



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 31, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Northwest Bank, National Association
Charter Number: 23070
1716 Mangum Road
Houston, Texas 77092

Comptroller of the Currency
Southwestern District
500 North Akard Street, Suite 1600
Dallas, Texas 75201-3394

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Northwest Bank, National Association prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of July 31, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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

Northwest Bank, National Association has a satisfactory record of meeting credit needs with the community, as evidenced by the following:

- A reasonable loan-to-deposit ratio;
- A majority of its loan originations are within the bank's assessment area; and
- A reasonable distribution of loan originations to borrowers of different income levels and businesses of different sizes.

The following table indicates the performance level of Northwest Bank, National Association with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>NORTHWEST BANK, NATIONAL ASSOCIATION</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior CRA examination.		

DESCRIPTION OF INSTITUTION

Northwest Bank, National Association (Northwest) is a \$138 million financial institution with two full service locations and four full service automated teller machines (ATMs). The bank's main office is located in northwest Houston on 1717 Mangum Road at 18th Street. A branch is located on 7608 FM 1960 in far northwest Houston.

Northwest is a full service bank offering small business, commercial real estate, and consumer loan and deposits products. As of June 30, 1996, the loan portfolio consisted of the following: 47% commercial (small business); 36% commercial real estate; 8% residential real estate; and, 9% consumer related. Northwest is 100% owned by Northwest Bancorporation, Inc., a one bank holding company. There are no legal or other impediments which limit the bank's ability to help meet the community's credit needs.

DESCRIPTION OF NORTHWEST BANK'S ASSESSMENT AREA

Based upon the location of the main office and branch facility, the Board of Directors defined the bank's assessment area to be 89 census tracts (CTs) located in the northwest portion of the Houston MSA (#3360). The area is bounded on the north by Spring Cypress and Stuebner Airline Roads, on the west by Huffmeister Road, on the south by Interstate 10 and on the east by Interstate 45 and Veterans Memorial Drive. The assessment area's income characteristics are as follows: 6% (5 CTs) as low income; 34% (30 CTs) as moderate income; 36% (33 CTs) as middle income; and, 24% (21 CTs) as upper income. The assessment area's population is 493,427. The Office of Housing and Urban Development's (HUD) Median Family Income for the MSA is \$45,300. The percentage of households in each income category is as follows: low income 3%; moderate income 27%; middle income 35%; and, upper income 35%.

Major employers for the area include light manufacturing, oil and gas companies, construction firms and government. The local economy is very stable and enjoys relatively low unemployment and moderate growth. Northwest's assessment area is heavily banked with many local and interstate banking organizations represented throughout. A review of recent contacts with community based organizations indicated that the credit needs of the assessment area includes both small business and consumer lending and is consistent with the needs of the Houston MSA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management's efforts to meet the credit needs of the community, including low-and moderate-income (LMI) individuals is satisfactory and consistent with the bank's financial condition, resources and the spirit of CRA.

LOAN TO DEPOSIT RATIO

While the bank's loan-to-deposit (LTD) ratio has decreased and is currently lower than other similarly situated lenders, it is considered reasonable. As of June 30, 1996, the bank had an average LTD ratio of 57% down from 58% at June 30, 1995, and lower than the average of other similarly situated lenders which is 63%. The bank's lower LTD ratio is directly attributed to deposit growth out pacing loan growth coupled with management's sale of \$5 million in loans to its affiliated finance company.

LENDING IN ASSESSMENT AREA

A majority of Northwest's loans are within its assessment area. Management performs a regular analysis of the bank's lending patterns which is reported to the Board of Directors. As of June 30, 1996, 59% of the dollar volume and 60% of the number of bank's outstanding loans are within its assessment area. Table 1 illustrates the bank's lending within its assessment area.

Table 1

	JUNE 30, 1995	DECEMBER 31, 1995	JUNE 30, 1996
TOTAL LOANS*	(\$ 70,150 #) 1,466	(\$ 64,751 #) 1,423	(\$ 62,597 #) 1,378
LOANS IN ASSESSMENT AREA (AA)	(\$40,590 OR 58% #) 847 OR 58%	(\$ 36,592 OR 57% #) 798 OR 56%	(\$ 36,951 OR 59% #) 824 OR 60%
LMI CTs IN AA	35/89 OR 39%	35/89 OR 39%	35/89 OR 39%
LOANS IN LMI CTs	(\$ 15,542/40,590 OR 38% #) 318/847 OR 38%	(\$ 14,843/36,592 OR 41% #) 315/798 OR 39%	(\$ 14,721/36,951 OR 40% #) 295/824 OR 36%

*Loans in thousands of dollars

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESS OF DIFFERENT SIZES

The distribution of the bank's lending within its assessment area to borrowers of different income levels and business and farms of different sizes is reasonable. Table 2 on the next page illustrates the bank's retail lending approvals from January 1, to June 30, 1996.

Table 2

	ASSESSMENT AREA PROFILE	LOAN APPROVALS (#)
LMI HOUSEHOLDS (Hhs)	30%	26%
MIDDLE INCOME (Hhs)	35%	23%
UPPER INCOME (Hhs)	35%	51%
TOTALS	100%	100%

While these results do not exactly mirror the assessment area's profile, it is important to note that retail lending represents only 17% of the bank's total loans. Small business lending is the bank's major product line with 87% of approvals during this period were for loan amounts less than \$250 thousand. The majority of the bank's customers meet the small business definition (companies with revenues of less than \$ 1 million).

GEOGRAPHIC DISTRIBUTION OF LOANS

Management performs a periodic analysis of the geographic distribution of the bank's loan applications approvals and denials within its assessment area. An analysis of the bank's outstanding loans within its assessment area, as of June 30, 1996, concluded that the bank's lending is reasonable when considering the assessment area's profile. This is further illustrated in Table 3.

Table 3

CENSUS TRACTS	\$ VOLUME (1,000S)	% OUTSTANDING	# OF LOANS	% OUTSTANDING	ASSESSMENT AREA PROFILE
LOW INCOME	\$71	1%	6	1%	6%
MODERATE INCOME	\$14,889	39%	259	31%	34%
MIDDLE INCOME	\$11,992	33%	297	36%	36%
UPPER INCOME	\$9,999	27%	262	32%	24%
TOTALS	\$36,951	100%	824	100%	100%

RESPONSE TO COMPLAINTS

Since the last CRA examination, the bank has not received any written complaints related to its performance under the Act.

FAIR LENDING

A fair lending examination was performed in conjunction with this examination. Based upon the sampled loans reviewed, no discriminatory or other illegal credit practices were disclosed. We found the bank to be in compliance with the substantive provisions of anti discrimination laws and regulations