



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

February 17, 2009

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Encore Bank, National Association  
Charter Number: 23234

Nine Greenway Plaza, Suite 1000  
Houston, TX 77046

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 **Encore Bank, National Association (Encore)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Encore Bank, National Association Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		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:

- Overall lending activity in the Texas full scope assessment area (AA) is good. Overall lending activity in the Florida full scope assessment area (AA) is adequate.
- Encore’s performance in community development lending is good. The bank originated a significant volume of community development loans during the evaluation period for the Texas full scope AA (Houston AA). This had a positive impact on the lending test rating. The bank also originated an adequate volume of community development loans for the Florida full scope AA (Tampa AA).
- More weight was given to performance in Texas in the final rating, as Texas loans represented 95 percent of reportable loans during the evaluation period.
- Encore’s overall geographic distribution of mortgage loans in the Texas full scope AA is adequate. Encore’s overall geographic distribution of mortgage loans in the Florida full scope AA is excellent.
- Encore’s overall borrower distribution of mortgage loans in the Texas full scope AA is poor. Encore’s overall distribution of mortgage loans to low- and moderate-income borrowers in Florida full scope AA is excellent.
- Encore’s geographic distribution of small loans to businesses in the Texas full scope AA is adequate. Encore’s geographic distribution of small loans to businesses in the Florida full scope AA is excellent.
- Encore’s distribution of small loans to businesses with revenues of \$1 million or less is good in both the Texas and Florida full scope AAs.

- Encore's investment performance is good in both the Texas and Florida full scope AAs.
- The distribution of branches throughout the Texas and Florida full scope assessment areas is adequate. The accessibility to products and services is adequate in both the Texas and Florida full scope AAs.

## 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.

**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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**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 do 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 applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include data on 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 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 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 Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

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

**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

Encore Bank, National Association (Encore) is a subsidiary of Encore Bancshares, Inc. Encore Bancshares, Inc. is a financial holding company headquartered in Houston, Texas and offers banking, wealth management and insurance services through Encore Bank, N.A. and its affiliated companies. Its affiliated companies are Linscomb and Williams, Inc. and Town and Country Insurance Agency, Inc. These affiliates are used for insurance, investment management and financial planning opportunities. Linscomb and Williams, Inc. was acquired by Encore Bancshares, Inc on August 31, 2005. The company's common stock is publicly traded on the NASDAQ Global Market. Encore is an interstate bank which operates 11 branches in the Houston-Sugarland-Baytown, Texas metropolitan statistical area (Houston AA) and 6 branches in southwest Florida. The 6 branches located in Southwest Florida serve the following metropolitan statistical areas (MSA): Tampa-St Petersburg-Clearwater MSA (Tampa AA), Cape Coral-Fort Myers MSA (Fort Myers AA), and Naples-Marco Island MSA (Naples AA).

Encore has Tier one capital of \$120 million and reported total assets of \$1.5 billion as of December 31, 2008. Net loans and leases represent \$1.2 billion of total assets or approximately 80 percent. The loan portfolio consists of 52 percent residential real estate loans; 28 percent commercial real estate and commercial and industrial loans; 15 percent construction loans; 4 percent consumer loans and 1 percent other loans and leases. The bank's primary strategy is to offer personalized service through personal bankers and relationship managers.

There are no significant financial or legal barriers limiting Encore's ability to help meet the identified credit needs of its AAs.

The last performance evaluation was April 5, 2006, and the rating was Satisfactory. This evaluation was performed by the Office of Thrift Supervision.

## 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 their residential mortgage loans subject to filing under the Home Mortgage Disclosure Act (HMDA), small loans to businesses and farms, and community development (CD) loans. With the exception of CD loans, the evaluation period for the Lending Test is January 1, 2006 through December 31, 2008. For CD loans and the Investment and Service Tests, the evaluation period is April 5, 2006 through February 17, 2009. The Investment Test includes a review of investments, grants, and donations made in the bank's AAs that meet the definition of community development investments. The Service Test includes a review of retail and community development services provided in the bank's AAs.

Conclusions regarding the Lending Test are based on the bank's results for three entire years. (i.e. 2006, 2007, and 2008) This information is evaluated using the 2000 Census demographics for home loans and Dunn and Bradstreet demographics for businesses. Appendix D contains tables reflecting the bank's overall performance.

### Data Integrity

Prior to this CRA examination, we verified the accuracy of data available to the public in accordance with the HMDA and CRA regulation. This public data included home mortgage purchase, refinance, home improvement, and multifamily loans; and small loans to businesses and farms. We also verified the bank's reporting of community development loans, investments, and services. We found errors on revenue codes for small business loans for 2006 and 2007 CRA data. The data was reviewed and corrected by the bank prior to this examination. Small Business data for 2008 CRA data was found to be reliable. Based on the results of our follow-up review, we considered the lending data to be materially accurate.

### Selection of Areas for Full-Scope Review

In each state where the bank has an office, a sample of assessment areas (AAs) within that state was selected for full-scope reviews. Refer to the "Scope" section under each State Rating for details regarding how the areas were selected and why they are representative.

### Ratings

The bank's overall rating is a blend of the state ratings. The state ratings are based primarily on those areas that received full-scope reviews. The State of Texas receives the greatest weight in our determination of the overall rating. This state accounts for 65 percent of the branch network, 81 percent of total deposits, and 95 percent of the CRA reportable loans during the evaluation period.

Refer to the "Scope" section under each state rating for details regarding how the areas were weighted in arriving at the overall state rating.

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

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

## State Ratings

### State of Texas

<b>CRA rating for the State of Texas:</b>	<b>Satisfactory</b>
<b>The lending test is rated:</b>	Low Satisfactory
<b>The investment test is rated:</b>	High Satisfactory
<b>The service test is rated:</b>	Low Satisfactory

The major factors that support this rating include:

- Overall lending activity in the Texas full scope assessment area (AA) (Houston AA) is good.
- Encore originated a significant volume of community development loans during the evaluation period for Houston AA. This had a positive impact on the lending test rating.
- Encore’s overall geographic distribution of mortgage loans in the Houston AA is adequate.
- Encore’s overall borrower distribution of mortgage loans in the Houston AA is poor.
- Encore’s geographic distribution of small loans to businesses in the Houston AA is adequate.
- Encore’s distribution of small loans to businesses with revenues of \$1 million or less is good in the Houston AA.
- Encore’s investment performance is good in the Houston AA.
- The distribution of branches throughout the Houston AA is adequate. The accessibility to products and services is adequate.

### Description of Institution’s Operations in Texas

Encore operates in one Metropolitan Statistical Area in the State of Texas. This is the Houston-Sugarland-Baytown MSA (Houston AA)

Approximately 81 percent of the Encore’s total deposits were attributed to the Houston AA. In addition, the bank originated approximately 95 percent of its total CRA reported loans by number, and 90 percent by dollar volume, in this AA. Refer to the State of Texas retail services section of this performance evaluation for more detail on products and services offered by Encore.

Encore’s deposit market share rank in the Houston AA is 23rd, with a market share of 0.70 percent. There are 1,527 depository institutions in the assessment area. Banking competition in the state is aggressive and includes dominant affiliates of large national banking companies, and numerous small community banks, credit unions, and nonbank financial service providers. The top five competitors in this market include J.P. Morgan Chase Bank,

N.A, Bank of America, N.A., Wells Fargo Bank, N.A., Amegy Bank, N.A. and Washington Mutual Bank, Federal Savings Bank.

Traditionally, Encore has been a residential mortgage lender offering second lien loans on traditional home purchase loans. Encore accepted applications from brokers across the United States. These loans were originated by Encore and sold on the secondary market. This strategy has changed as a direct result of the declining mortgage market. There are currently very limited opportunities to sell mortgage loans on the secondary market. Encore now offers more traditional mortgage products that are originated and serviced by the institution.

Refer to the market profile for the Houston AA in Appendix C for detailed demographics and other performance context information for assessment areas that received full-scope reviews.

## **Scope of Evaluation in Texas**

Encore has only one assessment area in the State of Texas. This is the Houston AA which includes the entire Houston-Sugarland-Baytown Metropolitan Statistical Area. A full scope review was performed of this area. Refer to demographic table in Appendix C for more information on the Houston AA.

Home mortgage loans represented 91 percent of CRA reportable loans by number and 74 percent by dollar. Evaluation of home mortgage lending will receive considerable weight in the final rating. Small business loans represent 8 percent of the CRA reportable loans by number and 22 percent by dollar. Evaluation of small business lending will receive less weight in the final ratings. Encore has made considerable efforts in making qualified community development loans in the assessment area. The bank's CD lending performance had a positive impact on the final lending test ratings for the Houston AA.

Our Community Affairs Officer recently conferred with contacts in the community from three local organizations. A Chamber of Commerce leader discussed people not being able to obtain money to repair homes and businesses after Hurricane Ike. Also, the contact stated that small business loans were difficult to obtain. Our officer also spoke with the Director for a Small Business Development Center (SBDC) that provides business consulting and training seminars for small and medium size business owners and managers. The Director discussed Hurricane Ike's effect on small businesses as well, specifically slow payments, business closings, and employee layoffs. However, the Director felt small banks were slightly more aggressive in making small business loans. Our officer completed a third community contact that provided family services in Harris County and three adjacent counties. This contact discussed the presence of alternative service providers in the areas the agency serves and estimated that only about 30 to 40 percent of the agency's clients participate in mainstream financial systems. This contact stated the two greatest needs were reliable transportation and affordable credit.

## LENDING TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test in the Houston AA is rated "Low Satisfactory". Based on a full-scope review, the bank's performance in the Houston AA is adequate. Community Development lending in the Houston AA was good. Community Development lending in the Houston AA had a positive impact on the final rating.

### Lending Activity

Refer to Table 1 Lending Volume in Texas section of Appendix D for the facts and data used to evaluate the bank's lending activity.

Encore's lending activity in the Houston AA is good. Home mortgage lending represented the majority of the bank's CRA lending activity. Home mortgage loans constituted 91 percent by number and 74 percent by dollar of total CRA reportable loans. Within home mortgage lending, home purchase loans represented 92 percent of the loans reported. The bank's market share of home purchase loans in the Houston AA was 0.81, which exceeded the bank's deposit market share of 0.70 in the AA. Small business loans constituted 8 percent by number and 22 percent by dollar of total CRA reportable loans. The bank's small business loan market share of 0.06 was lower than its deposit market share of 0.70. Encore originated a significant volume of community development loans in the AA.

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

#### *Home Mortgage Loans*

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

In reviewing the geographic distribution of loans in the Houston AA, it is important to note the following demographic characteristics. Low-income tracts have 2.87 percent of the owner occupied units in the AA. 35 percent of households in these tracts live below the poverty level. Moderate-income tracts have 23.19 percent of the owner occupied units in the AA. 19 percent of the households in these tracts live below the poverty level.

#### Home Purchase

The geographic distribution of home purchase loans is good for low-income tracts and poor for moderate-income tracts. The percentage of home purchase loans in low-income geographies is somewhat lower than the percent of owner-occupied housing units. This performance is considered good given the above mentioned demographics and the bank's market share performance described below. The percentage of home purchase loans in moderate-income geographies is lower than the percentage of owner-occupied housing units. The bank's market share for low-income tracts exceeds its overall market share. The bank's market share

for moderate-income tracts is lower than its overall market share. Home purchase lending represents 92 percent of the bank's home mortgage lending in the Houston AA and was given the most weight in our evaluation.

### Home Improvement

The geographic distribution of home improvement loans is poor. The bank did not make any home improvement loans in low-income tracts. The percentage of home improvement loans in moderate-income geographies is lower than the percentage of owner-occupied housing units. The bank does not have a notable market share in moderate-income geographies. Home Improvement loans represent only 2 percent of the total HMDA reportable loans in the Houston AA. Home improvement lending is not a significant product for the bank and was given minimal weight in our evaluation.

### Home Refinancing

The geographic distribution of home refinance loans in low-income tracts is poor and in moderate-income tracts is adequate. The percentage of home refinance loans in low-income geographies is lower than the percentage of owner-occupied housing units. Home refinance loans in moderate-income geographies was somewhat lower than the percentage of owner-occupied housing units. The bank does not have a notable market share in low-income geographies. Its overall market share in moderate-income geographies substantially meets its overall market share for home refinance loans. Home refinance loans represent only 6 percent of the total HMDA reportable loans in the Houston AA. Refinance lending was given limited weight in our evaluation.

### Multifamily

The geographic distribution of multifamily loans is excellent. Encore originated 12 multifamily loans in the Houston AA for the evaluation period. The percentage of multifamily loans in low- and moderate-income tracts exceeds the number of multifamily units in these tracts. The bank did not have a notable market share in low-income geographies. The bank's market share in moderate-income geographies exceeds its overall market share for multifamily housing units.

### ***Small Loans to Businesses***

Refer to Table 6 in the Texas section of Appendix D for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses in the Houston AA.

Encore's geographic distribution of small loans to businesses is adequate. The percentage of small loans to businesses in low-income geographies is somewhat lower than the percentage of businesses located in these tracts. The percentage of small loans to businesses in moderate-income geographies is somewhat lower than the percentage of businesses located in these tracts. The bank's market share for low-income tracts is somewhat lower than its overall market share for small loans to businesses. The bank's market share for moderate-income tracts is somewhat lower than its overall market share for small loans to businesses.

### ***Small Loans to Farms***

Encore did not make any small loans to farms during the evaluation period.

## ***Lending Gap Analysis***

A lending gap analysis was conducted for this evaluation period on the Houston AA. There were no unexplained conspicuous gaps identified in the Houston AA. The bank designated all of the Houston-Sugarland-Baytown MSA as their AA during this review period.

## ***Inside/Outside Ratio***

At the state level, Encore has an adequate record of lending inside its assessment areas by dollar amount for the State of Texas. By dollar amount, the bank loaned 56 percent of the CRA reportable loans inside the Houston AA. The bank loaned 40 percent by number of CRA reportable loans inside the Houston AA. This includes both HMDA and Small Business loans. The home mortgage performance was less than its overall inside/outside ratio with 50 percent by dollar and 38 percent by number in the Houston AA. The Small Business performance was much better than its overall inside/outside ratio with 96 percent by dollar and 97 percent by number in the Houston AA.

In May 2002, the bank acquired a second mortgage operation, and hired lenders with experience in this type of business. The second mortgage department acquisition brought in a proven, reliable, volume based, niche product line. The acquisition was from a large, national institution with a presence in multiple states. The core operations efficiencies of the department required large volumes of applications for achieving and sustaining profitability. Secondary market purchasers also required significant volume for bulk purchases from correspondent lenders. The existing mortgage referral relationships related to the second mortgage department were located in several states outside of the bank's assessment area. Many referral sources also had multi-state operations.

The bank has recently made adjustments to lending parameters to reduce mortgage lending outside of its assessment areas. Since the acquisition of the second mortgage operation, the bank has worked to improve market share within the assessment areas. As this market share grows, the bank will continue to decrease outside assessment area mortgage lending. The turmoil in the current mortgage market environment has eroded secondary market resources. The Bank now holds these loans in portfolio which in turn has also required reductions in volume. This new strategy should improve Encore's future performance for lending in its Houston assessment area.

## **Distribution of Loans by Income Level of the Borrower**

### ***Home Mortgage Loans***

Refer to Tables 8, 9, and 10 in the Texas section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases in the Houston AA.

In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level and the barriers that this may have on home ownership. The percentage of total households living below poverty level in the entire Houston AA based on the 2000 census data is 12 percent. The median housing value based on the

2000 census data is approximately \$106 thousand. It would be very difficult for persons living below the poverty level to afford a house in this price range. Not only is affordability a concern, there is also a reduction in home inventory in this price range in the Houston AA. According to the Houston 4<sup>th</sup> quarter 2008 Metro study, entry-level housing has the steepest declines in housing starts. Starts for housing priced below \$175,000 fell 37 percent in the past year, as credit availability for entry-level buyers remained tight for 2008.

### Home Purchase

The borrower distribution for low- and moderate-income borrowers is poor for home purchase loans. The percentage of home purchase loans to low-income borrowers is significantly lower than the percentage of low-income families in the AA. The percentage of home purchase loans to moderate-income borrowers is lower than the percentage of moderate-income families in the AA. Encore does not have a notable market share for low-income borrowers. The market share of home purchase loans for moderate-income borrowers is lower than the bank's overall market share for home purchase loans.

### Home Improvement

The borrower distribution for low- and moderate-income borrowers is poor for home improvement loans. During the evaluation period, Encore did not make any home improvement loans to low-income borrowers. The percentage of home improvement loans to moderate-income borrowers is lower than the percentage of moderate-income families in the AA. Encore did not have a notable market share of home improvement loans to low- and moderate-income borrowers. Home improvement loans represent 2 percent of the total reported home loans. Home improvement lending is not a significant product for the bank and was given minimal weight in our evaluation.

### Home Refinance

The borrower distribution for low- and moderate-income borrowers is poor for home refinance loans. The percentage of home purchase loans to low-income borrowers is significantly lower than the percentage of low-income families in the AA. The percentage of home refinance loans to moderate-income borrowers is lower than the percentage of moderate-income families in the AA. The market share of home refinance loans for low- and moderate-income borrowers is lower than the bank's overall market share for home purchase loans. Home refinance loans represent only 6 percent of the total HMDA reportable loans in the Houston AA. Refinance lending was given limited weight in our evaluation.

### ***Small Loans to Businesses***

Refer to Table 11 in the Texas section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses in the Houston AA.

Encore's distribution of small loans to businesses with revenues of \$1 million or less is good. The percentage of small loans to businesses is near to the percentage of businesses with revenues of \$1 million or less in the AA. The bank's market share to businesses with revenues of \$1 million or less exceeds the bank's overall market share for small loans to businesses, regardless of revenue size.

### ***Small Loans to Farms***

Encore did not make any small loans to farms during the evaluation period.

### **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 community development (CD) loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multifamily loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

During the evaluation period for CD loans beginning with the prior examination dated April 5, 2006 and ending February 17, 2009, Encore originated a significant level of CD loans. Performance in community development lending is good and this influenced the bank's overall rating for the lending test. In all AAs, Encore originated a total of 21 loans with a dollar volume of \$27.2 million that met the regulatory definition of a CD loan.

In the Houston AA, Encore originated a total of 11 loans with a dollar total of \$16.2 million. An additional \$7.8 million portion of two loans to a foundation benefiting both Texas and Florida AAs was allocated to the Houston AA. The following is a sample of the more significant CD loans originated in the Houston AA:

- A foundation providing a Senior Crimestoppers program to low- and moderate-income seniors utilized \$7.8 million of loan proceeds in the Houston AA. The organization purchases securities with the loan proceeds and uses the first 1.875 percent of the earnings to fund the programs. These funds help ensure a safe and secure crime free residence to more than 1,800 residents. The impact of these loans is less than the dollar amount of the loans.
- A Community Development Corporation (CDC) received a \$10 million loan used to purchase securities. The first 2 percent of the yield from those securities will be used to expand its operations. In particular, the earnings will be used to fund a financial literacy course and a job readiness outreach program. The CDC is a Texas non-profit organization dedicated to improving the quality of life in Southwest Houston, Texas for low- and moderate-income persons. The CDC provides a myriad of services addressing education, economic, social, spiritual, cultural, medical, and emotional needs. In addition, the CDC has made a significant impact on helping low- and moderate-income persons purchase affordable housing in Harris County. The impact of this loan is less than the dollar amount of the loan.
- A foundation involved in providing education, training, and employment opportunities for low- and moderate-income persons received three loans during the evaluation period for a total of \$2.1 million.
- A \$1.8 million loan was originated for construction financing of a retail condo shopping center with 10 units. The property is in a moderate-income census tract and will

contribute to the revitalization and stabilization of the area. In addition, the tenants will be small businesses and create jobs for low- and moderate-income persons.

In addition to the loans discussed above that met all elements of the definition of community development loans, Encore originated a level of loans that met some but not all elements of the definition that are worthy of mention. In this category, Encore originated two loans for a dollar total of \$1.2 million that are not reflected in Table 1. These loans were originated to purchase or refinance from other lenders existing affordable housing, both individual units and multifamily properties.

### **Product Innovation and Flexibility**

Encore does not offer any innovative products and services. The bank does offer flexible first-time homebuyer and down-payment assistance programs. The bank offers up to \$6,000 in down payment and closing costs assistance for low- to moderate-income borrowers available through the Federal Home Loan Bank. Also, through the city of Houston Homeowner Assistance Program, low- and moderate-income borrowers can receive up to \$14,500 in down payment and closing costs assistance for first time home buyers purchasing within the city limits of Houston. The bank makes itself available to utilize other assistance programs in the Houston area such as those offered by Southeast Texas Housing Finance Corporation which services the counties of Austin, Chambers, Matagorda, Waller, Walker, Wharton, Fort Bend, Galveston, Montgomery and unincorporated areas of Harris County. Due to current economic uncertainty in the market, high competition, and a slow housing market, the Bank has only closed one loan since 2006 utilizing these programs.

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

Encore did not have any limited-scope areas for the State of Texas during this evaluation.

## **INVESTMENT TEST**

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

The bank's performance under the investment test in Texas is rated "High Satisfactory". Based on a full-scope review, the bank's performance in the Houston Assessment Area is good.

Refer to Table 14 in the state of Texas section of Appendix D for the facts and data used to evaluate the bank's level of qualified investments.

We identified 4 qualified investments for a total of \$5.7 million:

- A purchase during this evaluation period of \$1.1 million in mortgage backed securities. This is a GNMA security backed by nine mortgages originated to borrowers with incomes less than 80 percent of the updated MSA median family income.

- A prior period investment in Mortgage Backed Securities in the amount of \$3.1 million. This investment is composed of several mortgage backed securities issued by FHLMC, FNMA, and GNMA. All are collateralized by mortgages originated to borrowers with incomes less than 80 percent of the updated MSA median family income.
- A prior period investment in the Community Capital Management/CRA Fund of \$1.4 million. The investment is allocated to Texas Department of Housing and Community Affairs Taxable Variable Rate Multifamily Housing Revenue Bonds Series 2005B used to fund apartments.
- A prior period investment in a certificate of deposit in a qualifying Community Development Financial Institution of \$75 thousand.

In addition to the investments discussed above, Encore originated a good level of qualifying donations during the evaluation period. In the Houston AA, Encore originated 25 donations for a total of \$70 thousand during the evaluation period.

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

Encore did not have any limited-scope reviews for the State of Texas during this evaluation.

## **SERVICE TEST**

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

The bank's performance under the service test in State of Texas is rated "Low Satisfactory". Based on a full-scope review, the bank's performance in the Houston AA is adequate.

### **Retail Banking Services**

Refer to Table 15 in the State of Texas section of Appendix D for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

We used 2000 Census information to assess the distribution of branch offices. The distribution of branches throughout the AA and accessibility to products and services are adequate. The bank's delivery systems are accessible to essentially all geographies and individuals of different income levels in the Houston AA. The bank operates 11 full-service branches in the Houston AA, with nine branches in Harris County, one branch in Fort Bend County, and one branch in Montgomery County. All branches are located in upper-income census tracts (CT), except for the branch in Montgomery County for which the CT income level is unknown. However, the branches and delivery systems are reasonably accessible to individuals and businesses in low- and moderate-income geographies. Eight of the nine branches in Harris County are located within two miles of a low- or moderate-income CT. All of the branches in Harris County are located on main thoroughfares and are accessible by public transportation provided by the county's Metropolitan Transit Authority.

During the evaluation period the bank opened three branches in the Houston AA and closed one. None of the opened or closed branches were in a low- or moderate-income CT. The branch closing represented a short-distance relocation to a branch opened on the same day in the same CT.

All branches in the Houston AA are open Monday-Friday 9:00 a.m. to 5:00 p.m. Four branches offer drive-through banking. The drive-through facilities are available the same days and hours as the branches, except for the Champions branch drive-through which is open from 9:00 a.m. to 5:30 p.m.

The Houston AA delivery system is supplemented by ten automated teller machines (ATMs), located at the branches. The ATMs consist of six full-service and four cash-dispensing-only ATMs. Nine ATMs are available 24 hours a day, seven days a week; the other is located in a branch lobby. ATM use is free for customers. In addition, customers receive full credit for fees incurred when using any other ATM world-wide.

In addition to branches and ATMs, the bank offers free Internet account access for personal banking customers and free Internet bill pay. All branch lobbies provide customers with free Internet access.

A variety of deposit and loan products and business services are available at all branch locations. Several deposit products and services are responsive to the needs of low- or moderate-income individuals and small businesses, as described below.

#### Basic Checking Account

This is a personal checking account that requires a deposit of \$1.00 to open and has no minimum balance requirements. The account is non-interest-bearing. The account provides free Basic checks, permits unlimited check writing, and imposes no fees for incoming wire transfers. Statements with check images are free. As noted above, ATM use is free, as are Internet Banking and Internet Bill pay.

#### ClubHouse Checking Account

This is a personal checking account that is designed for individuals age 50 and over. The account requires a deposit of \$1.00 to open and has no minimum balance requirements. The account is interest-bearing, provides free ClubHouse checks, permits unlimited check writing, and imposes no fees for incoming wire transfers. Statements with check images are free. As noted above, ATM use is free, as are Internet Banking and Internet Bill pay.

#### Member Banking Checking Account

This is a personal checking account that is designed for employees of companies with which Encore has a business relationship. The account requires a deposit of \$1.00 to open and has no minimum balance requirements. The account pays interest, provides free Basic checks, permits unlimited check writing, and imposes no fees for incoming wire transfers. Statements with check images are free. As noted above, ATM use is free, as are Internet Banking and Internet Bill pay.

#### Payroll Services

Encore offers free payroll check cashing for employees of businesses that use Encore's Payroll Services or have another business relationship with Encore, such as loans.

### Interest on Lawyers' Trust Accounts (IOLTA)

Encore participates in the IOLTA program administered by the Texas Access to Justice Foundation. Interest on these trust accounts is pooled with other providers to provide legal services for indigent individuals, client groups, associations, and non-profit organizations.

### Other Products

In addition to the above, Encore offers Personal NOW, money market, savings accounts, and certificates of deposits, as well as commercial checking, money market, savings, and certificates of deposit.

## **Community Development Services**

Encore provided a good level of community development services in the Houston AA, and these services had a positive effect on the Service Test rating. Throughout the evaluation period, Encore employees contributed 120 service hours to 23 educational seminars covering various financially-related topics including credit counseling, first time home buying, online security, awareness of identity theft, and scams targeting the elderly. Attendees of the seminars have included low- or moderate-income individuals, and individuals residing in low- or moderate-income areas. Several employees also serve on boards of local non-profits and provide technical assistance on financial matters to these organizations.

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

Encore did not have any limited-scope reviews for the State of Texas during this evaluation.

## State Ratings

### State of Florida

<b>CRA Rating for State of Florida:</b>	<b>High Satisfactory</b>
<b>The lending test is rated:</b>	High Satisfactory
<b>The investment test is rated:</b>	High Satisfactory
<b>The service test is rated:</b>	Low Satisfactory

The major factors that support this rating include:

- Overall lending activity in the Florida full scope AA is adequate.
- Encore originated an adequate volume of community development loans in the Florida full scope AA (Tampa AA).
- Encore's overall geographic distribution of mortgage loans in the Florida full scope AA is excellent.
- Encore's overall borrower distribution of mortgage loans in the Florida full scope AA is excellent.
- Encore's geographic distribution of small loans to businesses in the Florida full scope AA is excellent.
- Encore's distribution of small loans to businesses with revenues of \$1 million or less is good in the Florida full scope AA.
- Encore's investment performance is good in the Florida full scope AA.
- The distribution of branches throughout the Florida full scope assessment area is adequate. The accessibility to products and services is adequate in the Florida full scope AA.

### Description of Institution's Operations in Florida

Encore operates in three metropolitan statistical areas in West Florida. These are as follows: Tampa-St. Petersburg-Clearwater MSA (Tampa); Cape Coral-Fort Myers MSA (Fort Myers); and Naples-Marco Island MSA (Naples).

Approximately 12 percent of the bank's total deposits were attributed to Tampa, 4 percent to Naples, and 3 percent to Fort Myers. In addition, the bank originated approximately 5 percent of its total CRA reported loans by number, and 10 percent by dollar volume, in the Florida market. The majority of Florida CRA reportable loans were originated in the Tampa AA (49 percent). Fort Myers AA had 28 percent and Naples AA had 23 percent of CRA reportable loan originations. Refer to Scope of Evaluation section for areas receiving a full scope review during this evaluation. The Tampa AA will be the only full scope area in the State of Florida. Refer to the Tampa AA retail services section of this performance evaluation for more detail on products and services offered by Encore.

Encore does not have a notable market share in Tampa, and was not ranked on deposit market share reports. This information is based on 2007 Peer Data comparison reports.

The Encore CRA reportable loan distribution for the State of Florida differs from the State of Texas. Loan originations in the State of Florida are more evenly distributed with home mortgage originations representing 54 percent and small business loans representing 44 percent of the CRA reportable loans. This is due to the fact that the Florida operations were more of a start-up operation in a new state, with new commercial loan officers and small business lenders from the Florida market areas soliciting their existing clientele.

Section 109 of Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Riegle-Neal) requires a bank to maintain a loan-to-deposit ratio of half the host state loan-to-deposit ratio, based on peer bank information in that state. According to OCC Bulletin 2007-20, the loan-to-deposit ratio for Florida is 90 percent. Half of that percentage would be 45 percent. Encore had a loan-to-deposit ratio of 95 percent as of December 31, 2008 in the State of Florida. Encore is in compliance with the Riegle-Neal Act loan-to-deposit ratio requirements.

Refer to the market profile for the Tampa AA in Appendix C for detailed demographics and other performance context information for assessment areas that received full-scope reviews.

## **Scope of Evaluation in Florida**

As stated above, Encore has three assessment areas for the State of Florida. The state ratings are based primarily on results of the area that received a full-scope review. The Tampa AA received a full scope review during this evaluation period. The Tampa AA contains the entire Tampa-St. Petersburg-Clearwater Metropolitan Statistical Area. The Tampa AA has 66 percent of the bank's deposits and 49 percent of the bank's CRA reportable loans in the State of Florida. Refer to demographic table in Appendix C for more information on the Tampa AA.

Home mortgage loans represented 74 percent of CRA reportable loans for the Tampa AA by number and 58 percent by dollar. Therefore, the evaluation of home mortgage lending will receive the most weight. Small business loans represented 24 percent of the CRA reportable loans by number and 38 percent by dollar. Evaluation of small business lending will receive somewhat less weight in the final ratings. Encore has made adequate efforts in making qualified community development loans in the Tampa AA.

Limited scope reviews will be performed for the Fort Myers AA and Naples AA. Fort Myers has 11 percent of deposits and 28 percent of CRA reportable loans for the State of Florida. Naples has 24 percent of deposits and 23 percent of CRA reportable loans for the State of Florida.

A county official for Pasco County was contacted recently regarding community needs in the area. Pasco County is part of the Tampa MSA. According to our contact, the declining mortgage market has hit an all time low. Fewer homes are being bought and fewer homes are being refinanced. Foreclosures are again on the rise. They had slowed down right after the National HOPE program was aired but they are now picking up dramatically. The county is experiencing 70-80 foreclosures on average a month. Sixty percent of the foreclosures are

with homebuyers not speculators. This is different from other areas of Florida such as Naples and Fort Meyers where speculators are the main victims of foreclosures. Also, in Pasco County they are seeing a great number of foreclosures in new housing developments that are becoming de-populated and then either purchased by investors who rent the properties or left vacant.

## **LENDING TEST**

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

The bank's performance under the lending test in the State of Florida is rated "High Satisfactory". Based on a full-scope review, the bank's performance in the Tampa AA is good.

### **Lending Activity**

Refer to Tables 1 Lending Volume in the state of Florida section of Appendix D for the facts and data used to evaluate the bank's lending activity.

Encore's lending activity in the Tampa AA is adequate. Home mortgage lending represented the majority of the bank's CRA lending activity. Within home mortgage lending, refinance loans represented 60 percent of the loans reported. The bank's market share of both deposits and CRA reportable loans is negligible so no market share comparison was available. The bank only originated 2.2 percent of CRA reportable loans in the Tampa AA compared to 12 percent of deposits in the Tampa AA. We also considered Encore's loan to deposit ratio in the State of Florida (95 percent as of December 31, 2008) which indicated an overall good level of lending compared to deposit production. Encore also originated an adequate volume of community development loans in the AA.

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

### ***Home Mortgage Loans***

Refer to Tables 2, 3, 4, and 5 in the Florida section of Appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases in the Tampa AA.

In reviewing the geographic distribution of loans in the Tampa AA, it is important to note the following demographic characteristics. Low-income tracts in the Tampa AA have 0.77 percent owner occupied units. 37 percent of households in these tracts live below the poverty level. Moderate-income tracts in the Tampa AA have 21.94 percent owner occupied units. 16 percent of the households in these tracts live below the poverty level.

### Home Purchase

The geographic distribution of home purchase loans is excellent. The bank did not make any home purchase loans in low-income geographies during the evaluation period. This performance was not considered negatively due to the very low level of owner occupied housing units in low-income tracts. The percentage of home purchase loans in moderate-income geographies exceeds the percentage of owner-occupied housing units. Encore did not have a notable market share for moderate-income tracts or overall. Home purchase loans represent 33% of the bank's home mortgage loans in the Tampa AA.

### Home Improvement

The geographic distribution of home improvement loans is poor. The bank did not make any home improvement loans in low- and moderate-income tracts during the evaluation period. Home improvement loans represent only 4 percent of the total home mortgage loans in the Tampa AA.

### Home Refinancing

The geographic distribution of home refinance loans is excellent. The percentage of home refinance loans in low-income geographies exceeds the percentage of owner-occupied housing units. Home refinance loans in moderate-income geographies exceeds the percentage of owner-occupied housing units. The bank does not have a notable market share in low- and moderate-income geographies or overall. Home refinance loans represent 60 percent of the total home mortgage loans in the Tampa AA.

### Multifamily

The geographic distribution of multifamily loans is excellent. Encore originated three multifamily loans in the Tampa AA during the evaluation period. Two of the three loans were made in moderate-income geographies. The bank did not originate any multifamily loans in low-income tracts. The percentage of multifamily loans in moderate income tracts exceeds the percentage of multifamily units in these tracts. The bank's market share in moderate-income geographies exceeds its overall market share for multifamily housing units.

### ***Small Loans to Businesses***

Refer to Table 6 in the Florida section of Appendix D for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses in the Tampa AA.

Encore's geographic distribution of small loans to businesses is excellent. The bank did not make any small loans to businesses in low-income geographies. This is not considered negatively since only 1.68 percent of businesses are located in low-income tracts. The percentage of small loans to businesses in moderate-income geographies exceeds the percentage of businesses located in these tracts. The bank's market share for moderate-income tracts equals its overall market share for small loans to businesses. Loans to small businesses represent 24 percent of the total reported loans in the Tampa AA. Somewhat less weight was given to the bank's performance in regards to small business lending.

### ***Small Loans to Farms***

Encore did not make any small loans to farms during the evaluation period.

### ***Lending Gap Analysis***

A lending gap analysis was conducted for this evaluation period on the Tampa AA. There were no unexplained conspicuous gaps identified in the Tampa AA. The bank designated all of the Tampa-St. Petersburg-Clearwater MSA as their AA during this review period.

### ***Inside/Outside Ratio***

At the state level, Encore has originated a vast majority of its CRA reportable loans in its three Florida assessment areas. vThe bank loaned 94 percent by dollar amount and 85 percent by number of the CRA reportable loans inside the three Florida assessment areas. This includes both home mortgage and small business loans. The home mortgage performance reflected 89 percent by dollar and 77 percent by number in the three Florida assessment areas. The small business performance was better than its overall inside/outside ratio with 98 percent by dollar and 97 percent by number in the three Florida assessment areas.

## **Distribution of Loans by Income Level of the Borrower**

### ***Home Mortgage Loans***

Refer to Tables 8, 9, and 10 in the Florida section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases in the Tampa AA.

In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level and the barriers that this may have on home ownership. The percentage of total households living below poverty level in the entire Tampa AA based on the 2000 census data is 10 percent. The median housing value based on the

2000 census data is approximately \$98 thousand. It would be very difficult for persons living below the poverty level to afford a house in this price range.

### Home Purchase

The borrower distribution of home purchase loans to low income borrowers is poor. The borrower distribution for moderate-income borrowers is excellent. The percentage of home purchase loans to low-income borrowers is lower than the percentage of low-income families in the AA. The percentage of home purchase loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. Encore does not have a notable market share for low- and moderate-income borrowers or overall.

### Home Improvement

The borrower distribution for low- and moderate-income borrowers is poor for home improvement loans. During the evaluation period, Encore did not make any home improvement loans to low-income borrowers or moderate-income borrowers. Encore did not have a market share of home improvement loans to low- and moderate-income borrowers. There were four total home improvement loans, which represented 4 percent of HMDA reportable loans.

### Home Refinance

The borrower distribution for low- and moderate-income borrowers is excellent for home refinance loans. The percentage of home refinance loans to low-income borrowers exceeds the percentage of low-income families in the AA. The percentage of home refinance loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. Encore does not have a notable market share for low- and moderate-income borrowers or overall. Home refinance loans represent 60 percent of the total HMDA reportable loans in the Tampa AA.

### ***Small Loans to Businesses***

Refer to Table 11 in the Florida section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses in the Tampa AA.

Encore's distribution of small loans to businesses with revenues of \$1 million or less is good. The percentage of small loans to businesses is near to the percentage of businesses with revenues of \$1 million or less in the AA. The bank's market share to businesses with revenues of \$1 million or less equals the bank's overall market share for small loans to businesses, regardless of revenue size.

### ***Small Loans to Farms***

Encore did not make any small loans to farms during the evaluation period.

## Community Development Lending

Refer to Table 1 Lending Volume in the State of Florida section of Appendix D for the facts and data used to evaluate the bank's level of community development lending (CD). 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 multifamily loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

During the evaluation period for CD loans beginning with the prior examination dated April 5, 2006 and ending February 17, 2009, Encore's community development lending performance in the Tampa Full Scope AA is adequate.

In the Tampa AA, a \$556 thousand portion of two loans to a foundation benefiting both Texas and Florida AAs was allocated to the Tampa AA. The organization purchases securities with the loan proceeds and uses the first 1.875 percent of the earnings to fund Senior Crimestopper programs benefiting low- and moderate-income seniors. The impact of these loans is less than the dollar amount of the loans. In addition, \$318 thousand in loans originated through a multi-bank lending consortium were allocated to the Tampa AA. The consortium provides financing for developers of affordable housing and community revitalization. The consortium also provides access to private loan pools funded by members, government Community Development Financial Institution funds and grants, and local State Housing Initiative Program funds.

## Product Innovation and Flexibility

Encore did not provide any innovative products and services. The bank does offer flexible first-time homebuyer and down-payment assistance programs. The bank offers up to \$6,000 in down payment and closing costs assistance for low to moderate income borrowers available through the Federal Home Loan Bank.

## Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Lending Test in Fort Myers and Naples is not inconsistent with the bank's overall "High Satisfactory" performance under the lending test in Florida. Refer to the Tables 1 through 13 in the State of Florida section of Appendix D for the facts and data that support these conclusions.

Community Development performance in Naples is especially noteworthy. Encore originated four CD loans in Naples in the amount of \$2 million.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the investment test in Florida is rated "High Satisfactory". Based on a full-scope review, the bank's performance in the Tampa AA is good.

Refer to Table 14 in the State of Florida section of Appendix D for the facts and data used to evaluate the bank's level of qualified investments.

We identified two prior period qualified investments for a total of \$749 thousand:

- A continuing investment in Mortgage Backed Securities in the amount of \$371 thousand.
- A continuing investment in the Community Capital Management/CRA Fund of \$378 thousand.

In addition to the investments discussed above, Encore originated a good level of qualifying donations during the evaluation period. In the Tampa AA, Encore originated 14 donations for a total of \$20 thousand during the evaluation period.

### **Conclusions for Area Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the investment test in the Fort Myers and Naples AAs is not inconsistent with the bank's overall "High Satisfactory" performance test in Florida. Refer to Table 14 in the state of Florida section of Appendix D 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 in State of Florida is rated "Low Satisfactory". Based on a full-scope review, the bank's performance in the Tampa AA is adequate.

### **Retail Banking Services**

Refer to Table 15 in the State of Florida section of Appendix D for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

We used 2000 Census information to assess the distribution of branch offices. The distribution of branches throughout the AA and accessibility to products and services are adequate. The bank's delivery systems are accessible to essentially all geographies and individuals of different income levels in the Tampa AA. The bank operates three full-service branches in the Tampa AA. All of the branches are located in middle-income CTs. However, the branches and delivery systems are reasonably accessible to individuals and businesses in low- and moderate-income geographies. Two of the three branches are located within two miles of a low- or moderate-income CT. All of the branches are located on or near main thoroughfares. Two of three branches are on local bus routes and are accessible by public transportation. The bank did not open or close any branches in the Tampa AA during the evaluation period.

All branches in the Tampa AA open Monday-Friday 9:00 a.m. to 5:00 p.m. None of the branches offer drive-through banking. However, two branches offer full-service automated teller machines (ATMs), which are available 24 hours a day, seven days a week. ATM use is

free for customers. In addition, customers receive full credit for fees incurred when using any other ATM world-wide.

In addition to branches and ATMs, the bank offers free Internet account access for personal banking customers and free Internet bill pay. All branch lobbies provide customers with free Internet access.

A variety of deposit and loan products and business services are available at all branch locations. Several deposit products and services are responsive to the needs of low- or moderate-income individuals and small businesses. These are the same products offered in the State of Texas.

### **Community Development Services**

Encore provided a good level of community development services in the Tampa AA, and these services had a positive effect on the Service Test rating. Throughout the evaluation period, Encore employees contributed 129 service hours to 13 educational seminars covering various financially-related topics including credit counseling, first time home buying, online security, awareness of identity theft, and scams targeting the elderly. Attendees of the seminars have included low- or moderate-income individuals, and individuals residing in low- or moderate-income areas. Several employees also serve on boards of local non-profits and provide technical assistance on financial matters to these organizations.

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

Based on a limited-scope review, the bank's performance under the Service Test in the Fort Meyers AA and Naples AA 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

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 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): 01/01/2006 to 12/31/2008  Investment and Service Tests and CD Loans: 04/05/2006 to 02/17/2009	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Encore Bank, National Association (Encore)	Home Mortgage Loans, Community Development Loans and Small loans to Businesses	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Linscomb and Williams, Inc  Town and Country Insurance Agency, Inc	Investment Advisor  Insurance Agency	NA
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information (Counties in AA)</b>
Houston-Sugarland-Baytown Texas MSA (Houston AA)	Full Scope	Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, Waller
Tampa-St. Petersburg-Clearwater Florida MSA (Tampa AA)	Full Scope	Hernando, Hillsborough, Pasco, Pinellas
Cape Coral-Fort Myers Florida MSA (Fort Myers AA)	Limited Scope	Lee
Naples-Marco Island Florida MSA (Naples AA)	Limited Scope	Collier



## Appendix C: Market Profiles for Full-Scope Areas

### State of Texas

### Houston-Sugarland-Baytown, Texas Metropolitan Statistical Area (Houston AA)

Demographic Information for Full-Scope Area: Houston AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	895	7.93	31.40	30.61	28.94	1.12
Population by Geography	4,715,407	6.43	30.28	31.45	31.74	0.11
Owner-Occupied Housing by Geography	1,008,983	2.87	23.19	32.97	40.97	0.00
Businesses by Geography	433,649	5.00	25.16	28.60	40.70	0.55
Farms by Geography	7,590	3.03	19.92	37.89	39.05	0.11
Family Distribution by Income Level	1,191,102	22.61	17.36	18.97	41.06	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	476,081	11.33	43.52	30.68	14.47	0.00
Median Family Income		Median Housing Value			= \$98599	
HUD Adjusted Median Family Income for 2008	= \$51,431	Unemployment Rate			= 3.00%	
Households Below the Poverty Level	= \$61,100 = 12%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census, and 2008 HUD updated MFI.

The Houston AA consists of the entire Houston MSA which includes 895 census tracts (CTs). 71 CTs (7.93%) of the total are designated as low-income tracts. 281 CTs (31.40%) are designated as moderate-income tracts. The updated median family income for 2008 is \$61,100. This MSA is a 10 county metropolitan area in the Gulf Coast region of Southeast Texas.

The counties are as follows: Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, and Waller. This MSA is the sixth largest in the nation with a population of 4.7 million as of the 2000 U.S. Census. The population is centered in Houston, Texas. It is the largest economic and cultural center in Texas with a population estimated at 2.2 million.

All of Harris County, Texas is designated as part of Encore's Houston AA. There are 64 CTs (10%) designated as low-income and 223 CTs (35%) designated as moderate-income. Middle-income CTs in the AA total 178 (27%), upper-income CTs total 178 (27%), and 7 CTs do not have a designation (1%). Harris County is the largest county in Texas and the third most populous county in the nation. The population is estimated at 3.9 million according to a 2007 U.S. Census Bureau estimate with a growth rate since the 2000 Census of 15%. The 2007 U.S. Census Bureau shows an unemployment rate of 8.3%, and 18% of the population lives below the poverty level. The county seat is Houston which is the largest city in Texas and the fourth largest city in the nation.

Houston has the largest medical center in the world, the Texas Medical Center. The Center's economic impact exceeds \$10 billion annually, and it has approximately 61 thousand employees. Also, Houston is second only to New York City in Fortune 500 company headquarters, and more than 5 thousand energy-related firms are located in the city. Among the 10 most populous metro areas, Houston ranked second in employment growth rate and fourth in nominal employment growth. Houston is home to the Johnson Space Center, NASA's largest research and development facility, employing nearly 3 thousand federal civil service workers and more than 14 thousand contract personnel. Texas Governor Rick Perry recently announced a \$7.5 million Texas Enterprise Fund grant to Lockheed Martin, which should bring approximately 1 thousand jobs to the Houston area.

The Metropolitan Transit Authority of Harris County (METRO) operates bus, light rail, and METROLift (paratransit) service in Harris County. METRO's service area encompasses 1,285 square miles. Most METRO buses typically run on city streets with the majority of the routes serving downtown Houston. This allows people and small businesses easy access to branch locations through public transportation. METRO also operates one light rail line, with 4 other lines expected to be completed by 2012.

Major employers include Continental Airlines, Administaff, Halliburton, Wal-Mart Stores, Exxon Mobil, Kroger Company, Memorial Hermann Healthcare System, and The University of Texas Medical Branch, all with more than 13 thousand employees each. Banking competition is intense. The 5 largest competitors in the county include: JP Morgan Chase Bank, National Association (N.A.), Bank of America, N.A., Wells Fargo Bank, N.A., Amegy Bank, N.A, and Washington Mutual

Bank, Federal Savings Bank. Encore is ranked 23<sup>rd</sup> in deposit market share with 0.70% of deposit market share in the Houston MSA. This ranking is based on 2007 Peer data comparison reports.

## State of Florida

### Tampa-St Petersburg-Clearwater Metropolitan Statistical Area (Tampa AA)

Demographic Information for Full-Scope Area: Tampa AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	547	2.93	25.78	45.34	25.96	0.00
Population by Geography	2,395,997	2.35	24.27	46.05	27.32	0.00
Owner-Occupied Housing by Geography	714,394	0.77	21.94	48.28	29.01	0.00
Businesses by Geography	282,101	1.68	24.70	42.89	30.73	0.00
Farms by Geography	6,530	0.78	24.58	48.19	26.45	0.00
Family Distribution by Income Level	641,369	18.87	19.12	22.01	40.01	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	243,610	3.64	34.28	47.50	14.58	0.00
Median Family Income		Median Housing Value				= \$92,588
HUD Adjusted Median Family Income for XXXX	= \$45,339	Unemployment Rate				= 2.36%
Households Below the Poverty Level	= \$56,500					
	= 10%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000 U.S. Census, and 2008 HUD updated MFI.

The Tampa AA consists of the entire Tampa MSA which includes 547 census tracts (CTs). 16 CTs (2.93%) of the total are designated as low-income tracts. 141 CTs (25.78%) are designated as moderate-income tracts. The updated median family income for 2008 is \$45,339. This MSA is a 4 county metropolitan area in the western portion of central Florida. The counties are as follows: Hernando, Hillsborough, Pasco and Pinellas. This MSA has a population of 2.4 million as of the 2000 U.S. Census.

The City of Tampa is the largest city in Hillsborough County, is the county seat and is the third most populous city in Florida. It is located on the west coast of Florida, approximately 200 miles northwest of Miami, 180 miles southwest of Jacksonville, and 20 miles northeast of St. Petersburg. The population of the city represents approximately one-third of the total population of Hillsborough County.

The Tampa Bay area is home to several *Fortune 1000* company headquarters. The largest company headquartered in the Tampa Bay area is Publix Super Markets. The most famous companies headquartered in the area are Tech Data, Outback Steakhouse, and Raymond James Financial. Major industries in Tampa are avionics, business and information services, financial services, manufacturing (microelectronics and medical devices), marine science, port/maritime, and tourism. Tampa Bay is home to three seaports that support more than 130,000 jobs. Port of Tampa is the 12<sup>th</sup> largest cargo port in the United States, as well as a major cruise port. Tampa has two International airports.

Hillsborough Area Regional Transit Authority (HART) provides public transportation for Tampa. HART provides several transportation options which include local fixed bus routes, express bus service, in-town trolleys, van pools and guaranteed ride home services, 100% wheelchair and bike accessible buses, door to door paratransit service, and employer/subscription mini-bus service.

According to the 2008-2012 Tampa Consolidated Plan, affordable housing is needed for low- and moderate-income families. Among low- and moderate-income (LMI) Tampa households, 58% experience cost burden. Cost burden is defined in the plan as follows: A household experiences cost burden when the household pays more than 30% of their income for housing costs. Housing costs for renters are comprised of rent plus tenant-paid utilities. Housing costs for owners include mortgage, real estate taxes and insurance and association fees, if applicable.

The City of Tampa has eight Community Reinvestment Areas. In addition to the two established downtown Community Reinvestment Areas (CRAs) that were created in the late 1980's, the city's Economic and Urban Development Department has established six more CRA districts since then. These districts include Tampa Heights, East Tampa, Ybor City, Channel District, Drew Park and Central Park. These are areas which have high concentrations of LMI households.

Banking competition is intense. The 5 largest competitors in the county include: Bank of America, Wachovia, Suntrust Bank, Suncoast Schools FCU, and Raymond James Bank FSB. Encore does not have a notable market share in Tampa, and was not ranked on deposit market share reports. This information is based on 2007 Peer Data comparison reports.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan areas are presented in one set of 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: (1) 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; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- 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.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank, if applicable, 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.

**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.

**Tables of Performance Data**

Table 1. Lending Volume

LENDING VOLUME		Geography: ENCORE BANK, N.A.						Evaluation Period: January 01, 2006 – December 31, 2008				
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>												
<b>State of Texas</b>												
Houston AA	95.45	5,733	402,427	528	120,543	0	0	13	23,992	6,274	546,962	
<b>State of Florida</b>												
Tampa AA	2.22	108	14,537	35	9,503	0	0	3	874	146	24,914	
<b>Limited Review:</b>												
<b>State of Florida</b>												
Fort Myers AA	1.29	38	6,698	46	11,567	0	0	1	287	85	18,552	
Naples AA	1.04	14	5,878	50	11,719	0	0	4	2,007	68	19,604	

\* Loan Data as of December 31, 2008, Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is April 6, 2006 to February 17, 2008.

\*\*\* Deposit Data as of June 30<sup>th</sup>, 2007. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE			Geography: Encore Bank, N.A.				Evaluation Period: January 01, 2006 – December 31, 2008				Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over all	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>															
<b>State of Texas</b>															
Houston AA	5,256	98.96	2.87	1.60	23.19	7.63	32.97	22.93	40.97	67.85	0.81	1.04	0.45	0.59	1.00
<b>State of Florida</b>															
Tampa AA	36	0.68	0.77	0.00	21.94	36.11	48.28	47.22	29.01	16.67	0.00	0.00	0.00	0.01	0.00
<b>Limited Review:</b>															
<b>State of Florida</b>															
Fort Myers AA	15	0.28	0.87	0.00	13.24	20.00	63.06	26.67	22.84	53.33	0.01	0.00	0.00	0.00	0.03
Naples AA	4	0.08	2.30	0.00	13.08	50.00	47.98	25.00	36.65	25.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2007 Peer Mortgage Data: Western and Eastern Regions.

\*\* 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 2000 Census information.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT			Geography: Encore Bank, N.A.				Evaluation Period:		January 01, 2006 – December 31, 2008						
MA/Assessment Area:	Total Home Improvement 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	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
<b>State of Texas</b>															
Houston AA	100	91.74	2.87	0.00	23.19	3.00	32.97	23.00	40.97	74.00	0.22	0.00	0.00	0.14	0.37
<b>State of Florida</b>															
Tampa AA	4	3.67	0.77	0.00	21.94	0.00	48.28	0.00	29.01	100.00	0.02	0.00	0.00	0.00	0.07
<b>Limited Review:</b>															
<b>State of Florida</b>															
Fort Myers AA	2	1.83	0.87	0.00	13.24	0.00	63.06	50.00	22.84	50.00	0.13	0.00	0.00	0.09	0.38
Naples AA	3	2.75	2.30	0.00	13.08	0.00	47.98	33.33	36.65	66.67	0.46	0.00	0.00	0.28	1.36

\* Based on 2007 Peer Mortgage Data: Western and Eastern Regions.

\*\* 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.

\*\*\* 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 2000 Census information.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE												Geography: Encore Bank N.A. Evaluation Period: January 01, 2006 – December 31, 2008				
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	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
<b>State of Texas</b>																
Houston AA	360	80.00	2.87	1.11	23.19	12.50	32.97	25.83	40.97	60.56	0.18	0.00	0.17	0.17	0.21	
<b>State of Florida</b>																
Tampa AA	65	14.44	0.77	7.69	21.94	24.62	48.28	46.15	29.01	21.54	0.00	0.00	0.00	0.00	0.00	
<b>Limited Review:</b>																
<b>State of Florida</b>																
Fort Myers AA	19	4.22	0.87	5.26	13.24	63.16	63.06	26.32	22.84	5.26	0.00	0.00	0.00	0.00	0.00	
Naples AA	6	1.33	2.30	0.00	13.08	50.00	47.98	50.00	36.65	0.00	0.00	0.00	0.00	0.00	0.00	

\* Based on 2007 Peer Mortgage Data: Western and Eastern Regions.

\*\* 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 2000 Census information.

Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY		Geography: Encore Bank, N.A.					Evaluation Period: January 01, 2006 – December 31, 2008									
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	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
<b>State of Texas</b>																
Houston AA	12	66.67	9.84	25.00	35.87	41.67	30.30	25.00	23.99	8.33	1.65	0.00	2.72	0.93	1.61	
<b>State of Florida</b>																
Tampa AA	3	16.67	4.33	0.00	18.88	66.67	49.17	33.33	27.61	0.00	0.44	0.00	1.27	0.00	0.00	
<b>Limited Review:</b>																
<b>State of Florida</b>																
Fort Myers AA	2	11.11	1.45	0.00	15.27	0.00	44.37	100.00	38.90	0.00	0.00	0.00	0.00	0.00	0.00	
Naples AA	1	5.56	2.08	0.00	7.03	100.00	35.11	0.00	55.78	0.00	0.00	5.56	0.00	0.00	20.0	

\* Based on 2007 Peer Mortgage Data: Western and Eastern Regions.

\*\* 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 2000 Census information.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES												Geography: Encore Bank, N.A.		Evaluation Period: January 01, 2006 – December 31, 2008			
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	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
<b>State of Texas</b>																	
Houston AA	519	79.85	5.00	2.70	25.16	14.07	28.60	20.62	40.70	62.62	0.06	0.03	0.04	0.05	0.09		
<b>State of Florida</b>																	
Tampa AA	35	5.38	1.68	0.00	24.70	34.29	42.89	40.00	30.73	25.71	0.01	0.00	0.01	0.01	0.01		
<b>Limited Review:</b>																	
<b>State of Florida</b>																	
Fort Myers AA	46	7.08	0.99	0.00	14.45	15.22	59.54	69.57	25.02	15.22	0.03	0.00	0.03	0.04	0.03		
Naples AA	50	7.69	1.65	0.00	11.25	8.00	44.56	36.00	42.54	56.00	0.09	0.00	0.05	0.06	0.13		

\* Based on 2007 Peer Small Business Data: US. And PR

\*\* 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 2008.

Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS												Geography: Encore Bank, N.A.		Evaluation Period: January 01, 2006 – December 31, 2008		
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*					
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	Overall	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
<b>State of Texas</b>																
Houston AA	0	0.00	3.03	0.00	19.92	0.00	37.89	0.00	39.05	0.00	0.00	0.00	0.00	0.00	0.00	
<b>State of Florida</b>																
Tampa AA	0	0.00	0.78	0.00	24.58	0.00	48.19	0.00	26.45	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Limited Review:</b>																
<b>State of Florida</b>																
Fort Myers AA	0	0.00	0.94	0.00	12.51	0.00	70.08	0.00	16.48	0.00	0.00	0.00	0.00	0.00	0.00	
Naples AA	0	0.00	4.39	0.00	21.40	0.00	50.93	0.00	23.27	0.00	0.00	0.00	0.00	0.00	0.00	

\* Based on 2007 Peer Small Business Data: US and PR.

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

\*\*\* Source Data - Dun and Bradstreet 2008.

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: Encore Bank, N.A.				Evaluation Period: January 01, 2006 – December 31, 2008									
MA/Assessment Area:	Total Home Purchase 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****	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
<b>State of Texas</b>															
Houston AA	5260	98.97	22.61	0.19	17.36	3.81	18.97	16.58	41.06	79.42	0.93	0.00	0.13	0.43	1.37
<b>State of Florida</b>															
Tampa AA	36	0.68	18.87	2.78	19.12	47.22	22.01	16.67	40.01	33.33	0.00	0.00	0.00	0.00	0.01
<b>Limited Review:</b>															
<b>State of Florida</b>															
Fort Myers AA	15	0.28	17.16	11.11	19.96	33.33	23.32	11.11	39.56	44.44	0.00	0.00	0.00	0.00	0.00
Naples AA	4	0.08	19.06	0.00	19.32	0.00	20.65	0.00	40.97	100.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2007 Peer Mortgage Data: Western and Eastern Regions.

\*\* 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 Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 0.9% of loans originated and purchased by Bank.

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			Geography: Encore Bank, N.A.						Evaluation Period: January 01, 2006 – December 31, 2008						
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK****	% Families***	% BANK****	% Families***	% BANK****	% Families***	% BANK****	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
<b>State of Texas</b>															
Houston AA	100	91.74	22.61	0.00	17.36	2.33	18.97	5.81	41.06	91.86	0.23	0.00	0.00	0.00	0.37
<b>State of Florida</b>															
Tampa AA	4	3.67	18.87	0.00	19.12	0.00	22.01	25.00	40.01	75.00	0.02	0.00	0.00	0.05	0.02
<b>Limited Review:</b>															
<b>State of Florida</b>															
Fort Myers AA	2	1.83	17.16	0.00	19.96	0.00	23.32	0.00	39.56	100.00	0.14	0.00	0.00	0.00	0.23
Naples	3	2.75	19.06	0.00	19.32	0.00	20.65	50.00	40.97	50.00	0.33	0.00	0.00	0.57	0.32

\* Based on 2007 Peer Mortgage Data: Western and Eastern Regions.

\*\* 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.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 13.8% of loans originated and purchased by Bank.

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE												Geography: Encore Bank, N.A.		Evaluation Period: January 01, 2006 – December 31, 2008			
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 ****	Over all	Low	Mod	Mid	Upp		
<b>Full Review:</b>																	
<b>State of Texas</b>																	
Houston AA	361	80.04	22.61	0.59	17.36	3.81	18.97	13.20	41.06	82.40	0.21	0.06	0.03	0.09	0.31		
<b>State of Florida</b>																	
Tampa AA	65	14.41	18.87	30.77	19.12	55.38	22.01	6.15	40.01	7.69	0.00	0.00	0.00	0.00	0.00		
<b>Limited Review:</b>																	
<b>State of Florida</b>																	
Fort Myers AA	19	4.21	17.16	21.05	19.96	31.58	23.32	36.84	39.56	10.53	0.00	0.00	0.00	0.00	0.00		
Naples AA	6	1.33	19.06	16.67	19.32	83.33	20.65	0.00	40.97	0.00	0.00	0.00	0.00	0.00	0.00		

\* Based on 2007 Peer Mortgage Data: Western and Eastern Regions.

\*\* 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 Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 4.4% of loans originated and purchased by Bank.

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES					Geography: Encore Bank, N.A		Evaluation Period: January 01, 2006 – December 31, 2008		
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>									
<b>State of Texas</b>									
Houston AA	528	80.12	68.06	52.08	46.21	22.35	31.44	0.06	0.08
<b>State of Florida</b>									
Tampa	35	5.31	64.57	62.86	42.86	25.71	31.43	0.01	0.01
<b>Limited Review:</b>									
<b>State of Florida</b>									
Fort Myers AA	46	6.98	64.79	58.70	28.26	32.61	39.13	0.03	0.04
Naples AA	50	7.59	64.91	64.00	40.00	32.00	28.00	0.09	0.15

\* Based on 2007 Peer Small Business Data: US. and PR

\*\* 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 - 2008).

\*\*\*\* 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 13.05% of small loans to businesses originated and purchased by the Bank.

Table 12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS					Geography: Encore Bank, N.A.		Evaluation Period: January 01, 2006 – December 31, 2008		
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
<b>State of Texas</b>									
Houston AA	0	0.00	96.02	0.00	0.00	0.00	0.00	0.00	0.00
<b>State of Florida</b>									
Tampa AA	0	0.00	96.71	0.00	0.00	0.00	0.00	0.00	0.00
<b>Limited Review:</b>									
<b>State of Florida</b>									
Fort Myers AA	0	0.00	97.14	0.00	0.00	0.00	0.00	0.00	0.00
Naples AA	0	0.00	94.49	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2007 Peer Small Business Data: US.

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

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2008).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.00% *Percentage* of small loans to farms originated and purchased by Bank.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: Encore Bank, N.A.			Evaluation Period: April 6, 2006 to February 17, 2009				
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>									
<b>State of Texas</b>									
Houston AA	3	4,565	26	1,170	29	5,735	84.09		
<b>State of Florida</b>									
Tampa AA	2	749	14	19	16	768	11.26		
<b>Limited Review:</b>									
<b>State of Florida</b>									
Fort Myers AA	2	301	9	8	11	309	4.53		
Naples AA			11	8	11	8	.12		
Total	7	5,615	60	1,205	68	6,820	100.00		

\* '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: Encore Bank, N.a. Evaluation Period: April 6, 2006 to February 17, 2009																	
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>																	
<b>State of Texas</b>																	
Houston AA	81.06	11	64.71	0.00	0.00	0.00	90.91	3	1	0	0	0	+2	6.42	30.28	31.45	31.74
<b>State of Florida</b>																	
Tampa AA	11.97	3	17.65	0.00	100.0	0.00	0.00	0	0	0	0	0	0	2.35	24.27	46.05	27.33
<b>Limited Review:</b>																	
<b>State of Florida</b>																	
Fort Myers AA	2.60	1	5.88	0.00	0.00	100.0	0.00	1	1	0	0	0	0	1.95	17.89	61.13	19.03
Naples AA	4.38	2	11.76	0.00	0.00	0.00	100.0	1	0	0	0	0	+1	7.48	18.77	45.24	28.51

\* 9.09 percent of the Houston Branches located in a tract without an income designation

\*\*0.11 percent of the population located in tracts without an income designation