



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 5, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Addison National Bank
Charter Number 20065**

**3939 Beltline Road
Addison, Texas 75244**

**Office of the Comptroller of the Currency
Southwestern District
500 N. Akard, 1600 Lincoln Plaza
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 the **Addison National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 5, 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**.

Addison National Bank (ANB) is responsive to the credit needs of the community including low- and moderate-income individuals and areas. The bank's average loan-to-deposit ratio of 52% is comparable to that of peer institutions. A majority of loans are in the bank's assessment area. The loans reasonably penetrate various geographies and borrower income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>ADDISON 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 received since the prior examination.		

DESCRIPTION OF INSTITUTION

ANB is located in Addison, Texas. Addison is suburban community of approximately 12,000 in the northern portion of the Dallas metropolitan area. It is primarily a business area with limited residential development. As of December 31, 1997, the bank had total assets of \$38 million with \$20 million in total loans. The loan mix consists of commercial (57%), residential real estate (24%), and consumer (21%). Seventy-seven percent of the residential real estate loans were temporary mortgage warehouse loans. ANB has only one banking facility. An ATM is located in the drive-in facility.

ANB is independently owned with no holding company structure. No individual controls more than 15% of the outstanding shares. There are no financial or legal impediments to the bank's ability to meet the credit needs of its assessment area. ANB's primary business focus is small business customers because of its location. A large portion of the deposits are derived from area businesses.

DESCRIPTION OF ASSESSMENT AREA

ANB's assessment area includes fifty-one (51) census tracts which surround the bank's location. This area contains a part of the Dallas Metropolitan Statistical Area (MSA). The assessment area incorporates sections of Dallas, Denton, and Collin Counties. Addison and portions of Carrollton, Plano and Dallas are included in the assessment area.

The census tracts in the assessment area have a population of 251,192 based on 1990 census data. The income characteristics of the assessment area are as follows: no low income tracts, eight moderate-income tracts, 11 middle-income tracts, and 31 upper-income tracts. One tract contains no income characteristics. Median family income is \$52,300. Housing units total 118,366 of which 52% are rental units.

The bank is located in a primarily retail-based business environment. Many people commute to work in and around Addison but reside outside the assessment area. Most of the residential development in the area is in upscale housing although there are some neighborhoods with moderately priced houses. There are some industrial operations in the assessment area which are principally light manufacturing. Community contacts made by the OCC and other federal banking regulators were reviewed. Credit needs identified include small business, upscale housing, and consumer loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

ANB has a satisfactory lending performance. The bank's loan-to-deposit ratio is reasonable although it is somewhat lower than the custom peer group average. ANB's ratio averaged 52% for the past ten quarters while its custom peer average was 64%. The custom peer group is comprised of banks in Dallas and Collin Counties with total assets greater than \$30 million and less than \$100 million.

A majority of the bank's lending is within the assessment area. Based on the review sample, 59% of

the loans are within the assessment area.

Geographic loan distribution is reasonable throughout the assessment area. A sample of 36 consumer, mortgage, and home improvement loans revealed that 17 were within the assessment area. (One of the 17 loans is in a census tract with no income characteristics.) The distribution within the assessment area by census tracts is as follows:

CENSUS TRACT	# OF LOANS	\$ OF LOANS
Low Income	NA	NA
Moderate Income	1	23,963
Middle Income	2	29,255
Upper Income	13	522,709

The geographic distribution of the consumer, mortgage and home improvement loans is reflective of the distribution of the assessment area with only 12% of the households in moderate-income census tracts.

The geographic distribution for business loans is detailed below:

CENSUS TRACT	# OF LOANS	\$ OF LOANS
Low Income	NA	NA
Moderate Income	4	666,842
Middle Income	6	1,256,545
Upper Income	5	762,482

As shown above, the geographic distribution of business loans is reasonable. (One of the business loans in the sample was in a census tract with no income characteristics).

Dispersion of loans by income level is reasonable. Based on the same sample of loans, there are no income levels with little or no loan penetration. The following table shows the results of the

consumer, mortgage and home improvement sample:

INCOME LEVEL	# OF LOANS	\$ OF LOANS
Low	1	4,800
Moderate	5	63,908
Middle	5	39,882
Upper	6	467,337

In both of the above tables for residential and consumer loans, the total dollar amount of loans for upper-income tracts and upper-income individuals includes one refinanced mortgage loan of \$400 thousand.

ANB has a mortgage warehouse operation which funded 362 mortgage loans totaling \$36.9 million in 1997. Of these, 258 were within the Dallas MSA and totaled \$27.4 million. The loans are sold into the secondary market on average within 21 days of funding. On December 31, 1997, there were \$3.6 million of these mortgages on the bank's books.

A sample of 16 business loans indicated a reasonable penetration among businesses of different sizes. Gross annual revenues of the businesses within the assessment area ranged from \$87 thousand to \$9.1 million.

ANB did not receive any consumer complaints regarding CRA performance since the last examination. Our most recent fair lending examination revealed no violations of antidiscrimination laws or regulations.