



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**February 6, 2012**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Unity National Bank of Houston  
Charter Number 21008

2602 Blodgett Street  
Houston, TX 77004

Office of the Comptroller of the Currency

Houston (8515) Field Office  
1301 McKinney Street Suite 1410  
Houston, TX. 77010-3031

**NOTE:** This document is an evaluation of this 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. 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.

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

Unity National Bank (Unity) has a Satisfactory record of meeting community credit needs. This conclusion is based on the following:

- Unity's quarterly loan-to-deposit ratio is reasonable, averaging 80 percent since the prior CRA evaluation. This is comparable with a peer group of banks which averaged 81 percent for the same time period.
- A majority of lending is inside the assessment area (AA) by number of loans originated. Of the number of business loans originated/purchased, 55 percent were to businesses within the bank's AA.
- A sample of the bank's commercial loans disclosed that 50 percent of the loans by number were to businesses with revenues of \$1 million or less. The penetration is less than the characteristics of the AA with 66 percent of such businesses, but the bank's penetration is reasonable given the institution's size, financial condition, and economic environment over the Lending Test evaluation period.
- The geographic distribution of the bank's loans is excellent and compares favorably to the AA characteristics in both low- and moderate-income census tracts (CTs).

**SCOPE OF EXAMINATION**

We completed a full-scope review of the bank's CRA performance using the Small Bank examination procedures, which includes the Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. Our examination evaluated the bank's lending performance from January 1, 2009 through December 31, 2011.

The bank's primary loan products are business loans. As of December 31, 2011, business loans represented 68 percent of the dollar volume of the loan portfolio. Other loan types include 18 percent one-to-four family residences, 7 percent multi-family residences, 4 percent other loans, and 3 percent consumer loans. Residential lending is not a primary loan product. During the evaluation period, the bank originated nine one-to-four family or multi-family loans. These loans included four loans within the AA, consisting of three for non-owner-occupied and one for owner-occupied residences.

To evaluate the bank's lending performance, we reviewed a statistically valid sample of 29 commercial loans originated/purchased during the evaluation period. Twenty of the loans were in the AA.

## **DESCRIPTION OF INSTITUTION**

Unity is an independent full-service community bank headquartered in Houston, Texas. It is a minority-owned institution (African American). Unity is certified as a Minority Business Enterprise by the City of Houston, and as a Historically Underutilized Business by the State of Texas.

As of December 31, 2011, Unity had assets of \$72 million. Unity received a Satisfactory rating at the last CRA examination dated October 1, 2006. No legal constraints impede efforts to help meet the credit needs of the assessment area. However, financial constraints adversely affected the bank's ability to extend credit during the evaluation period.

Unity serves the community from two locations. Unity's main office location is in the community known as the Third Ward in Houston on Blodgett Street (Blodgett). The other branch is located in Missouri City, Texas, a suburb of Houston.

Unity offers a variety of commercial and retail banking services. The Blodgett and Missouri City locations both offer drive-up services and proprietary automated teller machines (ATMs). The bank also maintains an ATM in downtown Houston, commonly known as the Houston Pavilions, where the bank operated a branch from February 2009 to December 2010.

*Please refer to Unity's CRA Public File for more information about this institution.*

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The bank's AA consists of 504 contiguous CTs in Harris and Fort Bend counties. The AA includes 483 CTs in Harris County (74 percent of 649 total Harris County CTs) and 21 CTs in Fort Bend County (36 percent of 58 total Fort Bend CTs). Both Harris County and Fort Bend County are in the Houston-Sugar Land-Baytown Metropolitan Statistical Area. The tract income characteristics of the AA are as follows: 63 or 13 percent low-income CTs, 208 or 41 percent moderate-income tracts, 127 or 25 percent middle-income CTs, 100 or 20 percent upper income tracts, and 6 or 1 percent CTs without an income designation. The AA meets legal requirements as its boundaries encompass the branch locations, are delineated by major roads, include only whole CTs, and do not arbitrarily exclude low- or moderate-income geographies.

### **Harris County**

Harris County is the largest county in Texas, representing 16 percent of the state's population and is the third largest county in the nation. The Harris County population is estimated at 4.1 million according to a 2010 U.S. Census Bureau estimate with a growth rate of 20 percent from the 2000 to 2010 Census. The U.S. Bureau of Labor Statistics shows an unemployment rate of 8.7 percent in 2010. As of 2010, Harris County accounts for 9 percent of all U.S. jobs, which is up from 1.7 percent 10 years ago.

The county's economic activity is centered in the city of Houston. In January 2012, the Brookings Institute named Houston as North America's fastest growing metro area. Houston is home to the Port of Houston, which ranks first in the United States in foreign waterborne tonnage and first in United States imports. Houston is also home to the largest medical center in the world, the Texas Medical Center. With 160 thousand visitors a day, the Center's economic impact exceeds \$14 billion annually, and it has approximately 93 thousand employees. Houston is second only to New York City in Fortune 500 company headquarters, and more than five thousand energy-related firms are located in the city. The county's major employers include Memorial Hermann Healthcare System, Administaff, The University of Texas MD Anderson Cancer Center, ExxonMobil, Shell, Continental Airlines, and Walmart Stores.

Banking competition in Harris County is intense. The June 30, 2011 Federal Deposit Insurance Corporation (FDIC) Market Share Report lists 89 financial institutions with 1,059 offices in the county. The five largest competitors in the county include JP Morgan Chase Bank, National Association (N.A.), Bank of America, N.A., Wells Fargo Bank, N.A., Amegy Bank, N.A., and Compass Bank.

A Community Affairs Specialist for the Comptroller of the Currency completed a contact in the Houston AA with a Director of a non-profit business development corporation in the county. The organization offers assistance to micro-enterprise and small business owners by providing flexible and affordable loans to expand their businesses. The organization's Director reported that banking and credit needs in the county include a new lending source to offset banks that have frozen lines of credit or reduced the amount of available funds, start-up money for a new small business, and refinancing for existing loans. Business lending is a primary loan product for Unity, which offers and originates a variety of commercial loans in the AA.

Another contact with a community-based development corporation noted the need for affordable single and multi-family housing units and small business funding. While single and multi-family financing is not a primary lending product, Unity did provide some financing for single and multi-family units in the AA during the evaluation period.

### **Fort Bend County**

Fort Bend County is one of the fastest growing counties in the United States, with a growth rate of 65 percent in ten years. According to 2010 U.S. Census Bureau reports, the county had a population of 585 thousand. A portion of Houston is located in Fort Bend County. It is considered to be one of the most affluent communities in the state of Texas. The county seat is Richmond, and its largest city is Sugar Land. The unemployment rate is 8 percent, and 7.5 percent of the population lives below the poverty level.

Major employers include the Fort Bend Independent School District with over nine thousand employees, Fluor Corporation with approximately three thousand employees and Lamar CISD with more than two thousand employees. Sugar Land has the second largest level of economic activity in Fort Bend County, following Houston, and it is the third largest city in the MSA.

Sugar Land has the most important and fastest growing economic center in Fort Bend County. It is the headquarters for Western Airways. Engineering firms and related industries are an economic engine for Sugar Land and the county.

Banking competition in Fort Bend County is intense. The June 30, 2011 FDIC Market Share Report lists 40 financial institutions operating 130 offices in the county. The five largest competitors in the county include, JP Morgan Chase Bank, N.A, Wells Fargo Bank, N.A., Prosperity Bank, Bank of America, N.A., and Amegy Bank, N.A.

A community contact with a non-profit organization, which seeks to revitalize low-income housing in neighborhoods in Fort Bend County by engaging public/private partnerships and community involvement, reported a need for affordable housing as well as rehabilitation and repair of existing substandard housing. As noted above, while single and multi-family financing is not a primary lending product, Unity did provide some financing for single and multi-family units in the AA during the evaluation period.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

Unity’s quarterly loan-to-deposit ratio is reasonable, averaging 80 percent since the prior CRA evaluation. Three peer group banks headquartered in the counties in Unity’s AA, with assets less than \$100 million, had an average loan-to-deposit ratio of 81 percent for the same time period. The average loan-to-deposit ratio for the peer group banks ranged from 66 percent to 92 percent.

### Lending in Assessment Area

A majority of lending is inside the AA by number of loans originated. Of the number of business loans originated/purchased, 55 percent were to businesses within the bank’s AA. By dollar amount 38 percent of loans are in the AA. The lower dollar volume is primarily due to the bank’s purchase of participations in loans originated by larger financial institutions to businesses outside the AA. These loans are fewer in number but tend to be larger in dollar amount. The following table details the bank’s lending within the AA by number and dollar amount of loans:

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	11	55	9	45	20	2,735	38	4,540	62	7,275
Totals	11	<b>55</b>	9	45	20	2,735	<b>38</b>	4,540	62	7,275

Source: Loan sample.

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

A sample of the bank’s commercial loans disclosed that 50 percent of the bank’s loans by number were to businesses with revenues of \$1 million or less. The penetration is less than the characteristics of the AA with 66 percent of businesses with revenues of \$1 million or less, but the bank’s penetration is reasonable given the institution’s size, financial condition, and economic environment over the Lending Test evaluation period.

Table 2 - Borrower Distribution of Loans to Businesses/Farms in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65.62	3.25	31.13	100%
% of Bank Loans in AA by #	<b>50.00</b>	45.00	5.00	100%
% of Bank Loans in AA by \$	<b>29.49</b>	64.84	5.67	100%

Source: Dun and Bradstreet data; Loan sample.

### Geographic Distribution of Loans

The geographic distribution of the bank’s loans is excellent and compares favorably to the AA characteristics in both low- and moderate-income census tracts.

Table 3 - Geographic Distribution of Loans to Businesses/Farms in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Business loans	6.50	<b>25.00</b>	30.88	<b>65.00</b>	26.57	10.00	35.84	0.00

Source: Dun and Bradstreet data; Loan sample. Note: 0.21% of area businesses were located in tracts with no income designation.

### Responses to Complaints

The bank did not receive any CRA-related complaints during the evaluation period.

### Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.