



Comptroller of the Currency
Administrator of National Banks

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Public Disclosure

December 12, 1997

Community Reinvestment Act Performance Evaluation

**Founders National Bank - Skillman
Charter Number 18468**

**9696 Skillman Street
Dallas, Texas 75243**

**Office of the Comptroller of the Currency
500 N. Akard, Suite 1600
Dallas, Texas 75201**

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 **Founders National Bank - Skillman (FNBS)** prepared by **The Office of the Comptroller of Currency**, the institution's supervisory agency, as of December 12, 1997. 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.

This evaluation period covers January 1995 through December 1997. Founders National Bank - Skillman's (FNBS) performance is evaluated within the context of the bank's asset size, financial condition, and local economy.

Institution's CRA Rating: This institution is rated **Satisfactory**.

FNBS demonstrates good lending practices and has a satisfactory level of performance under the CRA. The bank's lending levels reflect a reasonable responsiveness to its community credit needs. The loan-to-deposit ratio averaged 73% over the last nine quarters. This ratio is consistent with other similarly situated banks within the assessment area, which averaged 69%. Direct lending within the assessment area represents 80% of the bank's total loans. A review of all Home Mortgage Disclosure Act (HMDA) reportable loans made in 1995, 1996, and year-to-date 1997, and a limited sample of consumer and small business loans originated over the last eighteen months show that the bank serves all market segments by lending to individuals at all income levels and businesses of different sizes. Based on our review, the bank's lending levels also reflect a reasonable geographic distribution of loans throughout the assessment area and are commensurate with its size, competition, available resources and the nature of its lending.

The following table indicates the performance level of FNBS with respect to each of the five performance criteria.

Small Institution Assessment Criteria	Founders 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		X	
Response to complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Founders National Bank - Skillman (FNBS), located in the city of Dallas, is a commercial bank with average assets of \$72 million as of September 1997. Their market area includes northeast Dallas county and portions of Collin, and Rockwall counties. FNBS has one office with drive-in services at a remote location. The bank is located in a predominately industrial area and is dedicated to serving the community by offering a variety of financial services and products. The major lending focus has been on small commercial business and indirect auto loans. Major competitors include savings & loan associations, branches of multinational banks and two major commercial banks. There are no financial, legal, regulatory, or economic impediments hindering the bank's ability to meet the requirements of the Community Reinvestment Act (CRA). Prior performance under CRA dated April 11, 1994 was rated satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The bank defines its assessment area as 259 census tracts located in Northeast Dallas County, Rockwall County, and Southern Collin County. All of the census tracts are located in the Dallas Metropolitan Statistical Area (MSA). According to 1990 Census Bureau data, the population of the assessment area is 1.2 million. The 1990 Census Bureau and 1997 Housing and Urban Development (HUD) median family income for the MSA is \$38,754 and \$52,300 respectively. The assessment area is legal and does not arbitrarily exclude low- and moderate-income areas. The following table indicates the breakdown of census tracts within the assessment area based on the 1990 census demographics.

Founders National Bank - Skillman's Assessment Area		
Geographies	Count	Percent
Low Income	24	9%
Moderate Income	42	16%
Middle Income	79	31%
Upper Income	113	44%

Significant employment opportunities exist in and around the area of the bank. The major industries are small owner operated businesses, retail, and service industries. Community contacts made within the area over the last eighteen months indicate a large demand for small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loans-To-Deposits

FNBS's lending levels are reasonable and commensurate with its size, competition, available resources and the nature of its lending activities as well as the demographics of the assessment area. The bank's loan-to-deposit ratio averaged 73% over the last five quarters. This ratio is slightly above other banks operating in and around the same assessment area, whose loan-to-deposit ratio average 70% over the same time period.

Assessment Area Concentration

A substantial majority of the bank's lending is within its assessment area. According to 1995, 1996, and year-to-date 1997 HMDA data, (as well as internally prepared reports), 80% of all loans originated are within the assessment area. The following table illustrates the volume of originations and locations relative to the assessment area by loan product.

Loan Type	Total Originations		Within the Assessment Area			
	#	\$ (000s)	#	%	\$ (000s)	%
HMDA Loans	228	15,811	188	82%	13,157	83%
Consumer Loans	786	8,534	604	77%	6,713	79%
Small Business Loans	716	45,106	583	81%	35,782	79%
TOTALS	1,730	69,451	1,375	79%	55,652	80%

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS

The distribution of loans to borrowers of different income levels and businesses of different income sizes is reasonable. Our review sample included all HMDA loans originated within the assessment area in 1995, 1996, and through September 1997, in addition to 60 small business loans and 55 consumer loans originated within the last 18 months.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS								
Applicant Income as a Percent of HUD Median Family Income	HMDA Loans				Consumer Loans			
	#	%	#	%	#	%	#	%
Low	21	11	17	31				
Moderate	18	10	7	13				
Middle	32	17	12	22				
Upper	117	62	19	34				
TOTAL	188	100	55	100				
LENDING TO BUSINESSES OF DIFFERENT SIZES								
Revenue Ranges	< \$100M		\$100M - \$500M		\$500M - \$1MM		>\$1MM	
	#	%	#	%	#	%	#	%
Small Business Sample	8	13%	28	47%	13	22%	11	18%

GEOGRAPHIC DISTRIBUTION OF LOANS

Dispersion of loans reflects a reasonable penetration into various census tracts within the bank's assessment area. Our loan sample reflects a geographic distribution of loans commensurate with the income characteristics of the census tracts that make up the assessment area. The distribution of loans mirrors the type of lending done by the bank. Based on the location and size of the bank, it is not expected to penetrate all census tracts. Management monitors geographic distribution by loan application and origination. Results are reported to the Board semi-annually through the CRA self-assessment. An analysis of the bank's credit denials reflect no attempt to limit distribution of credit based on the bank's market and location. The table below reflects the distribution of loans by income census tracts compared to the demographic characteristic of census tracts within the assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS										
Loan Types	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		TOTAL	
	#	%	#	%	#	%	#	%	#	%
HMDA Loans	4	2%	32	17%	83	44%	69	37%	188	100%
Consumer Sample	6	11%	11	20%	7	13%	31	56%	55	100%
Small Business	0	0%	5	8%	49	82%	6	10%	60	100%

FAIR LENDING ANALYSIS

The analysis we performed did not disclose any discriminatory treatment or illegal credit practices on the prohibited basis of the applicant's sex or marital status. We found no evidence of noncompliance with the provisions of any anti-discrimination laws or regulations at this bank.