



## PUBLIC DISCLOSURE

August 31, 2017

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Hometown Bank, National Association  
Charter Number 15593

1801 45th Street Galveston, TX 77550

Office of the Comptroller of the Currency

1301 McKinney Street Suite 1410 Houston, TX 77010-3031

**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, and should not 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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## **Overall Community Reinvestment Act Rating**

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

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

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

Hometown Bank, National Association (Hometown or Bank) has a satisfactory record of meeting community credit needs based on the following:

- Hometown has maintained a loan-to-deposit (LTD) ratio on a quarterly basis that is reasonable when compared to similarly situated peer groups.
- A substantial majority of the bank's lending, by number and dollar amount of loans originated or refinanced, is inside the bank's assessment area (AA).
- The overall level of lending to borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The overall geographic distribution of loans reflects excellent dispersion among families and households of different income levels and businesses of different sizes.
- The bank's performance under the community development (CD) lending test is outstanding and shows excellent responsiveness to the needs of the AA.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**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.

**Census Tract (CT):** 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 areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**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).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract 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 conduct 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 applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**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.

**Limited Review:** Performance under the lending, investment, and service tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**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 metropolitan area/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**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

**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.

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

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

## **Description of Institution**

Hometown is a single-state community bank headquartered in Galveston, Texas, at 1801 45<sup>th</sup> Street. The bank is a \$572 million institution partly owned by Moody Bank Holding Company, Inc., which is a two-bank holding company located in Galveston, Texas. The bank has one AA, with seven branches in total, located in Galveston, Friendswood, Alvin, League City, and Pearland, TX and maintains drive-through facilities and automated teller machines (ATMs) at each location.

The bank is a full service institution and offers a variety of traditional loan and deposit products to retail and commercial customers. Deposit products consist of business and personal checking accounts, money market accounts, individual retirement accounts, savings accounts, and certificates of deposit. The bank also offers remote deposit services, debit cards, online banking services, and 24 hour bank by phone.

As of December 31, 2016, Hometown reported total assets of \$572 million, net loans and leases of \$345 million, and tier one capital of \$58 million. As of the same time period, business loans represented 56.58 percent of gross loans and residential real estate loans represented 27.55 percent, by dollar volume. By number, residential real estate loans represented 30.22 percent of gross loans, business loans represented 26.32 percent, and consumer loans represented 25.08 percent. Therefore, for this evaluation, we concluded residential real estate, business, and consumer loans were the primary loan products.

There are no legal, financial or other factors impeding the bank's ability to meet the credit needs in its AA. The bank received a CRA rating of "satisfactory" at its last CRA evaluation, dated September 8, 2014.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

We completed a review of Hometown's CRA performance under the intermediate-small bank (ISB) CRA procedures, which include a lending test and a CD test. The lending test evaluates the bank's record of meeting the credit needs of its AA through lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through qualified CD lending, investments and donations, and services.

The evaluation period for the lending and CD tests is January 1, 2015 through December 31, 2016. Conclusions regarding the bank's lending performance are based on residential real estate loans for home purchase, home improvement, and home refinance that the bank reported under HMDA.

As an ISB, the bank is not required to collect or report loan data for business loans, and management elected not to collect this information during the evaluation period. Furthermore, management is not required, and has elected not, to collect loan data for consumer loans. Therefore, we based our analyses for business and consumer loans on a valid sample of each type of loan. Additionally, the evaluation period for the CD loans, investments and donations, and services is January 1, 2015 through December 31, 2016.

## **Data Integrity**

We performed a data integrity review that commenced on May 10, 2017. The purpose of the review was to determine the accuracy and reliability of the HMDA Loan Application Register (LAR) data. The review deemed the HMDA data accurate and reliable. No affiliates exists; therefore, affiliated activities were not considered in this evaluation.

## **Selection of Areas for Full-Scope Review**

Hometown designated the Houston Metropolitan Statistical Area (MSA) as its AA. We performed a full-scope review of the Houston MSA AA. Please refer to the table in appendix A for more information.

## **Ratings**

The bank's overall rating is based primarily on observed performance as well as context information from the Houston MSA AA.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation. The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

Lending tests indicate that Hometown meets the standards for satisfactory performance. There were no discriminatory lending practices identified during the evaluation period.

### LENDING TEST

Overall, performance under the lending test is satisfactory.

#### Loan-to-Deposit Ratio

The LTD ratio is reasonable. The bank's quarterly LTD ratio since the last CRA evaluation averaged 64.71 percent, with a high ratio of 68.82 percent in the fourth quarter of 2016. We compared the bank's LTD ratio to three similarly situated banks (peer group banks) in Harris, Brazoria, and Galveston counties, ranging in total asset sizes of \$587 to \$972 million. The peer group bank's average LTD ratio was 71.92 percent, with a high average of 86.51 percent and a low average of 58.20 percent.

#### Lending in Assessment Area

A substantial majority of Hometown's lending activity occurred inside the bank's AA. Our review consisted of 303 residential mortgage loans, 42 business loans, and 52 consumer loans. By number, 98.99 percent and by dollar amount, 99.20 percent of loans originated or refinanced were located inside the bank's AA. The following table details the bank's lending performance.

Loan Type	Number of Loans				Total	Dollars of Loans				
	Inside		Outside			Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Purchase	223	98.24	4	1.76	227	42,380	98.83	502	1.17	\$42,882
Improvement	46	100.00	0	0.00	46	4,160	100.00	0	0.00	\$4,160
Refinance	30	100.00	0	0.00	30	3,077	100.00	0	0.00	\$3,077
Business	42	100.00	0	0.00	42	11,997	100.00	0	0.00	\$11,997
Consumer	52	100.00	0	0.00	52	626	100.00	0	0.00	\$626
Totals	393	<b>98.99</b>	4	1.01	397	62,240	<b>99.20</b>	502	0.80	\$62,742

Source: Data reported under HMDA and loan sample.

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

Overall, the level of lending to borrowers of different incomes and to businesses of different sizes is reasonable, compared to census characteristics.

### Residential Real Estate Loans

The overall distribution of residential real estate loans reflects poor penetration; however, the bank had excellent penetration to moderate-income borrowers for refinance loans. For purchase and refinance loans to low-income borrowers, there was poor penetration and very poor penetration for home improvement loans. In moderate-income CTs, the bank had poor penetration for purchase and home improvement loans and excellent penetration for refinance loans.

Hurricane Ike struck the Galveston area in September 2008. Until October 2015, the federal housing program to rebuild low-income housing projects in Galveston County was halted. Therefore, during the majority of the review period, the bank's housing loans in the Galveston area were primarily to borrowers seeking loans for vacation homes. Management also noted increased volumes in the Friendswood branches for higher dollar valued homes. The bank's performance is shown in the following table.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Purchase	25.66	5.83	17.12	7.17	17.47	10.76	39.75	57.40
Improvement	25.66	2.17	17.12	4.35	17.47	15.22	39.75	69.57
Refinance	25.66	3.33	17.12	<b>20.00</b>	17.47	26.67	39.75	20.00

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

### Business Loans

The overall distribution of business loans reflects excellent penetration. Lending to businesses of different sizes reflects excellent penetration to businesses with revenues of \$1 million or less.

Of the bank's loans to businesses originated and refinanced during the evaluation period, 95.24 percent by number and 97.37 percent by dollar amount were made to small businesses, as compared to 84.53 percent of demographic data for small businesses. The following table reflects the bank's performance during the evaluation period.

Table 2A - Borrower Distribution of Loans to Businesses in Hometown AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	84.53	6.23	9.23	100%
% of Bank Loans in AA by #	<b>95.24</b>	2.38	2.38	100%
% of Bank Loans in AA by \$	<b>97.37</b>	2.50	0.13	100%

Source: Loan sample; Dun and Bradstreet data

## Consumer Loans

The distribution of consumer loans to borrowers of different income levels represents a reasonable penetration, as penetration to low-income borrowers significantly exceeded the census demographics. The distribution of loans to low-income borrowers significantly exceeded the AA characteristics and there was no penetration to moderate-income borrowers. The bank's performance is shown in the following table.

Table 2B - Borrower Distribution of Consumer Loans in Hometown AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer Loans	25.67	<b>69.23</b>	16.98	0.00	17.06	0.00	40.29	0.00

Source: Loan sample; U.S. Census data.

## **Geographic Distribution of Loans**

The overall geographic distribution of loans reflects excellent dispersion among families and households of different income levels and businesses of different sizes. There were no conspicuous gaps identified in the geographic distribution.

## Residential Real Estate Loans

The geographic distribution of residential real estate loans reflects excellent dispersion among CTs of different income levels in the bank's AA. The distribution of purchase, home improvement, and refinance loans reflects excellent dispersion for low-income CTs. In moderate-income CTs, the distribution is excellent for purchase and refinance loans and good for home improvement loans. The following table details the bank's performance, as compared to the percentage of owner-occupied housing units in each CT income level.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Hometown AA								
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
Purchase	5.24	<b>13.45</b>	23.92	<b>26.91</b>	29.25	34.98	41.59	24.66
Improvement	5.24	<b>8.70</b>	23.92	<b>19.57</b>	29.25	34.78	41.59	36.96
Refinance	5.24	<b>16.67</b>	23.92	<b>36.67</b>	29.25	26.67	41.59	20.00

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

### Business Loans

The geographic distribution of business loans reflects excellent dispersion of loans to borrowers of different income levels, within the CTs in Hometown's AA. Dispersion of loans in low-income CTs is excellent, with reasonable dispersion in moderate-income CTs. The following table details the bank's performance as compared to the percentage of businesses in each CT income level.

Table 3A - Geographic Distribution of Loans to Businesses in Hometown AA								
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	9.89	<b>11.90</b>	21.74	<b>11.91</b>	24.20	35.71	44.10	40.48

Source: Loan sample; Dun and Bradstreet data.

### Consumer Loans

The geographic distribution of consumer loans reflects reasonable dispersion in low- and moderate-income (LMI) CTs. The bank's performance is detailed in the following table.

Table 3B - Geographic Distribution of Consumer Loans in Hometown AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	11.67	<b>7.69</b>	27.91	<b>23.08</b>	26.78	40.38	33.63	28.85

Source: Loan sample; U.S. Census data.

## **Responses to Complaints**

During the evaluation period, the bank did not receive any complaints or public comments regarding CRA performance.

## **COMMUNITY DEVELOPMENT TEST**

The bank demonstrated an outstanding record regarding the CD test. The level of CD activities demonstrates excellent responsiveness to the needs of the community. Factors supporting this conclusion include an excellent record regarding qualified CD loans, investment, donations, and services, combined with good responsiveness to CD needs. Hometown provided \$26.0 million in qualifying CD loans and \$5.9 million in qualifying investments and donations. In addition, Hometown bank officers provided 23 CD services to 16 organizations during the evaluation period.

### **Number and Amount of Community Development Loans**

Hometown demonstrated excellent responsiveness to CD needs through qualified investment activities within the AA. During the review period, Hometown originated and renewed 46 CD loans totaling \$26 million. Of the total qualified loans, twelve loans totaling \$1.7 million promoted affordable housing for LMI individuals, 27 loans totaling \$13.2 million supported economic development through job creation and job retention, two loans totaling \$7.0 million promoted community services through lines of credit to a school district where 74.3 percent of the students were classified as economically disadvantaged, and five revitalize and stabilize loans totaling \$4.1 million were to the City or City Partnerships where funds were used for city projects that were part of a City Plan.

### **Number and Amount of Qualified Investments**

During the evaluation period, Hometown demonstrated excellent responsiveness to CD needs through qualified investment and donation activities within the AA. The bank made 12 qualifying investments and 44 donations totaling \$5.9 million. Qualified investments consisted of \$4.1 million for affordable housing, \$1.6 million for revitalize and stabilize, and \$250 thousand for economic development purposes.

The majority of affordable housing initiatives consisted of investments totaling \$3 million to a housing foundation that provides affordable and safe living environments to elderly LMI individuals. Other investments included a \$1.1 million CRA mortgage-backed security (MBS) pool that provided affordable housing to LMI borrowers. All of the loans in the MBS pool were located within the bank's AA.

Furthermore, four municipal investments totaling \$1.5 million were utilized for the revitalization and stabilization of LMI areas within the bank's AA. The investments provided for the improvement of city infrastructures consisting of water and sewer systems in cities located in LMI areas within the bank's AA.

During the review period, Hometown made one \$250 thousand investment to a nonprofit organization where funds provided by the nonprofit promote economic development by providing financing to small businesses that do not have access to capital through typical lending institutions.

Hometown also provided 44 charitable contributions totaling \$44 thousand to organizations that provide community services to LMI individuals. The majority of contributions benefited an organization that provides housing and support services to LMI children and adults with mental disabilities. Other contributions were to organizations that provide food and essentials to LMI individuals within the AA. Furthermore, the bank made contributions to a local educational foundation that provides programs to schools in a school district which has a significant economically disadvantaged student population.

### **Extent to Which the Bank Provides Community Development Services**

Hometown demonstrated excellent responsiveness to CD needs through qualified service activities within the AA. During the evaluation period, Hometown provided 23 services to 16 organizations within the AA. These services were performed in all counties within the bank's AA. Bank officers provided services and served as Board members to various organizations.

Of the qualified CD services, a majority of the services were performed by bank officers at schools within the school district where student population was over 74 percent economically disadvantaged. Bank officers also provided banking and financial seminars to classes within the district where majority of the time was spent providing a program that teaches students how to start and run a small business. Other CD services included providing financial expertise to organizations that facilitate affordable housing and provide community services to LMI individuals within the bank's AA.

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

The level of lending and CD efforts demonstrates adequate responsiveness to the needs in the AA. Hometown has 9.74 percent of the deposit market share in Galveston County. The City of Galveston Plan has initiatives to support development of new businesses and industries. Additionally, community contacts indicated the need for affordable housing and financial education. During the evaluation period, Hometown provided CD loans to businesses for economic development that created jobs, provided loans for multifamily units which provide affordable housing to LMI individuals, and bank officers performed financial education classes for LMI individuals.

# Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope.”)

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (01/01/15 to 12/31/16) Investment and Service Tests and CD Loans: (01/01/15 to 12/31/16)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Hometown Bank, Galveston, TX	Residential, Business, and Consumer	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Houston-Woodlands-Sugar Land MSA	Full-Scope	

## Appendix B: Community Profiles for Full-Scope Areas

### Houston-Woodlands-Sugar Land MSA

Demographic Information for Full-Scope Area: Houston-Woodlands-Sugar Land MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	902	14.30	30.82	25.06	29.49	0.33
Population by Geography	4,696,934	11.60	29.15	27.43	31.51	0.31
Owner-Occupied Housing by Geography	1,801,065	12.73	28.69	26.45	32.13	0.00
Businesses by Geography	352,497	9.89	21.74	24.20	44.11	0.06
Farms by Geography	5,405	6.16	18.48	29.90	45.44	0.02
Family Distribution by Income Level	1,094,835	10.73	28.12	27.36	33.79	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,580,436	25.67	16.98	17.06	40.29	0.00
Median Family Income HUD Adjusted Median Family Income for 2016 Households Below the Poverty Level	= \$68,000 = \$62,800 = 14.08%	Median Housing Value Unemployment Rate				= \$153,886 = 4.75%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 U.S. Census, and 2016 HUD updated MFI.

Hometown has one AA in the state of Texas which meets the requirements of the regulation. The bank's AA includes three contiguous counties of Galveston, Harris, and Brazoria. All three counties are located in the Houston-Woodlands-Sugar Land MSA. The AA includes a combined total of 902 CTs between the three counties. There are 786 CTs located in Harris County, 66 CTs in Galveston County, and 50 CTs in Brazoria County. Within the three counties there are a total of 129 low-income CTs (14.30 percent), 278 moderate-income CTs (30.82 percent), 226 middle-income CTs (25.06 percent), 266 upper-income CTs (29.49 percent), and three CTs (0.33 percent) that have no income designations.

Cities within the bank's AA include Galveston, Friendswood, Alvin, League City, Dickinson, Webster, Pearland, Texas City, Angleton, Houston, and the area commonly referred to as Clear Lake. Hometown has seven branch locations in the AA. Four branches including the bank's main office are located in Galveston County, two branches in Brazoria, and one branch in Harris County.

## **Galveston County**

The County of Galveston is positioned along the Texas gulf coast, southwest of the state of Louisiana. Galveston County includes the areas of the mainland Galveston, Galveston Bay, and Galveston Island and is home and headquarters to Hometown. The county contains 66 CTs, which include eight low-income CTs (12 percent), 17 moderate-income CTs (26 percent), 20 middle-income CTs (30 percent), and 21 upper-income CTs (32 percent). The 2016 U.S. Census population estimates the county to have a population of 329 thousand. The city of Galveston is the county seat and has approximately 50 thousand residents as of 2016. The largest city in the county is League City, with an estimated population of approximately 102 thousand residents as of 2016. The median housing value in Galveston County is \$144,440. According to the U.S. Census, 57 percent of housing units are owner-occupied and 25 percent are rental units in the county. The bank has four offices in the county which includes the main office and three branch locations. Bank offices are located in the cities of Galveston, Friendswood, and League City.

The city of Galveston is a major tourist destination for the Texas gulf coast and is a port of entry for cruise and cargo ships. Other industries include health care, marine-related fields, higher education, and technology research. Major employers in Galveston County include University of Texas Medical Branch, Landry's Inc., the County of Galveston, Galveston Independent School District (ISD), and Moody Gardens. Per the Bureau of Labor Statistics, the June 2017 unemployment rate for the county was 5.8 percent.

The economy of Galveston County continues to recover from the destruction left by Hurricane Ike in 2008. In 2011, Galveston city officials developed a comprehensive plan to address recovery strategies and the overall needs of the city. Plan initiatives include improving the condition of existing housing stock and expanding choices for renters, elderly, LMI and middle-income residents. In addition, the plan focuses on affordable housing for city residents and addresses habitable structures being brought up to minimum code standards, while removing dilapidated structures in the county. The city continues to support the Renaissance Zone Program administered by the Family, Children and Youth Board, which provides amenities such as sidewalks and American Disabilities Act improvements in LMI neighborhoods. The plan contains programs to expand housing choices for LMI households. In addition, the city has Homebuyer Assistance Programs, which provide down payment and closing cost assistance to qualified buyers.

According to the FDIC Market Share Report, as of June 30, 2016 there were 20 financial institutions in the AA. Hometown has four branch locations in Galveston County and holds 9.74 percent of the deposit market share. The largest deposit market shareholders include Moody N.A., Texas First Bank, and JP Morgan Chase Bank N.A.

## **Harris County**

Harris County is largest county located in the Houston-Woodlands-Sugar Land MSA and contains 786 CTs. CTs in the county include 121 low-income CTs (15 percent), 251 moderate-income CTs (32 percent), 183 middle-income CTs (23 percent), 228 upper-income CTs (29 percent), and three CTs with no income designation (1 percent). According to 2016 U.S. Census Bureau estimates, the county has a population of 4.6 million, with a growth rate of 11 percent since the year 2010. The county seat is Houston, which is the largest city in Texas and the fourth largest city in the nation. The 2016 estimated population of Houston is 2.3 million, which is approximately half of the total population of the entire Harris County. The median housing value in Harris County is \$156,120. According to the U.S. Census, 51 percent of housing units are owner-occupied and 37 percent are rental units in the county. Other large cities in the county include Pasadena, Baytown, and Deerpark. The bank has one branch location in Harris County.

The economy of Harris County is stable, despite the recent oil and gas downturn. As previously mentioned, Houston is the largest city in Harris County and known as the Energy Capital of the United States. In addition, Houston is home to the largest medical center in the world, the Texas Medical Center. The Port of Houston is the tenth largest port in the world and there are more than 5,000 energy-related firms in the county. Furthermore, Harris County has many ISD that employ numerous persons throughout the county. As of June 2017, the Bureau of Labor Statistics reported a 5.3 percent unemployment rate for the county.

There is fierce competition in the county. According to the FDIC Market Share Report, as of June 30, 2016, there are 80 financial institutions in the AA and, as previously mentioned, Hometown has one branch. The largest deposit market shareholders include JP Morgan Chase Bank N.A., with 42.90 percent of market share, Wells Fargo Bank, N.A., with 9.71 percent of market share, and Bank of America, N.A., with 9.38 percent of market share.

## **Brazoria County**

Brazoria County is located in southeast Texas and situated along the gulf coast. The county has 50 CTs which includes 10 moderate-income CTs (20 percent), 23 middle-income CTs (46 percent), and 17 upper-income CTs (34 percent). There are no low-income CTs in the county. The county has a population of 354 thousand, per the 2016 U.S. Census population estimates. The county seat is Angleton, with an estimated population of 19 thousand residents as of 2016. The largest city in the county is Pearland, with an estimated population of 113 thousand residents. The median housing value in the AA is \$134,258. The U.S. Census reported 67 percent of owner-occupied housing and 21 percent of rental units in the county. Hometown has two branch locations in Brazoria County, in the cities of Pearland and Alvin.

The economy of Brazoria County is driven by the manufacturing, construction, and retail trade industries. The largest employers in Brazoria County are The Dow Chemical Company, Fluor Corporation, Zachary Group, and Alvin ISD. The Bureau of Labor Statistics reported a 5.8 percent unemployment rate for the county, as of June 2017.

The bank has a number of competitors in the county. According to the FDIC Market Share Report, as of June 30, 2016, there were 27 financial institutions in the AA. Hometown has two branches in Brazoria County and holds 1.12 percent of the deposit market share. The largest deposit market shareholders include Wells Fargo Bank, N.A., JP Morgan Chase Bank N.A., Compass Bank, Texas Gulf Bank, N.A., and Bank of America, N.A.

### **Community Contacts**

During the evaluation period, the District Community Affairs Officer for the OCC made contact with a local community organization in Galveston County. The representative indicated there is a significant need for affordable housing in the community. In 2008, Hurricane Ike destroyed over 500 public housing facilities, leaving many local residents displaced. The contact reported that approximately 56 percent of the residents in the City of Galveston are low-to-moderate income, further supporting the need for affordable housing. In addition, the contact noted there is an agreement with the State of Texas for the restoration and rebuilding of the public housing facilities. However, the process of rebuilding the destroyed public housing facilities has not commenced.

The District Community Affairs Officer also contacted an organization that serves multiple counties, including Brazoria, Galveston, and Harris in the bank's AA. The organization is a nonprofit that provides basic needs and essentials, including shelter to individuals in need of assistance. In addition, the organization provides services, including affordable housing and disaster relief assistance programs, to the community. The representative stated that there is a need for financial education and literacy programs. The contact specifically noted a need for basic banking education and personal budget-related programs.

A community contact was also made to a nonprofit located in southeast Houston. The organization provides affordable housing programs and education to individuals in the community. The director indicated there is an ongoing need for financial education and affordable housing for low and very low-income families. There are programs available through various nonprofits, which promote home ownership by providing budget counseling and rental programs which allow the tenant to buy rehabilitated homes.