

**PUBLIC DISCLOSURE**

**COMMUNITY REINVESTMENT ACT**

**PERFORMANCE EVALUATION**

November 23, 1998

**Texas First National Bank**  
**Charter Number 18558**

**9315 Bellaire Boulevard**  
**Houston, Texas 77036**

**Office of the Comptroller of the Currency**  
**Southwestern District**  
**1600 Lincoln Plaza, 500 North Akard**  
**Dallas, Texas 75201-3394**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining a financial institution 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 **Texas First National Bank, Houston, Texas** prepared by the **Office of the Comptroller of the Currency**, the institution's primary supervisory agency, as of November 23, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

Texas First National Bank has a *Satisfactory* record of meeting credit needs within the community, as evidenced by the following:

- A sizeable majority of loans are originated within the bank's Assessment Areas;
- A reasonable distribution of loans originated to borrowers of different income levels and businesses of different sizes;
- A reasonable geographic distribution of loans within its Assessment Areas;
- A Loan-to-Deposit Ratio that compares satisfactorily to similarly situated institutions.

The following table summarizes the performance level of **Texas First National Bank, Houston, Texas** with respect to each of the five performance criteria.

Table 1

SMALL INSTITUTION ASSESSMENT CRITERIA	TEXAS FIRST NATIONAL BANK HOUSTON, TEXAS PERFORMANCE LEVELS		
	<u>Exceeds</u> Standards for Satisfactory Performance	<u>Meets</u> Standards for Satisfactory Performance	<u>Does not meet</u> Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received by the bank since the prior CRA examination.		

## PERFORMANCE CONTEXT

### Assessment Area Characteristics

The bank has elected Harris County, Texas and adjacent census tracts in Fort Bend County, Texas as one Assessment Area and contiguous census tracts in Dallas County and Collin County, Texas as another Assessment Area for the purpose of measuring the bank's performance under the Community Reinvestment Act (CRA). These are the areas in which the bank has offices and in which it conducts its business. Accordingly, these are the areas in which the results of the bank's efforts are to be judged. The election of these areas by the bank conforms to the statutory and regulatory requirements of CRA in that they include whole geographies and do not arbitrarily exclude any low- to moderate-income areas.

#### Harris and Fort Bend Counties, Texas

The bank's Assessment Area in the Houston area consists of all of Harris County and twenty-four census tracts in Fort Bend County. Fort Bend County is a geographically large county. These twenty-four census tracts are among the most populous in the county and are among those with the greatest growth. They encompass the town of Sugar Land, Texas, a suburb of Houston, and developed residential and commercial areas adjacent to it. These tracts are contiguous and collectively adjoin Harris County.

The U.S. Census of 1990 listed total population in this area of 2.95 million people. The Median Family Income for this area, updated through 1997, is \$50,400. Approximately thirteen percent of households in this area live below the poverty line, and 21 percent depend upon public assistance or Social Security for income. Roughly nine percent are retired and over fifteen percent of households in the area are non-English speaking. Table 2, below, displays the characteristics of the census tracts comprising the bank's Harris and Fort Bend Counties Assessment Area.

#### Dallas and Collin Counties, Texas

This Assessment Area represents the neighborhoods surrounding the bank's Richardson, Texas branch. It consists of fifty-five census tracts which are contiguous and collectively straddle the Dallas and Collin County lines. This area is located in Northeastern Dallas and Southeastern Collin Counties in area where the communities of Richardson, Plano and Garland, Texas converge. As such, it includes portions of each community.

The U.S. Census of 1990 listed total population in this area of 284 thousand people. The Median Family Income for this area, updated through 1997, is \$54,400. Approximately five percent of households in this area live below the poverty line, and twelve percent depend upon public assistance or Social Security for income. Roughly eight percent are retired and over eight percent of households in the area are non-English speaking. Table 3, below, displays the characteristics of the census tracts comprising the bank's Dallas and Collin Counties Assessment Area.

Table 2

## Harris and Fort Bend Counties

<b>Tract Characteristics</b>	<b>Count</b>	<b>%</b>	<b>Households</b>	<b>%</b>
Low Income ( <i>&lt;50% of MFI</i> )	73	12.05%	87,693	8.19%
Moderate Income ( <i>50%-80% of MFI</i> )	179	29.54%	282,126	26.36%
Middle Income ( <i>80%-120% of MFI</i> )	176	29.04%	349,589	32.66%
Upper Income ( <i>&gt;120% of MFI</i> )	164	27.06%	351,030	32.79%
Not Applicable ( <i>Commercial or Industrial</i> )	14	2.31%	none	NA
<b>Total</b>	<b>606</b>	<b>100%</b>	<b>1,070,438</b>	<b>100%</b>

Source: 1990 U.S. Census

Table 3

## Dallas and Collin Counties

<b>Tract Characteristics</b>	<b>Count</b>	<b>%</b>	<b>Households</b>	<b>%</b>
Low Income ( <i>&lt;50% of MFI</i> )	2	3.64%	1,400	3.65%
Moderate Income ( <i>50%-80% of MFI</i> )	4	7.27%	7,328	13.18%
Middle Income ( <i>80%-120% of MFI</i> )	18	32.73%	39,675	41.17%
Upper Income ( <i>&gt;120% of MFI</i> )	29	52.73%	60,272	42.00%
Not Applicable ( <i>Commercial or Industrial</i> )	2	3.64%	none	NA
<b>Total</b>	<b>55</b>	<b>100%</b>	<b>108,675</b>	<b>100%</b>

Source: 1990 U.S. Census

*Note: MFI is the abbreviation for "Median Family Income".*

Competition in both these Assessment Areas is provided by offices of many of the major multinational banks, such as BankOne, Wells Fargo, NationsBank, Bank of America, and Chase. These areas have also attracted several regional concerns and have seen dramatic growth in the number and size of local banks. Competition is also provided by a variety of savings and loan associations, finance companies, mortgage companies and credit unions. There are also captive finance companies providing specialized consumer credit to the customers of a variety of retail establishments, including automobile dealerships.

### **Institution Characteristics**

Texas First National Bank has made a niche for itself in both markets catering to the needs of the large and growing Asian communities. Since the U.S. Census of 1990, both areas have seen dramatic growth in their respective Asian populations. With this growth has come the need to provide specialized financial services to those with strong remaining ties to Asian countries of origin. The bank's bilingual capability has proved invaluable in attracting and retaining a strong customer base. As these communities have prospered, so too, has the bank. Since year-end 1995, the bank has grown from \$188 million in assets to over \$341 million in assets at September 30, 1998. It now operates four offices; one in Fort Bend County in Sugar Land, Texas; one in Richardson, Texas, serving the bank's Dallas and Collin County customers; and two offices in Harris County, one of which is the bank's main office on Bellaire Boulevard in Southwest Houston. Table 4, below, presents selected information from the bank's Reports of Income and Condition for the years indicated. All amounts are thousands of dollars.

Table 4

<b>Balance Sheet Item</b>	<b>12-31-95</b>	<b>12-31-96</b>	<b>12-31-97</b>	<b>9-30-98</b>
<b>Real Estate Loans</b>	59,998	116,882	140,254	135,255
<b>Commercial Loans</b>	32,250	55,326	61,418	42,211
<b>Consumer Loans</b>	3,988	9,253	12,394	10,830
<b>Investments</b>	77,309	67,085	88,680	138,006
<b>Total Assets</b>	187,820	265,835	320,801	341,497
<b>Core Deposits</b>	114,296	155,584	186,910	207,698
<b>Total Deposits</b>	175,556	242,898	291,344	309,586
<b>Capital</b>	10,471	19,067	23,738	26,625
<b>Net Income</b>	1,422	2,504	3,945	2,759

Source: Reports of Condition and Income for dates indicated.

The most recent CRA Public Evaluation was dated November 4, 1996, in which an “Outstanding” rating was assigned. The bank is not a member of a multibank holding company or any chain-bank group. No legal, financial, or other factors impede the bank’s ability to help meet the credit needs in its Assessment Areas.

### **SMALL INSTITUTION ASSESSMENT CRITERIA**

Texas First National Bank of Houston, Texas was examined using the *Community Reinvestment Act Examination Procedures for Small Institutions*, as adopted by the Federal Financial Institutions Examination Council (FFIEC). Whereas the procedures for larger institutions focus on tests of lending, investment and service by the subject bank, the small bank procedures emphasize performance under five specific criteria. These are listed in Table 1 on page three of this *Public Evaluation* and are summarized below.

#### **Loan-to-Deposit Ratio**

The bank’s loan-to-deposit ratio meets the standards for satisfactory performance.

This ratio measures the extent to which the subject bank has returned the deposits it has received to the community in the form of loans. In order to determine performance over a period of time, the average of such ratios for each quarter-end since the preceding CRA evaluation is used. It is an absolute measure. However, comparison of ratios between otherwise similar institutions requires a fundamental understanding of the markets the institutions serve and the particular characteristics of each institution’s deposit base.

Table 5 shows the bank’s loan-to-deposit ratios, along with the average of such ratios, since the most recent Community Reinvestment Act Evaluation.

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

The bank’s lending in its Assessment Area meets the standards for satisfactory performance.

This criterion quantifies what proportion of the bank’s lending activity is within its elected assessment area. An institution that exhausts its resources lending in other areas, to the exclusion and to the detriment of its own Assessment Area, would be considered less than satisfactory. However, Texas First National Bank has concentrated its lending efforts within its elected Assessment Areas.

An internal report, prepared by the bank November 20, 1998, using computer software that identifies the census tracts in which loans are domiciled (a process known as *geocoding*), indicates that *at least* 86.85 percent of the loans originated in the bank’s Harris and Fort Bend County offices during 1997, were located within the bank’s Assessment Area of Harris and Fort Bend Counties. Similarly, of those loans originated in the bank’s Richardson office, *at least* 76.67

percent were domiciled in the bank's Dallas and Collin County Assessment Area. (Those loans which appear not to be within the bank's Assessment Areas include loans which could not be geocoded due to addresses such as post office boxes.) A sample taken of loans originated in 1998, performed during the examination, indicated that approximately 92 percent are domiciled within one or the other of the bank's two Assessment Areas.

Table 5

**Texas First National Bank  
Ratio of Net Loans to Total Deposits**

<b>Calendar Quarter Ending</b>	<b>Net Loans (\$000's)</b>	<b>Total Deposits (\$000's)</b>	<b>Loans/ Deposits</b>	<b>Assets (\$000's)</b>
12/31/96	178,940	242,898	73.67%	265,835
3/31/97	188,033	249,812	75.27%	273,713
6/30/97	193,396	272,071	71.08%	297,686
9/30/97	200,321	284,025	70.53%	311,504
12/31/97	212,025	291,344	72.77%	320,801
3/31/98	212,703	299,546	71.01%	330,593
6/30/98	196,001	306,623	63.92%	336,288
9/30/98	184,977	309,586	59.75%	341,497
<b>Average</b>			<b>69.75 %</b>	

Source: Regulatory Reports of Income and Condition as filed by the bank for the periods indicated.

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

The bank's Lending to Borrowers of Different Incomes and to Businesses of Different Sizes meets the standard for satisfactory performance.

A sample was taken from the loans originated by the bank during 1998, and still on the bank's books as of November 23, 1998. The results of this sample, with respect to consumer loans, are presented in Table 6. The data in the table indicate that the bank makes a majority of its loans to individuals across the entire spectrum of income categories. Further, of the business loans in the sample, 50 percent were to businesses meeting the definition of "small business" in the Community Reinvestment Act regulation.



Table 6

Income Dispersion of Consumer Loans Sampled				
Income Not Determinable	Low Income	Moderate Income	Middle Income	Upper Income
11.11%	15.56%	35.56%	20.00%	17.78%

As the bank was a small community bank during the period covered by this performance evaluation, it was not required to maintain demographic data on the incomes of the individuals or businesses to which it extended credit. Such data gathering is required only of larger banks under the Community Reinvestment Act. The bank became subject to the data gathering requirements for larger banks January 1, 1998, and will be subject to the examinations for larger banks beginning January 1, 1999.

**Geographic Distribution of Loans**

The bank’s geographic distribution of loans meets the standards for satisfactory performance. The dispersion of loans originated by the bank follows a pattern indicative of an institution seeking to serve the credit needs of the communities in which it is located.

From the same report referred to in *Lending in Assessment Area*, on preceding pages of this Evaluation, the bank determined the dispersion of its lending within its Assessment Area by the income characteristics of the census tracts into which it lends. The results of this report are presented in Table 7. It should be noted, however, that as of the date of this data (1997 lending), the bank’s Richardson office accounted for very little of the bank’s business. Less than four percent of loans geocoded originated in the Richardson office.

**Response to Complaints**

No complaints have been received by the bank regarding its performance under CRA since the previous CRA evaluation. Management of the bank has the ability to respond effectively should such complaints arise.

**Compliance With Antidiscrimination Laws**

A review of the bank’s compliance with laws and regulations regarding Fair Lending was conducted concurrent with this CRA evaluation. The bank’s compliance with the Equal Credit Opportunity Act, the Fair Housing Act and the Home Mortgage Disclosure Act were reviewed. No instances were noted in which credit decisions were influenced by prohibitive factors. No practices were noted which would encourage unlawful discrimination in the lending process.

**Dispersion of Lending by Income  
Characteristics of Census Tracts**

Table 7

		<b>Houston Area</b>	<b>Richardson Area</b>
<b>Low Income Areas</b>	% of Loans	8.58%	0%
	% of Dollars	5.24%	0%
<b>Moderate Income Areas</b>	% of Loans	19.03%	0%
	% of Dollars	20.28%	0%
<b>Middle Income Areas</b>	% of Loans	30.97%	28.99%
	% of Dollars	25.05%	31.31%
<b>Upper Income Areas</b>	% of Loans	41.42%	71.01%
	% of Dollars	49.43%	68.69%

**Other Factors Contributing to the Evaluation of the Bank's Performance**

Most of the bank's employees and officers are bilingual, fluently speaking both English and Chinese. All the bank's services are offered in either of the languages to accommodate the needs of its customers. The bank also offers services to accommodate the needs of its customers to effect cross border transfers of funds.