



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 4, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Texas First National Bank
Charter Number: 18558**

**9315 Bellaire Boulevard
Houston, Texas 77036**

**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 **Texas First National Bank** prepared by **The Office of the Comptroller of the Currency** the institution's supervisory agency, as of November 4, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated ***Outstanding***.

Texas First National Bank has an ***outstanding*** record of meeting credit needs within the community, as evidenced by the following:

- A loan-to-deposit ratio which meets the standards for satisfactory performance;
- A majority of loan originations within the bank's assessment area;
- An outstanding distribution of loan originations to borrowers of different income levels and businesses of different sizes; and,
- An excellent geographic distribution of lending within its assessment area.

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

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

DESCRIPTION OF INSTITUTION

Texas First National Bank is an independently owned, commercial and retail oriented \$228 million institution. The main office is located in the southwest section of Houston, Texas. There are two local branches. One is located in Sugarland, Fort Bend County, Texas, and the other branch is in the northwest portion of Harris County known as the Champions area. In August 1996, a third branch opened in Richardson, Dallas County, Texas. The main bank and the branches also service their customers through: drive-in facilities; on premise ATMs, credit card services, as well as international banking services. Lending activity is centered in the following loans: commercial and industrial (30%), real estate (65%), and loans to individuals (5%). There are no legal impediments, financial or other factors which impair the bank's ability to meet the credit needs of its assessment area. The last CRA examination was dated September 30, 1993 and a "Satisfactory" rating was assigned.

DESCRIPTION OF ASSESSMENT AREA

Texas First National Bank has outlined separate assessment areas for each of its four locations. All of the assessment areas meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income (LMI) census tracts. All of the locations with the exception of the Richardson branch are located in the Houston Metropolitan Statistical Area (MSA). For our analyses the branch located in Richardson was not included due to its recent opening and limited activities.

The Houston MSA (#3360) has a population in excess of three million people, with 13% living below the established poverty level. The HUD MSA Median family income in Houston is \$46,000. Median housing value for the area is \$41,300.

Texas First National Bank has designated parts of Harris and Fort Bend counties as the main bank's assessment area. This assessment area includes 130 census tracts which has these characteristics: five low income (4%), twenty-three moderate income (18%), thirty-five middle income (27%), and sixty-seven upper income tracts (52%).

The area has approximately 344,696 housing units with about one half the units being 1- 4 family units and the other half being multi-family units. Owner occupied units account for 37% of the total. The median housing value is \$84,850 with a median monthly gross rent of \$487. The HUD Metropolitan Statistical Area (MSA) Median Family Income is \$46 thousand.

The Sugarland branch is located in Fort Bend County, Texas, a bedroom community of

the Houston MSA. It has experienced significant growth in recent years. The assessment area for the Sugarland branch includes two middle income (18%) and nine upper income (82%) census tracts. There are no LMI tracts. The area has approximately 21,533 housing units with 16 thousand or 73% owner occupied. The median housing value is \$99,500 thousand with a median monthly gross rent of \$638.

The Champions branch is located in northwest Houston in Harris County. The assessment area includes seven middle income (39%) and eleven upper income (61%) census tracts. There are no LMI tracts. The area has approximately 55,617 housing units with 49% being owner occupied. The median housing value is \$95,500 and the median monthly gross rent is \$444.

All of the branches of Texas First National Bank are subject to intense competition from non-bank financial entities, branches of regional and multinational corporations and branches of other financial institutions. The main bank has four other major competitors located very close to the facility and several others within a short driving distance. The Sugarland and Champions branches both experience intense competition as well.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN TO DEPOSIT RATIO

Texas First National Bank actively meets the credit needs of its assessment area. The bank's loan-to-deposit ratio averaged 58% from the September 30, 1993 CRA exam through the quarter ending June 30, 1996. This average loan to deposit ratio is considered reasonable when compared to the ratio for other similarly situated banks in the area. As of June 30, 1996, the loan-to-deposit ratio was 63% which exceeded the peer group average of 55% of banks with less than \$250 million in assets in Harris and Fort Bend counties. This ratio increased to 72% at the quarter ending September 30, 1996.

LENDING IN THE ASSESSMENT AREA

An internal analysis prepared by management disclosed that a substantial majority of loans were within the assessment areas. Out of a sample of 1,389 loans (of various types and sizes) 72% of the number and 66% of the dollar volume were to customers within the assessment areas. Management's analysis of lending within the bank's census tracts disclosed loans in 90% of the tracts, which indicates an excellent proportion of lending within the assessment areas. Reasons indicated for census tracts without lending activity included intense competition, locations on the edge of the territory, and concentrations of commercial property.

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

Texas First National Bank's lending to borrowers of different income levels and businesses of different sizes within its assessment area is outstanding. Table 1 is based upon a sample of 56 consumer loans and 92 business loans. It illustrates lending approvals to individuals of different income levels and businesses of different sizes through June 30, 1996.

Table 1

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS			
Households	Assessment Area Profile	Commercial Loan Approvals	Consumer Loan Approvals
Low Income	4%	25%	29%
Moderate Income	16%	23%	26%
Middle Income	34%	31%	29%
Upper Income	46%	21%	16%
Totals	100%	100%	100%

Consumer lending within the assessment areas to LMI borrowers exceeds the census tract characteristics with a majority being to LMI households. Furthermore, a majority of the commercial loans were made to small businesses with revenues of less than \$1 million.

GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of a sample of consumer and business loans indicates that the bank's lending in LMI areas significantly exceeds satisfactory performance requirements when considering the demographic profile of the assessment areas. This distribution is illustrated in Table 2:

Table 2

GEOGRAPHIC DISTRIBUTION OF LOANS			
CENSUS TRACT CHARACTERISTICS	# OF LOANS	% OUTSTANDING	ASSESSMENT AREA PROFILE
LOW INCOME	34	14%	3%
MODERATE INCOME	33	13%	14%
MIDDLE INCOME	145	58%	28%
UPPER INCOME	36	15%	55%
TOTALS	248	100%	100%

RESPONSE TO COMPLAINTS

During this evaluation period, the bank did not receive any consumer complaints regarding its CRA performance. Texas First National Bank has procedures in place to handle consumer complaints.

OTHER CONSIDERATIONS

Texas First National Bank participates in several projects designed to provide housing opportunities to LMI areas within the local community. Texas First National Bank has made a significant number of loans to finance multi-family housing and commercial properties in LMI areas. An analysis of the Home Mortgage Disclosure Act Loan Application Register revealed significant lending for multi-family properties in 1995 and 1996. Nine (9) multi-family loans were originated in 1995 and thirteen (13) loans have been made in 1996. Ten (10) of the 1996 loans were within the bank's assessment area.

Texas First National Bank participates in a "second chance" auto loan program through a local marketer of automobile dealer paper. The borrowers are individuals who would otherwise not qualify for credit due to their credit record. The bank became involved in March 1996 and has 129 loans totaling approximately \$2.1 million. The borrowers are located mostly in Austin, San Antonio, and Houston. Forty-four (44) of these loans are within the Houston/Sugarland area and twenty-four (24) loans are to borrowers within the bank's assessment area.

In addition to the other types of loans offered, Texas First National Bank has made other special small business loans. The Sugarland branch has assisted several female

individuals in the assessment area with the establishment of their own small independent beauty consultant businesses. These loans have an average size of \$2,000.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

A fair lending examination was performed in conjunction with this examination. Texas First National Bank is in compliance with the substantive provisions of anti-discrimination laws and regulations. We found no practices intended to discourage potential borrowers from applying for credit at the bank.