



Comptroller of the Currency
Administrator of National Banks

(LARGE BANK)

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Community Reinvestment Act Performance Evaluation

**MetroBank, N. A.
Charter Number: 21017**

**9600 Bellaire Blvd., Suite 252
P. O. Box 4760
Houston, Texas 77210-4760**

Office of the Comptroller of the Currency

**Southwestern District Office
1600 Lincoln Plaza
500 North Akard Street
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.

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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 CRA performance of **MetroBank, N.A.**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **January 19, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, and not a strict legal definition.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties or parishes, including large population centers and nearby communities that have a high degree of interaction.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage loan application activity. The reports include such data as applicant race, gender and income, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

Federal Home Loan Bank (FHLB) - The former regulator of savings and loan institutions now dedicated to providing funds and services to member financial institutions. It provides grants to certain organizations on application for affordable housing and community development.

Community Development Corporation (CDC) - An entity organized to provide affordable housing and other community development services to a designated area.

Automated Teller Machine (ATM) - A machine offering limited banking services including dispensing cash and accepting deposits or loan payments.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. The median income determined by the United States Department of Housing and Urban Development (HUD) annually is used to determine the income level category of individuals. The median is the point at which half of the families have income above it and half below it.

Low-Income - Income levels that are less than 50% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Upper-Income - Income levels that are 120% or more of the MFI.

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loans with an original amount of \$500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Institution’s CRA Rating: This institution is rated “**Satisfactory**”. The major factors which support this rating include:

- < Keen responsiveness to credit needs in its assessment areas given the bank’s resources.
- < A vast majority (93%) of loans originated within the assessment areas.
- < A very good dispersion of loans throughout the assessment areas. Approximately 43% of loans were originated in low- and moderate-income census tracts.
- < An excellent record of lending to businesses of different sizes and borrowers of various income levels. Approximately 40% of HMDA loans and more than 60% of consumer loans were made to low- and moderate-income individuals; 77% of small business loans were made to businesses with revenues less than \$1 million.
- < An excellent level of community development lending (148 loans totaling \$19 million), given the bank’s resources and size in highly competitive markets.
- < A very low level of qualified community development investments.
- < Good access to delivery systems for all segments of the assessment areas through branch locations and telephone banking services. Six of the bank’s eleven branches are located in low- and moderate-income census tracts.
- < An adequate level of community development services relative to the bank’s size and resources, and level of opportunities for community development in the assessment areas.

The following table indicates the performance level of **MetroBank, N.A.**, with respect to the lending, investment, and service tests.

Performance Levels	MetroBank, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High satisfactory			X
Low satisfactory			
Needs to improve		X	
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

MetroBank, N.A. (Metro), with its main office in Houston, Texas, is wholly owned by MC Bancshares of Delaware, Inc., a one bank holding company formed in 1998. The bank operates one subsidiary, Advantage Finance, an accounts receivable factoring subsidiary. As of December 31, 1998, Metro reported total assets of \$551 million, and an average aggregate loan to deposit ratio of approximately 74.4% since the previous CRA evaluation. Deposits from within the bank's assessment areas comprise 83% of total deposits as of November 30, 1998.

Metro operates in two assessment areas; the Houston assessment area consists of Harris and Fort Bend Counties and the Dallas assessment area includes Dallas and Collin Counties. These areas comprise large parts, but not all, of the Houston and Dallas MSAs, and are discussed in detail later in this evaluation. As of November 30, 1998, approximately 75% of the bank's total deposits, in dollars, come from within the Houston area, and 8% come from Dallas assessment area.

In 1997, Metro had a market share of 1.62% of the number of loans originated in Houston, and a share of 3.56% by dollar volume. Nine Metro branches operate in Houston. In Dallas, the bank operates two branches, one of which is open less than one year, and the bank's market share is insignificant. Metro competes in heavily banked markets where several of the nation's largest banks maintain very large presences. Major competitors include Southwest Bank of Texas, Nations Bank, Chase Texas (formerly Texas Commerce Bank), Bank One, Wells Fargo National Bank, Compass Bank, Bank of America, and Frost National Bank. There are no financial impediments which limit the bank's ability to help meet the credit needs of its assessment areas. The bank offers a full range of financial and credit services through its nine full-service branches in the Houston assessment area, and the two branches in Dallas.

As of September 30, 1998, various types of real estate loans constitute approximately 70% of Metro's loan portfolio. These loans are centered in commercial real estate. Consumer lending makes up less than 3% of the total loan portfolio, but comprise 48% of the number of loans reported by the bank and included in this evaluation. Total commercial loans increased approximately 13% in the past year and now equal 29% of the portfolio. The increases in real estate and commercial loans are the result of market demand and do not represent a change in lending focus.

A review of local government programs and community contacts conducted in the Houston and Dallas AAs identified many opportunities for financial institutions to participate in community development lending, investment and service activities that were common to both AAs. In these AAs, there are many public agencies and

community-centered organizations actively working on community development. The primary credit needs identified by the community contacts in both of these AAs are loans for affordable housing (both homeownership and multifamily rentals), home improvement loans, small business loans, technical assistance for small business borrowers, and community revitalization. Unmet community development opportunities, for both lending and investment, are very high in the Houston and Dallas assessment areas.

Metro's CRA performance was last evaluated on February 10, 1997, prior to the effective date of revisions to the CRA for banks with assets in excess of \$250 million. At that time the bank's overall level of performance was rated "Outstanding".

Conclusions with Respect to Performance Tests

SCOPE OF REVIEW

This review covered the time period January 1, 1997 to December 31, 1998, for the Lending Test, and January 1, 1997, through January 19, 1999, for the Investment and Service Tests. Banks only began reporting originations of small business and farm loans by census tract on March 1, 1997. Metro originated no farm loans during the review period. The assessment areas have very little agricultural activity. Small business loans comprise 43% of the number and 84% of the dollar volume of loans included in this evaluation. As of September 30, 1998, commercial loans represent 29% of the bank's \$379 million loan portfolio.

Banks may, but are not required to, collect and report data on consumer loan activity. Metro chose to collect and report its consumer loan data. Of all loans reported by the bank, consumer loans represent 50% of the number and 8% of the dollar volume of loans included in this evaluation. Consumer loans amounted to less than 3% of the bank's loan portfolio on September 30, 1998.

HMDA-related loans originated in the assessment areas by the bank are included in this evaluation. These loans represent 7% of the number and 9% of the dollar volume of loans originated within the assessment areas included in this evaluation. However, the majority of HMDA-related loans processed by the bank are underwritten by investors in the secondary market and are not reported by Metro. This mortgage brokerage activity was evaluated to support conclusions drawn with respect to the Lending Test and retail services.

LENDING TEST - ALL ASSESSMENT AREAS COMBINED

Lending Activity

Lending levels reflect a good responsiveness to credit needs in the Metro assessment areas. The bank's average loan-to-deposit ratio since the previous CRA examination equals 74%. This average is higher than the average of 67% for similarly situated banks in the Houston area during the same period. Also, a very substantial majority of the bank's loans were originated within its assessment areas; 93% of the number and 84% of the dollar volume of originations were made within Metro's assessment areas.

The bank's small business and consumer lending levels are excellent when compared to available demographic data which shows the number of individuals and businesses located in low-, moderate-, middle-, and upper-income census tracts surrounding the bank's branches and within the bank's combined assessment areas. A substantial number of small business loans (77%) are made to businesses with revenues less than \$1 million, and nearly two-thirds of the small business loans are originated for amounts less than \$100 thousand. In 1998, Metro was second in the number and first in the dollar amount of SBA loans originated in Houston. The bank lends to borrowers across all economic lines, and the majority of consumer loans are made to low- and moderate-income individuals.

In December of 1998, this office conducted a review of the bank's collected CRA data for accuracy. A high number of loans to borrowers of unknown income was noted, as were numerous errors in the reporting of income for consumers. The 1998 data was corrected by the bank prior to this evaluation, however, the 1997 data was not corrected. As a result, the 1997 consumer loan data is included in the analysis of the bank's lending patterns inside its assessment areas and in the geographic distribution analysis, but it is not included in the analysis of the bank's lending to borrowers of different income levels.

Assessment Area Concentration

Small Business Loans

Metro originated 1,452 small business loans totaling approximately \$213 million during the two year review period. A high percentage of these loans, both in number and dollar amount, were made in the assessment areas. The following table illustrates the number and dollar volume of small business loans made inside of the assessment areas in 1997 and 1998.

Volume of Small Business Loan Originations in 1997 and 1998 Within the Combined Assessment Areas		
	Total Originations	Within the Assessment Areas

	#	\$ (000)	#	%	\$ (000)	%
1997	710	\$103,194	643	91%	\$73,057	71%
1998	742	\$110,475	659	100%	\$97,584	88%
Total	1,452	\$213,669	1,302	90%	\$170,641	80%

Source: Bank-prepared Small Business and Small Farm Data Collection Registers

Home Mortgage Loans

From January 1, 1997 through December 31, 1998, Metro reported 241 HMDA-related loans totaling \$20 million. A substantial majority of home mortgage related loans are originated inside of the bank's assessment areas, as illustrated in the table below.

Volume of HMDA Loan Originations in 1997 and 1998 Within the Combined Assessment Areas						
	Total Originations		Within the Assessment Areas			
	#	\$ (000)	#	%	\$ (000)	%
1997	105	\$7,025	88	84%	\$5,730	82%
1998	136	\$13,352	124	91%	\$11,956	90%
Total	241	\$20,377	212	88%	\$17,686	87%

Source: Bank-prepared FFIEC HMDA Loan Application Registers and internal reports

The number and percentage of HMDA related loans funded inside of the bank's assessment areas increased significantly in 1998, however, the increase is not attributed to any particular factor. Metro also brokers home mortgage loans on behalf of secondary market brokers. The bank provided information on an additional 219 home mortgage loans brokered in 1998, not included above, which shows that 92% of these loans are made within the bank's assessment areas.

Please refer to the Community Development Lending section of this evaluation for information on bank efforts in providing for affordable housing and community development.

Consumer Loans

Metro originated 1,593 consumer loans totaling nearly \$16.6 million during the review period. A very sizeable majority of 96% of these loans was made within the bank's assessment areas. The following chart shows the number and dollar amount by loan type made within the assessment areas.

Volume of Direct Consumer Loan Originations in 1997 and 1998 Within the Combined Assessment Areas		
Loan Product	Total Originations	Within the Assessment Areas

	#	\$ (000)	#	%	\$ (000)	%
Motor Vehicle Loans	210	\$3,052	207	99%	\$3,007	99%
Other Secured Consumer Loans	158	\$3,142	153	97%	\$3,111	99%
Unsecured Consumer Loans	150	\$982	147	98%	\$946	96%
Total 1997	518	\$7,176	507	98%	\$7,064	98%
Credit Cards*	560	\$1,201	541	97%	\$1,175	98%
Motor Vehicles	230	\$4,279	214	93%	\$4,041	94%
Other Secured Consumer Loans	135	\$2,980	129	96%	\$2,801	94%
Unsecured Consumer Loans	150	\$933	139	93%	\$816	87%
Total 1998	1,075	\$9,393	1,023	95%	\$8,833	94%
Grand Total	1,593	\$16,569	1,530	96%	\$15,897	96%

Source: Bank internal reports

* Credit cards were first reported by the bank in 1998.

Geographic Distribution of Loans within the Assessment Area

Overall, the geographic distribution of loans originated by Metro during the review period is very good. Consumer loans are well distributed among different geographies, particularly low- and moderate-income census tracts. Competition among financial institutions in the bank's markets is aggressive. The bank does not hold a measurable market share of HMDA-related loans in its assessment areas, or of small business loans originated in the Dallas assessment area where the bank operates only two branches. However, in Houston, the bank has a reasonable market share of small business loans (1.62% of the number and 3.56% of the dollar volume). For small business loans in low- and moderate-income census tracts, the bank has a 4% market share of the number of loans, and a strong 10% share of the dollar amount.

Internal bank reports reflect that the bank had outstanding loans as of November 30, 1998, in 69% of the census tracts in the Houston assessment area, and 47% of the census tracts comprising the combined assessment areas. This is a good level of penetration based on the bank's size, resources and market competition. We reviewed the nature and location of census tracts where the bank did not originate loans and found that the vast majority of the tracts not served by the bank are distant from the branch locations and are served by a number of other financial institutions, or consist of park or other public properties. The bank does not arbitrarily exclude any geographies in its lending practices.

Small Business Loans

The geographic distribution of small business loans reflects an excellent dispersion throughout the assessment areas. Metro also has an excellent record of lending to

small businesses in low- and moderate-income census tracts. The following chart shows the number of small business loans originated within the assessment areas in 1997 and 1998. The chart also displays the number and percentage of businesses located in low, moderate, middle, and upper income census tracts.

Distribution of Small Business Originations in 1997 & 1998 Within the Combined Assessment Areas By Income Level of the Census Tract								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts*	130	12%	301	28%	334	31%	307	29%
Number of Businesses	15,099	7%	64,389	28%	72,938	32%	79,083	34%
	#	%	#	%	#	%	#	%
1997	91	14%	239	37%	155	24%	158	25%
1998	74	11%	247	38%	154	24%	180	27%
Total	165	13%	486	37%	309	24%	338	26%

Source: Dun & Bradstreet Business Demographic Data and bank-prepared Small Business and Farm Loan Data Collection Register

* Does not include 22 census tracts which are not designated by income category.

The bank originates a higher percentage of loans in low- and in moderate-income census tracts than the percentage of census tracts, and the distribution of the bank's loans favors businesses in those low- and moderate-income tracts.

Please refer to the Community Development Lending section of this evaluation for information on the bank's community development loans.

Home Mortgage Loans

Although the number of home loan originations is small, the distribution shows a willingness to lend in all types of geographies in the assessment areas. The following chart shows residential lending patterns by the income level of the census tracts located within the assessment areas.

Distribution of Home Mortgage Loan Originations in 1997 and 1998 Within the Combined Assessment Areas By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts*	130	12%	301	28%	334	31%	307	29%
Number of 1-4 Family Units (Owner Occupied)	49,718	5%	204,693	20%	354,131	35%	405,174	40%
Median Year Built of Housing	1960		1965		1973		1974	

	#	%	#	%	#	%	#	%
1997	13	15%	25	28%	24	27%	26	30%
1998	9	7%	26	21%	40	32%	49	40%
Total	22	10%	51	24%	64	30%	75	35%

Source: 1990 Census Data, U.S. Census Bureau and Bank affiliate HMDA Loan Application Registers

* Does not include 22 census tracts which are not designated by income category.

The bank's lending patterns reflect the census tract dispersion, and also the availability of owner-occupied residential housing within census tract categories. Metro's HMDA market share rank is 121 of 509 lenders in the Houston assessment area, but in low-income census tracts the bank ranks 24th, and in moderate-income tracts, the bank ranks 77th in market share. Metro's rise in market share rank in these census tracts illustrates its responsiveness to the residential mortgage needs of these areas.

Consumer Loans

Metro originated loans in all types of census tracts during the review period. The geographic distribution of direct consumer loans originated during the review period is very good. Nearly half of these loans were made in low- and moderate-income census tracts, which exceeds the percentage of such tracts in the areas. The following chart details the geographic distribution of these loans.

Distribution of Direct Consumer Loan Originations in 1997 & 1998 Within the Combined Assessment Areas By Income Level of the Census Tract								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts*	130	12%	301	28%	334	31%	307	29%
Population in Tracts	443,827	9%	1,350,494.	26%	1,781,226	35%	1,584,260	31%
Loan Product	#	%	#	%	#	%	#	%
Motor Vehicle Loans	17	8%	43	21%	68	33%	79	38%
Other Secured Loans	20	13%	52	34%	40	26%	41	27%
Unsecured Loans	30	20%	44	30%	33	22%	40	27%

Total 1997	67	13%	139	27%	141	28%	160	32%
Credit Cards**	135	25%	130	24%	156	29%	120	22%
Motor Vehicle	21	10%	35	16%	78	36%	80	37%
Other Secured Loans	24	19%	44	34%	29	22%	32	25%
Unsecured Loans	21	15%	58	42%	32	23%	28	20%
Total 1998	201	20%	267	26%	295	29%	260	25%
Grand Total 1997+1998	268	21%	406	24%	436	29%	420	27%

Source: Bank internal reports

* Does not include 22 census tracts which are not designated by income category.

** Credit cards were first reported by the bank in 1998.

Distribution by Borrowers' Income within the Assessment Areas

Metro originates loans across all economic lines. Small business loans make up 43% of the number and 84% of the dollar volume of loans analyzed in this evaluation. Approximately 77% of these loans were to businesses with revenues less than \$1 million, and 65% were originated for less than \$100 thousand. The bank has a very good record of lending to small businesses of different revenues and for varying amounts.

In addition, 49% of the consumer and HMDA-related loans were originated by the bank to low-income borrowers, and another 21% were to moderate-income borrowers. The bank's percentage of loans to low-income borrowers greatly exceeds the percentage of the population in this income category and demonstrates Metro's excellent record of serving low-income borrowers, and of all income levels, in its communities.

Small Business Loans

Metro is very responsive to small business credit needs within its assessment areas. The following chart shows the bank's willingness to make loans of varying sizes and to businesses of different revenue levels.

Distribution of Small Business Loan Originations in 1997 and 1998 Within the Assessment Areas By Loan Size and Business Revenues									
Loan Size						Annual Revenues < \$1 Million			
		#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	1997	408	63%	\$17,836	19%	297	73%	\$12,891	72%
	1998	441	67%	\$20,215	21%	392	89%	\$17,551	87%

\$100,000 to \$250,000	1997	129	20%	\$21,717	23%	83	64%	\$14,144	65%
	1998	116	18%	\$20,254	21%	89	77%	\$15,374	76%
\$250,000 to \$1,000,000	1997	106	16%	\$53,284	57%	68	64%	\$34,236	64%
	1998	102	15%	\$57,115	59%	69	68%	\$38,555	68%
Totals	1997	643	100%	\$92,837	100%	448	70%	\$61,271	66%
	1998	659	100%	\$97,584	100%	550	83%	\$71,480	73%
	GRAND	1,302	100%	\$190,421	100%	998	77%	\$132,751	70%
Distribution of Businesses in the Assessment Areas by Annual Revenues of the Business:				< 1 Million	72%	*As a percentage of loans of the size category			
				> 1 Million	10%				
				Unknown	18%				

Source: Dun & Bradstreet Business Demographic Data and bank-prepared Small Business and Farm Data Collection Registers

Given the aggressive competition for commercial loans in the assessment areas Metro's small business lending performance is very good. As noted in the above chart, nearly two-thirds of the number of small business loans have original loan amounts of \$100 thousand or less, and a very high percentage (81%) of the number and dollar amount of loans under \$100 thousand were to small businesses with annual revenues of less than \$1 million.

Demographic data reveals that approximately 72% of the businesses located in the combined assessment areas have revenues of less than \$1 million. The percentage of bank loans originated to businesses with revenues less than \$1 million is 77% and exceeds the percentage of businesses that are small.

Home Mortgage Loans

Metro originates home related loans to individuals and families across economic lines. The following table reflects the distribution, by income level of the borrower, of HMDA reportable loans originated during the review period. For comparison, it also shows the distribution of families living in the assessment areas by income level.

Distribution of Home Mortgage Loan Originations in 1997 and 1998 Within the Assessment Areas By Income Level of the Borrower									
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income		
Characteristics of Families	283,060	22%	222,728	17%	272,515	21%	531,137	41%	
Loan Product	#	%	#	%	#	%	#	%	
1997*	25	30%	18	22%	13	16%	27	33%	
1998	21	19%	16	14%	26	23%	50	44%	
Grand Total*	46	23%	34	17%	39	20%	77	39%	

Source: 1990 Census, U.S. Census Bureau, and bank HMDA Loan Application Registers

* Does not include 16 loans which are not designated by income category.

Although the number of HMDA related loans is small, the overall distribution of these loans basically reflects the income characteristics of the assessment areas. The increase in loans originated to middle- and upper-income borrowers in 1998 is attributed to the opening of branches in these areas during the review period. (Please see the Service Test section below for additional information.)

Consumer Loans

The distribution of consumer loan customers of different income levels is also excellent. Metro is very responsive to consumer credit needs within its assessment areas. The following chart shows the loans originated by the bank in 1998¹ to borrowers of different income levels.

Distribution of Direct Consumer Loan Originations in 1998 Within the Combined Assessment Areas By Income Level of the Borrower								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Characteristics of Families	283,060	22%	222,728	17%	272,515	21%	531,137	41%
Loan Product	#	%	#	%	#	%	#	%
Credit Cards*	388	72%	91	17%	40	7%	20	4%
Motor Vehicle Loans	37	19%	60	30%	44	22%	58	29%
Other Secured Loans	35	39%	23	26%	14	16%	17	19%
Unsecured Loans	48	41%	31	26%	20	17%	18	15%
Total 1998	508	54%	205	22%	118	13%	113	12%

Source: 1990 Census, U.S. Census Bureau, and bank internal reports

* Credit cards were first reported in 1998.

** Does not include 79 loans to borrowers of unknown income.

For comparison, the chart also shows the distribution of families living in the assessment areas by income level. More than half of the loans originated in 1998 were to low-income borrowers, and another 22% of consumer loans were originated to moderate-income borrowers. This compares very favorably to the percentage of low- and moderate-income families in the areas. Even without the credit card accounts, the percentage of consumer loans originated to low-income borrowers exceeds 30%. This percentage remains well above the percentage of low-income families in the assessment areas, and illustrates the bank's responsiveness to consumer credit needs in its communities.

We noted that the consumer loan data contained numerous errors pertaining to the recordation of borrower incomes. The 1998 data was corrected prior to this

¹ As noted earlier, 1997 consumer loans are not included in this analysis because of the high error rate noted in the review of the bank's CRA data.

evaluation, but the 1997 consumer data was not. Therefore, the 1997 consumer loan data is not included in the above analysis.

Community Development Lending

Overall, Metro has originated an excellent amount of community development loans based on competitive factors and the opportunities available within its assessment areas. Community development loans are those loans whose primary purpose meets the definition of community development lending contained in the CRA regulation and that have not been considered in the review of small business, small farm, home mortgage, or consumer loans.

Metro has made 148 community development loans totaling \$18 million since the last CRA examination. These loans were for the purpose of providing affordable housing and economic development in the bank's assessment areas.

In 1997, the bank originated 78 loans totaling \$9.2 million, and in 1998, the bank originated 68 loans for approximately \$7.6 million, for affordable housing purposes. This lending level is high, and significantly augments the HMDA lending evaluated above. All but two of these loans (\$159 thousand in Dallas) originated in Houston. The dollar amount of loans is distributed fairly equally between interim construction loans for one-to-four family residences and large loans to finance the construction of multi-family dwellings. One loan, in the amount of \$150 thousand was made to rehabilitate a multi-family residence. The single family homes constructed have an average sales price of \$75-82 thousand.

Product Innovation and Flexibility

The community development loans discussed above demonstrate the flexibility and creativity used by the bank to meet the needs of its customers. In addition, the bank is involved in many programs which offer innovative or flexible products.

The bank's subsidiary, Advantage, was formed in 1994 to provide financing to small and medium-sized businesses that have accounts receivable from predominantly Fortune 1000 companies. In factoring receivables, Advantage relies on the quality of the accounts receivable and the financial strength of the client's customers. In 1997, advantage's purchases totaled \$51.3 million, an increase of 254% since 1995.

Metro holds SBA preferred lender status, and was the second largest SBA lender in the Houston area in 1998. The bank has consistently been one of the top three lenders in the area. In 1998, the bank originated 75 SBA loans totaling \$31 million. The dollar volume of SBA loans was more than twice that of the number one lender.

The bank also underwrites loans guaranteed by the Export-Import Bank of the United States (EXIM). The EXIM guaranty program is available to support loans to create or increase output capacity of businesses involved in international trade. MetroBank has delegated authority of \$2 million. During the review period, the bank originated 10 loans totaling \$7 million under the EXIM program. In May of 1998, Metro was named Small Business Bank of the Year by the EXIM Bank for this region.

Another commercial loan program in which the bank participates is the Overseas Chinese Credit Guarantee Fund (OCCGF). This fund exists to make loans available to Taiwanese residents who operate businesses in the United States. In 1997, the bank made 15 loans totaling almost \$3 million, and in 1998, it made 11 loans for \$2.7 million.

The bank offers several home loan products, and participates in an affordable housing loan program offered by the City of Houston. The Houston Housing Partnership targets low- and moderate-income, qualified first time home buyers and provides downpayment assistance. The bank originated 68 loans under the program during the review period. Please refer to the Service Test for additional details on the bank's participation in this program.

INVESTMENT TEST

The bank's level of qualified community development grants and investments is inadequate for an institution of its size, in markets where opportunities for community development investments are numerous. Qualifying investments are investments, deposits, membership shares or grants that have as their primary purpose community development, as defined in the CRA regulation. Based on information provided by the bank, Metro made qualified community development donations which total \$38 thousand for the two-year review period. The vast majority of the donations directly benefit the bank's Houston assessment area. In Dallas, approximately \$3,750 was donated, primarily to minority business owners' groups.

Examples of groups which the bank supports are the Houston Housing Partnership, Houston Affirmative Action, the Houston Minority Small Business Expo, the Tejano Center for Community Concerns, and Mayor Brown's Summer Youth Enrichment Program. Metro also co-sponsored Houston's Minority Enterprise Development Week in October of 1998.

SERVICE TEST

Retail Banking Services

Delivery systems are very accessible to essentially all portions of the assessment area. The bank focuses on the Asian and Hispanic communities within its markets by providing personalized and culturally sensitive products and services.

Metro currently has eleven branches geographically distributed as shown in the following chart. The majority of the branches are in low- and moderate-income areas. Several of Metro's branches are located in census tracts with high levels of diverse multi-cultural and minority populations.

Income Level of Census Tracts	# of branches		
	Houston	Dallas	Total
Low-income	2	0	2
Moderate-income	3	1	4
Middle-income	2	1	3
Upper-income	2	0	2

While the bank's branches in the Houston AA are primarily located in the south and southeastern areas of the AA, they are reasonably accessible to essentially all portions of the Houston AA given the bank's size. One of the bank's two branches in the Dallas AA is located in Richardson, Texas, in north Dallas county. The second branch in the Dallas AA is located in north central Dallas (city). Even though these branches are accessible to limited portions of the Dallas AA, considering the accessibility of the bank's branches in the Houston AA, the bank's overall delivery systems are accessible to essentially all portions of the assessment areas.

Since the last examination Metro has added three new branches, one in a moderate-income census tract (Dallas), one in a middle-income tract (Houston), and one in an upper-income tract (Houston). No branches have been closed since the prior CRA evaluation, and the recent opening of branches in middle and upper income census tracts has not adversely affected the accessibility of the bank's delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. Metro's branches are well distributed among census tracts of varying income levels. The bank has no written branch closure policy.

ATM, drive up facilities and full service lobbies are available in all MetroBank facilities except the Galleria Financial Tower branch, which is located on the eleventh floor of an office building. The Galleria Financial Tower offers a full service lobby but does

not have an ATM or drive up facility. All ATMs provide multilingual usage instructions. The bank's TeleBank account inquiry phone system is also multilingual. Many of Metro's employees are bilingual.

All branches are open daily from 9:00 am to 4:00 pm with extended Friday hours and Saturday openings for the branches near residential areas. Services do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate income individuals.

The majority of the bank's credit and deposit products meet the competition. Metro offers an incentive savings program, the Smart Choice Installment Savings Plan, designed to encourage savings by individuals who may not have traditionally been able to maintain a savings account. The Smart Savings Plan has a low initial deposit requirement and offers rates of interest comparable to the bank's certificate of deposit rates. The account is designed to allow customers to deposit a small fixed monthly amount and withdraw a large contracted lump sum payment at the end of the contract terms of the account.

Community Development Services

Metro provides an adequate number of services related to the provision of financial services with the primary purpose of community development in its assessment areas. These services are primarily in the form of participation in small business development expositions and credit fairs. Metro also conducted EXIM and SBA financing seminars to minority groups in 1997 and 1998, primarily in Houston. The Chief Executive Officer of the bank attends numerous meetings with various economic development groups, and sits on the Advisory Board of the EXIM Bank. There are very few community development services provided in the Dallas assessment area.

Metro participates in the Houston Housing Partnership, an organization devoted to providing downpayment and closing cost assistance for affordable housing. Loan originations under the program are labor intensive and require extra effort by bank employees. Metro originated 68 loans under the program to first time home buyers during the review period. The bank's participation in the program is also discussed under the Lending Test.

Fair Lending Review

During the concurrent compliance examination, procedures were performed to test for indications of illegally discriminatory lending practices. All purchase-money HMDA loans made to Asians in 1998 were compared to all denied applications by non-Asians for the same type of loan during the same period, to evaluate the consistency of underwriting. No evidence of discrimination or disparate treatment was found. The bank has established adequate policies, procedures and training programs to ensure compliance with antidiscrimination laws and regulations.

Assessment Areas

Description of the Institution's Operations in the Houston Assessment Area

The bank has designated Harris and Fort Bend Counties within the Houston MSA as its Houston assessment area. Nine of the bank's eleven branches are located in the Houston AA. Deposits originating from the Houston AA represent 78% of the bank's total deposits. Loans reported for the purpose of this evaluation which were originated in the Houston AA represent 89% of total loans evaluated.

Metro has a market share only slightly over 1% of the market share of deposits in Houston. The bank does not hold a measurable market share of HMDA-related loans, however, the bank has a reasonable market share of small business loans (1.62% of the number and 3.56% of the dollar volume). Banking competition is aggressive and includes affiliates of several large national banking companies, regional banks, numerous community banks, credit unions and non-bank financial service providers.

Description of the Houston Assessment Area

The Houston MSA is the most populous metropolitan area in Texas, and includes six counties, the largest of which is Harris County. The economy of the Houston MSA has recovered from the oil recession of the 1980's, and is growing. Predominant industries include aerospace engineering, oil exploration and refining, and electronics. Houston is the world leader in the energy sector and boasts one of the nation's largest ports. In addition, it has an internationally recognized medical center and is the headquarters of the National Aeronautics and Space Administration (NASA). Major employers include NASA, the medical center, Compaq Computer, Brown & Root, and energy and chemical companies.

National unemployment levels are at historic lows. Houston's unemployment rate of 5.1% is slightly below the state average of 5.4% but slightly higher than the national average of 4.9%. As in most MSAs the services employment sector dominates the employment base. Houston's economy is beginning to diversify from its concentration in the energy sector but this sector remains an important factor in the MSA's economy and the future health of the energy sector remains a significant concern. This large energy sector and a concentration in the aerospace industry support a strong engineering employment base. The large highly paid engineering employment base contributes to a high average per capita income which is not representative of the much larger low-income population employed in the service employment sector.

The Houston AA includes 617 census tracts. Fourteen or 2% of the tracts are not classified by income category and are excluded from the following table. This table

presents basic demographic data based on the income level of the census tracts and families within the Houston AA.

Demographic Information Houston Assessment Area (Harris & Fort Bend Counties)										
Income Category	By Income Level of Census Tract								Families by Income Level	
	Census Tracts		Population		Businesses		Owner Occupied Housing			
	#	%	#	%	#	%	#	%	#	%
Low	74	12%	258,517	8%	9,242	7%	31,158	5%	171,800	22%
Moderate	183	29%	821,963	27%	36,668	28%	122,682	21%	126,906	17%
Middle	190	30%	1,002,787	33%	40,106	30%	192,698	33%	155,582	20%
Upper	170	27%	960,290	32%	46,567	35%	240,468	41%	313,978	41%
Totals	617	100%	3,043,557	100%	132,583	100%	587,006	100%	768,266	100%
Median Family Income (MFI) = \$36,886					Median Housing Value = \$75,587					
HUD Adjusted MFI for 1998 = \$50,400					Median Year Housing Built = 1970					

Source: 1990 US Census and 1998 HUD updated MFI.

Discussion of Lending Test in the Houston AA

Please refer to previous comments of all assessment areas combined for discussion of community development lending and the Investment and Service Tests. There is no significant difference between the bank's overall operations and the bank's operations in the Houston AA. Virtually no qualified community development investments were made in Dallas during the review period, and services offered at the bank's two Dallas branches do not differ from those offered in Houston. Metro's home mortgage and consumer loan activity in the Houston AA is not significantly different from the activity evaluated previously for the overall bank regarding these two loan products. However, the bank's small business lending patterns differ in Houston and Dallas, therefore an analysis of small business lending pattern is presented below.

Geographic Distribution of Loans within the Houston AA

Small Business Loans

The geographic distribution of small business loans reflects a very good dispersion throughout the assessment area. As the table below reflects, 51% of Metro's small business loans originated during the review period were in low- and moderate income tracts. This compares very favorably to the percentage distribution of census tracts

and especially the businesses (35%) located in the low- and moderate-income census tracts.

Distribution of Small Business Loan Originations in 1997 and 1998 Within the Houston Assessment Area By Income Level of the Census Tract								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts*	74	12%	183	30%	190	31%	170	28%
Number of Businesses	9,242	7%	36,668	28%	40,106	30%	46,567	35%
	#	%	#	%	#	%	#	%
1997 originations	83	15%	211	38%	137	24%	129	23%
1999 originations	66	13%	186	36%	129	25%	139	27%
Totals	149	14%	397	37%	266	25%	268	25%

Source: Dun & Bradstreet Business Demographic Data and bank-prepared Small Business and Farm Loan Data Collection Register

* Does not include 14 census tracts which are not designated by income category.

Distribution by Borrowers' Income within the Houston AA

Small Business Loans

Metro is very responsive to small business credit needs within the Houston assessment area. The following chart shows the bank's willingness to make loans of varying sizes and to businesses of different revenue levels.

Distribution of Small Business Loan Originations in 1997 and 1998 Within the Houston Assessment Area By Loan Size and Business Revenues								
	Loan Size				Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	694	64%	\$31,389	20%	545	79%	\$24,313	77%
\$100,000 to \$250,000	214	20%	\$36,418	23%	147	69%	\$24,977	69%
\$250,000 to \$1,000,000	173	16%	\$91,799	58%	110	64%	\$57,741	63%
Totals	1,081	100%	\$159,606	100%	802	74%	\$107,03	67%
Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:				< 1 Million 72%	*As a percentage of loans of the size category			
				> 1 Million 9%				
				Unknown 19%				

Source: Dun & Bradstreet Business Demographic Data and bank prepared Small Business and Farm Data Collection Register

As noted in the above chart, a high percentage of the number and dollar amount of these loans are to small businesses with annual revenues of less than

\$1 million. Demographic data reveals that approximately 72% of the businesses located in the Houston AA have revenues of less than \$1 million.

Description of the Institution's Operations in the Dallas Assessment Area

Metro operates only two branches in the Dallas AA, and has a market share of less than 1% of deposits and loans. Banking competition is aggressive and includes affiliates of several large national banking companies, regional banks, numerous community banks, credit unions and non-bank financial service providers.

Because the Dallas AA accounts for only 8% of the bank's total deposits and 11% of the loans evaluated, only a brief description of the Dallas area is provided for informational purposes. As a result of its bank's limited operations in Dallas, only detail of the bank's small business lending is presented here.

Description of the Dallas Assessment Area

Metro has designated two of the eight counties in the Dallas MSA as its second AA. These two counties include the most populous county, Dallas, and Collin County north east of Dallas. The city of Richardson lies in both counties. MetroBank's first branch in the Dallas MSA was opened in Richardson; a second branch in the city of Dallas was opened in June of 1998.

The Dallas MSA is the second most populous MSA in Texas, second only to the Houston MSA, and is one of the most rapidly growing MSAs in the Nation. Between the 1980 and 1990 census, the population increased 11%. The Dallas economy is healthy and growing. Predominant industries include the retail trade, technological development, insurance and medical services. Major employers include Texas Instruments. Unemployment is in line with state and local averages.

As in most MSAs a major sector of employment is the service sector. The Dallas MSA continues to attract high tech companies. Growth in high tech employment provides little direct low-income or unskilled employment, but indirectly supports growth in the lower paying service employment sector and an increase in lower paying service sector employment.

The Dallas AA contains 455 census tracts. Eight or 2% of the tracts are not classified by income category and are excluded from the following table. This table presents basic demographic data based on the income level of the census tracts and families within the Dallas AA.

Demographic Information Dallas Assessment Area (Dallas & Collin Counties)										
Income Category	By Income Level of Census Tract								Families by Income Level	
	Census Tracts		Population		Businesses		Owner Occupied Housing			
	#	%	#	%	#	%	#	%	#	%
Low	56	12%	185,310	9%	5,857	6%	18,560	4%	111,260	21%
Moderate	118	25%	528,531	25%	27,721	28%	82,011	19%	95,822	18%
Middle	144	31%	778,439	37%	32,832	33%	161,433	38%	116,933	22%
Upper	137	30%	623,970	29%	32,516	33%	164,706	39%	217,159	40%
Totals	455	100%	2,116,250	100%	98,926	100%	426,710	100%	541,174	100%
Median Family Income (MFI) = \$38,754					Median Housing Value = \$93,996					
HUD Adjusted MFI for 1998 = \$54,400					Median Year Housing Built = 1970					

Source: 1990 US Census and 1998 HUD updated MFI.

Discussion of Performance Tests in the Dallas AA

See previous comments of all assessment areas combined for discussion of the Investment and Service Tests. Only small business lending is presented here as it comprises the only significant reportable lending activity in this AA.

Geographic Distribution of Loans within the Dallas AA

Small Business Loans

The following table presents small business originations for 1997 and 1998.

Distribution of Small Business Loan Originations in 1997 and 1998 Within the Dallas Assessment Area By Income Level of the Census Tract									
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income		
Census Tracts*	56	12%	118	26%	144	32%	137	30%	
Number of Businesses	5,857	6%	27,721	28%	32,832	33%	32,516	33%	
	#	%	#	%	#	%	#	%	

1997 originations	8	10%	28	34%	18	22%	29	35%
1998 originations	8	6%	61	45%	25	19%	41	30%
Totals	16	7%	89	41%	43	20%	70	32%

Source: Dun & Bradstreet Business Demographic Data and bank-prepared Small Business and Farm Loan Data Collection Register

* Does not include 8 census tracts which are not designated by income category.

The geographic distribution detailed in the table above exhibits a good dispersion throughout the assessment area. Of specific interest is the concentration of small business loans in moderate-income tracts which represents 41% of the loans made during the review period in the Dallas AA. This 41% significantly exceeds the percentage distribution of both census tracts and number of businesses for the moderate-income tracts in this assessment area. Loan originations more than doubled in 1998 in the moderate-income tracts which coincides with the opening of the new branch in 1998 which is located in a moderate-income tract.

Distribution by Borrowers' Income within the Dallas AA

Small Business Loans

Metro is very responsive to small business credit needs within this assessment area. The following table shows the bank's willingness to make loans of varying sizes and to businesses of different revenue levels.

Distribution of Small Business Loan Originations in 1997 and 1998 Within the Dallas Assessment Area By Loan Size and Business Revenues								
	Loan Size				Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	155	70%	\$6,662	22%	144	93%	\$6,129	92%
\$100,000 to \$250,000	31	14%	\$5,553	18%	25	81%	\$4,541	82%
\$250,000 to \$1,000,000	35	16%	\$18,600	60%	27	77%	\$15,050	81%
Totals	221	100%	\$30,815	100%	196	89%	\$25,720	83%
Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:				< 1 Million 71%	*As a percentage of loans of the size category			
				> 1 Million 10 %				
				Unknown 19%				

Source: Dun & Bradstreet Business Demographic Data and bank prepared Small Business and Farm Data Collection Register

Metro originated 221 loans for a total of \$31 million in a market in which the bank has a limited, and relatively new, presence. As this table denotes, a substantial majority (89%) of the number of these loans were made to businesses with annual revenues less than \$1 million. This percentage significantly exceeds the percentage distribution (71%) of businesses in the assessment area with annual revenues under \$1 million.

Appendix A: Scope of Examination

Time Period Reviewed	January 1, 1997 to December 31, 1998		
Financial institution MetroBank, N.A. Houston, TX		Products reviewed Small business loans, HMDA-related loans (home purchase and refinance, home improvement), and consumer loans	
Affiliate(s)	Affiliate relationship	Products reviewed	
MetroCorp Bancshares, Inc.	Holding Company	None	
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
Houston Dallas	on-site on-site	2 0	The examination scope was the same for each assessment area.