



Comptroller of the Currency
Administrator of National Banks

Southwestern District Office
1600 Lincoln Plaza
500 North Akard Street
Dallas, Texas 75201-3394

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

August 8, 1996

**Texas Commerce Bank - San Angelo,
National Association
301 West Beauregard Avenue
San Angelo, Texas 76903**

CHARTER NUMBER 13587

<p>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.</p>

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Texas Commerce Bank-San Angelo, National Association, San Angelo, 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 **August 8, 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-San Angelo, 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: "Satisfactory Record of Meeting Community Credit Needs ". This evaluation period covers September 16, 1994, through August 8, 1996. The following summarizes the bank's CRA performance.

- **TCB significantly increased local lending in LMI areas. The bank was the leading home improvement loan originator in its delineated community and the leading home improvement loan originator in LMI areas in 1994. Home Improvement lending continued to increase through 1995.**
- **The bank's lending to LMI borrowers in all product lines is reasonable based on the demographics of the community.**
- **The bank's overall volume of lending in the community when compared to local competitors is satisfactory.**

REASONABLENESS OF DELINEATED COMMUNITY

TCB's delineated community is reasonable and does not arbitrarily exclude any LMI areas. The bank designates Tom Green County, with the exception of the narrow panhandle in the northwest corner of the county, as its delineated community. The panhandle region is excluded due to the lack of major roads and population. The San Angelo MSA includes 23 census tracts. By income level, the tracts are 9% low, 13% moderate, 56% middle, and 22% upper.

COMMUNITY PROFILE

TCB is located in the center of the City of San Angelo and serves all of Tom Green County. The 1990 census data reflects a population of 89 thousand for the city with a total population of 102 thousand for the county. The median family income for the San Angelo MSA is \$27,146.

Competition among the financial institutions is strong with eleven banks, nine credit unions, and one savings and loan association operating within the community. Additionally, Goodfellow Air Force Base is located within the bank's delineated community and has its own banking facility on the base. Principal employers are Goodfellow Air Force Base, San Angelo Independent School District, Ethicon (Johnson & Johnson), and Shannon Medical Center.

BANK PROFILE

TCB is a subsidiary of Texas Commerce Equity Holdings, Inc., which is a subsidiary of The Chase Manhattan Corporation.

As of June 30, 1996, TCB had assets of \$179 million and a loan-to-deposit ratio of 34%. The bank currently has two banking offices and two ATM locations. It is a full service bank, providing both commercial and retail lending. The bank's business focus is primarily centered in agriculture, commercial/small business and retail/consumer relationships. TCB is a significant lender in the community in agriculture and indirect/consumer lending. The composition of the loan portfolio is as follows: 34% indirect consumer loans, 24% consumer loans, 22% commercial loans, 17% commercial real estate loans, and 3% mortgage loans.

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 ongoing and productive relationships with a variety of community representatives and has an effective program for ascertaining the community's credit needs.

TCB's Board of Directors and senior management initiated ongoing, meaningful contact with a wide range of individuals and groups that enabled the bank to develop an effective ascertainment program. Management created a list of groups and organizations within the primary service area that are significantly involved in efforts to improve the community. Bank officers were assigned the responsibility of calling on these organizations and discussing the results of their calling efforts to identify community credit needs.

As a result of outreach efforts, TCB identified the following as the most significant credit needs in its community:

- Financial education on the bank's products and services,
- Home buyer Assistance Program to help provide home ownership,
- Financial Assistance to consumers and small businesses.

TCB addressed the need for financial education and assistance by conducting seminars to educate the public on the bank's products and services. The bank developed the Affordable Home Improvement Loan and provided indirect and direct auto loans to meet the need for consumer lending. A new small business loan product was also developed to address the needs of the business community.

Although a need in the community for a Home buyer assistance program was identified; management was unable to establish a program to provide this type of assistance. Management worked to address the need for Homebuyer Assistance through the City of San Angelo's Community Development and Housing Department. Although efforts were made on an ongoing basis to provide assistance with closing costs and downpayment assistance, no program has been put into place at this time.

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 is actively involved in formulating CRA policy and reviewing performance.

TCB's Board of Directors exercises active policy oversight and conducts regular reviews of CRA activities and performance. The bank's CRA Management Committee reviews the bank's efforts in serving the credit needs of the LMI community and monitors the effectiveness of the CRA programs. The Management Committee meets with the Community Advisory Board, which is comprised of local community leaders, on a quarterly basis to help in the assessment of the needs of the LMI community. Additionally, a CRA Business Development meeting is held each month with all calling staff to implement the recommendations of the previous committees.

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 and advertising programs effectively inform the community of the bank's credit services. Programs are specifically targeted to minority and LMI segments of the community.

TCB concentrated its efforts toward advertising specific products to LMI areas and individuals. They also made alternate delivery systems more responsive to the needs of LMI individuals. TCB initiated a marketing campaign for its affordable home improvement loan product. The bank used a variety of methods; such as newspaper advertisements relating banking experiences, billboards, statement inserts and lobby displays to target its audience. Many of the advertisements were featured in English and in Spanish. This targeted campaign has proved to be effective as demonstrated by a significant increase in home improvement lending in LMI areas and to LMI individuals.

Alternate delivery systems provide the public with convenient access to loan services. TCB has made the following services available through alternate systems: Loan by Phone to apply

for consumer loans; Service Line which provides access to depository and loan account balance information; and Mortgage Line to apply for mortgage loans. These services are available in both English and Spanish. Additionally, the bank lowered its minimum loan amount from \$2 thousand to \$1 thousand. This adjustment has helped to increase the volume of consumer loans in LMI census tracts.

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 is highly responsive to the community's primary need for home improvement loans and generally responds to the remaining credit needs through the origination of home purchase, consumer and small business loans.

TCB originated a significant portion of the market's home improvement loans. Based on 1994 aggregate HMDA data for all lenders within the bank's delineated community, TCB was the leader in number and volume of originations for home improvement loans in Tom Green County with 19% and 17% of the market, respectively.

While the bank continued to serve its community's home improvement needs through a stable volume of loans, originations in the LMI areas showed a significant increase. From 1994 to 1995, the number of home improvement loans in LMI census tracts increased by 61.5%. The dollar volume of home improvement loans increased by 16.7% in LMI census tracts. Overall, 35.6% of all home improvement loans originated in 1995, were in LMI census tracts. This volume exceeded the bank's benchmark goal of 27%. With the number of owner occupied units in LMI census tracts within the community totaling 20%, the increase shows good responsiveness to the community's home improvement needs. All of the home improvement loans are within the bank's delineated community.

TCB addresses the need for home purchase, refinance and multi-family loans by providing appropriate loan products. Although the bank does not have a major portion of the market in these product lines, the community's needs are met through the housing related loans generated by the large number of financial institutions in the area. Management is working to increase its share of the market by increasing its calling efforts to promote the bank's Affordable Mortgage product and holding seminars to make the community aware of the benefits of buying versus renting.

Management responded to the needs of small business by designating a special group of in-house bankers to work closely with small businesses and community development organizations to explore additional financing opportunities. TCB has a new small business loan product available. It focuses on small businesses that need loans under \$100,000. If the business owners' ability to borrow is limited by the bank's credit policy or lending standards, management pursues options to bring the business to an acceptable level. In 1995, TCB originated 97 small business loans, including small farm loans, totaling \$3,703 thousand and

as of May 31, 1996, 78 small business loans had been originated totaling \$4,163 thousand. The average loan size has increased from \$38 thousand in 1995 to \$53 thousand in 1996. All of these loans were made to businesses within the bank's delineated community.

TCB serves additional needs of its community through non-residential consumer loans. A large portion of these loans are indirect auto loans. In 1994, TCB originated 522 consumer loans and increased those originations to 821 in 1995. As of the end of May, 1996, TCB has originated 463 consumer loans totaling \$5,490 thousand. The following table shows the increase in loan activity from 1994 to May, 1996 of HMDA reportable loans as well as small business and consumer loans.

PRODUCT LINES	1994		1995		YTD 5/31/96	
	#	\$(000)	#	\$(000)	#	\$(000)
Home Purchase	13	850	16	865	5	259
Home Improvement	59	650	59	268	21	211
Small Business	68	6,464	97	3,703	78	4,163
Consumer	522	3,036	821	8,382	463	5,490
Totals	662	11,000	993	13,218	567	10,123

TCB originated a substantial number of loans within its community during the evaluation period. Over 91% of the bank's HMDA, small business and consumer loans have been made within the delineated community. More than \$13 million were originated in 1995 and over \$10 million have been funded as of the end of May this year. In addition, over 18% in 1995 and 19% of the loans in 1996 were originated in LMI census tracts. The number and location of the loans within the community reflects favorably upon the bank's credit availability efforts.

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

TCB has generated a very limited amount of governmentally insured, guaranteed, and subsidized loan programs for housing or small business.

TCB was appointed as an SBA Certified Lender in May 1993. TCB was the first bank in San Angelo to receive this status. While the bank has the resources to fund governmentally insured loans, the intense competition in the San Angelo area has limited their ability to attract these loans. The bank originated 2 SBA loans in 1995 totalling \$95 thousand.

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 in LMI areas has shown a significant increase from 1994 to 1995. The increase was noted in home improvement, small business and consumer loans. Lending patterns indicate a good distribution of loans throughout the bank's delineated community.

Based on HMDA data and management reports, TCB has shown a significant increase in lending to LMI areas from 1994 to 1995. An increase of 77.5% was achieved in the number of HMDA, small business and consumer loans made in LMI areas. An increase in non-LMI areas was also noted; however, the increase of 44.5% was not as significant. The dollar amount of loans made in LMI areas was even more notable. TCB increased the dollar amount of lending in LMI areas by 82.3%. In non-LMI areas the increase was 5.2%. San Angelo area demographic reports show 21% of the total households, 23% of the total housing units and 26% of the total small businesses are located in LMI census tracts. TCB's proportion of lending in LMI census tracts of 18.2% is similar to the proportion of households and small businesses located in that area. This increase in lending demonstrates the effect the targeted advertising had on the loan activity in LMI communities.

Loan activity during the first quarter of 1996 indicates that the trend of serving LMI individuals continues. HMDA reportable loans to LMI individuals total 74% of total loans originated. Loans in LMI census tracts of 26% are also proportionate to the number of LMI households in the area.

Lending patterns support that TCB's loan products are well distributed throughout its community. Internally generated maps, which depict the loans and deposits for the majority of the bank's products, indicate that in 1995, loans were originated in all census tracts within the community with the exception of one tract. The tract without activity includes Goodfellow Air Force Base which has its own financial institution and houses military personnel on temporary assignments.

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

TCB's offices provide reasonable access to all segments of its community.

TCB has two locations. Its main office and motor bank are located in Downtown San Angelo. A branch office, with a drive-in facility, opened during this evaluation period in Southwest San Angelo. The downtown motor bank and the Southwest branch have ATM's. TCB's main office is surrounded by four of the five LMI census tracts in the community. The branch

office is directly across the major thoroughfare bordering the remaining LMI census tract in the community.

TCB's business hours are reasonable and have been adjusted to meet the needs of the population served by that location. For those customers who seek low cost accounts, TCB offers Value Banking, Value Checking and Value Savings accounts. Bank hours and services are reviewed for effectiveness on an ongoing basis. While no offices have closed, a comprehensive policy is in place.

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).

Through the examination process, we did not identify any practices intended to discourage individuals from applying for credit. TCB actively solicited applications from all segments of its community, including LMI areas.

The Board and management have developed appropriate procedures to ensure equal treatment of all loan applicants. All customer contact employees have completed the fair lending training program and appropriate training is provided on CRA and other anti-discrimination laws and regulations. The bank, through their affiliate Texas Commerce Bank, N.A., has established an internal fair lending self-assessment process along with guidelines for second reviews of home improvement and purchase applications.

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

No evidence of disparate treatment on a prohibited basis was detected during the examination period. The bank is in substantial compliance with antidiscrimination laws and regulations.

A Fair Lending Examination was performed as part of the concurrent Consumer Compliance Examination to ascertain indications of any illegal discriminatory activities or results. Our scope included a review of home improvement applications received in the fourth quarter of 1995. Based upon this review, we did not disclose any instances of lending based discrimination or other illegal credit practices.

V. COMMUNITY DEVELOPMENT

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

TCB has established some participation in community development related activities and has made loans with community development impact.

TCB's senior management has established good working relationships with government and private sector representatives to identify community development opportunities. In total, TCB has financed approximately \$341 thousand in loans and invested \$7,700 in various projects. TCB, along with its affiliate Texas Commerce Bank, N.A., jointly funded a \$25 million loan. While the opportunities to invest in projects which truly revitalize and redevelop the San Angelo community are limited, the following are examples of specific projects and programs in which TCB has participated.

Shannon Medical Facility

This medical facility was created in 1931 to provide healthcare to all West Texas patients regardless of their ability to pay. Shannon was established as a nonprofit 501C Trust and has grown to a 278 bed facility offering a variety of specialized services. In 1995, Shannon Medical Center expanded its services which required a \$25 million loan. TCB, along with Texas Commerce Bank, N.A., was the only financial institution in San Angelo that took the initiative to finance this venture. Since that funding, the medical center became associated with Shannon Clinic and has 23 locations in Tom Green County and the surrounding counties.

La Esperanza Clinic

TCB provided operating funds totaling \$41 thousand to this community medical clinic located in the Barrio of San Angelo.

Trinity Lutheran Church

A \$215 thousand construction loan was funded to be used for an Early Childhood Center which will provide care for 70 to 100 children.

TCB's Board of Directors, Officers and Employees are very involved in the community through participation in numerous civic and community fund raising events which benefit the lives of LMI persons. The bank takes an active role in supporting the development of the entire community and monetarily supports numerous organizations within Tom Green County.

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.

There are no constraints on TCB's ability to assist in meeting community credit needs.

TCB made a significant commitment to help meet the community's credit needs, including financial resources and technical expertise.

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 contributes to activities which improve the quality of life in the San Angelo community. These activities often provide an indirect service which promotes the bank and lays the groundwork for future credit relationships.

Priority One

This program is made up of a 12 member board of the Chamber of Commerce that has primary responsibility for economic development. The bank took a leadership role in soliciting funding sources to meet the 1996 budget. The bank contributed \$3,000 in 1995 and has committed additional funding for 1996 and 1997. TCB's Chief Executive Officer served as Chairman of Priority One in 1995.

Christian House of Prayer

A loan was provided to this church to purchase a building. The church services the Black community and plans to include a Christian school in this location.

Area Harvest Festivals

TCB actively participates in the area Harvest Festivals and livestock premium auctions which support farm community activities and/or local FHA and FFA chapters and their members.

Enrique's Inc.

Enrique's is a Mexican restaurant located in El Paseo de Santa Angela. El Paseo is a project to develop a market area and tourist attraction which connects old downtown to Fort Concho. TCB approved a loan for the construction of a 7,534 square foot restaurant and an additional loan for the purchase of restaurant equipment.

Christmas in April

TCB employees and their families participated in the renovation of a home in San Angelo by donating over 1,600 hours to this community project. This was the sixth year that the bank had participated in this project.

ADDITIONAL INFORMATION

Texas Commerce Bank-San Angelo, N.A. serves the community located in the San Angelo metropolitan statistical area # 7200.

The Office of the Comptroller of the Currency is responsible for supervising TCB. Members of the public can 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

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

Michelle Kolls, CRA Officer
301 West Beauregard Avenue
San Angelo, Texas 76903
(915) 653-5911.