



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

January 28, 2013

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Omnibank, National Association  
Charter Number 14703

4328 Old Spanish Trail  
Houston, TX 77221

Office of the Comptroller of the Currency

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.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

Omnibank (Omni) has a satisfactory record of meeting community credit needs based on the following:

- Omni has maintained a reasonable loan-to-deposit ratio on a quarterly basis when compared to similarly sized peer banks.
- A substantial majority of the bank's lending is inside the assessment areas (AAs) by number and dollar amount of loans originated.
- Lending to borrowers of different incomes and businesses of different sizes is below the characteristics of the AAs. This is mitigated to some extent by the bank's indirect residential lending, long-term business customer relationships, and the bank's performance context.
- Geographic distribution of loans reflects excellent dispersion of residential and small business loans in low- and moderate-income (LMI) census tracts (CTs) in both the Houston and Austin AAs.
- The level of community development (CD) activities is satisfactory in relation to the bank's performance context, and reflects adequate responsiveness to AA needs.

## **Scope of Examination**

We completed a review of Omni's Community Reinvestment Act (CRA) performance in its AAs. Omni was evaluated under the Intermediate Small Bank (ISB) examination procedures, which include a Lending Test and a CD test. The Lending Test evaluates the bank's record of meeting the credit needs of the bank's AAs through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through qualified CD lending, investments, and services.

Omni's primary lending products are business loans, which represent 83 percent of total loans, and residential loans, which represent 15 percent of total loans. As an ISB, the bank is not required to collect or report loan data for business loans; however, management has elected to collect loan amount and census CT data. During the Data Integrity examination in September 2012, we sampled business loans originated or renewed from January 1, 2010 through December 31, 2011. Our review noted an error rate in CT data above the five percent threshold. Management corrected all CT data during the review, and we determined the bank's records to be reliable. We obtained revenue information on all the loans from the bank's records. As such, for the CRA examination, we used the bank's full report of its business loans and not a sample. This

is a total of 106 loans. At the Data Integrity examination, we also reviewed all residential loans reported under the Home Mortgage Disclosure Act (HMDA). As our review did not disclose any errors with this data, we included all 62 owner-occupied or multi-family residential loans in our analysis under the Lending Test.

For the Lending Test, our analysis included the Houston AA and Austin AA. The San Antonio AA was not included, as the bank originated only one residential and one business loan in that AA in the evaluation period. The bank has only one branch in the AA, which accounts for only one percent of the bank's total loans and deposits.

For the CD Test, our review included all CD loans, investments, and services in each of the bank's AAs since the date of the last CRA examination, May 11, 2009, through the date of this examination, January 28, 2013.

## **Description of Institution**

Omni is a full-service community bank headquartered at 4328 Old Spanish Trail in Houston, Texas. Omni is a wholly-owned subsidiary of Bancshares, Inc, a one-bank holding company. The bank has nine branches located in three AAs. The four branches in the Houston AA, including the main office, are located in Harris County. For the Austin AA, two branches are located in Travis County, one in Caldwell County and one in Williamson County. There is one branch in the San Antonio AA, located in Bexar County. The bank offers a variety of deposit and commercial loan products and continues to be an active Small Business Administration (SBA) lender.

As of September 30, 2012, assets totaled \$320 million and the Tier One Leverage Capital Ratio was 8.51 percent. The Board of Directors signed a Formal Agreement with the Comptroller of the Currency on November 18, 2010 related to asset quality that may have an effect on the bank's ability to meet the credit needs of its community. The bank received a "Satisfactory" CRA rating at the prior examination dated May 11, 2009.

*Please refer to Omni's CRA Public File for more information about the institution.*

## **Description of Assessment Areas**

Omni has three AAs in Texas. The Houston AA includes all 649 CTs in Harris County. The Austin AA includes all 234 CTs in the three contiguous counties of Travis, Williamson, and Caldwell. The San Antonio AA includes 60 selected contiguous CTs in Bexar, Comal and Kendall Counties near the bank's branches. All AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income CTs. The San Antonio AA does not currently include any low-income CTs.

### Houston AA

Harris County has 63 CTs (10%) designated as low-income and 223 CTs (35%) designated as moderate-income. Middle-income CTs in the AA total 178 (27%), and upper-income CTs total 178 (27%). Seven CTs do not have a designation (1%). Harris County is the most populous county in Texas and the third most populous in the nation. According to 2011 U.S. Census Bureau estimates, the county had a population of 4.2 million with a growth rate of 23 percent since the year 2000. The county seat is Houston, which is the largest city in Texas and the fourth largest city in the nation. For Houston, U.S. Census information reveals the population increased 9.8 percent from 1.95 million in 2000 to 2.15 million in 2011.

Houston has the largest medical center in the world, the Texas Medical Center. The center's economic impact exceeds \$10 billion annually, and has approximately 52 thousand employees. Houston is known as the capital of the oil and gas industry with over 5 thousand energy related firms in the area. Texas has more Fortune 500 company headquarters than any other state in the nation, and many of those firms are headquartered in Houston. Major employers include United Airlines, Exxon Mobil, Shell Oil Company, Memorial Hermann Healthcare System, and The University of Texas Medical Branch. According to the 2011 U.S. Census estimates, Harris County had approximately 18.3 percent of its residents living below the poverty level. The unemployment rate for 2011 was 8.2 percent according to the U.S. Bureau of Labor Statistics.

Banking competition in the Houston-Sugar Land-Baytown Metropolitan Statistical Area (MSA) is intense. According to the June 30, 2012 FDIC Market Share Report, there were approximately 88 financial institutions operating 1,046 branches in Harris County. The five largest competitors in Harris 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.

Information from a recent regulatory sponsored Listening Session was reviewed to develop a better understanding of the CD needs in the Houston area and how financial institutions are addressing those needs. More than thirty invited attendees, representing area nonprofit organizations, expressed their views and concerns. The comments reflected a need for loans to small businesses in underserved areas, and loans for affordable housing. As discussed later in this Performance Evaluation, Omni originated small business loans in LMI CTs in the Houston AA, and both direct and indirect loans for affordable housing in the AA during the evaluation period.

#### Austin AA

The Austin AA includes all 181 CTs in Travis County, all 7 CTs in Caldwell County, and all 46 CTs in Williamson County. Of the total 234 CTs, 20 are designated as low-income (9%), 62 are moderate-income (26%), and 87 are middle-income (37%). Upper-

income tracts total 63 (27%), and two CTs (1%) do not have a designation. Austin is the capital of Texas and the seat of Travis County. Located in central Texas, it is the 4<sup>th</sup> largest city in Texas and the 13<sup>th</sup> largest in the United States. It was the 3<sup>rd</sup> fastest growing large city in the nation from 2000 to 2006. According to the 2011 U.S. Census estimate, Austin had a population of 820,611 which represents a 20 percent increase from the 2000 census. The city is the cultural and economic center of the Austin-Round Rock-San Marcos MSA. The updated median family income for 2011 is \$73,800.

Major employers in Austin include the Austin Independent School District, City of Austin, Dell Computers, The Federal Government, Seton Healthcare Network, HEB, State of Texas, and University of Texas at Austin. In 2011, the U.S. Bureau of Labor Statistics reports an unemployment rate of 6.6 percent in Travis County, 8.5 percent in Caldwell County, and 6.8 percent in Williamson County.

Banking competition is intense. The five largest competitors in the AA, mostly Travis County, include: Bank of America, N.A., JPMorgan Chase Bank, N.A, Wells Fargo Bank, N.A., Compass Bank, and Frost Bank.

Community contacts were made with a Chamber of Commerce and an Economic Development organization located in the Austin area. These contacts indicated needs in the communities for small business lending and affordable housing. As discussed later in this Performance Evaluation, Omni originated small business loans in LMI CTs in the Austin AA, and both direct and indirect loans for affordable housing in the AA during the evaluation period.

### San Antonio AA

The San Antonio AA includes portions of three counties. In Bexar County, the AA includes 50 CTs. In Comal County, the AA includes eight CTs, and Kendall County has two CTs. Of the total 60 CTs, four are designated as moderate-income (7%), 20 are middle-income (33%), and 35 are upper-income (58%). One CT (2%) does not have a designation. The City of San Antonio in Bexar County is the largest city in this AA with an estimated population of 1.4 million as of a 2011 U.S. Census estimate. It was the fastest growing of the Top 10 largest cities in the United States and the second largest city in Texas, after Houston. It was the fastest growing of the Top 10 cities in the United States from 2000-2010. The updated median family income for 2011 is \$59,900.

San Antonio's economy is focused on financial services, government, health care, and tourism. It is the home of the South Texas Medical Center, a large medical research and care provider in South Texas. The city is also home to one of the largest military concentrations in the United States including Brooke Army Medical Center, Lackland Air Force Base, and Randolph Air Force Base. The defense industry employs more than 89 thousand people and provides a \$5.25 billion impact to the economy. In addition, San Antonio is home to five Fortune 500 companies including Valero Energy Corp., Tesoro Petroleum Corp., Clear Channel Communications, USAA, and NuStar Energy. The major employers in the MSA include the military bases, USAA, HEB, AT&T, and Bill Miller Bar-B-Q. The U.S. Bureau of Labor Statistics reports an unemployment rate in

2011 in Bexar County of 7.6 percent, 6.9 percent in Comal County, and 6.2 percent in Kendall County.

Banking competition is intense. The five largest competitors in Bexar County include: USAA Federal Savings Bank, Frost Bank, Bank of America, N.A., Wells Fargo Bank, N.A., and Broadway National Bank.

We did not make a community contact for this AA due to the bank’s limited presence in the area. As discussed above, Omni only has one branch in the San Antonio AA, and less than one percent of the bank’s total loans and deposits. Although we did not obtain community contact information for this AA, we did consider CD activities in the AA in determining the bank’s overall performance under the CD Test.

## Conclusions with Respect to Performance Tests

### LENDING TEST

Omni’s performance under the Lending Test is Satisfactory.

#### Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable. The bank’s quarterly LTD ratio averaged 83 percent since the prior CRA examination. Eleven similarly sized peer group banks headquartered in Harris County had an average LTD ratio of 80 percent, collectively, for the same time period. The LTD ratios for the peer group banks ranged from 62 percent to 91 percent.

#### Lending in Assessment Areas

A substantial majority of the bank’s lending is inside the combined AAs by number and dollar amount of loans originated. Of the number of business and residential loans originated/purchased in the evaluation period, 83 percent were within the AAs. By dollar amount 86 percent of loans are within the AAs. The following table details the bank’s lending inside and outside the AAs by number and dollar amount:

Table 1 - Lending in Houston AA, Austin AA, San Antonio AA										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	49	79.03	13	20.97	62	12,577	84.69	2,273	15.31	14,850
Commercial	91	85.85	15	14.15	106	17,958	87.45	2,578	12.55	20,536
Totals	140	<b>83.33</b>	28	16.67	168	30,535	<b>86.29</b>	4,851	13.71	35,386

Source: Data reported under HMDA; data collected by bank.

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

Lending to borrowers of different incomes and to businesses of different sizes is reasonable in light of the bank’s performance context.

Residential Real Estate

We compared the bank’s loan originations for home purchase, home improvement, and refinance to the percentage of AA families based on 2000 U.S. Census information. In the Houston AA, lending to LMI borrowers is significantly below the characteristics of the AA. The bank does not originate a high volume of direct residential loans. In the lending test evaluation period, there were 22 residential loans in the Houston AA and 13 in the Austin AA for which borrower income information was collected. However, the bank makes indirect residential loans through loans to mortgage companies, which in turn make residential loans, including to LMI borrowers. Several of these loans to mortgage lenders were credited under CD loans, and cannot be double-counted for the lending test, but this does provide an explanation for the low level of direct residential lending. The bank’s performance is shown in the following table:

<b>Table 2A - Borrower Distribution of Residential Real Estate Loans in Houston AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential	24.35	6.06	17.94	3.03	18.71	18.18	39.00	39.39

Source: Data reported under HMDA; U.S. Census data.  
 Note: Income data unavailable for 33.34% of loans.

Similarly, in the Austin AA, lending to LMI borrowers is significantly below the characteristics of the AA. See the explanation above related to the bank’s performance context. The bank’s performance is shown in the following table:

<b>Table 2B - Borrower Distribution of Residential Real Estate Loans in Austin AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential	19.50	6.67	17.87	0.00	22.46	33.33	40.17	46.67

Source: Data reported under HMDA; U.S. Census data.  
 Note: Income data unavailable for 13.33% of loans.

Small Business Loans

We compared the bank’s level of lending to small businesses with \$1 million or less in gross revenues to the characteristics of the Houston and Austin AAs per Dunn and Bradstreet information about the AAs. Overall, the level of lending to businesses of different sizes reflects reasonable penetration.

For the Houston AA, the level of lending to small businesses is low by number of loans, and below the characteristics of the AA. Lending by dollar amount is also below, but closer to, the AA characteristics. Many of the bank’s commercial customers have been customers for many years. Over the years, the gross revenues of the businesses have grown to exceed \$1 million. The level of lending reflects a mature bank and a long-time customer base in the Houston AA. In addition, the bank’s condition and terms of the Formal Agreement have constrained lending to new or start-up businesses, which are the businesses most likely to have revenues of \$1 million or less. The bank’s performance is shown in the following table:

<b>Table 2C - Borrower Distribution of Loans to Businesses in Houston AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66.46	2.78	30.76	100.00%
% of Bank Loans in AA by #	28.57	64.29	7.14	100.00%
% of Bank Loans in AA by \$	40.21	54.03	5.76	100.00%

Source: Dun and Bradstreet data; data collected by bank.

For the Austin AA, the level of lending to small businesses reflects reasonable penetration and is near to the characteristics of the AA for both number of loans and amount of loans originated. The bank’s performance is shown in the following table:

<b>Table 2D - Borrower Distribution of Loans to Businesses in Austin AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65.89	2.17	31.94	100.00%
% of Bank Loans in AA by #	60.00	35.00	5.00	100.00%
% of Bank Loans in AA by \$	64.04	35.82	0.14	100.00%

Source: Dun and Bradstreet data; data collected by bank.

### **Geographic Distribution of Loans**

The geographic distribution of loans is excellent.

#### Residential Real Estate

We compared the bank’s loan originations for home purchase, home improvement, and refinance to the percentage of owner-occupied residential real estate in the AA based on 2000 U.S. Census information. In the Houston AA, lending in low-income CTs and moderate-income CTs exceeds the characteristics of the AA and reflects excellent dispersion. The bank’s performance is shown in the following table:

Table 3A - Geographic Distribution of Residential Real Estate Loans in Houston AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential	3.94	12.12	25.93	33.33	30.45	36.36	39.68	18.19

Source: Data reported under HMDA; U.S. Census data.

In the Austin AA, overall lending is excellent. Lending in low-income CTs significantly exceeds the AA characteristics. Lending in moderate-income CTs is near to the AA characteristics. The bank's performance is shown in the following table:

Table 3B - Geographic Distribution of Residential Real Estate Loans in Austin AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential	2.90	6.67	18.96	13.33	39.32	40.00	38.82	40.00

Source: Data reported under HMDA; U.S. Census data.

**Small Business Loans**

We compared the geographic distribution of lending to businesses to the characteristics of the AAs based on 2000 U.S. Census information. Overall, the geographic distribution of lending to businesses reflects excellent dispersion. In the Houston AA, the distribution of loan originations to businesses in low-income CTs significantly exceeds the AA characteristics. Lending in moderate-income CTs is near to the AA characteristics. The bank's performance is shown in the following table:

Table 3C - Geographic Distribution of Loans to Businesses in Houston AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	4.74	17.14	23.87	22.86	27.71	17.14	43.42	42.86

Source: U.S. Census data; data collected by bank.

Note: Income information was not available for 0.26% of AA census tracts.

In the Austin AA, there were no loan originations to businesses in low-income CTs. However, less than four percent of businesses in the AA are located in low-income CTs. Lending in moderate-income CTs significantly exceeds the AA characteristics. The bank's performance is shown in the following table:

Table 3D - Geographic Distribution of Loans to Businesses in Austin AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	3.86	0.00	15.26	30.00	36.59	25.00	44.22	45.00

Source: U.S. Census data; data collected by bank.

Note: Income information was not available for 0.07% of AA census tracts.

### Responses to Complaints

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

### COMMUNITY DEVELOPMENT TEST

Omni’s performance under the CD Test is Satisfactory. Omni provided \$8.3 million in qualified CD loans and \$38 thousand in qualified donations. Omni also provided qualifying financial services to two organizations in its AA during the evaluation period. The bank’s CD activities are described below.

#### Number and Amount of Community Development Loans

During the evaluation period, Omni originated or refinanced 44 qualifying CD loans totaling \$8.3 million. In the Houston AA, officers originated and refinanced nine loans totaling \$2.7 million. In the Austin AA, officers originated 34 loans totaling \$5.6 million. In the San Antonio AA, officers originated one loan totaling \$47 thousand.

In the Houston AA, CD loans consisted six loans totaling \$448 thousand to builders which provide affordable housing to LMI individuals, and one sixteen-unit apartment complex totaling \$315 thousand which provides affordable rental housing at below fair market rents to LMI individuals. Loans associated with revitalization and stabilization consisted of one refinanced loan of a retail center totaling \$450 thousand that revitalized the community through a grocery store located in a moderate-income CT, and one shopping center totaling \$1.5 million that was rebuilt after catching fire during Hurricane Rita, and provided revitalization and stabilization to a low-income CT.

In the Austin AA, originated loans consisted of 31 loans totaling \$3 million to a builder that provided affordable housing to LMI individuals where sales prices of the homes were below median area values of owner-occupied housing; two loans totaling \$2.3 million for the acquisition and improvement of a ninety-unit apartment complex located in a moderate-income CT which provides affordable housing to LMI individuals; and, one economic development partnership loan totaling \$330 thousand to a business that purchased land under the SBA’s 504 Program. The land is located in a low-income CT for the purpose of building a restaurant that is projected to hire LMI individuals upon completion.

In the San Antonio AA, the originated loan in the amount of \$47 thousand was to a builder that provides affordable housing to LMI individuals where the sales price of the home was below median area values of owner-occupied housing.

### **Number and Amount of Qualified Investments**

Omni made nine qualified donations totaling \$38 thousand to organizations whose activities primarily benefit LMI individuals in the bank's AAs. These monetary donations consist of \$36.2 thousand in the Houston AA and \$1.5 thousand in the San Antonio AA. There were no investments/donations in the Austin AA.

In the Houston AA, eight donations totaling \$36.2 thousand consists of three donations totaling \$32.5 thousand to an organization that provides scholarships for LMI students, and two donations totaling \$3 thousand to an organization that provides consumer financial education courses. The remaining three donations totaling \$700 were to three organizations that provide healthcare, food, and hospitalization to LMI individuals.

In the San Antonio AA, one donation totaling \$1.5 thousand was provided to an organization whose mission is to promote and provide affordable housing to LMI individuals.

### **Extent to Which the Bank Provides Community Development Services**

We identified two qualifying CD services performed by a bank officer during the evaluation period. A bank officer provided financial education to a group of ninth graders and potential business owners in the Austin AA. There were no CD services performed by bank personnel in the Houston AA or the San Antonio AA.

In addition to the above services, Omni distributes reasonable services in LMI geographies in its AA. The Bank operates eight full-service branches and, as of February 15, 2011, one limited access branch that consists of a night deposit box and an automated teller machine (ATM). Of the nine branches, four are located in the Houston AA: one in a low-income CT, one in a moderate-income CT, and two in a middle-income CT. Although the main office is located in a middle-income CT, there are several areas of LMI neighborhoods near the office. In the Austin AA, two branches are located in middle-income CTs and two branches are located in upper-income CTs. The one branch in the San Antonio AA is located in an upper-income CT. Each of the branches has an ATM and drive-through facilities are available at each branch with the exception of two Houston AA branches: the branch on Richmond Avenue and the limited access branch located on Wayside Drive. Full-service lobby hours are available at each branch with the exception of the Houston AA limited access branch.

Omni has a total of nineteen ATMs, including branch locations. Of the nineteen ATMs, two are located in low-income CTs, two in moderate-income CTs, six in middle-income CTs, and nine in upper-income CTs.

### **Responsiveness to Community Development Needs**

The bank's level of CD activities demonstrates adequate responsiveness to the needs and opportunities in the AAs. Community feedback in the bank's two primary AAs of Houston and Austin both referenced the need for small business financing and affordable housing loans. As noted above, small business and residential lending are Omni's primary loan products.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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