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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

April 13, 1998

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Austin Bank, N.A.  
Charter Number 15544**

**100 Horton Street  
P.O. Drawer 438  
Whitehouse, Texas 75791**

**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 **Austin Bank, N.A.** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of April 13, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

Austin Bank, N.A. has a Satisfactory record of meeting community credit needs. This Satisfactory rating is based upon:

- The bank's average loan-to-deposit ratio of 44.18% is comparable to the ratios of other area banks.
- A significant portion of the bank's core loan products are extended within its assessment area.
- Credit activity is equitably distributed to borrowers of different income levels.
- Geographic distribution of loans reflects a sound penetration throughout the assessment area.
- Austin Bank, N.A. has invested in Tyler Development Fund, Inc., a community development corporation, which originates loans to small businesses. Moreover, the bank has also extended community development loans to a local developer/builder to provide affordable housing for low and moderate income persons.

The following table indicates the performance level of **Austin Bank, N.A.** with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b>AUSTIN BANK, N.A. PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received since the previous CRA examination.		

**DESCRIPTION OF INSTITUTION:**

Austin Bank, N.A. is a community bank with total assets of \$84 million. Outstanding loans on March 31, 1998 totaled \$38 million. Loan products offered include 1- 4 family residential (interim construction and permanent), home improvement, home equity, consumer, commercial, and agricultural loans. The primary business focus consists of commercial, consumer, and residential real estate lending. Composition of the loan portfolio by type is as follows: commercial 60%; consumer 23%; residential real estate 16%; and agricultural 1%. There are no legal impediments which limit the bank's ability to meet the credit needs of the assessment area. The financial institution's main office is located at 100 Horton Street in Whitehouse, Texas. The financial institution has two branch offices. These offices are located at 611 S. Beckham Street in Tyler, Texas and 5515 Old Bullard Road in Tyler, Texas. The bank's CRA performance was rated Satisfactory at the previous CRA examination dated January 3, 1995.

**DESCRIPTION OF THE ASSESSMENT AREA:**

The Board designated the bank's assessment area as the central and southern sections of Smith County and the Tyler Metropolitan Statistical Area (MSA). The designated assessment area includes all MSA census tracts with the exception of the three most northern census tracts of 14.01, 14.02, and 15.98. The assessment area consists of the City of Tyler and the communities of Chapel Hill, Bullard, Whitehouse, Troup, Arp, and Overton. Of the thirty-two census tracts within the assessment area, census tracts 2.02, 5, and 7 are designated as low income areas and census tracts 2.01, 3, 4, and 6 are designated as moderate income areas. These low and moderate income census tracts are located in the central downtown area of Tyler. The remaining twenty-five census tracts in the assessment area are considered either middle or upper income areas.

The census tracts designated as low and moderate income are located within the City of Tyler's hospital district and industrial park. The financial institution's two branches are located within the hospital district, adjacent to the low and moderate income census tracts and within census tract 20.06, an upper income tract situated in the Southern sector of Tyler. The main bank is located in the community of Whitehouse. This community is approximately five miles south of the Tyler city limits. According to the 1997 Department of Housing and Urban Development (HUD) data, the low and

moderate income census tracts reflect a low volume of occupied housing. The median age of these properties range between 32 and 38 years. The middle and upper income census tracts reflect a higher volume of occupied housing. The median age of these properties range between 15 and 21 years.

The assessment area's population is 134,163 according to 1990 Census Bureau data. Approximately 22% of the families are low income, 17% are moderate income, 21% are middle income, and 40% are upper income. According to 1997 HUD data, the median family income in the assessment area is \$40,800. The area economy is stable with an unemployment rate of approximately 3%. Local employment opportunities are centered in the following industries: Services (health, government, finance), manufacturing, transportation, utilities, construction, and mining. Major area employers include: Tyler Pipe, Trane Company, Brookshire Grocery, Kelly-Springfield, Trinity Mother Frances Hospital, East Texas Medical Center, University of Texas Health Center, Carrier Air Conditioning, Roadmaster Corporation, Howe-Baker Engineering, and Tyler Junior College.

A recent contact with a local quasi-government official indicated that there continues to be a need for affordable housing, home improvement, and down payment assistance for housing loans within the City of Tyler. In addition, the community contact indicated that loans to help small and minority owned businesses were a need. The official stated area financial institutions have been responsive in trying to meet these community needs.

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

##### **LOAN TO DEPOSIT RATIO:**

The loan-to-deposit ratio of Austin Bank, N.A. is comparable to the ratios of other area banks. The loan-to-deposit ratio has averaged 44.18% since our previous assessment of the bank's CRA activities dated January 3, 1995. Austin Bank, N.A.'s loan-to-deposit ratio increased from 38.97% as of March 31, 1995 to 50.91% as of December 31, 1997. The average loan-to-deposit ratio of six other national and state chartered banks located in the financial institution's designated assessment area was 53.69% during the same time period. Individual loan-to-deposit ratios for these banks averaged from a low of 2.93% to a high of 73.35%.

**LENDING IN ASSESSMENT AREA:**

A substantial majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 90 residential mortgages, 50 consumer loans, and 50 business loans. These loans were originated in 1997 and year-to-date 1998. The combined sample reflected that approximately 96% of loans by number and 98% of loans by dollar amount were extended within the bank's assessment area. The breakdown by loan category is illustrated in the tables below.

<b>Residential Mortgages</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Amt. (000's)</b>	<b>Percent</b>
Inside Assessment Area	84	93%	\$1,784	95%
Outside Assessment Area	6	7%	\$103	5%

<b>Consumer Loans</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Amt. (000's)</b>	<b>Percent</b>
Inside Assessment Area	49	98%	\$384	99%
Outside Assessment Area	1	2%	\$2	1%

<b>Business Loans</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Amt. (000's)</b>	<b>Percent</b>
Inside Assessment Area	49	98%	\$3,304	99%
Outside Assessment Area	1	2%	\$22	1%

**LENDING TO BORROWERS OF DIFFERENT INCOME AND TO BUSINESSES OF DIFFERENT SIZES:**

The distribution of loans within the assessment area reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. We performed an analysis based on a sample of consumer, residential, and business loans

originated within the bank's assessment area in 1997 and 1998. The distribution of loans within each income category approximates the income characteristics of the assessment area's population. In addition, the bank refers mortgages to Austin Bank, N.A. Mortgage located in Grand Saline, Texas. The mortgage department offers loans through a Community Home Buyers Program which only requires a 3% down payment to qualify. The mortgage department also offers fixed-rate, thirty-year mortgage loans through the Federal National Mortgage Association. Austin Bank, N. A. referred seven loans totaling \$770,150 during 1997 and six loans totaling \$897,950 during 1998. The following table details the results of our income analysis.

<b>Lending to Borrowers of Different Income Levels</b>										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	22%		17%		21%		40%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	12	14%	14	17%	26	31%	32	38%	84	100%
Consumer	11	22%	19	39%	5	10%	14	29%	49	100%
Revenue Ranges	Less than \$100,000		\$100,000-\$500,000		\$500,000--\$1,000,000		Over \$1,000,000			
Commercial	11	22%	22	45%	5	11%	11	22%	49	100%

**GEOGRAPHIC DISTRIBUTION OF LOANS:**

The geographic distribution of loan originations reflects a sound distribution throughout the assessment area’s census tracts. Based on addresses of loan recipients, we were able to determine in which census tract our sample of consumer, residential, and business loans were originated. The following table reflects the distribution by number of loan originations in the assessment area:

Geographic Distribution of Loans										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	6%		10%		48%		36%		100%	
Count	7,764		13,175		65,008		48,216		134,163	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	3	4%	2	2%	25	30%	54	64%	84	100%
Consumer	5	10%	16	33%	8	16%	20	41%	49	100%
Commercial	10	20%	15	31%	13	27%	11	22%	49	100%

**RESPONSE TO COMPLAINTS:**

Management has not received any written complaints related to CRA performance since the prior CRA Examination. A fair lending review was performed in conjunction with this examination. Based on the samples reviewed, no discriminatory practices were noted. Furthermore, we did not identify any substantive violations involving anti-discrimination laws or regulations.

## **ADDITIONAL INFORMATION:**

In addition to the above described lending activities, Austin Bank, N.A. has extended community development loans to a local developer/builder to provide affordable housing for low and moderate income persons. Further, Austin Bank, N.A. also supports local credit needs through investments in Tyler Development Fund, Inc., a community development corporation which extends loans to small businesses.

On November 18, 1997, Austin Bank N.A. originated a \$500,000 loan to develop a neighborhood consisting of 125 lots, thirty-eight (30%) of which must be sold to low and moderate income persons. In addition, on December 19, 1997, the financial institution approved a \$300,000 revolving line of credit for construction of the homes. These houses will be marketed between \$59,900 and \$79,000 price ranges. The Texas Department of Housing and Community Affairs has also provided grants totaling \$350,000 to the development of the housing lots. The State also made available \$190,000 to be used as down payment assistance to the thirty-eight home buyers who qualify as low and moderate income persons. Borrowers will not pay any interest on these down payment assistance loans, and the borrower will not be required to make payments on this loan until the home is sold or the residential mortgage is paid in full. In order to qualify for the state assistance, the borrower's income must be less than 80% of the median family income for Smith County. For example, Smith County's median family income is \$40,800, therefore the maximum family income that a family of four can make to qualify for the assistance is \$32,640.

Austin Bank N.A. has invested in Tyler Development Fund, Inc. This community development corporation commenced on September 12, 1995, for the purpose of helping small and minority businesses and promoting employment opportunities, especially for low and moderate income persons. Austin Bank, N.A. committed \$10,000 over a three year period. The Tyler Development Fund provides two programs: Business Loans and Micro Loans. In order to qualify for the Business Loans program, businesses generally must have had eighteen months of successful operating performance, have an established banking relationship with one of the participating financial institutions, and provide 10% equity in the project. The Micro Loans program serves small expanding, newly established, or emerging businesses. Funds may be used for working capital, equipment, new construction, or building improvements. Priority is given to businesses locating in identified revitalization zones and established enterprise zones. Long-term financing at fixed rates is available. The Tyler Development Fund has extended four loans to small and minority owned businesses since the inception of the program.