



---

Comptroller of the Currency  
Administrator of National Banks

Small Bank

---

Southwestern District  
1600 Lincoln Plaza  
500 North Akard Street  
Dallas, Texas 75201-3342

## **PUBLIC DISCLOSURE**

**June 23, 2000**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Dallas National Bank  
Charter Number: 23143**

**2725 Turtle Creek Blvd.  
Dallas, Texas 75219-4810**

**Office of the Comptroller of the Currency  
Southwestern District  
Dallas South Field Office  
500 N. Akard, 1600 Lincoln Plaza  
Dallas, Texas 75201-3342**

**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 **Dallas National Bank, Dallas, Texas** prepared by **The Office of the Comptroller of the Currency** the institution's supervisory agency, as of **June 23, 2000** The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Note: Throughout this evaluation, Dallas National Bank will be referred to as “DNB.Δ

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

- ♀ The bank's loan-to-deposit (LTD) ratio is **satisfactory**. The LTD ratio averaged 42.96% since the May 19, 1998 performance evaluation. The local peer group average was 50.65% for the same time period. The bank's LTD ratio on March 31, 2000 was 45.14%.
- ♀ DNB's lending in the assessment area **exceeds** the standards for satisfactory performance.
- ♀ Management **demonstrates a willingness** to originate loans to low- and moderate-income individuals (LMI), and small businesses.
- ♀ The geographic distribution of loans reflects a **satisfactory** dispersion throughout the bank's assessment area.

The following comments further describe the bank's CRA performance.

## DESCRIPTION OF INSTITUTION

Dallas National Bank (DNB) is a recently chartered financial institution which opened for business on January 30, 1997. The bank operates from one office located at 2725 Turtle Creek Blvd., Dallas, Texas, 75219-4810. The banking facility includes a two-lane drive-thru and a proprietary automated teller machine (ATM). Although the bank is located in a low-income level census tract, the neighboring communities are considered very affluent. Semi-adjacent to the bank is *The Mansion*, an upscale and world renown hotel and restaurant. Banking hours are responsive to customer needs. Lobby hours, Monday thru Thursday, are 8:30am -3:00pm, and Friday 8:30am until 6:00pm. Drive thru hours, Monday thru Friday, are 8:00am - 6:00pm. The drive-thru is also opened on Saturday from 9:00am until 12:00pm.

DNB was last evaluated under the CRA on March 18, 1998. A **Needs to Improve** rating was assigned. There are no legal, financial, or other barriers impeding the bank's ability to meet the credit needs of its assessment area. Although DNB offers a wide variety of credit products, its primary focus has been small business and consumer loans. Unconventional real estate lending is available but is not a primary loan product. On March 31, 2000, the loan portfolio distribution was as follows:

<b>March 31, 2000 Loan Portfolio Distribution</b>		
<b>Loan Type</b>	<b>Amount (\$000)</b>	<b>Percent of Total</b>
REAL ESTATE:		
Construction Land Development	1,232	7
Farmland	306	2
1-4 Family	2,814	17
Multifamily	194	1
Commercial	2,498	15
<b>SUBTOTAL REAL ESTATE</b>	<b>7,044</b>	<b>42</b>
AGRICULTURE:	0	0
COMMERCIAL:	4,943	30
CONSUMER:	4,727	28
OTHER:	11	0
<b>TOTAL</b>	<b>16,725</b>	<b>100</b>

Source: March 31, 2000 Consolidated Reports of Condition and Income

## **DESCRIPTION OF BANKS ASSESSMENT AREA**

DNB's assessment area (AA) meets the technical requirements of the regulation and does not arbitrarily exclude (LMI) geographies/individuals. DNB has defined its assessment area as 130 census tracts located within the city limits of Dallas, Texas. The AA is primarily within Dallas County, with the exception of one census tract located in Collin County, Texas. The AA can roughly be defined by the following boundaries:

Southern boundary - beginning at Interstate #30 at Buckner Boulevard and extending along Interstate #30 to the Trinity River;

Western boundary - following the Trinity River from the fork in the Trinity River then North along the West Fork to the LBJ Freeway.

Northern boundary - along the LBJ Freeway east to the Dallas North Tollway and north on the Tollway to the Dallas City limits, east along the city limits to Coit Road, south on Coit to LBJ and east on the LBJ to Plano Road.

Eastern boundary - Plano Road south to Lake Highlands Road, south to Buckner and south to Interstate #30.

The AA has been revised twice since the March 18, 1998 performance evaluation. The first revision lowered the number of census tracts from 415 to 56. This delineation was determined to be too restrictive and was subsequently enlarged to the current level of 130 census tracts. Bank officers indicated many of their customers drive into the AA from the suburbs to work and for convenience prefer to bank in the area where their jobs are located. The reduction in the AA appears to have had no greater impact on the low- and moderate-income geographies, than all income level geographies.

According to 1990 Census Bureau data, the population of the assessment area is 460 thousand with 106 thousand families and 205 thousand households. The weighted average MSA/Non MSA Updated Median family income for 1999 was \$58,200. The 1990 weighted average median housing value is \$132,215. Approximately 36% of the housing units in the AA are owner-occupied. Competition for loans and deposits is very strong. There are twenty-nine out of state bank and eleven local banks operating within a nine mile radius of the bank's office. The percentage of households on social security and below the poverty level is 18.07% and 10.56%, respectively.

## COMMUNITY CONTACT

To better understand the general credit needs of citizens residing within the assessment area, we reviewed the community contacts on file with the Office of the Comptroller of the Currency. Based on information from these contacts, a need for small business loans and affordable housing was identified.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### **Loan-to-Deposit (LTD) Ratio**

DNB's loan-to-deposit (LTD) ratio is **reasonable** given the bank's size, financial condition, and identified communities credit needs. The bank's LTD ratio averaged 42.96% since the March 18, 1998 performance evaluation. The bank's local competitors had an average LTD ratio of 50.65% for the same time period. The local peer group consists of subject bank and five other commercial banks operating within the assessment area with total assets less than \$67 million. The national peer group, which consists of 217 commercial banks, had an average LTD ratio of 74.08%.

Management attributes the bank's lower than peer group LTD average on the fact that many of its deposit customers are retired and not necessarily in the market for loan products. Also, on March 31, 2000 the bank had bankruptcy court public deposits of \$3 million which by law are not available for lending purposes. DNB's LTD ratio has almost doubled since the previous performance evaluation when it was calculated at 22.48%.

### **Lending in the Assessment Area**

DNB's lending within the assessment area **exceeds** the standard for satisfactory performance. This conclusion was drawn from a judgmental sample of housing related, consumer, and small business loans. The following table reflects the number and dollar amount of loans sampled and the percentages originated within the assessment area.

Lending Within the Assessment Area
------------------------------------

Lending Within the Assessment Area						
Products	Total Origination		Inside the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Housing Related Loans	26	2,705	17	65%	1,835	68%
Consumer Loans	26	343	20	77%	266	78%
Loans to Small Businesses	23	2,644	21	91%	2,076	78%
Grand Total	75	5,712	58	77%	4,117	72%

Source: OCC Loan Sample

### **Lending to Borrowers of Different Income Levels and Businesses of Different Sizes**

DNB's lending pattern reflects **satisfactory** performance amongst borrowers of different income levels within the context of the bank's market area. As captioned in the following table, 21% of the families within the assessment area are low-income. Based on our sample, the percentage of housing related loans to low- and moderate-income families was 6%. The percentage of consumer loans to low- and moderate-income families was 16% and 10%, respectively. Management attributes the less than favorable real estate and consumer loan penetrations to low- and moderate-income families on the fact that a significant percentage of the deposit customers are retirement age and do not need loan products. Furthermore, the bank has no branch offices, and there are several other banks operating within the assessment area competing for market share. To improve penetration levels, direct mailings have been sent each quarter to prospective customers, especially in low- and moderate-income census tracts. Evidence of the bank's willingness to meet the needs of low- and moderate-income individuals is the bank's construction financing on two Habitat for Humanity homes. Permanent financing was provided on one of these homes to a low-income applicant. One-to-four family conventional financing is not a primary product type offered by the bank. This is based on the bank's relatively new existence and low interest rate environment since the bank began its operation. The bank's Directorate considered the interest rate risk on long-term residential financing to be too great, especially since the bank's core deposit base is hard to determine in a relatively new bank.

The penetration level to low- and moderate-income individuals improved for housing related loans since the previous performance evaluation. The penetration level to low-income applicants for consumer loans also improved between evaluations. The penetration level to moderate-income individuals for consumer related loans declined from the previous evaluation's level of 16%. The following table reflects the lending pattern for the loan types in our judgmental sample.

Distribution of Loans Within the Assessment Area By Income Level of the Borrower								
Assessment Area Data	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
Characteristics of Families	21,990	21%	15,904	15%	18,039	17%	50,508	47%
Loan Product	#	%	#	%	#	%	#	%
Housing Related	1	6%	1	6%	2	13%	12	75%
Consumer	3	16%	2	10%	3	16%	11	58%
Grand Total	4	11%	3	9%	5	14%	23	66%

Source: OCC Loan Sample

DNB's lending pattern reflects **good** dispersion amongst various income level small businesses. We sampled eighteen small business loans in the assessment area, and 54% of these businesses had revenue of less than one million dollars. The chart below reflects the lending pattern of small business/small farm loans in our sample.

Lending to Businesses of Different Sizes								
Revenue Ranges	< \$100M		\$100M - \$500M		\$500M - \$1MM		> \$1MM	
	#	%	#	%	#	%	#	%
Loans to Businesses	3	17%	2	11%	5	28%	8	44%

DNB recently began offering Small Business Administration (SBA) financing and extended one loan during the examination. In February, 2000, the bank funded its first \$23 thousand installment of a \$175 thousand commitment to make equity contributions to the Independent Bankers Capital Fund, L.P. This is a bank owned small business investment company (SBIC) chartered under the auspices of the Small Business Administration. The purpose of the firm is to make equity contributions to deserving small businesses that may not be able to secure conventional financing. The SBIC has made one equity investment in a small business since the SBIC originated in 1999.

### **Geographic Distribution of Loans**

The geographic distribution of loans reflects **poor** dispersion throughout the assessment area. The dispersion of housing related and consumer loans remains highly concentrated in middle- and upper-income geographies. Small business lending is more evenly dispersed. Direct mailings are sent each quarter to constituents in low- and moderate-income level census tracts to improve dispersion levels. At the previous examination, only 22% of the census tracts in the bank's AA had been penetrated. Based on the judgmental sampling at this evaluation, 30% of the tracts were penetrated.

Geographic Distribution of Loans By Income Level of Census Tracts								
Assessment Area Data	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
Census Tracts	20	15%	26	27%	28	32%	56	26%
Census Tracts Penetrated (% of tracts in income group)	3	15%	11	42%	4	14%	21	38%
Loan Product	#	%	#	%	#	%	#	%
Housing Related	1	6%	2	12%	1	6%	13	76%
Consumer	2	10%	4	20%	3	15%	11	55%
Small Loans to Businesses	1	5%	10	50%	3	15%	6	30%
Grand Total	4	7%	16	28%	7	12%	30	53%

Source: OCC Loan Sample

## **Response to Complaints**

DNB has not received any complaints relating to their CRA performance.

## **Record of Compliance with Anti-discrimination Laws**

During our compliance examination, we also completed a fair lending review to determine if lending decisions are consistent among similarly qualified applicants, regardless of any prohibited basis listed in 12 CFR 202.2(z) - *Equal Credit Opportunity Act (ECOA)*. We found no evidence of discriminatory lending acts or practices. The bank is in compliance with the substantive provisions of ECOA.