



---

Comptroller of the Currency  
Administrator of National Banks

---

## **PUBLIC DISCLOSURE**

October 21, 1997

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

**TexStar National Bank  
Charter Number 18548**

**600 Pat Booker Road  
Post Office Box 2988  
Universal City, Texas 78148**

**Office of the Comptroller of the Currency  
San Antonio North Field Office  
9601 McAllister Freeway, Suite 200  
San Antonio, Texas 78216-4605**

**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 CRA performance of **TexStar National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 21, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

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

TexStar National Bank's lending performance reflects satisfactory responsiveness to community credit needs. In addition, the bank's active participation in Small Business Administration (SBA) guaranteed loan programs as a "Preferred Lender" reflects a commitment to small business financial needs. The following highlights the bank's performance:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A substantial majority of the number, and dollar volume, of loans originated from September 1996 through August 1997 are in the bank's assessment area.
- The distribution of borrowers reflects a reasonable penetration to individuals of different incomes and businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- The bank received no consumer complaints concerning its CRA performance since the January 23, 1996 examination.

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

Small Institution Assessment Criteria	TexStar National Bank 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 examination.		

### Description of Institution

TexStar National Bank, formerly known as Converse National Bank, was chartered in 1985 and opened for business in July 1986. It is a locally owned, locally managed, community bank with \$76 million in assets. Based on asset size, the bank controls a relatively small segment of the market share in the highly competitive San Antonio banking market. However, the bank has developed a viable market niche in providing loans to small businesses.

TexStar's asset mix consists of 42% loans and 46% investment securities. The bank's business focus is reflected in its loan portfolio mix with Commercial and Real Estate loans comprising 76% of the bank's loan portfolio while consumer related loans comprise the other 24%. Management is proactive in offering both loan and deposit related products.

The bank's financial condition is favorable and there are no legal impediments that interfere with its ability to make credit available in its assessment area. TexStar has five offices in its assessment area. The main office is located at 600 Pat Booker Road, Universal City and branches are located in Converse, New Braunfels, San Antonio, and Schertz. Automated teller machines are at all locations except the Schertz branch.

## **Description of Assessment Area**

TexStar National Bank's assessment area consists of three counties, Bexar, Comal, and Guadalupe. The counties are in the San Antonio Metropolitan Statistical Area (MSA #7240). The bank's main office is located in the northeast corner of Bexar county which borders both Comal and Guadalupe counties. Comal and Guadalupe counties are predominantly rural. The bank operates in the "Randolph MetroCom" (Randolph Air Force Base Metropolitan Community) which includes the San Antonio bedroom communities of Cibolo, Converse, Garden Ridge, Kirby, Live Oak, Marion, Schertz, Selma, Universal City, Windcrest, and Randolph Air Force Base (RAFB). TexStar opened a branch in New Braunfels, which is located approximately 15 miles north of the Randolph MetroCom. It is also considered a bedroom community to San Antonio and has been experiencing economic growth over the past few years. The area is characterized as largely suburban with retail strip centers located on major thoroughfares. There is some light industry along Interstate Highway 35 north of San Antonio.

The economic anchor for the MetroCom is RAFB which employs over 10,000 military and civilian personnel. It is estimated that 50% of the MetroCom is made up of retired military personnel with a substantial majority of the remaining residents being military and civil service employees. A Key factor to recent growth is RAFB which has experienced an increase in staff positions. There has been a surge in 1-4 family real estate development in the area due to the close proximity to San Antonio and the availability of affordable land for residential development. Most of the building that is occurring is primarily for middle-income families. Low-income areas are few and are predominantly located in rural areas of the assessment area and in the southern and western parts of the San Antonio metro area. Moderate- and middle-income housing is the most prevalent throughout the MetroCom.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. TexStar's loan-to-deposit ratio as of June 30, 1997, was 53.36%. This level of lending is in line with other banks in the area that have similar characteristics. The bank's average loan-to-deposit ratio for the last ten calendar quarters was 61.58%. The gradual decline in this ratio is partially attributable to TexStar selling the guaranteed portion of its SBA loan portfolio. The bank retains the servicing of these loans.

### **Assessment Area Concentration**

A substantial majority of the number and dollar volume of loans originated from September 1996 through August 1997 are in the bank's assessment area. Approximately 95% of the number of loans originated during this time frame, 92% by dollar volume, were in the assessment area.

Competition in the bank's assessment area is strong. Throughout the area, community banks, savings banks, super-regional banks, and credit unions compete to meet the credit needs of the community. An analysis of area banks' loan products and levels of lending activity showed that the banks have loan products targeting the credit needs identified by community contacts. These products include mortgage loans, home improvement loans, other consumer loans, and small business loans.

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

The distribution of borrowers reflects a reasonable penetration in loans to individuals of different income levels. A sample of loans originating from January 1996 through June 1997, within the bank's assessment area, was taken to assess the appropriateness of the distribution among different income levels. The sample consisted of 140 consumer loans and all loans on the bank's 1996 and year-to-date 1997 Home Mortgage Disclosure Act Loan Activity Register. The following table represents the distribution of the loan originations sampled by income level.

<b>Loan Sample Distribution by Income Group</b>										
	<b>Low Income Families</b>		<b>Moderate Income Families</b>		<b>Middle Income Families</b>		<b>Upper Income Families</b>		<b>Total # of Families</b>	
<b>Area Demographic Characteristics</b>	22.5%		17.1%		20.1%		40.3%		100%	
<b># of Families</b>	74,761		56,782		66,837		133,929		332,309	
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Consumer</b>	38	27.1	26	18.6	33	23.6	43	30.7	140	100
<b>Residential</b>	2	6.7	1	3.3	5	16.7	22	73.3	30	100
<b>Total</b>	40	23.5	27	15.9	38	22.4	65	38.2	170	100

The distribution of loans also reflects a reasonable penetration to businesses of different sizes in the assessment area. The following table represents lending to businesses based on a random sample of loan originations from January 1996 through June 1997. The sample consisted of thirty commercial loans from TexStar's assessment area.

<b>Lending to Businesses of Different Sizes</b>										
<b>Gross Revenues \$</b>	<b>Less than 100,000</b>		<b>100,000-250,000</b>		<b>250,000-1,000,000</b>		<b>More than 1,000,000</b>		<b>Total</b>	
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Commercial</b>	4	13.3	4	13.3	7	33.3	12	40.1	30	100

### **Geographic Distribution of Loans**

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. The following table represents lending in census tracts based on loans originated from September 1996 through August 1997 within the bank's assessment area. The information was provided by the bank through a geo-analysis completed for TexStar by a third party vendor. The geo-analysis was tested for accuracy and is considered reliable.

<b>Lending in Areas of Different Income Levels within the Assessment Area</b>										
	<b>Low Income Areas</b>		<b>Moderate Income Areas</b>		<b>Middle Income Areas</b>		<b>Upper Income Areas</b>		<b>Total</b>	
<b>Percent of Total Demographic Areas in AA:</b>	9%		30%		34%		27%		100%	
<b>Count:</b>	22		73		84		68		247	
<b>Loan Types</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Consumer</b>	1	0.4	10	3.9	123	48.4	120	47.3	254	100
<b>Residential</b>	3	5.7	4	7.5	18	34.0	28	52.8	53	100
<b>Commercial</b>	6	2.4	23	9.0	101	39.8	124	48.8	254	100
<b>Total</b>	10	1.8	37	6.6	242	43.1	272	48.5	561	100

The data reflects a lower level of lending activity in low- and moderate-income areas. This is attributable to the bank's branches being located in middle- and upper-income tracts in the northeast quadrant of Bexar County and along Interstate Highway 35 north of San Antonio. The vast majority of low- and moderate-income areas are located in the southern and western parts of Bexar County. Based on 1990 census information, there are no low- or moderate-income census tracts adjacent to any of the tracts where the bank's branches are located.

### **Response to Complaints**

TexStar has not received any complaints from the public regarding the bank's CRA performance.

A Fair Lending examination was performed in conjunction with this evaluation and found no evidence of disparate treatment or discriminatory practices.