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Comptroller of the Currency  
Administrator of National Banks

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**PUBLIC DISCLOSURE**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**September 9, 1996**

**Texas Commerce Bank,  
National Association  
712 Main Street  
Houston, Texas 77002**

**CHARTER NUMBER 10225**

<p><b>NOTE:</b>      <b>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.</b></p>
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## GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Texas Commerce Bank, National Association, Houston, Texas**, prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **September 9, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

### Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics. This includes the competitive environment in which the institution operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

## GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

### **Texas Commerce Bank, National Association (TCB)**

**Metropolitan Statistical Area (MSA)** - Area consisting of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Census Tract (CT)** - Small, locally defined statistical areas within a MSA. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

**Median Family Income** - The median income determined by the United States Census Bureau. This amount is based on estimates developed by the Department of Housing and Urban Development and is updated annually.

**Low- and Moderate Income (LMI)** - Income levels which are less than 80% of the median family income.

### **Automated Teller Machine (ATM)**

**Community Reinvestment Act (CRA)** - The statute that requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs in the institution's local community. The regulator must also evaluate whether the institution's defined community is reasonable. (This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. 2901, as amended and 12 C.F.R. 25, as amended.)

**Home Mortgage Disclosure Act (HMDA)** - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of applicant(s), the amount of loan requested and its disposition (e.g. made, turned down, withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase and home improvement loans, refinancing of home purchase and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. (This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. 2801, as amended and 12 C.F.R. 203, as amended.)



## ASSIGNMENT OF RATING

### **Identification of Ratings**

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

#### **Outstanding record of meeting community credit needs.**

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Satisfactory record of meeting community credit needs.**

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Needs to improve record of meeting community credit needs.**

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Substantial noncompliance in meeting community credit needs.**

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

## DISCUSSION OF INSTITUTION'S PERFORMANCE

### **Institution's Rating:**

**Based on the findings presented below, this institution is rated: "Outstanding Record of Meeting Community Credit Needs ". This evaluation period covers September 7, 1994, through September 9, 1996. The following summarizes the bank's CRA performance.**

- **TCB has provided significant amounts of credit within its delineated communities.**
- **The types of credit offered and extended by TCB include innovative and specialized products which are designed to serve LMI borrowers.**
- **The distribution of credit applications and loans throughout TCB's communities shows a reasonable pattern of providing credit to all parts of those communities.**

### **REASONABLENESS OF DELINEATED COMMUNITY**

The board and management of TCB have delineated eight communities, as described below. Each of these community delineations is judged to be reasonable, and none excludes any LMI areas which the bank might be expected to serve.

### **COMMUNITY PROFILES**

**Austin:** TCB has delineated Travis County and a portion of Williamson County as its Austin community. Austin is the capital of Texas, home of the University of Texas, and a center for high-tech industry. The delineated community has an approximate population of 654,000, with an annual estimated median family income of \$43,200. There are 167 census tracts in the delineation, of which 13 are low-income, 44 moderate-income, 54 middle-income, 49 upper-income, and 7 undefined.

**Beaumont:** This community delineation consists of the City of Beaumont in Jefferson County. The area is primarily a center for the petro-chemical industry and contains an estimated population of 133,000. For several years, the area has suffered from economic adversity related to that industry. The estimated median family income is \$37,300 per annum. The delineation contains 37 census tracts, of which 9 are low-income, 9 are moderate-income, 8 are middle-income, and 10 are upper-income. One tract is undefined.

**El Paso:** El Paso County, with an estimated population of 592,000, has been delineated as TCB's community in far West Texas. The economy of the region is based largely upon El Paso's position as a major trade center for West Texas, Southern New Mexico, and Northern Chihuahua, Mexico. Annual estimated median family income is \$28,200. The delineation

contains 95 census tracts, of which 8 are low-income, 27 are moderate-income, 34 are middle-income, and 26 are upper-income.

**Houston:** The delineation for TCB's headquarters community includes Harris County and adjacent portions of Brazoria, Fort Bend, Galveston, and Montgomery Counties. Population of the delineation is approximately 3,230,000. Greater Houston is a major port and center for the petro-chemical industry. The annual estimated median family income is \$45,997. The delineation contains 671 census tracts, of which 74 are low-income, 185 are moderate-income, 209 are middle-income, and 189 are upper-income. Fourteen are undefined.

**Metroplex:** The Metroplex is a popular name for the Greater Dallas-Fort Worth Area. TCB's delineated community in this area consists of Dallas and Tarrant Counties and adjacent portions of Collin and Denton Counties, containing an estimated population of 3,250,000. The area's economy is supported by trade, transportation, and, in Tarrant County, military installations. A large number of major corporations have their headquarters here. Estimated annual median family income is \$48,002. The delineation contains 723 census tracts, of which 84 are low-income, 181 moderate-income, 230 middle-income, 222 upper-income, and six are undefined.

**Permian Basin:** Also known as Midland-Odessa, the Permian Basin delineation consists of Midland and Ector Counties. The area is a center for ranching and for the oil and gas industry. The delineation has an estimated population of 225,000 and annual median family income of \$35,200. There are 56 census tracts in the delineation, of which 5 are low-income, 14 are moderate-income, 18 are middle-income, and 19 are upper-income.

**Rio Grande Valley:** This delineation, located in the southernmost portion of Texas, consists of the cities of Brownsville and Harlingen in Cameron County and the cities of McAllen, Edinburg, Hidalgo, Mission, Pharr, San Juan, and Alamo in Hidalgo County. The area's economy is supported by trade, agriculture, and tourism. In Cameron County the delineation encompasses a population of about 181,000, with an estimated annual median family income of \$23,300. Of 48 census tracts in the delineation, one is low-income, 18 are moderate-income, 12 are middle-income, and 16 are upper-income. One is undefined. The delineation in Hidalgo County contains a population of approximately 228,000, with an estimated annual median family income of \$22,900. There are 39 delineated census tracts, of which 11 are moderate-income, 15 are middle-income, and 13 are upper-income. (Note: Elsewhere in this document the two areas within this delineation have been analyzed separately and are referred to as Brownsville and McAllen.)

**San Antonio:** TCB's delineated community in the San Antonio area consists of Bexar and Comal Counties, containing an estimated population of 1,300,000. The economy of the area is supported largely by tourism and the military. The delineation enjoys an estimated annual median family income of \$36,000. There are 250 census tracts in the delineation, of which 22

are low-income, 73 are moderate-income, 84 are middle-income, and 68 are upper-income, with 3 undefined.

The overall distribution of the 2,042 census tracts in TCB's delineated communities is shown below.

<b>Distribution of Census Tracts</b>		
<b>Tract Type</b>	<b>Number</b>	<b>Per Cent</b>
<b>Low-income</b>	216	11
<b>Moderate-income</b>	518	25
<b>Middle-income</b>	664	33
<b>Upper-income</b>	612	30
<b>Undefined</b>	32	1

The income categories referenced above are defined as follows:

Low            Less than 50% of the area median income,  
Moderate    Between 50% and 80% of the area median income,  
Middle        Between 80% and 120% of the area median income,  
Upper        Greater than 120% of the area median income.

The categorization of the census tracts described above is based upon 1990 census data. Median incomes quoted are based upon interim updated estimates from the U. S. Department of Housing and Urban Development.



## BANK PROFILE

TCB is a subsidiary of Texas Commerce Equity Holdings, Inc., which is a subsidiary of Chase Manhattan Corporation. As of June 30, 1996, TCB reported total assets of \$20.8 billion. Total domestic deposits on that date were \$15.3 billion, and total loans were \$12.1 billion. At March 31, 1996, TCB's loan-to-deposit ratio was 73% and averaged 71% for the previous year.

As noted above, TCB operates in eight major markets in Texas, with 117 full service branches and additional motor bank and remote ATM facilities. The bank offers typical retail and commercial deposit and loan services, and has developed a variety of products specifically designed to meet the needs of LMI customers, small businesses, and community development interests.

### I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

**Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community. This includes the institution's efforts to communicate to community members the credit services provided by the institution.**

*TCB maintains meaningful relationships with various community groups to ascertain the needs of the community.*

TCB has established meaningful and ongoing relationships with a wide variety of groups and individuals to assess the needs of the community. Community contacts include neighborhood and civic groups, affordable housing organizations, community developers or development groups, and governmental agencies. Ascertainment efforts are aided by advisory councils in each of the bank's markets. The Community Advisory Councils consist of local community leaders which meet with senior management on a regular basis to provide direct input regarding the needs of the community.

Through management's ascertainment activities, the following credit needs have been identified:

- Mortgage products, including affordable housing loans and home improvement loans;
- Small business loans including Small Business Administration (SBA) loans and micro-business loans; and,
- Community development loans.

TCB has developed products that are well-suited to the needs of the community. TCB offers an affordable mortgage product and also works closely with city, state, and federal housing initiatives to increase home ownership in the communities it serves. The need for home

improvement loans has been met with secured and unsecured home improvement products. TCB meets the needs of small businesses by offering a variety of lending products, including SBA loans, and a streamlined application process. Management also offers a quick response to credit applications which has resulted in increased lending. TCB works closely with various community development groups, often in leadership roles, to assist with community development projects.

**Assessment Factor C - The extent of participation by the institution's Board in formulating the institution's policies and reviewing its performance with respect to the purpose of the Community Reinvestment Act.**

*The Board of Directors actively participate in the formulation and implementation of the CRA plan.*

The board is fully committed to the CRA process and supports the development of new and innovative products to meet the expressed needs of the community. The Community Action Committee oversees the CRA process, which includes lending goals by product type, a marketing strategy, and methodology for self-assessment. The board supports participation in community development projects which promote economic development, community revitalization, and affordable housing, as described in other sections of this evaluation.

**II.     MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED:**

**Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.**

*TCB's marketing program includes formal and informal campaigns to inform the community of the bank's products and services. Marketing strategies specifically target the LMI communities.*

Marketing strategies effectively communicate bank products and services to all segments of the community, particularly the LMI community, as evidenced by increased lending. Traditional advertising, such as print, broadcast, brochures, and billboards, have focused on the bank's home improvement products, affordable mortgage loans, and small business loans. All of the ads are multi-lingual, feature ethnic diversity, and are published or disseminated via a variety of media.

Non-traditional marketing includes the sponsorship of bank fairs and seminars, question and answer columns, and other activities to inform the public of bank products and services. Small business seminars were held at bank branches in conjunction with the University of Houston Small Business Development Center and numerous organizations such as the Acres Homes Citizens Chamber of Commerce, Hispanic Small Business Owners, the Association for the Advancement of Mexican-Americans, as well as other groups. Home improvement

and mortgage loan seminars have also been held with members of various civic and church groups. Seminars were held in the Houston, Metroplex, Rio Grande Valley, Austin, and other markets. Management regularly attends realtor functions to promote the bank's willingness to make mortgage loans. Additionally, management conducted a Help Line, "Linea de Ayuda", on Spanish language television station in Houston, which resulted in over 100 mortgage loan inquiries. Activities of this nature demonstrate the bank's effort to promote the application process.

**Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.**

*TCB has originated a significant volume and variety of loans in its communities.*

TCB offers throughout its communities a wide variety of consumer and commercial loan types, typical of a bank of its size and complexity. In order to provide credit opportunities which might not otherwise be afforded, TCB has developed specialized products for affordable mortgage and home improvement loans and has a centralized small business processing program intended to facilitate rapid response with a minimum of documentation from the applicants.

The records of the bank reveal the following loans have been made under TCB's affordable mortgage and home improvement loan programs in 1995 and 1996.

Affordable Program Loans - 1995 & 1996				
Loan Type	Originated 1995		Originated through 5/31/96	
	Number	Amount (\$000)	Number	Amount \$000)
Mortgage	726	40,236	283	17,246
Home Improvement	3,650	9,514	1,089	2,869

While offering a variety of loan types for both consumer and commercial purposes, TCB is a significant provider of home improvement loans in its delineated communities. According to aggregated HMDA reports for all reporting lenders, in 1995 TCB made more home improvement loans in Texas than any other lender. TCB originated 11,409 loans, totaling \$134,985,000, and representing 17% of all home improvement loans made in the state during the year.

TCB's loan portfolio is approximately as follows:

<b>Loan Portfolio - June 30, 1996</b>		
<b>Loan Type</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Real Estate Loans:</b>		2,547,770
<b>1-4 family</b>	1,076,841	
<b>multi-family</b>	155,522	
<b>construction/development</b>	527,540	
<b>business</b>	770,119	
<b>other real estate loans</b>	17,748	
<b>Commercial/Industrial Loans</b>		5,584,024
<b>Consumer Loans</b>		2,346,447
<b>Other Loans/Leases</b>		1,583,825
<b>Total</b>		12,062,066

A substantial majority of TCB's lending is inside its delineated communities. The following table portrays the percentage of loans originated in TCB's communities based on the number of loans. The loan types included are residential and non residential consumer and small business loans originated in 1995. Excluded from the calculation are loans for which no location address could be identified.

<b>Percentage of Loans Inside TCB's Delineated Communities</b>	
<b>Austin</b>	92%
<b>Beaumont</b>	66%
<b>Brownsville</b>	100%
<b>El Paso</b>	95%
<b>Houston</b>	94%
<b>McAllen</b>	78%
<b>Metroplex</b>	86%
<b>Permian Basin</b>	78%
<b>San Antonio</b>	92%
<b>TCB total</b>	90%

**Assessment Factor J - The institution's participation in government-insured, guaranteed or subsidized loan programs for housing, small businesses or small farms.**

***TCB participates in governmentally assisted programs for small business and student loans, as well as certain local enhancement programs.***

The primary types of government-enhanced loans provided by TCB are to small businesses guaranteed by the United States Small Business Administration (SBA) and loans for education purposes, commonly called student loans.

Within its communities, TCB reports SBA loans, as follows:

<b>Small Business Administration Loans - 1995 &amp; 1996</b>				
<b>Delineated Community</b>	<b>1995</b>		<b>Through May 31, 1996</b>	
	<b>Number</b>	<b>\$000's</b>	<b>Number</b>	<b>\$000's</b>
<b>Austin</b>	8	475	2	170
<b>Beaumont</b>	3	574	1	26
<b>El Paso</b>	38	2,732	6	702
<b>Houston</b>	61	2,909	15	1,523
<b>Metroplex</b>	42	4,292	3	200
<b>Permian Basin</b>	0	0	0	0
<b>Rio Grande Valley</b>	11	1,135	0	0
<b>San Antonio</b>	1	220	0	0

TCB reports the granting of 31,728 student loans totaling \$112,930,000 in 1995 and an additional 12,331 loans totaling \$41,941,000 through May 31, 1996.

TCB participates actively, as appropriate and available, in various local credit-enhancement programs for housing and small business purposes. TCB has initiated participation in a Federal National Mortgage Association lease-purchase program for new homebuyers. The bank has granted loans in cooperation with minority enterprise small business investment corporations.

**III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES.**

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

*TCB's penetration of LMI areas is strong. In 1995, the bank was the leading home improvement lender in LMI geographies in a majority of its delineated communities. TCB also led in lending to LMI individuals in a majority of its delineated communities. Lending patterns indicate very good distribution of loans throughout the bank's communities.*

TCB analyzes its loan originations by census tract each year. The income level of census tracts are based on the 1990 census and then updated annually by projecting trends and adjusting them with primary data obtained from a network of federal, state and local sources. Some of the variables that impact the data include population changes, number of households, age, income, household incomes, and housing characteristics. Therefore, LMI census tracts designations are not identical to those originally identified in the 1990 census. The percentages shown below are the representative portions of each loan type by community location.

<b>Originations in LMI Census Tracts in TCB's Delineated Communities in 1995</b>								
Community	Mortgage		Home Improvement		Consumer		Small Business	
	#	%	#	%	#	%	#	%
Austin	97	21	320	22	2,674	27	371	23
Beaumont	73	15	288	47	1,888	37	323	39
Brownsville	16	13	328	64	1,623	52	49	33
El Paso	80	21	615	39	4,720	32	712	37
Houston	1,290	30	5,579	38	42,245	30	1,991	36
McAllen	57	16	714	34	2,423	32	88	31
Metroplex Dallas	303	26	1,551	28	17,003	30	1,167	32
Fort Worth	162	20	605	26	6,447	26	262	39
Permian Basin	12	<1	139	47	2,044	28	290	27
San Antonio	85	9	252	38	3,292	33	258	13

HMDA requires certain mortgage lenders to file reports of their lending activity. Reportable loan types include, but are not limited to, purchase-money mortgages and home improvement

loans originated by the lender. This analysis compared the number of HMDA reportable loans originated by TCB to the total number originated by all other lenders in each of the bank's markets. In excess of 80% of TCB's HMDA reportable loans were for home improvement purposes, therefore the analysis focused on this product.

In 1995, TCB ranked among the top five home improvement originators in each of its delineated communities and was the number one lender in five of its nine communities. TCB was also the top lender in LMI census tracts in six of its communities. The following table depicts lending performance by the income levels of census tracts. The comparison shows that TCB's share of loans in LMI census tracts is greater than its overall share of the market in eight of its nine communities. In McAllen, even though TCB's market share of lending in LMI census tracts was not greater than its overall market share, TCB ranked first among lenders in LMI census tracts.

<b>Market Share of Home Improvement Lending by Community in 1995</b>				
<b>Community</b>	<b>Income Level of Census Tract</b>			<b>Overall Market Share</b>
	<b>Low- and Moderate</b>	<b>Middle</b>	<b>Upper</b>	
<b>Austin</b>	9.61%	6.03%	10.84%	8.85%
<b>Beaumont</b>	56.28%	29.8%	37.21%	42.02%
<b>Brownsville</b>	59.93%	45.15%	42.03%	50.56%
<b>Metroplex</b>	15.91%	16.27%	13.94%	15.10%
<b>El Paso</b>	41.4%	34.9%	25.5%	31.56%
<b>Houston</b>	48.41%	33.32%	32.01%	36.4%
<b>McAllen</b>	45.10%	46.76%	47.66%	46.6%
<b>Permian Basin</b>	30.98%	16.92%	13.36%	19.14%
<b>San Antonio</b>	5.29%	4.66%	3.23%	4.25%

TCB led in lending to LMI individuals in six of its communities. The following table depicts lending performance by the income levels of applicants. The comparison shows that in 1995, TCB's share of loans to LMI individuals was consistently greater than its overall share of the market in all of its communities.

Market Share of Home Improvement Lending by Community in 1995				
Community	Income Level of Applicant			Overall Market Share
	Low- and Moderate	Middle	Upper	
Austin	9.94%	6.61%	9.28%	8.85%
Beaumont	56.84%	40.31%	32.28%	42.02%
Brownsville	58.11%	46.63%	44.98%	50.56%
Metroplex	19.89%	14.03%	13.44%	15.10%
El Paso	56.97%	28.78%	23.43%	31.56%
Houston	44.44%	34.94%	32.58%	36.4%
McAllen	54.13%	47.07%	38.06%	46.6%
Permian Basin	31.72%	16.67%	13.89%	19.14%
San Antonio	6.58%	2.89%	3.66%	4.25%

This high level of performance was achieved, in part, by TCB's method of analyzing its geographic distribution of lending and responding to these analyses. Each region analyzes its originations of residential, consumer and small business loan originations to identify areas of low or absent lending penetration. When geographies with the potential for greater lending activity are identified, action plans are developed to reach a greater number of potential borrowers. This analysis indicated that in TCB's various communities only 14 census tracts had no loan originations in 1995.

TCB also monitors lending in LMI areas and sets goals based on the income demographics of each community. When a community contains a high portion of LMI census tracts and/or LMI individuals, TCB's goals are proportionately higher. Both perspectives have had a very positive impact on TCB's ability to reach LMI areas and LMI individuals.

**Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.**

*TCB's branches are reasonably accessible to all areas of its delineated communities.*

Since the previous CRA examination, TCB has opened eight new branches, three of which are located in LMI neighborhoods. During the same period, operations ceased at three offices. Two of these, in the Metroplex, were consolidated with other existing offices nearby. An office in Liberty (Houston community) was sold to another financial institution. TCB has in place branch closing policies and procedures which were followed in these instances. No significant adverse impact to the communities has resulted from these closings.



#### **IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES**

**Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).**

*This examination did not disclose any practices intended to discourage credit applications.*

TCB affirmatively solicits credit applications from a wide variety of sources, including LMI areas and individuals. The bank has established an internal fair lending review process as well as a second review process to enhance the availability of credit. In addition, TCB has provided fair lending training to each of its employees.

**Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.**

*This examination revealed no evidence of prohibited or illegal practices.*

A review of TCB's lending policies and practices and of its fair lending assessment processes disclosed no evidence of illegal discrimination or any reason to believe such illegal or prohibited practices exist. Based upon a review of applications for secured home improvement loans received during the fourth quarter of 1995, no instances of illegal discrimination in the credit granting process were found. The sample of applications included all approved applications for white applicants and all declined applications for black applicants.

#### **V. COMMUNITY DEVELOPMENT**

**Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.**

*TCB maintains a high level of involvement in community development and redevelopment projects and often takes a leadership role in providing funds and expertise for these projects.*

TCB stays apprised of local community development projects through regular contact with various government officials and community organizations. These contacts have enabled TCB to maintain a high level of participation in community development projects. TCB fosters economic development through funding loans for housing rehabilitation, affordable residential development, commercial development, and community organizations which provide needed services to the bank's delineated communities. Many of the loans have been made in LMI areas and directly benefit LMI families. These loans have spurred job creation and helped rejuvenate deteriorated neighborhoods.

TCB's Community Development Department employs a full-time staff. This staff has extensive technical knowledge which enables them to provide solutions to problems associated with complex community development projects. Many of these projects required TCB to work in partnership with various government entities, not-for-profit organizations, and other private sector entities. The following chart reveals the bank's community development loan results by property type in 1995.

Community Development Lending - 1995			
Property Type	Amount (000's)	Number of Loans	Average Loan Amount (000's)
Multi-Family	\$57,956	20	\$2,898
Single-Family Development	8,015	34	236
Community/Commercial Revitalization	10,136	16	634
Community Organizations	16,293	87	187
Churches in LMI Neighborhoods	1,665	19	88
<b>Totals</b>	<b>\$94,064</b>	<b>176</b>	<b>\$ 534</b>

TCB's community development lending volume significantly increased to approximately \$94 million in 1995 from \$31 million in 1994. Additionally, TCB officers provide their technical expertise to organizations which benefit LMI individuals on an ongoing basis. Examples of participation in community development projects since the previous CRA evaluation include:

**Austin:**

- TCB funded a \$11.5 million interim construction loan to America's Preferred Homes (APH) to build a 360-unit LMI apartment complex located at Yager Lane and Interstate 35. TCB subsequently funded a \$7.2 million interim construction loan to APH to begin construction of 228 apartment homes located on Park Plaza adjacent to Interstate 35. APH leveraged TCB's loan funds with low-income housing tax credits to build affordable housing in Austin. In order to qualify for the federal tax credits, each unit must be rented to families earning less than 60% of the Austin area median family income.
- TCB worked in partnership with the City of Austin, SDC Walnut Creek Development, and Greater Calvary Missionary Baptist Church to build 93 affordable houses in East Austin. TCB is providing interim construction financing through a \$1.2 million revolving line of credit. Forty houses have been completed and sold to date.

**Beaumont:**

- TCB provided a \$565 thousand loan to a company to purchase and renovate the Prince Hall Villas Apartments. The complex is occupied entirely by LMI tenants.

- TCB provided a \$120 thousand loan for the purpose of rehabilitating nine homes which will be leased to LMI mentally and physically challenged individuals.

### **El Paso:**

- TCB furnished financing to the Columbus Club Association of Ysleta. This not-for-profit Texas corporation was established by the Knights of Columbus for the purpose of providing housing for LMI families. TCB provided a \$500 thousand interim construction and permanent loan to construct an apartment complex of 72 one-bedroom units for LMI elderly tenants. TCB's loan was leveraged with public Community Development Block Grant funds. The complex includes laundry facilities, an office, and community center. The project was recently completed and is approximately 50% occupied.
- TCB partnered with the City of El Paso and private investors to ensure the renovation of seventeen affordable housing units known as Right Court Apartments. The apartments are located in a LMI census tract downtown in the San Francisco district. TCB financed \$211 thousand of the the renovations which was leveraged with a \$190 thousand grant from the city.
- TCB's El Paso Region President Bob Snow provided technical assistance and leadership in developing a micro-loan program in association with ACCION - El Paso. ACCION's primary mission is to stimulate local economic growth by providing credit and basic training to small businesses that do not have access to loans from commercial sources. TCB is the lead bank participating in the funding of a \$212 thousand line of credit for ACCION - El Paso. TCB's portion of the line of credit is approximately \$68 thousand. The line of credit is at a below-market interest rate and is used to fund small business loans. As of June 30, 1996, ACCION - El Paso had funded 66 loans totaling \$129 thousand to borrowers residing in LMI census tracts.

### **Houston:**

- TCB provided creative financing by making a \$5.4 million bridge loan for the construction of a seniors apartment complex located in a LMI neighborhood in the Fifth Ward of Houston. TCB's funds were leveraged with other private and public sector sources to meet this need for economic development and revitalization.
- TCB maintains an ongoing relationship with the Renaissance Cooperative. The Renaissance Cooperative is a joint venture of two community organizations which are dedicated to economic development in the Third Ward of Houston. The purpose of the joint venture is to provide the redevelopment of a 10-acre site in the Third Ward. TCB provided \$3.2 million in financing for the purchase and construction of a 90,000 square foot shopping center anchored by a H-E-B Pantry grocery store. The shopping

center will provide needed services which have not been available to residents of this neighborhood.

- TCB provided a \$250 thousand loan to finance the cost of converting a deteriorated apartment building to transitional housing for homeless individuals.

### **Metroplex:**

- TCB provided financing for the Las Haciendas subdivision. This is a new single-family affordable housing development located in a LMI area of Southern Dallas. This development represents the largest new home development construction project in the Oak Cliff area in the last 30 years. The bank provided a \$1.2 million land acquisition and lot development loan for this project, which will contain 410 lots. In addition, a \$2.2 million line of credit is available to finance the construction of single-family homes in the new subdivision. Flexible permanent mortgage financing for future home buyers will be offered through TCB, as well. The lot development phase of the project is complete and two model homes have been constructed.
- TCB is working closely with the Tarrant County Housing Partnership (TCHP) and the Federal National Mortgage Association (FNMA) on a project which will provide affordable housing to LMI residents of Tarrant County. TCB provided a \$700 thousand line of credit to TCHP for the acquisition and rehabilitation of 36 single-family homes in Fort Worth and four single-family home in Arlington. TCB is offering a FNMA lease-purchase mortgage product to TCHP on the individual properties, which will be assumed by the tenants. The lease-purchase mortgage product enables LMI residents to obtain home ownership with limited resources for a down payment.
- TCB took the lead in providing a complex financing package for a 64-unit single-room occupancy facility in the Oak Cliff area of Dallas. Hillcrest House will provide shelter for homeless individuals afflicted with HIV/AIDS. The financing package represents multi-layered credit facilities involving the City of Dallas, the Enterprise Foundation, the State of Texas, and private investment. TCB provided an interim construction loan of \$395 thousand and permanent financing of \$98 thousand.

### **Permian Basin:**

- TCB has funded loans to the Midland County Housing Authority (MCHA), also known as Midland Visions 2000, Inc. (MV2). MV2 is a not-for-profit instrumentality of the MCHA which was formed for the specific purpose of purchasing and operating affordable apartment complexes. TCB has lent over \$2 million to this organization to help purchase the Ranchland and The Lakes apartment buildings. MCHA purchased both complexes from Resolution Trust Corporation with the condition that a minimum of 35% of the units be allocated for LMI tenants.

- TCB has been a supporter of the MainStreet Odessa USA program since its inception. TCB has committed to fund \$1 million to the downtown revitalization zone, of which the bank has funded loans to eleven businesses and organizations totaling \$723 thousand.

### **Rio Grande Valley:**

- McAllen Affordable Home, Inc., (MAHI), is a not-for-profit organization that provides affordable housing opportunities to LMI individuals in the McAllen area. TCB Regional President Randy McLelland is Chairman of the Board of MAHI. He provides technical assistance and leadership to this organization. MAHI is in the process of developing Los Encinos, a 246-lot subdivision located in an LMI census tract in South McAllen. It is a planned community, developed with the cooperation of MAHI, the State of Texas, the City of McAllen, the McAllen Independent School District, and the United States Department of Housing and Urban Development. The project is funded through federal, state, county, and city monies, as well as private sector financing. The infrastructure construction of the subdivision was completed in February of 1995. Approximately 50% of the lots have been sold, and the first 29 homes in the subdivision have been completed and sold. There is a new elementary school and city park located adjacent to the residential development. TCB will provide permanent financing to some of the new homeowners of this subdivision.
- TCB provided a \$647 thousand loan to the Community Housing and Economic Development Corporation to purchase and renovate the La Hacienda Apartments in Harlingen. The apartments will be added to the Cameron County Housing Authority's inventory of available rental housing for LMI families.
- TCB Senior Vice Presidents Jean Ann Robinson and Donna McAda worked with the CDCB to develop a lease-purchase mortgage product which facilitated the development of the affordable Windwood Subdivision. The lease-purchase product allows prospective home buyers to create a down payment savings account, while making payments and building equity in a new home. TCB's willingness to offer the lease-purchase mortgage product allowed the CDCB to offer innovative financing using HOME funds as principal buy-down funds. The subdivision will contain 230 homes. Texas Commerce Mortgage Company plans to provide lease-purchase financing for the majority of the home buyers.

## **San Antonio:**

- Regional President Al Martinez-Fonts has been a leader in ACCION. TCB provided a \$125 thousand line of credit to ACCION - San Antonio. TCB also provided \$50 thousand in grants to this organization for operational expenses in 1994 and 1995. ACCION has made approximately \$1.1 million in loans through June of 1996. Approximately 66% of these loans were made to borrowers residing in LMI census tracts.
- TCB provided a land development loan totaling \$55 thousand and a \$160 thousand construction line of credit for the purpose of developing the Lone Star Addition subdivision. This subdivision is located in an economically depressed neighborhood in New Braunfels. The subdivision will contain 27 affordable homes. The permanent mortgage loans will be financed by Texas Commerce Mortgage Company. To date, TCB has made three mortgage loans totaling \$178 thousand.
- TCB provided 100% financing (approximately \$1.8 million) to the San Antonio Housing Development Corporation to purchase the Courtland Heights Apartment Project. This is an affordable housing complex which contains 56 units.

**Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.**

*No constraints upon TCB's ability to help meet a significant portion of its communities' credit needs have been identified.*

In addition to meeting credit needs in its communities directly, TCB has made investments and contributions which further enhance the availability of credit for housing and small business.

**Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.**

*TCB has engaged in other meaningful activities which contribute to the institution's efforts to meet community credit needs.*

TCB regularly makes monetary investment, grants, and contributions to assist a variety of organizations with community development programs. The mission of many of these organizations is to promote affordable housing initiatives and to stimulate economic development through small business lending, especially to minority borrowers. These

programs directly benefit LMI individuals and families. The following chart shows TCB's equity investment in statewide community development corporations as of July 23, 1996.

<b>Investments in Community Development Corporations</b>			
<b>Name of CDC</b>	<b>Investments Outstanding</b>	<b>Committed Not Funded</b>	<b>Total CDC Investments</b>
<b>Alliance Capital</b>	\$1,027,000	\$250,000	\$1,277,000
<b>Austin CDC</b>	66,000	34,000	100,000
<b>Greater Brownsville CDC</b>	300,000		300,000
<b>William Mann, Jr., CDC</b>	100,000		100,000
<b>San Antonio Business Development Fund</b>	225,000		225,000
<b>Southern Dallas Development Corporation/Fund</b>	600,000	300,000	900,000
<b>Totals</b>	<b>\$2,318,000</b>	<b>\$584,000</b>	<b>\$2,902,000</b>

In addition to monetary contributions, TCB regularly provides free office space to a variety of not-for-profit organizations.

TCB officers and employees regularly provide financial and/or credit counseling services at locations throughout their delineated communities. Many of these meetings are coordinated with not-for-profit organizations and are held in community centers or churches located in LMI areas. The meetings help LMI individuals understand the credit decision process and provide them an opportunity to learn which products TCB offers to meet their individual credit needs.

TCB opened a branch in June of 1995 which occupies a portion of the Power Center facility in Southwest Houston. The Power Center was built to provide better services and facilities in this LMI neighborhood. The Power Center is a multi-use complex which offers banking, health care, job training, educational, and small business services.

TCB associates provide their time and support to numerous community-based organizations. Their involvement includes serving in the capacity of trustee, board member, director, officer, member, and volunteer. The organizations include civic, civil rights, educational, job training, economic development, government, housing, and churches.

## **ADDITIONAL INFORMATION**

TCB serves communities located in the following metropolitan statistical areas:

#0640, #0840, #1145, #1240, #1920, #2320, #2800, #2920, #3360, #4880, #5800, #7240.

The Office of the Comptroller of the Currency is responsible for supervising TCB. Members of the public may contact this regulatory agency with questions, concerns or issues. The address is:

Office of the Comptroller of the Currency  
Southwestern District  
1600 Lincoln Plaza  
500 North Akard Street  
Dallas, Texas 75201-3394  
(214) 720-0656.

Persons desiring to review TCB's public file or to obtain additional information regarding the bank's activities are encouraged to contact:

Julie B. Brown, Vice President and CRA Manager  
712 Main Street  
Houston, Texas 77002  
(713) 216-4811 or (214) 965-4187.

Inquiry may also be made at any TCB office.