



## **PUBLIC DISCLOSURE**

(February 27, 1998)

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Independent National Bank  
Charter Number 17911**

**3636 West Northgate Drive  
Irving, Texas 75062**

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

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

## GENERAL INFORMATION

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

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Independent National Bank** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of February 27, 1998. 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.

- The Bank's loan-to-deposit ratio is reasonable when compared to other area banks.
- Credit activity is reasonably distributed to borrowers of different income levels.
- Loan activity also reflects a reasonable distribution to geographies with different income levels.

The following table indicates the performance level of **Independent National Bank** with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b><u>Independent National Bank</u> PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does Not Meet Standards for Satisfactory Performance</b>
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 examination.		

**DESCRIPTION OF INSTITUTION:**

Independent National Bank is a \$57 million bank, which is owned 100% by Irving National Bankshares, Inc., a one bank holding company. Within the holding company, there are three banking centers located in Irving, Grapevine and Grand Prairie. The Irving Center is located at 3636 West Northgate Drive Irving, Texas. The Grand Prairie Center is located at 4055 South Great Southwest Parkway, Grand Prairie, Texas with the Grapevine Center located at 2100 West Northwest Highway Grapevine, Texas. All bank locations provide a full range of services including two deposit taking Automated Teller Machines (ATM) which are maintained at the bank in Irving and the Grand Prairie location. The Irving Banking Center is located in a middle income census tract, while the Grapevine Center is located in an upper income census tract and the Grand Prairie Center is located in a middle income census tract.

The institution is retail and commercial oriented and offers full service banking. Loan products offered include real estate loans, consumer loans, and commercial loans. Outstanding loans on December 31, 1997 totaled \$41 million and represented 77% of net deposits. The loan portfolio is distributed as follows: 40% are commercial loans; 27% are consumer related; and 33% are real estate related. There are no legal impediments or other factors which inhibit the bank's ability to meet the needs of the community. The previous Community Reinvestment Act Examination was conducted in February of 1995 at which time the bank was assigned a satisfactory rating.

**DESCRIPTION OF THE ASSESSMENT AREA:**

Management and the Board have designated two assessment areas for CRA purposes based on the locations of the Irving Banking Center (which includes the Grapevine location) and the Grand Prairie Banking Center.

**IRVING ASSESSMENT AREA:**

The Irving assessment area includes the Northwestern portion of Dallas County and the North eastern portion of Tarrant County. The designated assessment area is part of the Dallas and Fort Worth Metropolitan Statistical Areas (MSA). The assessment area includes census tracts (CT), 141.03, 141.11, 141.12, 141.13, 141.14, 141.15, 141.16, 142.01, 142.02, 143.02, 143.03, 143.04, 143.05, 143.06, 144.02, 144.03, 144.04, 145, 146, 147, 152.02, 203.02, 217.08, 217.09, 1135.07, 1135.08, 1136.09, 1137.02, 1137.03, 1137.04, 1139.01, 1136.10. This area includes the communities of Irving, Grapevine, Colleyville, Southlake, Flower Mound, Trophy Club, Roanoke, Marshall Creek, Argyle, and Bartonville. The CT's within the assessment area include 3 moderate income areas, 16 middle income areas, and 13 upper income areas. The area does not have any low income tracts. The population within this area totals 188,142 persons according to the 1990 Census Bureau data. The distribution of families by income

level, regardless of location, consists of the following: 14% of the families are low income, 16% are moderate income, 20% are middle income, and 50% are upper income. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. The U.S. Census 1990 median family income for the assessment area is \$38,458. Local employment is centered in the following industries: Communications, corporate headquarters of several international companies, aviation, and government. Competition within the bank's assessment area is heavy. There are numerous financial institutions which are located in close proximity to the Irving and Grapevine Banking Centers. A majority of these institutions are branches of non-local multinational banks.

As part of our evaluation, we contacted Dan Mahoney, Executive Director of the Irving Economic Development Corporation. Mr. Mahoney stated that the local financial institutions are supportive of the community and have taken positive steps toward meeting identified credit needs. He also stated that he was not aware of any formal studies performed which would identify community credit needs.

#### **GRAND PRAIRIE ASSESSMENT AREA:**

The Grand Prairie assessment area includes the western portion of Dallas County. The designated assessment area is part of the Dallas and Fort Worth Metropolitan Statistical Areas (MSA). The assessment area includes census tracts (CT), 160, 161, 162, 163, 164.01, 164.02, 164.03, 164.04, 164.05, 165.01, 165.10, 1115.11, 1115.12, 1115.13, 1115.14, 1115.18, 1115.21, 1115.23, 1130.02, 1219.01, 1219.02. This area includes the community of Grand Prairie. The CT's within the bank's assessment area include 5 moderate income areas, 10 middle income areas, and 6 upper income area. The area does not have any low income tracts. The population within this area totals 110,030 persons according to the 1990 Census Bureau data. Approximately 16% of the families are low income, 18% are moderate income, 27% are middle income, and 39% are upper income. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. The U.S. Census 1990 median family income for the assessment area is \$38,191. Local employment is centered in the following industries: aeronautical manufacturing, plastics, and government. Competition within the bank's assessment area is heavy. There are two other financial institutions whose main offices are located within the assessment area. Additionally, there is one branch office of a financial institution whose main office is located outside the assessment area. There are also several branches of non-local multinational institutions.

As part of our evaluation, Elsie Gary, Center Director of the Dallas County Community Action Committee, Inc was contacted. She indicated that banking needs in the Grand Prairie area include basic low-cost accounts for low-income individuals, affordable housing loans and home improvements loans. She also indicated that continued home ownership counseling after loan closing is an area of great need.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### Loan-to-Deposit Ratio

Independent National Bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's loan-to-deposit ratio has averaged 67.40% since the prior CRA Examination in February of 1995. The average loan-to-deposit ratio for all banks within the assessment areas for the same time period was 57.38%, and ranged from 36.28% to 71.40%.

### Lending in Assessment Area

A majority of the bank's lending activity is located **outside** its assessment areas. We reviewed a sample of 49 consumer loans originated in 1996 and 1997 and 47 business loans originated during 1996, and 1997. Furthermore, we reviewed 223 owner occupied real estate mortgages which is 100% of those loans originated in 1996, and 1997. Loans sampled represented a sufficient cross section of loans from each banking center. The breakdown by loan category is illustrated below:

<b>Residential Mortgages</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Amt. (000's)</b>	<b>Percent</b>
Inside Assessment Area	54	24.22%	1,222	28.16%
Outside Assessment Area	169	75.78%	3,118	71.84%

<b>Business Loans</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Amt. (000's)</b>	<b>Percent</b>
Inside Assessment Area	30	63.83%	2,078	64.53%
Outside Assessment Area	17	36.17%	1,142	35.47%

<b>Consumer Loans</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Amt. (000's)</b>	<b>Percent</b>
Inside Assessment Area	35	71.43%	316	71.82%
Outside Assessment Area	14	28.57%	124	28.18%

This sample reflected that approximately 62.70% of the number and 54.80% of the dollar amount of loans were extended **outside** of the bank's assessment area. As can be seen from

the above illustration, the largest factor contributing to the low lending penetration in the assessment area is real estate lending activities. On January 19, 1996, Irving National Bank, and first Continental Bank of Grand Prairie, merged banks, changing the names of the two banks to Independent National Bank on that date. Prior to the merger Continental National Bank operated a home improvement department; whereby, they would approve and sell home improvement loans into the secondary market. The department remained active, until it ceased operations in mid 1996. A majority of the 223 loans reflected in the above illustration were approved through this lending program. Applications for these home improvement loans would be obtained through home improvement contractors operating through out Tarrant County. Therefore, a majority of the loans approved within the program were to individuals outside of the banks Grand Prairie or Irving assessment area. This is normal for this type of loan product as there are numerous contractors which participate in the program and they do not limit their activities to the bank's assessment areas.

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

The distribution of consumer loans within the bank's assessment area reflects a reasonable penetration among individuals of different income levels. Then bank's loan distribution generally approximates the income characteristics of the assessment area. Our sample of residential and consumer loans resulted in the following distribution:

**IRVING ASSESSMENT AREA**

<b>DISTRIBUTION BY BORROWER INCOME</b>								
<b>Demographic Characteristics</b>	Low Income		Moderate Income		Middle Income		Upper Income	
Family Income	13.96%		15.67%		20.43%		49.95%	
<b>Loan Sample</b>	#	\$ Amt	#	\$ Amt	#	\$ Amt	#	\$ Amt
Residential Loans	20.00%	6.12%	0.00%	0.00%	20.00%	14.29%	60.00%	79.59%
Consumer Loans	22.73%	9.60%	22.73%	17.65%	22.73%	12.77%	31.82%	59.98%

**GRAND PRAIRIE ASSESSMENT AREA**

<b>DISTRIBUTION BY BORROWER INCOME</b>								
<b>Demographic Characteristics</b>	Low Income		Moderate Income		Middle Income		Upper Income	
Family Income	16.19%		17.58%		27.13%		39.10%	
<b>Loan Sample</b>	#	\$ Amt	#	\$ Amt	#	\$ Amt	#	\$ Amt
Residential Loans	9.17%	7.28%	26.61%	20.32%	21.56%	16.53%	42.66%	55.87%
Consumer Loans	11.11%	2.97%	11.11%	12.38%	25.93%	32.12%	51.85%	52.52%

The distribution of business loans also reflects a reasonable penetration among businesses of different sizes. Based on our sample of 47 business loans, 60% of these loans were to small businesses. The following illustrates the dispersion of the small business loans:

**IRVING ASSESSMENT AREA**

<b>SMALL BUSINESS DISPERSION BASED ON REVENUES</b>								
<b>Revenue Ranges</b>	Less than \$100,000		\$100,000 to \$500,000		\$500,000 to \$1,000,000		Over \$1,000,000	
<b>Loan Sample</b>	#	\$ Amt	#	\$ Amt	#	\$ Amt	#	\$ Amt
Commercial Loans	12.50%	21.70%	29.17%	15.47%	29.17%	33.87%	29.17%	28.96%

**GRAND PRAIRIE ASSESSMENT AREA**

<b>SMALL BUSINESS DISPERSION BASED ON LOAN SIZE</b>								
<b>Loan Amount Ranges</b>	Less than \$100,000		\$100,000 to \$500,000		\$500,000 to \$1,000,000		Over 1,000,000	
<b>Loan Sample</b>	#	\$ Amt	#	\$ Amt	#	\$ Amt	#	\$ Amt
Commercial Loans	17.39%	12.26%	43.48%	32.52%	13.04%	5.18%	26.09%	50.05%

**Geographic Distribution of Loans:**

The geographic distribution of loans reflects a reasonable dispersion throughout the Bank’s assessment areas when compared to that area’s demographic makeup. Our sample of residential and consumer loans reflected the following distribution:

**IRVING ASSESSMENT AREA**

<b>DISTRIBUTION BY BLOCK NUMBERING AREA</b>								
<b>Geography Characteristics</b>	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts	
Number of Families	N/A		2,976		23,132		23,596	
Percentage	N/A		5.99%		46.54%		47.47%	
<b>Loan Sample</b>	#	\$ Amt	#	\$ Amt	#	\$ Amt	#	\$ Amt
Residential Loans	N/A	N/A	00.00%	00.00%	00.00%	00.00%	100%	100%
Consumer Loans	N/A	N/A	12.50%	15.63%	25.00%	16.33%	62.50%	68.04%

**GRAND PRAIRIE ASSESSMENT AREA**

<b>DISTRIBUTION BY BLOCK NUMBERING AREA</b>								
<b>Geography Characteristics</b>	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts	
Number of Families	N/A		6,426		14,148		8,381	
Percentage	N/A		22.19%		48.86%		28.94%	
<b>Loan Sample</b>	#	\$ Amt	#	\$ Amt	#	\$ Amt	#	\$ Amt
Residential Loans	N/A	N/A	7.69%	5.01%	57.69%	39.05%	34.62%	55.93%
Consumer Loans	N/A	N/A	15.79%	25.60%	36.84%	23.94%	47.37%	50.46%

While 100% of the residential loans in the Irving assessment area are in the upper income tracts, this only represents two loans. Additionally, lending activities outside of the moderate income tracts are concentrated in the upper income tracts. This situation is reasonably explained as a majority of the loans were in upper income tracts located in close proximity to the banking centers of Irving and Grapevine.

**Responses to Complaints:**

There have been no written complaints related to CRA performance since the prior CRA Examination. Further, we did not identify any violations involving anti-discrimination laws or regulations.

**Other Matters:**

Management of Independent National bank has taken a very active role in the re-development of the Bear Creek subdivision in Irving. Bear Creek is one of the oldest subdivisions in Irving and is considered a low- to- moderate income neighborhood. Many of the homes are in substandard condition with no running water and no air conditioning or heating. In early 1996 President Brad Durham, was invited to speak to a group of residents from the Bear Creek area about banks in general, and about credit facilities available to assist those homeowners in rehabilitating their properties. From that meeting an organization named the "Bear Creek Development Corporation" was formed with the purpose of rehabilitating the subdivision. The bank officers, Directors and staff made a direct \$5,000 contribution to the organization, intended to assist the residence of Bear Creek to rehabilitate their homes. Additionally, Chairman of the Board John Frederick, persuaded the Fellowship of Las Colinas to tear down two substandard homes and replace these homes with brand new homes for the individuals at no cost. President Durham took a leadership role and contacted local banks and businesses to solicit contributions. With the funds collected, another five homes were rehabilitated, with work performed by local individuals including Mr. Durham. Through these efforts, the residents of Bear Creek have started taking pride in the neighborhood and have begun to paint, upgrade and maintain their homes. Additionally, these efforts help increase public awareness of the condition of the homes in the neighborhood.