



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

July 13, 2009

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CommunityBank of Texas, National Association  
Charter Number: 12898

5999 Delaware Street  
Beaumont, TX 77706

Office of the Comptroller of the Currency

Houston Field Office  
1301 McKinney Street, Suite 1410  
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**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.

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

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

CommunityBank of Texas (CB) has a satisfactory record of meeting community credit needs based on the following:

- A substantial number of loans were originated in the assessment area (AA), and lending in the assessment area is more than reasonable.
- The loan-to-deposit (LTD) ratio is more than reasonable, and exceeds a ratio of peer group banks.
- The borrower distribution of residential real estate loans shows excellent dispersion to low-and-moderate income borrowers for home improvement loan originations. There was also good penetration to moderate income borrowers for home purchase loans and adequate penetration for refinance loans in this income category.
- The geographic distribution of home improvement loans is good.
- Lending to businesses of different sizes shows reasonable penetration.
- CB had a reasonable dispersion of loans to small business located in moderate-income census tracts.
- Overall, the Community Development Test rating is outstanding and reflects excellent responsiveness to the needs of the AA.

## **Scope of Examination**

CB is subject to data collection requirements for the Home Mortgage Disclosure Act (HMDA). We evaluated performance of all owner-occupied loans reported for years 2005, 2006, 2007, and 2008. The bank performed data integrity before each submission. We validated the bank's testing during the examination.

The primary loan products reviewed were residential real estate and small loans to businesses. The Lending Test includes all owner-occupied HMDA loans originated for these products from calendar years 2005, 2006, 2007 and 2008. A sample of 47 commercial loans was chosen encompassing all four years. Since business lending is the most significant lending product at 69 percent of the loan portfolio, it was assigned the greatest weight in determining the final rating. The evaluation period for the Community Development Test was from the date of the last evaluation of September 13, 2004 through the first day of this examination of July 13, 2009.

## Description of Institution

CommunityBank of Texas, N. A. (CB) is a full-service community bank headquartered in Beaumont, Texas in Jefferson County. It has a total of 15 locations in Jefferson, Hardin, Orange, Jasper, Newton and Tyler counties. Three are in Beaumont, two are located in Port Arthur, one in Nederland, one in Orange, one in Jasper, one in Buna, one in Kirbyville, one in Jasper, one in Lumberton, one in Woodville, one in Vidor and one in Deweyville (Orange address). All of the locations have Automated Teller Machines with the exception of the Stedman and Turtle Creek locations.

CB was formed July 31, 2007 with the acquisition of CountyBank of Newton, Texas by CBFH, Inc. At the time of the acquisition, CountyBank had a total of 7 locations in Orange, Newton and Jasper counties. Total assets were approximately \$181 million, total loans were approximately \$48 million and total deposits were \$165 million. The bank received a Satisfactory rating at the prior examination dated September 13, 2004.

As of March 31, 2009, CB had total assets of \$670 million, total loans of \$482 million and total deposits of \$668 million, and a Tier One Leverage Capital ratio of 10 percent. The primary lending focus is in commercial business lending. Commercial real estate and commercial loans are approximately 72 percent of the loan portfolio. Residential real estate and multifamily lending is 7.50 percent, and construction and land development is 8.5 percent. Consumer lending is 11.5 percent. All other loan originations are less than 1 percent.

CB offers a wide range of services including checking accounts to include Free Checking, Thrifty Checking, Student Checking and Community 50 Checking, savings accounts, ATM cards, debit cards, online banking, safe deposit boxes, IRAs, certificates of deposit, and investment opportunities. Small business and 1-4 family single family lending are core business activities for CB.

Of the total 15 locations, Jefferson County has 6 locations, Hardin County has one branch, Orange County has two locations, Jasper County has 3 branches, Newton County has 2 branches and Tyler County has one branch.

Two locations in Beaumont and Nederland (upper income CTs) and the location in Port Arthur, Orange, Lumberton, and Vidor (all middle income CTs) have Lobby Hours Monday through Thursday 9:00 am to 4:00pm and until 5:00pm on Friday and with Drive Thru hours are 7:30am or 8:00am to 5:30pm or 6:00pm Monday through Friday, and 9:00 am to 12:00 noon on Saturday.

The Stedman and Turtle Creek branch lobbies are open Monday through Friday 8:30am and 9:00am to 5:00pm, respectively. (Both located in moderate income CTs.) The Newton, Buna, Kirbyville, Woodville (all middle income CTs), and Jasper (moderate income CT) lobbies are open Monday through Thursday 9:00am to 2:00pm and Friday 9:00am to 5:00pm or 5:30pm. The Drive Thrus are open Monday through Friday 7:30am or 8:00am to 5:00pm or 5:30. The Jasper and Woodville branches have their

Drive Thrus open on Saturday 9:00am to 12:00 noon.

The Deweyville (middle income CT) lobby is open 9:00am to 4:00pm Monday through Friday, with extended hours until 5:00pm on Thursday. The Drive Thru is open 8:00am to 5:30pm.

There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the assessment area.

## **Description of Assessment Area(S)**

A portion of the AA is in the Beaumont - Port Arthur Metropolitan Statistical Area (MSA) in Texas. The AA is known as the Beaumont AA. The AA is contiguous and includes all Census Tracts (CTs) in Jefferson, Hardin, Jasper, Tyler, Orange, and Newton Counties. This equates to 118 CTs in the AA. Only 6 percent of the CTs are low-income, and 21 percent are moderate-income. Middle-income tracts represent 53 percent while upper-income tracts represent 17 percent. The total AA population is 457 thousand, and approximately 16 percent of the population lives below the poverty level. The Housing & Urban Development (HUD) adjusted MSA median family income for the AA in 2008 was \$42,393. There are 122,472 owner occupied single-family units and 46,663 rental housing units. The weighted average median value of a single-family residence is \$59,403 and weighted average monthly gross rent is \$461.

Banking competition in the Beaumont AA is intense and includes branches of large national banks, regional banks, small community banks, and non-bank financial institutions. CB is ranked fifth in deposit market share among financial institutions in the AA. The five largest competitors are: Compass Bank, Wachovia Bank, N. A., Capital One, N. A., J P Morgan Chase, N. A., and Guaranty Bank, SSB.

We completed two community contacts during examination of this bank. Both contacts were from Jefferson County. In Port Arthur, the manager of the Community Development Housing Department indicated that the City has made application to the Department of Housing and Urban Development for \$22 million for the Neighborhood Stabilization Program (Round 2) (NSP2). The funds will be used to stabilize neighborhoods whose viability have been and continue to be damaged by the economic effects of properties that have been foreclosed upon and abandoned. The NSP2 will provide a lot of opportunity for banks to work with the city to create affordable housing for low- to moderate-income families. If banks have foreclosed properties on their books, they could refer them to the City for the program. The Community Development Administrator of the City of Beaumont indicated that banks could be instrumental in programs like the Phase I Neighborhood Stabilization's Program with \$900 thousand to be used for demolition of blighted properties and for small business lending programs that the City helps fund. The City also plans to assist the Housing Authority with its next phase of the HOPE VI grant that will include owner occupied units and economic development. He also stated that financial literacy is needed.

## **JEFFERSON COUNTY**

All of Jefferson County, Texas is designated as part of CB's Beaumont AA and is in the Beaumont - Port Arthur MSA. Jefferson County is the 16<sup>th</sup> most populous county in Texas. The population is estimated at 243 thousand according to 2008 U. S. Census Bureau with an estimated contraction rate since the 2000 Census of 3.6 percent. The median household income in 2007 was \$39,499, with 17 percent of the population living below the poverty level. The unemployment rate in March 2008 was 5.6 percent.

The county seat is Beaumont. Beaumont is located on the Neches River at the county's approximate midpoint. Its population is 114,000 and the region's largest city. It is one of the world's largest refining and petrochemical centers; also there are paper and rice mills, lumber and pulp products, and a busy port. Beaumont has also become a source for sophisticated medical instruments, precision industrial equipment, and back-office call centers that appreciate the low cost of living and skilled workforce. Beef cattle and rice yield are major farm income sources, but the majority of wage earners are employed in the petrochemical, shipbuilding, and rubber industries.

Beaumont serves the entire region as the hub for government, education, shopping, business, health care and entertainment. The local economy is anticipating \$15-20 billion worth of industrial investments in the next three to five years, and employers are actively seeking a skilled workforce to support their expansion.

Medical facilities include one neurological and at least three general hospitals. The main campus of Lamar University is in Beaumont. The Ninth Court of Civil Appeals, the federal district court, and the Lower Neches Valley Authority are also located in Beaumont. Jefferson County Airport in Nederland provides the area with commuter and general aviation facilities; Beaumont is also served by its own municipal airport. Southeast Texas Regional Airport in Port Arthur operates commercial flights such as American Eagle, Delta ASA, Continental Express, and US Air.

The county comprises 937 square miles, mainly of grassy plains, though a dense forest belt crosses the northwest part. The southern third of the county consists of marshy saltgrass terrain good for cattle-raising, the middle third is coastal prairie used for grazing and rice culture, and the northern third is heavily forested with hardwoods and southern yellow pine.

Other incorporated towns include Bevil Oaks, China, Groves, Nederland, Nome, Port Arthur, and Port Neches. Beaumont, Port Arthur, and neighboring Orange are the cities of the "Golden Triangle". The county is also the gateway to the Big Thicket National Preserve, an eco-tourism treasure.

The major employers in the county include Christus St. Elizabeth, St. Mary's Hospital, Lamar University, Entergy Gulf States, Inc., Memorial Hermann Baptist Hospital, Goodyear Tire and Rubber Company, Walmart, Baptist Hospital, Park Place Medical Center, Zavala-Tex, and West Telemarketing.

## **HARDIN COUNTY**

All of Hardin County, Texas is designated as part of CB's Beaumont AA and in the Beaumont – Port Arthur MSA. Hardin County is the home and center of the Big Thicket of Southeast Texas. More than 85 percent of the county is forested, and timber remains the most important agricultural product. The population of the county is estimated at 52 thousand according to 2008 U. S. Census Bureau with an estimated growth rate since the 2000 Census of 8.5 percent. The median household income in 2007 was \$52,798, with 11 percent of the population living below the poverty level. The unemployment rate in March 2008 was 4.8 percent.

Kountze became the county seat because of its proximity to the geographic center of the county. Its population in 2000 was 2 thousand. It was founded as a lumber town at the juncture of two early East Texas railroads. Lumberton is largest city in the county with a population of 10 thousand. The community is central also to the Big Thicket National Preserve. An interpretive center and maintenance facilities are currently being developed a few miles to the north of Kountze are expected to attract both tourist and researchers to the area. There are abundant natural and recreational resources available in the woodlands and waterways around Kountze. Hardin County is the county in the United States with both a national park and a state park.

Family farms and U-pick operations offer strawberries and mayhaws in the spring, blueberries, peaches and vegetables during the summers, and Christmas trees for the holidays. A local plant shop has received statewide recognition for their offerings of native plants and trees.

Other incorporated cities in Hardin include Rose Hill Acres, Silsbee, and Sour Lake.

Employers in the county include Silsbee ISD, Texas HomeHealth of America, Temple-Inland, Louisiana-Pacific Corp., Memorial Hermann Baptist Hospital, Wooden Pallets, and Streamline Production Systems.

## **JASPER COUNTY**

Jasper County is designated as part of CB's Beaumont AA, but is not in the Beaumont - Port Arthur MSA. The population is estimated at 34 thousand according to 2008 U. S. Census Bureau with an estimated contraction rate since the 2000 Census of 3.5 percent. The median household income in 2007 was \$36,608, with 20 percent of the population living below the poverty level. The unemployment rate for March 2008 was 5.8 percent.

Jasper (2000 population, 8 thousand) is the county's largest town and county seat, known as "The Jewel of the Forest". It is 115 miles northeast of Houston and twenty-three miles west of the Sabine River and Louisiana. In addition to quaint shops in its historic downtown, Jasper has big retailers, a medical center, branded hotels and charming bed and breakfasts. Jasper is surrounded by nearby communities of Browndell, Buna, Evadale and Kirbyville.

The construction of Sam Rayburn Reservoir in the mid-1960s near Jasper brought the county a new industry, as water again proved to be a valuable resource. The Angelina River feeds the reservoir, which attracts boaters, fishermen, hikers, and tourists. Natural resources include abundant timber, oil, and natural gas. The timber is mixed pine and hardwood.

Employers in the county include Mead Westvaco Corp., Rayburn Country Resort, Christus Jasper Memorial Hospital, Buna ISD, Southeast Texas Industries, and Walmart.

## **TYLER COUNTY**

Tyler County is designated as part of CB's Beaumont AA, but is not in the Beaumont - Port Arthur MSA. The population is estimated at 20 thousand according to 2008 U. S. Census Bureau with an estimated contraction rate since the 2000 Census of 1.9 percent. The median household income in 2007 was \$36,275, with 19 percent of the population living below the poverty level. The unemployment rate for March 2008 was 5.3 percent.

Tyler County is in southeastern Texas near the Louisiana border. Woodville, the county seat and largest town, is fifty-six miles north of Beaumont and ninety miles northeast of Houston, very near the center of the county. The county comprises 908 square miles of the East Texas timberlands, an area densely forested with pine and a great variety of hardwoods. It contains parts of the Big Thicket National Preserve established by Congress in 1974. The largest body of water in the county is B. A. Steinhagen Lake on the Neches River, impounded in 1951 by Town Bluff Dam (also called Dam B); the lake covers 13,700 acres. Excellent farmland comprises 21 to 30 percent of the land in the county. Mineral resources include clay, industrial sands, oil, and gas.

Communities in the county include Woodville, the county seat with a population in the 2000 census of 2 thousand, Colmesneil and Chester. To the west of Woodville and Tyler County is the home of the Alabama-Coushatta Tribe, Texas' oldest Indian Reservation. Approximately 500 tribal members call this area of about 4,600 acres home.

Tyler County offers outdoor attractions like fishing, hunting, boating or hiking and indoor events like antiquing and shopping. Tyler is also a growing retirement destination.

The largest employers in the county include Tyler County Hospital, Warren ISD, and Walmart.

## **ORANGE COUNTY**

All of Orange County, Texas is designated as part of CB's Beaumont AA and in the Beaumont - Port Arthur MSA. The population is estimated at 83 thousand according to 2008 US Census Bureau with an estimated growth rate since the 2000 Census of 2.3 percent. The median household income in 2007 was \$46,563, with 14 percent of

the population living below the poverty level. The unemployment rate in 2008 was 5.4 percent.

Orange, Texas is the county seat. As of the 2000 census, the city population was 19 thousand. It is the easternmost city in Texas. The City of Orange is located on the Sabine River at the border with Louisiana. It is a deep-water port to the Gulf of Mexico known as the "Greatest Small Port in America". The Port of Orange is located on IH-10 less than 100 miles east of Houston, Texas. It is able to handle any type of break-bulk general cargo and heavy lift cargo to or from barges or deep sea vessels.

Primary economic activities in Orange County are the petroleum refining industry, paper milling, rice farming, and shrimping. More recently, oil and gas production and refining have become the major source of economic growth and development. Salt domes, sand, and gravel are other natural resources of economic importance to the region.

Other cities and communities in the county are Vidor, Bridge City, Mauriceville, Little Cypress, and Pinehurst.

Orange County Airport operates general aviation flights.

The largest employers in the county include Vidor ISD, Bayer Corp., Gerdau Ameristeel, Baptist Hospital of Orange, Firestone, Inland Paperboard & Packaging, Memorial Hermann Baptist Hospital, Signal International, Southeast Texas Works, Stanley Stores, Technical Resource Staffing, Temple Inland Forest Products Corp., Tyco Thermal Controls, and Walmart.

## **NEWTON COUNTY**

Newton County is designated as part of CB's Beaumont AA, but is not in the Beaumont - Port Arthur MSA. The population is estimated at 14 thousand according to 2008 U. S. Census Bureau with an estimated contraction rate since the 2000 Census of 8.8 percent. The median household income in 2007 was \$34,162, with 20 percent of the population living below the poverty level. The unemployment rate for March 2008 was 5.5 percent.

The county seat, Newton, is near the center of the county. The City of Newton is located 70 miles northeast of Beaumont, 150 miles northeast of Houston. Newton County is located on the western edge of the Great Eastern Forest offering hiking trails and hunting opportunities. Toledo Bend Reservoir and the Sabine River offer some of the best fishing and water recreation in the United States. Other cities in the county include Deweyville, Burkeville, and South Toledo Bend.

The City of Newton operates a municipal airport.

A mainstay for employment and positive economic impact to the City and County is the Newton County Correctional Facility, also known as the Fillyaw Correctional Facility, it houses Texas Department of Correction and other inmates in a low to medium security environment. Employing over 200 personnel, the facility is owned by the County of

Newton and the management is contracted to well-respected private correctional facility operators. Other large employers in the county are Louisiana-Pacific Plywood Plant, and Newton ISD.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The lending test is rated Satisfactory.

### Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is more than reasonable, and exceeds a ratio of peer group banks. The average quarterly ratio since the prior examination is 56.67 percent. A peer group of the other banks headquartered in the bank's AA had an LTD of 47.03 percent for the same time period. In addition, since the acquisition of CountyBancshares on July 31, 2007 and the onset of business as CB on August 1, 2007, the bank's quarterly LTD has averaged 71.67 percent. For the most recent quarter, the bank's LTD of 72.12 percent significantly exceeds the peer group's average of 48.08 percent.

### Lending in Assessment Area

Lending in the AA is more than reasonable. A substantial majority of sampled small business loans and reported owner-occupied home mortgage loans were originated inside the AA. The bank's performance is shown in the table below:

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
Business	59	91	6	9	65	6387128	89	792,791	11	7179919
Residential- Owner Occupied	426	92	38	8	464	50,568	88	6,637	12	57,205
Totals	485	92	44	8	529	6437696	89	799,428	11	7237124

Source: data reported under HMDA and Small Business Sample

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

Lending to borrowers of different incomes shows reasonable penetration. Residential real estate lending represents less than 8 percent of the loan portfolio. Therefore, very little weight was given to this product and most weight was assigned to business lending in the overall lending rating.

We compared the bank’s loan originations for home purchase, home improvement, and refinance to the percentage of AA families based on 2000 U. S. Census information. CB had excellent penetration to low-and-moderate income borrowers for home improvement loans. The bank’s originations to low-and-moderate income borrowers exceeded the percent of AA families for this product. There was also good penetration to moderate income borrowers for home purchase loans and adequate penetration for refinance loans in this income category. The bank’s performance is shown in the following table:

<b>Table 2A - Borrower Distribution of Residential Real Estate Loans in Beaumont AA</b>								
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
Home Purchase	22.44	6.25	17.12	14.29	20.33	16.96	40.11	62.50
Home Improve	22.44	31.18	17.12	18.82	20.33	19.35	40.11	29.57
Refinance	22.44	4.44	17.12	11.11	20.33	15.56	40.11	68.89

Source: data reported under HMDA; U.S. Census data. 1.08% of home improvement applicants did not report income.

Lending to businesses of different sizes shows reasonable penetration. The percentage of loan originations to small businesses with revenues of \$1 million or less by number is near to the number of businesses in the AA. By dollar, the percentage of the amount is significantly less than the characteristics of the AA. The bank’s performance is shown in the following table:

<b>Table 2B – Borrower Distribution of Loans to Businesses in Beaumont AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	63.67	3.51	32.82	100.00
% of Bank Loans in AA by #	50.85	38.98	10.17	100.00
% of Bank Loans in AA by \$	27.94	71.19	0.87	100.00

Source: Sampled loans; Dun and Bradstreet data.

### Geographic Distribution of Loans

The geographic distribution of home loan products shows reasonable penetration dispersion. We compared the loan originations for home purchase, home improvement, and refinance to the percentage of AA owner occupied housing based on 2000 U. S. Census information. The HMDA data indicated CB did not make any residential loans in low-income tracts. CB had good penetration in moderate-income tracts for home improvement loans and poor penetration for moderate-income tracts for home purchase and home refinance loans. The Beaumont AA has only 6% of low-income tracts. As indicated below, there is less than 3% of the owner occupied housing units located in these tracts, therefore indicating this is not a predominantly residential area. Overall performance is reflected in the following table:

<b>Table 3A – Geographic Distribution of Residential Real Estate Loans in Beaumont AA</b>								
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
Home Purchase	2.63	0.00	14.12	4.46	61.40	58.93	21.85	36.61
Home Improve	2.63	0.00	14.12	11.83	61.40	80.65	21.85	7.53
Refinance	2.63	0.00	14.12	6.67	61.40	60.00	21.85	33.33

Source: data reported under HMDA; U.S. Census data.

The geographic distribution of loans to businesses shows reasonable dispersion. It is important to note the low-income tracts in the Beaumont AA are sparsely populated. The area contains two cemeteries, a country club, golf course, public park, Port of Beaumont and a boat launch. There are very limited opportunities in these tracts. CB did not originate any small business loans in low-income tracts. The percentage of loans originated in moderate-income census tracts is lower than the percentage of AA businesses. The bank’s performance is shown in the following table:

<b>Table 3B - Geographic Distribution of Beaumont AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Business Loans	2.51	0.00%	18.57	11.86	55.31	59.32	23.50	27.12

Source: Small business sample; Dun and Bradstreet data. NA census tracts are 0.11%; Loan in undesignated tracts 1.70%

**Responses to Complaints**

The bank did not receive any CRA related complaints during the CRA evaluation period.

**COMMUNITY DEVELOPMENT TEST**

Overall, the bank’s performance under the Community Development Test is Outstanding and reflects excellent responsiveness to the needs of the AA.

Community Development Loans

The level of community development loans made by CB during this evaluation period is excellent.

Qualifying community development loans are loans that meet the definition of community development, as defined in the CRA regulation. During the evaluation period, officers originated four CRA qualifying loans. The following list supplies a

summary of the qualified community development loans:

- One loan was originated for \$950,000 to develop 45 lots in a subdivision located in a moderate tract in the Beaumont AA. This area is located in a Small Business Administration (SBA) Historically Underutilized Business zone (HUBZone). The SBA has several criteria for this designation. These are as follows:
  1. The firm must be a small business based on the North American Industry Classification System (NAICS)(<http://www.census.gov/epcd/www/naics.html>) for size standards.
  2. The business must be at least 51% owned and controlled by citizens of the United States.
  3. The firm's principal office (the location where the greatest number of employees perform their work, excluding contract sites) must be in a HUBZone.
  4. 35% of the firms total workforce must reside in a HUBZone.
- Three loans were originated totaling \$1.2 million for affordable housing. All three of the loans had a majority of it multi-family units with rental rates under the county median rents per 2007 US Census updated information. Two of these were located in Hardin County and one was located in the City of Beaumont.
- It is also important to note the bank participated in a loan to provide affordable housing to US soldiers at Fort Hood. This loan was originated outside of the assessment area. CB's portion of the participation was \$4.6 million.

In addition to the originated loans discussed above meeting all aspects of the community development definition, CB loan officers originated a total of \$2.4 million in loans less than \$1 million in amount that met the purpose test but not the size test of community development. Small Intermediate banks have the option to count certain small business loans as community development, if the loans have a community development purpose. Therefore, these warrant special mention in this performance evaluation. These loans are:

- Two loans were originated for \$1.7 million to a company which provides many services targeted to low-and-moderate income families. These services include transportation of Medicaid patients, child day care and educational opportunities, medical and nutritional needs.
- Three loans were originated for \$744 thousand to a company which provides housing and services to underprivileged children. These services include adoption services, foster care homes, educational, and medical needs.

### Community Development Investments

Qualifying investments are investments, deposits, membership shares, or grants that have as their primary purpose community development as defined in the CRA regulation. The definition includes investments and contributions meeting the definition of community development. The level of community development investments is excellent.

CB purchased a Fannie Mae mortgage backed security (MBS) for \$2.5 million during this evaluation period. The MBS consisted of 23 loans originated in the State of Texas. 17 percent of these were made to low-income borrowers and 83 percent were made to moderate-income borrowers. Nine percent of these were located in a moderate-income census tract.

CB invested \$20,000 to a non-profit organization for the purpose of applying for and receiving grant money through the FHLB Economic Development Disaster Relief Program. The bank is working with the organization to replace equipment and obtain building repairs through controlling the disbursement of funds and property inspection to ensure contractor obligations are met. The organization works with at-risk children through the court system in an underserved portion of Port Arthur, Tx, and since Hurricane Ike, the organization had been unable to continue the work due to computer equipment no longer working and a damaged facility.

The bank also made 48 qualifying community development donations totaling \$40 thousand during the evaluation period. The largest donation was for \$12 thousand to an organization whose mission is to provide funding for the economic redevelopment of Port Arthur, Texas. There were several donations to area Independent School Districts and Habitat for Humanity functions in the AA. CB also made donations to various children's organizations and homeless shelters to benefit low- and moderate-income families.

### Community Development Services

#### **Responsiveness to Community Development Needs**

The bank has a good level of community development services. Bank officers are active in several organizations that provide services for low- and moderate-income persons. In addition, officers provide financial technical assistance by serving as board members to several organizations providing services for low-and-moderate income borrowers through-out the Beaumont AA. The activities include the following organizations:

- United Way of Beaumont and North Jefferson County
- The Salvation Army
- Boy Scouts of America
- Nutrition and Services for Seniors
- Some Other Place (homeless assistance)
- Gift of Life – (medical services to uninsured persons)
- YMCA of Port Arthur (Serving a low-and-moderate area)

- Spindletop Mental Health/ Mental Retardation foundation
- March of Dimes – CRA Officer is on the Region 5 Public Affairs Committee
- Disaster assistance provided by American Red Cross

Many of the officers serve on boards or participate in organizations which promote Economic Development. These organizations are:

- Nederland Economic Development Corporation
- SBA Alliance Capital
- SE Texas Economic Development Foundation
- Sour Lake Economic Development Corporation

Many officers participate in civic organizations such as local Rotary, Kiwanis, and Lions clubs. Although the primary mission of these organizations is to promote civic involvement and provide networking among area business people, they also have projects that benefit low- and moderate-income persons in the area. For example, the local Lions Club provides free eye exams and eye glasses to persons who cannot afford medical care.

CB has a reasonable branch distribution. As discussed earlier, CB has 3 of 15 or 20 percent of its branches located in moderate-income CTs.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.