

PUBLIC DISCLOSURE

January 11, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Summit Community Bank N.A.
Charter No. 18188**

**Post Office Box 9678
Fort Worth, Texas 76147**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard
Dallas, Texas 75201-3394**

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 Summit Community Bank, N.A., Fort Worth, Texas prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **December 31, 1998**. 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.*

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

The conclusion is based on the following:

- < The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area credit needs.
- < A majority of loans are made in the assessment area.
- < The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- < The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

The following table indicates the performance level of **Summit Community Bank - Fort Worth, Texas** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Summit Community Bank</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		T	
Lending in Assessment Area	T		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		T	
Geographic Distribution of Loans		T	
Response to Complaints	No complaints received.		

DESCRIPTION OF INSTITUTION

Summit Community Bank (SCB) is headquartered in Fort Worth, Texas. As of December 31, 1998, SCB reported total assets of \$308 million. In addition to the main office, there are 3 additional branches in Fort Worth (Tarrant County). In total, SCB has four banking offices, four drive-in facilities, four automated teller machines (ATMs), and a mobile branch. SCB merged with the Alta Mesa office in March 1997, acquired the Northeast Office in January 1997, and opened the Fossil Creek location in November 1997. As a result, the 1998 loan data will show a significant increase from the 1997 loan data due in part to the results of these mergers/acquisitions. The mobile branch is to began operations in 1999. SCB offers convenient banking hours and has a variety of loan and deposit products to meet the service needs in the assessment area. The mobile branch will visit several locations throughout Tarrant county and offer the necessary loan and deposit products. SCB is 100% owned by Summit Bancshares Incorporated (SBI), a multi-bank holding company located in Fort Worth, Texas. SBI also owns Summit National Bank in Fort Worth, Texas. SBI reported total assets of approximately \$528 million on December 31, 1998.

SCB's primary business focus is small business and real estate. SCB offers and extends a variety of loan products including residential mortgages, home improvement, agricultural, commercial, and consumer loans. SCB is a Small Business (SBA) Preferred Lender. The bank continues to be limited in expertise and resources to produce a high volume of mortgage loans. Majority of the mortgage loans are made as an accommodation to existing customers. The bank currently submits long term mortgage related applications to an independent third party. The table below shows the loan portfolio composition as of December 31, 1998:

Loan Type	\$ Volume (000)	% of Portfolio
Business	\$72,859	37%
Consumer	23,890	12%
Real Estate	70,012	36%
Real Estate(Interim)	27,774	14%
Agriculture & Farmland	851	1%
TOTAL	\$195,386	100%

Source: Bank Generated Data

Competition in Tarrant County is strong. There are numerous bank and nonbank

competitors located throughout the metroplex. Based on information compiled by the FDIC, SCB had approximately 2.12% of the market share for deposits as of June 30, 1998.

There are no financial constraints that prohibit SCB from meeting assessment area credit needs.

DESCRIPTION OF THE ASSESSMENT AREA

SCB's assessment area is defined as all of Tarrant County, resulting in 269 Census Tracts(CT's). The following table shows the income distribution of CTs and families that comprise SCB's assessment area.

Income Distribution of Census Tracts (CT's) and Families															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
CT's		Families		CT's		Families		CT's		Families		CT's		Families	
28	10%	14,137	5%	66	25%	73,578	24%	92	34%	116,199	37%	83	31%	105,530	34%

Source: 1990 U.S. Census.

Tarrant County

Tarrant County is located in North Central Texas and is part of the Fort Worth-Arlington Metropolitan Statistical Area (MSA) 2800. Fort Worth is located approximately 40 miles west of Dallas, Texas. The 1990 U.S. Census reports a population of 1.2 million. However, Tarrant County has experienced significant growth with mid-1997 data showing the population nearly 1.6 million. Most of this growth is taking place north of Fort Worth.

The median family income (MFI) for Tarrant County is \$37,571. This income figure is used to determine the income level of individual CTs. The 1998 Department of Housing and Urban Development (HUD) Updated MFI for the Fort Worth-Arlington MSA is \$52,000. The HUD Updated MFI is used to determine the income level of individual applicants and is updated annually.

According to market data provided by SCB, the median home prices for Fort Worth is \$93,400 as of September 1997. The Alliance area, with its abundance of land, is expected to be a strong leader for Tarrant County's residential growth.

SCB's primary trade area is Tarrant County. Major employers in the county include the airline, railroad, technology, and defense industries. The 1990 Business Demographic

Data shows 868 farms and 49,554 businesses in Tarrant County of which 765 (88%) farms and 36,452 (74%) businesses reported gross annual revenues less than \$1 million.

The economy of Tarrant County is prospering. The December 1997 unemployment rate for the county is 2.9%. The unemployment rate for the state is 4.6%, and the national unemployment rate is 5.0%.

Community Contact

Information about community needs were obtained from prior community contacts. According to these contacts, there were no unmet credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The evaluation period covers July to December 1996, 1997, and 1998. SCB's last CRA Performance Evaluation was dated July 29, 1996. For 1996, we combined the data from the acquired banks to better compare performance within this evaluation period. Residential real estate mortgages, business and farm loans, Consumer, and Real Estate (RE) related loans were used to determine the bank's lending performance in regards to lending in the assessment area, lending to borrowers of different incomes and businesses of different sizes, and geographic distribution of loans.

Loan-to-Deposit Ratio

The loan-to-deposit (L/D) ratio is reasonable given SCB's size, financial condition, and assessment area credit needs. The bank's L/D ratio has historically been good and is reflective as compared to their local competitors.

The following table shows total assets (as of September 30, 1998) and the average L/D ratios for several financial institutions in Tarrant County.

Institution	Location	Total Assets (Millions)	Avg. L/D Ratio
Summit Community Bank	Fort Worth	\$282,415	69%
Summit National Bank	Fort Worth	\$206,381	63%
Mercantile Bank	Fort Worth	\$69,300	60%
Southwest Bank	Fort Worth	\$195,445	49%
Woodhaven Bank	Fort Worth	\$81,068	77%

Lending in Assessment Area

Residential Real Estate Loans

The majority of loans originated in the bank's assessment area. For the evaluation period, 95% of the number and 93% of the dollar volume of loans originated in the assessment area. Majority of the loans made are to borrowers who live or conduct business in the area surrounding the bank. Internally generated CRA analysis disclosed that the bank's heaviest loan concentration is located within a five to eight mile radius of the bank. Our previous assessment of the data compilation method used by the bank rendered it reliable. Our limited assessment during this review disclosed the data compilation method to continue to be reliable. The following table shows the volume of loans originated in and out of the assessment area.

Business/Farm/Consumer/RE Loans

A substantial majority of the bank's business, farm, consumer, and real estate (RE) related loans originated in its assessment area. During this evaluation period, SCB originated 7,104 business loans, of which 5,615 (79%) were made in the bank's assessment area. As mentioned above, the bank's data integrity is rendered reliable. The following table shows the volume of all loans originated in and out of the assessment area

Volume of Loan Originations from July to December 1996, 1997 and 1998 Within the Assessment Area						
Product	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Home Purchase/Refinance/Hi	88	\$4,265	83	94%	\$3,585	84%

Business/Farm/Consumer/RE	1,016	\$37,810	838	82%	\$32,615	86%
Total July-December 1996	1,104	\$42,075	921	83%	\$36,200	86%
Home Purchase/Refinance/Hi	161	\$8,273	153	95%	\$7,788	94%
Business/Farm/Consumer/RE	2,937	\$145,819	2,136	73%	\$111,913	77%
Total 1997*	3,098	\$154,092	2,289	74%	\$119,701	78%
Home Purchase/Refinance/Hi	265	\$14,151	265	100%	\$14,151	100%
Business/Farm/Consumer/RE	3,151	\$78,638	2,641	84%	\$65,184	83%
Total 1998	3,416	\$92,789	2,906	85%	\$79,335	86%
Grand Total	7,618	\$288,956	6,116	80%	\$235,236	81%

Source: Bank Generated Data/HMDA Loan Application Registers
*10 million not recorded due to P.O. Box address

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

Residential Real Estate Loans

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income). We reviewed sixteen (16) loans funded in 1998 to confirm income data. No errors were noted. The following table shows the distribution by borrower income levels for the number and dollar volume of residential real estate loans originated in the assessment area.

Distribution of Home Mortgage Loan Originations from July 1996 to December 1996, 1997 and 1998 Within the Assessment Area By Income Level of the Borrower								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Characteristics of Families	14,137	5%	73,578	24%	116,199	37%	105,530	34%
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	1	3%	5	16%	1	3%	25	78%
Home Improvement	5	15%	4	12%	5	15%	19	58%

Total July-Dec. 1996†	6	9%	9	14%	6	9%	44	68%
Home Purchase/Refi	2	3%	6	10%	13	22%	38	64%
Home Improvement	6	9%	12	17%	13	19%	39	56%
Total 1997‡	8	6%	18	14%	26	20%	77	60%
Home Purchase/Refi	10	7%	17	12%	34	23%	85	58%
Home Improvement	5	8%	10	15%	13	20%	37	57%
Total 1998<	15	7%	27	13%	47	22%	122	58%
Grand Total	29	7%	54	13%	79	20%	243	60%

Source: U.S. Census Bureau Demographic Data and HMDA Loan Application Registers

†Applicant income not available on 20 loans.

‡Applicant income not available on 24 loans.

<Applicant income not available on 41 loans.

Business/Farm/Consumer/RE Loans

SCB has a satisfactory record of making loans to businesses, consumers and farms of different income levels and sizes. The bank does not provide income information on their system and are not required for this review period. Bank Management has purchased the necessary software to ensure their system can collect data on small business and small farm loans for large bank CRA purposes. We reviewed forty-six (46) small business loans. Revenue information was reported for all these loans. Thirty-two (32) business reported gross annual revenues less than or equal to \$1 million. The remaining fourteen (14) businesses reported gross annual revenues more than \$1 million. As mentioned earlier, the bank is a SBA Preferred Lender and the majority of their loans will likely be to businesses of revenues less than or equal to \$1 million.

We reviewed sixteen (16) Consumer loans to evaluate the geographic distribution of loans to borrowers of different income levels and test the adequacy of the bank's census tract coding. The results of our review disclosed that eight (50%) of the loans were to high income borrowers, four (25%) were to middle income, with the remaining (25%) to moderate income borrowers. The geographic distribution of these loans reflect closely the income level of the borrowers.

Geographic Distribution of Loans

Residential Real Estate Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The assessment area shows that 35% of Tarrant County is comprised of low and moderate income census tracts. The distribution of loans to low and moderate income census tracts is lower than middle and upper census tracts. This shortage is due in part that many of the bank's loans are made as an accommodation to existing commercial customers and significant depositors. Many of these individuals are considered upper-income borrowers. Also, the bank lacks the expertise and resources to generate a high volume of these loans. As a result, long term mortgage applications are forwarded to an independent third party. The table below shows the geographic distribution of loans made in the assessment area by tract income levels.

Distribution of Mortgage Loan Originations from July to December 1996, 1997 and 1998 Within the Assessment Area By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	28	10%	66	25%	92	34%	83	31%
Census Tracts Penetrated (% of tracts in income group)	13	46%	43	65%	65	71%	66	80%
Number of 1-4 Family Units	20,209	6%	85,769	24%	127,996	36%	118,880	34%
Median Year Built of Housing	1954		1963		1972		1978	
Loan Product	#	%	#	%	#	%	#	%

Home Purchase/Refi	1	2%	7	16%	25	57%	11	25%
Home Improvement	0	0%	2	5%	22	58%	14	37%
Total July-December 1996	1	1%	9	11%	47	57%	25	30%
Home Purchase/Refi	5	7%	9	13%	28	39%	29	41%
Home Improvement	3	4%	7	9%	30	37%	42	51%
Total 1997	8	5%	16	10%	58	38%	71	46%
Home Purchase/Refi	4	2%	25	13%	65	35%	92	49%
Home Improvement	0	0%	7	9%	35	45%	36	46%
Total YTD 1998	4	2%	32	12%	100	38%	128	48%
Grand Total	13	3%	57	11%	205	41%	224	45%

Source: U.S. Census Bureau Demographic Data/Bank Generated Data/ HMDA Loan Application Registers

Business/Farm/Consumer/Real Estate (RE) Loans

Based on assessment area demographics, business, farm, consumer and Real Estate related loans reflect reasonable penetration throughout the assessment area. The table below shows the distribution of these loans by CT:

Distribution of Loans within the Assessment Area from July to December 1996, 1997 and 1998 by Income Level of the Census Tracts								
Income Levels	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Tract	28	10%	66	24%	92	37%	83	34%
Number of Loans	416	7%	1,022	18%	2,051	36%	2,197	39%

Response to Complaints

SCB has not received any complaints regarding its performance in meeting assessment area credit needs.

ADDITIONAL INFORMATION

Discrimination or Other Illegal Credit Practices

A Fair Lending review was conducted in conjunction with SCB's CRA performance. No evidence of discrimination or disparate treatment was noted during this review.