in 2000. This represents a 20% increase in the housing units in 2000 from the 1990 census. There are approximately 56% housing units in the middle and 44% in the upper income tracts. The homeownership rate in Carson County according to the 2000 census was 84% and 71% in Moore County. The median value of owner-occupied housing for Carson County was \$52,400 and \$60,400 for Moore County according to 2000 census. In addition, the 1990 data revealed that the housing stock in the assessment area was comprised of 84% 1-4 family units, 4% multifamily with 5 or more units, 11% mobile homes and 1 % other units.

Two community contacts were made during the CRA evaluation. Both contacts spoke favorably of the bank and were supportive of its efforts in the community. In addition, both contacts indicated affordable housing, business startup and relocation loans, as the ongoing needs of the county.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING IN ASSESSMENT AREA

The bank's lending within its assessment area is considered satisfactory, given the bank's size, resources and its lending concentrations. Sun Bank's lending performance was assessed by analyzing a sample of 55 commercial and agricultural loans, and 58 consumer loans made between April 1, 2002 to September 30, 2002. Of the 113 loans sampled, 79% by number and 58% by dollar volume were made to borrowers that reside or businesses that operate in the assessment area. This analysis revealed that a majority of the bank's lending is in the assessment area. The following chart depicts the bank's lending activity inside the assessment area:

DISTRIBUTION OF CONSUMER, COMMERCIAL AND AGRICULTURAL LOANS				
LOCATION	NUMBER	PERCENT OF NUMBER	DOLLAR AMOUNT	PERCENT OF DOLLAR VOLUME
Within AA	89	78.8	\$2,482,972	57.7
Outside AA	24	21.2	\$1,821,590	42.3
Total	113	100%	\$4,304,562	100%

### LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of the bank's lending based on income and revenue levels of the borrowers reflects an excellent penetration among individuals of different income levels and businesses of different sizes. The chart below details the HUD-adjusted median family income ranges:

TEXAS NON-METROPOLITAN HUD-ADJUSTED MEDIAN FAMILY INCOME		
INCOME LEVEL	2001	2002
Low income	< \$17,900	< \$18,050
Moderate income	\$17,900 < \$28,640	\$18,050 < \$28,880
Middle income	\$28,640 < \$42,960	\$28,880 < \$43,320
Upper income	\$42,960 and up	\$43,320 and up
Median Family Income	\$35,800	\$36,100

The distribution of the consumer loans by borrower income level is good considering there are no low- and moderate-income geographies. However, 49% of the consumer loans sampled were made to low- and moderate-income borrowers given that the 27% of the assessment area families are in the low- and moderate-income levels. The following chart illustrates the distribution of the consumer loans across the assessment area by income of the borrowers:

<b>DISTRIBUTION OF CONSUMER LOANS BY GROSS INCOME OF BORROWER</b>		
<b>GROSS INCOME</b>	<b># OF LOANS</b>	<b>% OF LOANS</b>
Low income	9	22
Moderate Income	11	27
Middle Income	7	17
Upper Income	14	34
Total	41	100%

The distribution of loans to businesses of different sizes is excellent. Ninety-two percent of the commercial/agricultural loans sampled were made to businesses with gross annual revenues under \$1 million and farms with gross annual revenue under \$500,000 demonstrating the bank's commitment to meeting the credit needs of small businesses and small farms. The following chart illustrates lending to businesses and farms by gross annual revenue:

<b>GROSS ANNUAL REVENUES</b>	<b>NUMBER OF LOANS</b>	<b>PERCENT OF LOANS</b>
Less than \$100,000	31	65
\$100,001 - \$250,000	10	21
\$250,001 - \$500,000	3	6
\$500,001 - \$750,000	3	6
\$750,001 - \$1 million	1	2
Total	48	100%

The distribution by loan size is also excellent. One hundred percent of the commercial and agricultural loans sampled were made for amounts less than \$500,000 further demonstrating the bank's commitment to small businesses and small farms. The chart below depicts the bank's distribution of loans by loan amount:

<b>DISTRIBUTION OF COMMERCIAL AND AGRICULTURAL LOANS BY LOAN AMOUNT</b>		
<b>LOAN AMOUNT</b>	<b># OF LOANS</b>	<b>% OF LOANS</b>
Less than \$50,000	37	77
\$50,001 to less than \$100,000	7	15
\$100,001 to less than \$500,000	4	8
Total	48	100%

### **LOAN-TO-DEPOSIT RATIO**

Sun Bank's loan-to-deposit (LTD) ratio is considered reasonable, given the bank's size and financial condition, and the credit needs of the assessment area. The December 31, 2002 LTD ratio was 61.3% and the quarterly average for the 18 quarters since the previous evaluation is 57.2%. The LTD ratio range was from 48 to 63% during the 18 quarters. The quarterly average ratio has increased from the 45.6% at the previous CRA evaluation. Although there are several banks in Moore and Carson Counties, they are not banks of similar size to perform a meaningful peer comparison at this time.

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

As the assessment area is comprised of only middle- and upper-income BNAs, an analysis of the bank's geographical distribution of loans is not meaningful. Therefore, this criterion was not evaluated.

## **RESPONSE TO COMPLAINTS**

The bank has not received any CRA-related complaints since the previous evaluation.

## **COMPLIANCE WITH ANTI-DISCRIMINATION LAWS (ECOA, FHA OR HMDA)**

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified during the evaluation.

## **GLOSSARY**

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Block numbering area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Geography:** A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application

(e.g., approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Metropolitan area (MA):** Any primary metropolitan statistical area (“PMSA”), metropolitan statistical area (“MSA”), or consolidated metropolitan area (“CMSA”), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.