



# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

Public Disclosure

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Community Reinvestment Act  
**Performance Evaluation**

**Inwood National Bank**  
Charter Number: 15292

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Dallas, TX 75209

**Office of the Comptroller of the Currency**

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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, 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 CRA Rating

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

The following table indicates the performance level of **Inwood National Bank** with respect to the Lending, Investment, and Service Tests:

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	
Low Satisfactory			X
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- The lending volumes reflect an adequate responsiveness to the credit needs of the assessment areas.
- Inwood's overall geographic distribution is excellent and borrower distribution is adequate.
- The bank originated a large dollar amount of community development loans during the review period, which have a positive impact on the Lending Test rating.
- The bank has a good level of qualified community development investments given its asset size, loan to deposit ratio and management expertise.
- The delivery systems are reasonably accessible to the geographies and individuals of different income levels in the bank's assessment areas.
- Community development services support the bank's other community development efforts that had a positive impact on the Service Test rating.

## 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 MA/assessment area.

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

**Census Tract (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 usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

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

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

**Home Mortgage Loans:** such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

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

**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 MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development 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 primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**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) and the Thrift Financial Reporting (TFR) 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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial 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 more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

Inwood National Bank ("Inwood"), an intrastate bank, is a wholly owned subsidiary of Inwood Delaware Corporation, which is wholly owned by Inwood Bancshares, Inc., a one-bank holding company. It remains one of the largest independent, locally owned community banks in the area. Inwood does not have any other affiliates or operating subsidiaries that influence the bank's capacity to lend or invest in the community.

As of December 31, 2002, Inwood reported total assets of \$697MM, loans of \$490 million, deposits of \$624 million, and a Tier 1 Capital ratio of 11.24%. Balance sheet composition is centered in the loan and investment portfolio representing 70% and 21%, respectively. The loan-to-deposit ratio was approximately 79%.

The bank has grown during the evaluation period by acquiring Provident Bank, a state chartered institution, in May 2000. The acquired bank was merged into Inwood. Through the acquisition, Inwood increased its total asset base by 48% and the number of branches it operates from five to ten. Inwood offers a wide variety of loan products and related financial services through its branch network within the Dallas MA. In addition to the main office in Dallas, Inwood has 10 branches, 2 motor bank/drive-up facilities, and 12 ATMs operating in the Dallas MA.

The loan portfolio, comprised of 85% real estate loans, 13% commercial loans, and 2% loans to individuals, represents approximately 76% of total assets. The real estate loan portfolio consists of 54% commercial, 18% construction & development, and 13% 1-4 family residential loans. Inwood's deposit market share rank in the AA receiving the full-scope review is 19<sup>th</sup> with a 1.08% market share out of 151 deposit-taking institutions. Inwood operates in a highly aggressive banking environment in Dallas alone. Banking competition includes dominant affiliates of large national banking companies, numerous mid-size and small community banks, thrifts, credit unions, and non-bank financial service providers.

Inwood has three stated assessment areas (AA) within the Dallas metropolitan area (MA). The first AA (Dallas MA #1) consists of Dallas, Denton, Collin and Rockwall counties and includes 340 census tracts (CTs). The second AA (Dallas MA #2) consists of Dallas County and includes 29 CTs. The third AA (Dallas MA #3) consists of Hunt County and includes 2 CTs. All areas consist of whole geographies, do not reflect illegal discrimination, and based on the bank's designation, do not arbitrarily exclude low- and moderate-income geographies. Overall, the AA designations meet the requirements of the CRA regulation. Only the Dallas MA #1 will receive the full scope review. Additional detail for the Dallas MA #1 is described in the market profile section of this evaluation (Appendix B).

Their business strategy remains unchanged over the last four years. Inwood is a wholesale and commercial lender in their market with strong emphasis on relationship banking. Their main focus of lending is commercial real estate loans. Inwood also offers home purchase, refinance, and home improvement loans for residential properties with up to four living units. Loans for residential properties generally include a maximum 5-year maturity with payments based on repayment over 15 or 20 years and an origination fee that may be charged at inception and/or renewal. The bank does not offer loans for multi-family properties with more

than four living units, but acquired two loans from the Provident Bank purchase during the evaluation period. Also, the bank does not offer loans for agricultural (or farm) purposes.

Our community contacts revealed numerous opportunities exist in the bank's AAs to participate in community development lending, investment, and service activities. The primary needs identified by the community contacts are affordable housing, small business loans, economic development, construction financing, and predevelopment funding for certified community housing developers to build and rehabilitate housing in low- and moderate-income areas to address the lingering issues of urban blight and decay, which remains a top issue.

There are no legal, financial or other factors that impede the bank's ability to meet the credit needs in its AAs.

The bank's CRA performance was last evaluated on May 13, 1999, at which time Inwood was rated "Satisfactory." A review of OCC records and the bank's CRA public file revealed one complaint related to the bank's CRA performance. The complaint is maintained in the bank's Public file for review.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This Performance Evaluation assesses the bank's performance under the Lending, Investment, and Service Tests. In evaluating the bank's lending performance, we reviewed Inwood's residential mortgage and small business loans. There were no farm loans, and multi-family real estate loans comprised less than 1% of the bank's loan portfolio. Therefore, they are not considered in this evaluation of the bank's performance. The evaluation period under the Lending Test is January 1, 1999 through December 31, 2002.

Consumer loans are not evaluated because the bank did not request us to review them and they only represent 2% of the bank's lending activity. Therefore, Table 13 detailing Geographic and Borrower Distribution of Consumer Loans is not applicable in this Public Evaluation.

Further, the geographic distribution of multi-family loans and the geographic and borrower distribution of small loans to farms are not relevant given no loans were made or only a small volume of loans were originated or purchased during the evaluation period. Therefore, an analysis of the geographic distribution of multi-family loans and the geographic and borrower distribution of small loans to farms is not applicable in this Public Evaluation.

For Community Development (CD) loans and the Investment and Service Tests, the evaluation period is May 13, 1999 through June 2, 2003. The Investment Test conclusions are based on an evaluation of investments, grants, and donations made in the bank's AAs that meet the definition of community development. The Service Test was evaluated based on branch distribution, hours of operation, branch opening and closings, alternative delivery systems, retail and commercial deposit, loan products and services, and community development services.

### Data Integrity

Prior to this CRA examination, OCC personnel verified the accuracy of data made available to the public in accordance with the Home Mortgage Disclosure Act (HMDA) and the CRA regulation. Public data includes home mortgage lending and small loans to businesses and farms. In addition, non-public data that was submitted by bank management for CD loans, services, and investments were reviewed to ensure they qualified as community development. Based on verification work performed, publicly reported lending data is considered accurate, with the exception of 1999 HMDA information. Management did not correct this information prior to the start of this CRA evaluation. Therefore, the 1999 HMDA information is excluded from this analysis. Despite the exclusion of this information, all the remaining data reported for the above categories were used in the evaluation.

### Selection of Areas for Full-Scope Review

As stated in the Performance Context, Inwood has three AA within the Dallas MA. The first AA (Dallas MA #1) consists of Dallas, Denton, Collin and Rockwall counties and includes 340 census tracts (CTs). The second AA (Dallas MA #2) consists of Dallas County and includes

29 CTs. The third AA (Dallas MA #3) consists of Hunt County and includes 2 CTs. Only the Dallas MA #1 will receive the full scope review. This AA was selected because this is where the bank maintains a substantial share of its business; 86% of deposits and approximately 75% of reportable loans in this evaluation period. Also, this AA is where the highest concentration of branches is located. Additionally, Inwood has a long history of serving this market. Please refer to the table in Appendix A for more information.

## **Ratings**

The bank's overall rating is based primarily on those areas that received full-scope reviews. Small business lending was given the greatest weight under the lending test since it is the bank's primary business line, followed by home mortgages. The bank does not make any farm loans. More consideration was given to the bank's lending performance in the full-scope AA (Dallas MA #1) due to the higher volume of lending, especially small loans to businesses, which is one of the primary product lines at Inwood.

The geographic distribution of multi-family loans and the geographic and borrower distribution of small loans to farms are not relevant given either a small volume of loans were originated or purchased or no loans were made during the evaluation period. Therefore, an analysis of the geographic distribution of multi-family loans and the geographic and borrower distribution of small loans to farms are eliminated from this Public Evaluation.

## **Other**

We reviewed summaries of five recent community contact interviews conducted in the Dallas MA AAs. Organizations contacted included several non-profit organizations that provide services to the community as well as governmental agencies and entities involved in economic development. The contacts indicated a high level of community development opportunities in the areas for banks to help meet community credit needs. The primary needs identified by the community contacts are affordable housing, small business loans, economic development, construction financing, and predevelopment funding for certified community housing developers to build and rehabilitate housing in low- and moderate-income areas to address the lingering issues of urban blight and decay, which remains a top issue.

## **Fair Lending Review**

An analysis of the most recent public comments and consumer complaint information, and HMDA, small business and small farm lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "**High Satisfactory**". Based on a full-scope review, the bank's performance in the full scope AA is adequate.

#### Lending Activity

Refer to Tables 1 Lending Volume and 1 in appendix C for the facts and data used to evaluate the bank's lending activity.

Inwood's lending activity demonstrates a good responsiveness to the credit needs of its AA considering its size, resources, and primary business focus.

The conclusion about the bank's lending performance is based primarily on the level of small business lending. In the Dallas MA #1, the full-scope AA, approximately 82% of the number and 78% of the dollar amount of Inwood's reported loans were small loans to businesses. Sixteen percent (16%) of the number and 16% of the dollar amount were home mortgage-related loans. Among the home mortgage loans originated in the Dallas MA #1, approximately 47% were for home purchase and 43% were for home improvement. Home mortgage refinance loans in the Dallas MA #1 were approximately 9%.

Inwood has no significant deposit or loan market share of financial institutions in the AA, with a 2% or less market share in each product category. However, the bank's loan market share is consistent with its deposit market share in a market of numerous lenders. Inwood's loan-to-deposit ratio is similar to or higher than its competitors.

#### Distribution of Loans by Income Level of the Geography

##### *Home Mortgage Loans*

Refer to Tables 2, 3, 4 and 5 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The overall geographic distribution of home mortgage loans is good. Generally, the bank's performance in low- and in moderate-income geographies is near to or above the percentage of owner-occupied units. The bank's market share in both low- and in moderate-income geographies exceeds its overall market share for all mortgage loan types.

Inwood's home purchase geographic distribution is excellent. The percent of home purchase loan originations in low- and in moderate-income geographies exceeds the percent of owner-occupied housing units in those geographies and its market share in both geography categories exceeds its overall market share.

Inwood’s home-improvement geographic distribution is excellent. The percent of home-improvement loans in low- and in moderate-income geographies either met or was substantially higher than the percent of owner-occupied housing units in those geographies. The bank’s market share in these geographies exceeds its overall market share.

Inwood’s refinance geographic distribution is excellent. Inwood’s percent of refinance loans in low- and moderate-income geographies exceeded the percent of owner-occupied housing units in those geographies. Again, the bank’s market share in low- and moderate-income geographies exceeds its overall market share.

**Small Loans to Businesses**

Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank’s origination/purchase of small loans to businesses.

The bank is primarily a small business lender, and the geographic distribution of small loans to businesses is good. Inwood’s percent of small loans to businesses in the low-income geography is below the percent of businesses located in this geography. However, the percent of small loans to businesses in the moderate-income geography is substantially higher than the percent of businesses located in this geography. The bank’s market share for small loans to businesses in low- and in moderate-income geographies is significantly higher than its overall market share for this loan type.

**Lending Gap Analysis**

Our review included an evaluation of Inwood’s geographic distribution of home mortgage loans and small loans to businesses. This was done using maps and reports showing the bank’s lending in each census tract. No unexplained or conspicuous gaps in lending were identified.

**Inside/Outside Ratio**

The distribution of loans inside/outside of the bank’s AAs is good. A majority of home mortgage loans and small loans to businesses were originated/purchased within Inwood’s AAs. By product, the bank originated the following percentages of loans inside its AAs:

<b>Loan Type</b>	<b>% Inside</b>
Home Purchase	65
Refinance	85
Home Improvement	68
Small Loans to Businesses	81
<b>Overall</b>	<b>75</b>

In the full scope AA, more than 80% of small loans to businesses and 73% of mortgage-related loans, were made inside this AA. In addition, 100% of community development loans were made in the full-scope AA. This performance was positively factored into the overall analysis of the geographic distribution of lending.

## Distribution of Loans by Income Level of the Borrower

### *Home Mortgage Loans*

Refer to Tables 8, 9, and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The overall distribution of home mortgage loans by income level of borrowers is adequate in the Dallas MA #1.

Inwood's distribution of home purchase loans by borrower income levels in the full-scope AA is poor. The percent of home purchase loan originations to low-income borrowers is less than the percent of low-income families, and substantially less than the percent of moderate-income families. This maybe somewhat mitigated given approximately 18 percent of families are low-income and 16 percent are moderate-income. In addition, approximately 10% of the families are below the poverty level. Based on the updated 2002 median family income of \$66,500, low and moderate-income families make less than \$53,200 per year. This makes it difficult for low- and moderate-income families to qualify for home purchase mortgages when the median housing values are \$102,008 in the full-scope Dallas MA #1. In addition, all of the AAs have an extremely high level of competition for mortgage lending. Inwood's market share for home mortgage loans by borrower income levels to low- and moderate-income borrowers is higher than its overall market share for this loan type.

Inwood's distribution of home-improvement loans by borrower income levels is good, especially when considering that the opportunities for this type of loan are limited to the very low-income borrowers. The percentage of bank loans to low-income borrowers exceeded the percent of low-income families, while loans to moderate-income borrowers met the percent of low-income families. Again, Inwood's market share for home-improvement loans by borrower income levels to low- and moderate-income borrowers is higher than its overall market share for this loan type.

Inwood's distribution of refinance loans by borrower income levels is adequate. Inwood's percent of refinance loan originations to low-income borrowers is significantly less than the percent of low-income families in the AA, but this is mitigated by the percentage of families living below the poverty level as discussed above. Inwood's percent of refinance loan originations to moderate-income borrowers is less than the percent of moderate-income families in the full-scope AA. Again, Inwood's market share for refinance loans by borrower income levels to low- and moderate-income borrowers is higher than its overall market share for this loan type.

### *Small Loans to Businesses*

Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

Inwood's borrower distribution of small loans to businesses is poor. The percentage of small loans to businesses with revenues of \$1 million or less is significantly lower than the percentage of businesses with revenues of \$1 million or less. Despite this poor performance, a significant majority of loans made are in amounts of \$100,000 or less, an indication that

Inwood meets the credit needs of small businesses within their full-scope AA. The bank's overall market share is low, but its market share to businesses with revenues of \$1 million or less approximates its overall share.

## **Community Development Lending**

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

Community development (CD) lending had a positive impact on the Lending Test conclusions. Inwood's CD lending activities have increased in comparison to its activities as of the last Performance Evaluation dated May 12, 1999. The level of CD lending is good. During the evaluation period, Inwood made 30 loans totaling \$13 million representing 23 percent of Tier One Capital as of December 31, 2002. Inwood demonstrated a good level of responsiveness to community contact needs discussed in the performance context, by providing loans to certified Community Housing Development Organizations who specialize in the development of affordable housing in economically depressed low- and moderate-income geographies. While the bank has been responsive, they are not considered a leader in community development lending.

The bank also received credit for a community development loan that benefits a broader statewide area that includes Inwood's full-scope AA. Inwood has a 1.08% pro-rata share of Independent Bankers of Texas Capital Fund (IBTCF), a Small Business Investment Company. IBTCF made a loan to a small business engaged in producing ergo-dynamic chairs. The bank's qualifying share of the community development loan is \$21,600.

## **Product Innovation and Flexibility**

Inwood does not offer any innovative loan products. However, Inwood started offering a flexible loan product for home purchases through a "First Time Homebuyer's Program." This program offers a 30-year maturity and repayment period and down payment assistance for which the bank does not charge any fees. However, Inwood made very few loans under this program, with four loans originated as of year-end 2002.

In April 2003, Inwood committed \$300 thousand to purchase mortgage notes from the Dallas Area Habitat for Humanity. These loans, which will yield 4%, are to be purchased with recourse. To date, only one \$37 thousand loan is currently being considered for funding.

## Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Lending Test in the Dallas MA #2 and Dallas MA #3 AAs is not inconsistent with the bank's overall "High Satisfactory" performance under the Lending Test. Refer to Tables 1 through 13 in appendix C for the facts and data that support these conclusions.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test is rated "**High Satisfactory**". Based on the full-scope review, the bank's performance in the Dallas MA is good.

Refer to Table 14 in appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Qualified investments are investments, deposits, membership shares or grants that have as their primary purpose "Community Development, as defined in the CRA regulation. Inwood does not have any complex or innovative investments. Inwood has five qualified investments totaling \$1.9 million consisting of two mortgage-backed securities and three equity investments purchased during the evaluation period. Additionally, there were 44 grants, in-kind contributions and donations amounting to \$77 thousand made to organizations providing affordable housing and other social services targeting low- and moderate-income individuals and families. Total investments represent 3.5% of the bank's Tier 1 Capital as of December 31, 2002.

Prior period investments include the purchase of one mortgage backed-security with loans originated to low- and moderate-income individuals with a current amortized book value of \$1.1 million, and two equity investments in Pacesetter Capital (formerly Minority Enterprise Small Business Investment Corporation (MESBIC)) and Southern Dallas Development Fund Corporation with current amortized book values of \$5 thousand each.

### Conclusions for Area Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Investment Test in the Dallas MA #2 and Dallas MA #3 AAs is not inconsistent with the bank's overall "High Satisfactory" performance under the Investment Test. Refer to Table 14 in appendix C for the facts and data that support these conclusions.

## SERVICE TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service test is rated "**Low Satisfactory**". Based on full-scope reviews, the bank's performance in the full-scope AA is adequate.

## **Retail Banking Services**

Refer to Table 15 in appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

The bank operates a total of 10 branches, 2 drive-up facilities, and 12 ATM's. The distribution of branches is poor in the low-income geographies and excellent in the moderate-income geographies given the bank branches exceed the demographics. There are no branches or ATMs in the 38 low-income census tracts located in the full-scope AA. Eight percent of the population in the full-scope AA lives in these census tracts. Twelve of the census tracts, or 32% of the low-income tracts represent a large section of the full-scope AA, which is adjacent and contiguous with no branches or ATMs. Current Inwood offices and ATM locations do not allow for easy accessibility to these twelve census tracts that are located south and east of downtown Dallas. The moderate-income tracts in the full-scope AA have 18% of the population and 50% of the bank branches in the full-scope AA allowing for easy accessibility to banking related services.

Inwood's record of opening and closing branches has generally not adversely affected the provision of financial services. No bank branches have been closed during the evaluation period. However, five new branches were added through a bank acquisition in 2000. Two of the branches were located in moderate-income census tracts.

Inwood's hours, services, and products offered do not vary in ways that inconvenience certain portions of the assessment area. Banking hours are consistent throughout the Full-Scope assessment area. The "standard" lobby and walk-up hours are 9am to 3pm Monday through Thursday and 9am to 6pm on Friday. The South Buckner branch, located in a moderate-income CT, is the only location offering lobby hours on Saturday from 9am to 1pm. Drive-in facilities are generally open from 9am to 6pm with all of them opening on Saturday from either 8am or 9am to 1pm. A variety of deposit and loan products, and business services, are available at all of the bank's locations.

In the full-scope AA, Inwood's alternative delivery systems consist of ATMs and a telephone banking system programmed for balance inquiries only. Internet banking is not currently offered.

## **Community Development Services**

Inwood provides a good level of community development services in the full-scope AA that has had a positive impact on the Service Test rating assigned to the bank.

Inwood's community service activities demonstrate the bank's commitment to its community primarily through providing technical assistance on financial and banking related matters. Certain bank employees possess a good knowledge of community and economic development, community action, and affordable home loan programs. They participate in forums and meetings with government agencies and economic groups to identify CD opportunities. Officers of the bank participate in community outreach and financial education endeavors and are represented on local housing service boards.

Specific bank-wide CD services include:

Federal Home Loan Bank Grant Assistance

Bank personnel have assisted a variety of housing development groups in completing 12 applications for affordable housing grants from the Federal Home Loan Bank of Dallas in 2000, 2001 and 2002. Five application totaling \$805 thousand were approved in the bank's full-scope AA. The largest grant approval (\$412 thousand) was used to provide transitional housing for low- and moderate-income women and their families. The remainder of the grant approvals helped provide down payment assistance and subsidize closing costs for first-time homebuyers.

Texas Mezzanine Fund, Inc. (a Statewide SBIC)

Bank personnel serve on the loan committee meeting every month to review loan proposals made by lending officers of the Southern Dallas Development Corp., which manages the Texas Mezzanine Fund. The Texas Mezzanine Fund, Inc, encourages investments in low- and moderate-income and rural communities, finance growth and expansion of minority and women-owned businesses and job creation for low- and moderate-income individuals. They accomplish this mission by providing term loans for expansion, equipment, owner-occupied real estate or any combination of the three.

Dallas Business Finance Corporation

Bank personnel serve on the board of this certified development company of the Small Business Administration (SBA). They provide long term, fixed rate financing through the SBA 504 loan program for real estate acquisition, new construction, renovation and equipment to small businesses.

City of Dallas Housing Department

Bank personnel serves as a member of the City Housing Department's Community Housing Development Organization's (CHDO) External Loan Committee. The committee meets annually and reviews applications received from local CHDO's for operating assistance grants from the city of Dallas.

**Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the Service Test in the Dallas MA #2 and Dallas MA #3 AAs is not inconsistent with the bank's overall "Low Satisfactory" performance under the Service Test. Refer to Table 15 in appendix C for the facts and data that support these conclusions.

## Appendix A: Scope of Examination

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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 non-metropolitan 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): 01/01/99 to 12/31/02) Investment and Service Tests and CD Loans: 05/13/99 to 06/02/03	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Inwood National Bank (Inwood) Dallas, Texas	Small Loans to Businesses, Home Mortgage Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None	NA	NA
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Dallas MA #1 Dallas MA #2 Dallas MA #3	Full-Scope Limited-Scope Limited-Scope	None

# Appendix B: Market Profiles for Full-Scope Areas

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### Market Profiles for Areas Receiving Full-Scope Reviews

Dallas MA #1 .....	B-2
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**Dallas MA #1**

Demographic Information for Full-Scope Area: Dallas MA #1						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	340	11.18	18.82	30.59	38.24	1.17
Population by Geography	1,583,809	7.93	17.88	34.87	39.28	0.04
Owner-Occupied Housing by Geography	695,699	2.99	11.54	35.03	50.43	0.00
Businesses by Geography	178,316	4.43	20.24	28.83	43.92	2.58
Farms by Geography	2,627	2.97	15.99	34.75	45.79	0.49
Family Distribution by Income Level	405,038	6.32	15.40	35.44	42.84	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	87,976	41.73	24.23	18.68	15.36	0.00
Median Family Income	\$46,444	Median Housing Value				\$102,008
HUD Adjusted Median Family Income for 2002	\$66,500	Unemployment Rate				2.96%
Households Below the Poverty Level	9.57%					

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 U.S. Census, and 2002 HUD updated MFI.

Inwood's full-scope AA (Dallas MA #1) is comprised of 5 counties within the Dallas MA. They are Dallas, Collin, Denton, Hunt, and Rockwall. There are 340 census tracts (CTs) in the AA of which 38 are low-income, 64 moderate-income, 104 middle-income, and 130 upper-income CTs.

The Dallas MA #1 represents 80% of the bank's branch network, 86% of the bank's deposit base, and 75% of CRA reportable loan volume for this CRA evaluation. Dallas is the second largest city in Texas and the county seat of Dallas County. Dallas ranks 8<sup>th</sup> on the list of the largest cities within the United States. It's also known as the business center of the Southwest, and it is the second busiest convention location in the country. Many Fortune 500 companies have located their headquarters in the Dallas area. Major sectors of the economy are high technology, airline industry, retail and wholesale businesses, medical, recreational, and cultural facilities.

Inwood operates 10 full service branches, 2 drive-in facilities and 12 ATMs. There are no non-proprietary ATMs in the MA. The bank's branches are primarily located in the Dallas MA within moderate, middle and upper census tracts. There are no branches in the low-income census tracts and four located in the moderate-income census tracts.

The population living in the Dallas MA #1 was 1,583,809 in 1990 according to U.S. Census Bureau Data. Of this total population, 6% were low-income families, 15% moderate-income families, 35% middle-income families, and 43% upper-income families. Approximately 10% of the families in the population had income below the poverty level. The table above provides

basic demographic information based on the income level of the census tracts and families within the Dallas MA #1.

Deposits originating from these CTs of the Dallas MA #1 represent approximately 86% of Inwood's total deposits. In terms of market share, a June 30, 2002 Summary of Deposits report from the FDIC shows that BOK ranks 16<sup>th</sup> in the AA with only 1.16% of the deposit market share. Lender market share reports for 2001 show Inwood ranks 224<sup>th</sup> in market share for the Dallas MA for residential real estate at 0.03% and 24<sup>th</sup> in market shares for small business loans at 0.51% lending activities. Local banking competition is aggressive and includes affiliates of large national banking companies, regional banks, numerous community banks, thrifts, credit unions and non-bank financial service providers.

The Dallas economy is lackluster. Economic growth remains elusive, as most industries continue to cut jobs. Financial services, which held up surprisingly well through last year, are now shrinking, and growth is slowing dangerously in the health and education industry. Firming conditions in the professional and business service industry, which serves as a leading indicator of business conditions, offers some consolation. The jobless rate has stabilized at around 6.5%, as labor force growth grinds to a halt. Unemployment is expected to increase to 7.0% by year-end 2003.

The residential real estate market is decelerating in Dallas, but remains largely healthy. Permit issuance slowed in 2002 and 2003 from the highs reached in late 2000/early 2001. This slowdown in permits coincides with larger weaknesses in the labor markets, which has eased demand for housing. Home sales have also moderated after peaking early this year despite being robust enough to set a new record in 2002. The weakened demand and sluggish income growth led to slower house price appreciation, although low interest rates and the lack of other investment channels fed demand for housing. With slower residential activity expected for the Dallas market in 2003, local retailers that benefited from increased demand for house furnishings and appliances will also see a contraction. The Dallas MA could continue to benefit from logistics and transportation led growth. However, the shakeout in the telecom and airline industries undermines local consumer confidence.

During this examination, we used information obtained from numerous interviews with community organizations associated with affordable housing, business development, and economic development. These community contacts revealed numerous opportunities, which exist in the bank's assessment areas to participate in community development lending, investment, and service activities. The primary needs identified by the community contacts are affordable housing, small business loans, economic development, construction financing, and predevelopment funding for certified community housing developers to build and rehabilitate housing in low- and moderate-income areas to address the lingering issues of urban blight and decay, which remains a top issue.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm.

Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

**Table 1. Lending Volume**

LENDING VOLUME		Geography: DALLAS MA				Evaluation Period: January 1, 1999 to December 31, 2002						
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
Dallas MA #1	93.39	219	\$34,928	1,151	\$169,995	0	\$0	28	\$12,593	1,398	\$217,518	85.74
<b>Limited Review:</b>												
Dallas MA #2	5.32	10	\$540	68	\$8,006	0	\$0	3	\$204	81	\$8,750	10.82
Dallas MA #3	1.30	8	\$117	11	\$1,415	0	\$0	0	\$0	19	\$1,532	3.44

\* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is May 13, 1999 to June 2, 2003.

\*\*\* Deposit Data as of June 30, 2003. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.



**Table 1. Other Products – NOT APPLICABLE**

LENDING VOLUME		Geography: DALLAS MA		Evaluation Period: January 1, 1999 to December 31, 2002	
MA/Assessment Area:	Other Unsecured Consumer Loans		Other Optional Loans*		
	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>					
<b>Limited Review:</b>					

(\*)The evaluation period for Optional Product Line(s) is from January 1, 1999 to December 31, 2002.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE			Geography: DALLAS MA				Evaluation Period: January 1, 1999 to December 31, 2002					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
Dallas MA #1	103	94.50	2.99	4.85	11.54	20.39	35.03	20.39	50.43	54.37	0.03	0.17	0.08	0.02	0.03	
<b>Limited Review:</b>																
Dallas MA #2	3	2.75	0.00	0.00	8.90	0.00	50.19	0.00	40.91	100.00	0.05	0.00	0.00	0.00	0.11	
Dallas MA #3	3	2.75	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00	1.04	0.00	1.04	0.00	0.00	

\* Based on 2001 Peer Mortgage Data: Southwest Region.

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.



**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE												Geography: DALLAS MA			Evaluation Period: January 1, 1999 to December 31, 2002				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography								
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp				
<b>Full Review:</b>																			
Dallas MA #1	20	95.24	2.99	10.00	11.54	20.00	35.03	30.00	50.43	40.00	0.02	0.00	0.10	0.01	0.01				
<b>Limited Review:</b>																			
Dallas MA #2	1	4.76	0.00	0.00	8.90	0.00	50.19	0.00	40.91	100.00	0.00	0.00	0.00	0.00	0.00				
Dallas MA #3	0	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				

\* Based on 2001 Peer Mortgage Data: Southwest Region.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY		Geography: DALLAS MA						Evaluation Period: January 1, 1999 TO December 31, 2002							
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Dallas MA #1	2	100.00	14.42	50.00	29.12	0.00	35.38	50.00	21.08	0.00	0.53	0.00	0.00	2.13	0.00
<b>Limited Review:</b>															
Dallas MA #2	0	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dallas MA #3	0	0.00	0.00	0.00	45.30	0.00	34.58	0.00	20.12	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2001 Peer Mortgage Data: Southwest Region.

\*\* Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES												Geography: DALLAS MA		Evaluation Period: January 1, 1999 to December 31, 2002				
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography							
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp			
<b>Full Review:</b>																		
Dallas MA #1	1,151	93.58	4.43	2.81	20.24	29.46	28.83	37.38	43.92	30.34	0.54	0.42	0.66	0.59	0.51			
<b>Limited Review:</b>																		
Dallas MA #2	68	5.53	0.00	0.00	16.06	29.41	45.51	32.35	38.43	38.24	0.61	0.46	0.69	0.62	0.68			
Dallas MA #3	11	0.89	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00	0.66	0.00	1.19	0.00	0.00			

\* Based on 2001 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet 2002.



**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		Geography: DALLAS MA					Evaluation Period: January 1, 1999 to December 31, 2002					Market Share				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****						
<b>Full Review:</b>																
Dallas MA #1	103	94.50	17.25	9.64	15.94	7.23	21.15	7.23	45.66	75.90	0.03	0.02	0.02	0.01	0.05	
<b>Limited Review:</b>																
Dallas MA #2	3	2.75	16.02	0.00	18.19	0.00	24.29	33.33	41.50	66.67	0.06	0.00	0.00	0.06	0.20	
Dallas MA #3	3	2.75	38.57	33.33	20.14	33.33	14.41	33.33	26.88	0.00	1.59	5.26	0.00	0.00	0.00	

\* Based on 2001 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 18.35% of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT		Geography: DALLAS MA					Evaluation Period: January 1, 1999 to December 31, 2002					Market Share*				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	% Families***	% BANK Loans***						
<b>Full Review:</b>																
Dallas MA #1	94	89.52	17.25	18.68	15.94	16.48	21.15	21.98	45.66	42.86	0.50	1.21	0.39	0.73	0.35	
<b>Limited Review:</b>																
Dallas MA #2	6	5.71	16.02	33.33	18.19	0.00	24.29	0.00	41.50	66.67	0.00	0.00	0.00	0.00	0.00	
Dallas MA #3	5	4.76	38.57	40.00	20.14	40.00	14.41	0.00	26.88	20.00	18.18	50.00	25.00	0.00	0.00	

\* Based on 2001 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 2.86% of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE												Geography: DALLAS MA			Evaluation Period: January 1, 1999 to December 31, 2002		
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share						
	#	% of Total**	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans***	Overall	Low	Mod	Mid	Upp		
<b>Full Review:</b>																	
Dallas MA #1	20	95.24	17.25	6.25	15.94	12.50	21.15	18.75	45.66	62.50	0.02	0.00	0.04	0.00	0.03		
<b>Limited Review:</b>																	
Dallas MA #2	1	4.76	16.02	100.00	18.19	0.00	24.29	0.00	41.50	0.00	0.00	0.00	0.00	0.00	0.00		
Dallas MA #3	0	0.00	38.57	0.00	20.14	0.00	14.41	0.00	26.88	0.00	0.00	0.00	0.00	0.00	0.00		

\* Based on 2001 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 19.05% of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES				Geography: DALLAS MA		Evaluation Period: January 1, 1999 to December 31, 2002			
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Dallas MA #1	1,151	93.58	64.56	37.88	66.29	15.73	17.98	0.54	0.53
<b>Limited Review:</b>									
Dallas MA #2	68	5.53	72.79	52.94	73.53	19.12	7.35	0.61	0.60
Dallas MA #3	11	0.89	81.24	54.55	81.82	0.00	18.18	0.66	0.51

\* Based on 2001 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 13.98% of small loans to businesses originated and purchased by the Bank.





**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: DALLAS MA				Evaluation Period: May 13, 1999 to June 2, 2003			
MA/Assessment Area:	Prior Period Investments		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Dallas MA #1	3	\$1,110,000	49	\$1,989,775	52	\$3,099,775	2.38	1	\$50,000
<b>Limited Review:</b>									
Dallas MA #2	0	\$0	0	\$0	0	\$0	0	0	\$0
Dallas MA #3	0	\$0	0	\$0	0	\$0	0	0	\$0

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.  
 \*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: DALLAS MA Evaluation Period: May 13, 1999 to June 2, 2003																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Dallas MA #1	85.74	8	80.00	0.00	50%	12%	38%	0	0	0	0	0	0	8%	18%	35%	39%
<b>Limited Review:</b>																	
Dallas MA #2	10.82	1	10.00	0%	100%	0%	0%	0	0	0	0	0	0	0%	21%	41%	38%
Dallas MA #3	3.44	1	10.00	0%	100%	0%	0%	0	0	0	0	0	0	0%	100%	0%	0%

