



## **Public Disclosure**

July 20, 1998

# **Community Reinvestment Act Performance Evaluation**

**Plains National Bank of West Texas  
Charter Number: 14749**

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**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 **Plains National Bank of West Texas (Plains)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **July 20, 1998**. 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 C.F.R. 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, 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, including large population centers and nearby communities that have a high degree of interaction.

**Census Tract (CT)** - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

**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 lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

**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. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, 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 \$500,000 or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

## CRA Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory** .

The major factors which support this rating include:

- ▶ A good responsiveness to home and small business credit needs within Plains' s assessment areas.
- ▶ The distribution of all types of loans to borrowers of varying income levels and businesses of different sizes is good.
- ▶ A good dispersion of home and small business loans throughout the assessment areas.
- ▶ The use of flexible underwriting guidelines to meet the credit needs of individuals.
- ▶ An adequate level of community development services.
- ▶ A substantial majority of home mortgage and small business related loans were originated within the assessment areas.

The following table indicates the performance level of **Plains National Bank of West Texas** with respect to the lending, investment, and service tests:

Performance Levels	Plains National Bank of West Texas Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		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

Plains National Bank of West Texas (Plains) is a Lubbock, Texas, based wholly owned subsidiary of Plains Capital Corporate (PCC). Plains is the major subsidiary of PCC comprising 90% of its assets. As of June 30, 1998 the bank reported total assets of \$838 million and a loan-to-deposit ratio of approximately 73.87%. Plains is the largest bank in Lubbock and the 15th largest independent bank in the State of Texas. Plains is adequately capitalized and operates profitably. There are no impediments which limit Plains' ability to help meet the credit needs of its assessment areas.

Plains has established the Lubbock MSA and the Amarillo MSA (Potter and Randal counties) as the assessment areas. The bank's operations are centered primarily in the City of Lubbock with some branches in the City of Amarillo. Plains opened its first branch in Amarillo, Texas, in February 1996. Due to staffing and management issues, the ability to penetrate the Amarillo market were slower than expected. As of June 30, 1998, approximately 87% of Plains' total deposits come from offices in the Lubbock MSA. The remaining 13% come from the bank's branches in the Amarillo MSA. Likewise, 79% of total loans were originated by offices in the Lubbock MSA, with 21% coming from the Amarillo MSA.

The bank faces strong competition in its assessment areas. 17 commercial banks operating a total of 58 branches are located in the Lubbock assessment area. 11 commercial banks operating 33 branches are located in the Amarillo assessment area. Nontraditional sources including finance companies, stockbrokers, and credit unions are also heavily concentrated in the assessment areas. The bank's market share position in each assessment area is shown in the following table.

<b>Market Share Analysis</b>		
<b>Bank</b>	<b>June 30, 1997 Total Deposits</b>	<b>Dollar Volume of 1996 HMDA Reportable Loans</b>
<b><i>Lubbock MSA</i></b>		
Plains	23.05%	13%
Norwest	21.23%	2%
American State Bank	17.53%	8%
<b><i>Amarillo MSA</i></b>		
Amarillo National Bank	34.67%	19%
Nations Bank	28.28%	11%
Plains	3.48%	1%

Plains offers a full range of financial and credit services throughout its assessment areas. These include commercial, real estate, and consumer loan products. As of December 31, 1997, Plains' first and second lien residential real estate loans constitute approximately \$55 million or 10.5% of the loan portfolio, while consumer lending makes up \$77 million or 14.58%. Commercial and industrial loans account for approximately \$180 million or 33.18% , with loans to farmers representing another 11.16% or \$56 million, and loans secured by nonfarm nonresidential properties and construction and land development totaling \$114 million or 22%. Plains loan portfolio reflects their lending strategy.

Plains' CRA performance was last evaluated as of July 22, 1996. At that time, the bank's overall level of performance was rated "Satisfactory."

## **Description of the Assessment Areas**

### **Lubbock MSA**

The Lubbock MSA consists of Lubbock County in West Texas. The economy is supported by agricultural crop production of cotton. According to recent worldwide cotton estimates, the Texas High Plains produced 60% of the Texas cotton crop, 15% of the United States crop, and 3% of the world crop - resulting in a \$3.5 billion impact on the area. Government (23%), retail trade (22%), and services (28%), represent 73% of the Lubbock MSA workforce. The June 1998 unemployment rate for the Lubbock MSA is 4.9% which is above the national figure of 4.5% but the same as the state figure of 4.9%. The four top employers in the city of Lubbock are Texas Tech University 6,500; Methodist Hospital 3,750; Lubbock Independent School District 3,200; and Texas Tech University Health Sciences Center 2,351. Overall, the Lubbock area economy remains stable due to strong distribution, wholesale and retail trade sectors. The city is the major retail trade center for more than 500,000 people across 26 counties. Lubbock provides 11,000 people with a \$257 million annual payroll from the Health Care Sector.

Plains has made qualified donations to 12 different organizations or projects. For example, these organizations include the Lubbock Area Foundation, Women's Protective Services, and the Canyon Lakes Credit Union. These are typically small dollar amounts. For the review period of 1996 to June 30, 1998, the dollar total of these qualified donations amounts to \$72,429.

Areas of economic strength in 1997 included strong real estate construction activity. Housing starts of 195 through March of 1998 reflect a 57% increase from the same period a year ago. The average home sales price is \$82,120 and is up 14.29% from the previous year.

Areas of economic weakness include the expected adverse impact on the area agriculture industry due to the drought of 1998 and the scheduled close of the Texas Instruments plant affecting over 650 jobs.

There appears to be limited investment opportunities with the Lubbock MSA. Our opinion is based from our community contact interviews, discussions with our Community Reinvestment

Development Specialists, and with bank management. However, we recommend that Plains takes a leadership role in initiating investment opportunities.

The following table presents certain data regarding the Lubbock MSA.

<b>Lubbock MSA</b>	
Population	222,636
Households	81,362
Median Housing Value / Median Year Built	53,112 / 1967
Median Family Income - 1998 HUD updated amount	\$39,700

Source: 1990 U.S. Census Demographic Data

We conducted two community contacts. The purpose of these contacts was to develop a community profile, identify community credit needs, and determine opportunities for participation by financial institutions in helping to meet local credit needs. These contacts included city government officials and a local organization that assists low- and moderate- income segments of the population. Both of these contacts identified the lack of affordable housing as a significant need. Additionally, contacts cited other needs such as rental assistance, redevelopment of decaying neighborhoods, and home ownership education.

The Lubbock MSA contains geographies and households as shown below.

<b>Lubbock MSA</b>				
	Low- Income	Moderate- Income	Middle- Income	Upper- Income
Census Tracts	8	11	28	14
Households	6,896	14,460	39,129	20,876

Source: 1990 U.S. Census Demographic Data

### **Amarillo MSA**

Plains opened its first branch in the Amarillo MSA market in February 1996. Due to staffing and management issues, the ability to penetrate the Amarillo market were slower than expected. The Amarillo MSA consists of Randall and Potter Counties in the Texas Panhandle. The economy is supported by agricultural crop production, beef production and slaughter, oil and gas production, Department of Defense contracting, health care, and public education. The June 1998 unemployment rate for the Amarillo MSA is 4.4% which is slightly below the national figure of 4.5% and below the state figure of 4.9%. The top five employers are the Amarillo Independent School District, Iowa Beef Processors, Baptist St. Anthony's Health Systems, Mason and Hanger



Corp., and Northwest Texas Health care Systems. The local and regional economies have rebounded after declines in the farm, energy, and real estate sectors in the 1980s. Areas of economic strength in 1997 included new job growth, strong real estate construction activity, and favorable agricultural conditions. Areas of economic weakness included sluggish retail sales and a high level of bankruptcy filings. Low- and moderate-income tracts is affected by the high poverty rate of 39% and 26% respectively of the households within those tracts and low volume of owner occupied housing.

The following table presents certain data regarding the Amarillo MSA.

Amarillo MSA	
Population	187,547
Households	72,252
Median Housing Value / Median Year Built	\$54,547 / 1964
Median Family Income - 1998 HUD updated amount	\$40,400

Source: 1990 U.S. Census Demographic Data

We obtained four community contacts which were conducted recently. The purpose of these contacts was to develop a community profile, identify community credit needs, and determine opportunities for participation by financial institutions in helping to meet local credit needs. These contacts included city government and local organizations that assist low- and moderate- income segments of the population. All of these contacts identified the lack of affordable housing as a significant need. It was pointed out that there is no public housing in the City of Amarillo and that the average value of new home construction is about \$120,000. Additionally, several contacts cited other needs such as rental assistance, redevelopment of decaying neighborhoods, home ownership education, child care, and programs that target “at risk” youths.

The Amarillo MSA contains geographies and households as shown below.

Amarillo MSA				
	Low- Income	Moderate- Income	Middle- Income	Upper- Income
Census Tracts	7	17	26	18
Households	3,803	15,427	32,908	20,114

Source: 1990 U.S. Census Demographic Data

Plains has no qualified investments in the Amarillo MSA assessment area. Our opinion is based from our community contact interviews, discussions with our Community Reinvestment Development Specialists, and with bank management. There appears to be limited opportunities within the Amarillo MSA area. However, we recommended all potential opportunities be explored.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST - ALL ASSESSMENT AREAS COMBINED**

#### *Lending Activity*

Plains was assigned a Component Test Rating of “**High Satisfactory**”. Lending levels reflect a good responsiveness to credit needs within Plains assessment areas. The bank’s loan to deposit ratio at December 31, 1997 was 78%. This ratio has averaged approximately 70% since the last evaluation. Plains ranks first in loan to deposit ratio among financial institutions in the Lubbock MSA.

Plains is ranked fifth for home mortgage products in the combined assessment areas. Also, Plains is ranked ninth in the origination of mortgage products in low- and moderate-income census tracts and to low- and moderate-income borrowers.

The bank’s small business and small farm lending levels are good when compared to available demographic data for the combined assessment areas. During 1996 and 1997 the bank originated 3,200 loans within the assessment areas totaling approximately \$241 million. Market share information for 1996 shows that this bank is ranked second for loans to small businesses and farms.

Plains has made one community development loan in the Lubbock assessment area and one outside the assessment area. No community development loans were reported in the Amarillo assessment area.

Banks are not required to collect and report data on consumer loan activity. Consumer loans represent 15% of the bank’s total loan portfolio as of December 31, 1997. An evaluation of the consumer loan portfolio is not included in this CRA evaluation.

## *Assessment Areas Concentration*

### Small Business and Farm Loans

Plains originated 3,896 small business and farm loans totaling approximately \$345 million for the evaluation period. A substantial majority of these loans combined, both in number and dollar amount, were made in the assessment areas. The bank's overall share regarding small farms within the assessment areas can be attributed to the rural location of many of the borrowers which typically fall outside the MSA. Also, many correspondent banks rely on Plains to meet the borrowing needs of their large customers for which they do not have the legal lending limit to service. Many of these borrowers reside outside the Lubbock and Amarillo MSA's. The following table illustrates the number and dollar volume of small business and farm loans made inside of the assessment areas in 1996 and 1997.

<b>Volume of Small Business and Small Farm Loan Originations in 1996 and 1997 Within the Lubbock and Amarillo Assessment Area</b>						
<b>Loan Product</b>	<b>Total Originations</b>		<b>Within the Assessment Area</b>			
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Small Business	1,545	\$125,220	1,392	90%	\$103,113	82%
Small Farm	308	\$31,865	131	43%	\$8,605	27%
<b>Total 1996</b>	<b>1,853</b>	<b>\$157,085</b>	<b>1,523</b>	<b>82%</b>	<b>\$111,718</b>	<b>71%</b>
Small Business	1,667	\$149,603	1,508	90%	\$118,733	79%
Small Farm	376	\$38,084	169	45%	\$10,240	27%
<b>Total 1997</b>	<b>2,043</b>	<b>\$187,687</b>	<b>1,677</b>	<b>82%</b>	<b>\$128,973</b>	<b>69%</b>
<b>Grand Total</b>	<b>3,896</b>	<b>\$344,772</b>	<b>3,200</b>	<b>82%</b>	<b>\$240,691</b>	<b>70%</b>

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

### Home Mortgage Loans

Plains originated 1,442 mortgage related loans totaling approximately \$128 million during 1996, 1997, and year to date 1998. This level of lending demonstrates a good responsiveness to the housing related credit needs overall. However, as noted from community contacts, the main credit need is affordable housing financing.

A substantial majority of home mortgage related loans were made within the assessment areas. During the reporting period, 85% or more of the home mortgage related loans made by Plains have been within the assessment areas.

Volume of Home Mortgage Loan Originations in 1996, 1997 and YTD 1998 Within the Assessment Area Lubbock & Amarillo MSA						
Product	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Home Purchase/Refinance	465	\$40,138	409	88%	\$34,621	86%
Home Improvement	125	\$2,305	118	94%	\$2,015	87%
Multifamily	9	\$23,216	6	67%	\$20,581	89%
<b>Total 1996</b>	<b>599</b>	<b>\$65,659</b>	<b>533</b>	<b>89%</b>	<b>\$57,217</b>	<b>87%</b>
Home Purchase/Refinance	385	\$33,512	355	92%	\$30,569	91%
Home Improvement	117	\$2,962	107	91%	\$2,647	89%
Multifamily	6	\$3,871	3	50%	\$1,246	32%
<b>Total 1997</b>	<b>508</b>	<b>\$40,345</b>	<b>465</b>	<b>92%</b>	<b>\$34,462</b>	<b>85%</b>
Home Purchase/Refinance	284	\$20,383	214	75%	\$15,309	75%
Home Improvement	50	\$952	49	98%	\$892	94%
Multifamily	1	\$500	1	100%	\$500	100%
<b>Total YTD 1998</b>	<b>335</b>	<b>\$21,835</b>	<b>264</b>	<b>79%</b>	<b>\$16,701</b>	<b>76%</b>
<b>Grand Total</b>	<b>1,442</b>	<b>\$127,839</b>	<b>1,262</b>	<b>88%</b>	<b>\$108,380</b>	<b>85%</b>

Source: HMDA Loan Application Registers

### *Geographic Distribution of Loans within the Assessment Areas*

#### Small Business and Farm Loans

The geographic distribution of small business loans reflects a good dispersion throughout the assessment areas. The following chart shows the number of small business/farm loans originated within the assessment areas in 1996 and 1997. The chart also displays the number and percentage of small businesses located in each designated census tract.

Distribution of Small Business and Farm Loan Originations in 1996 and 1997 Within the Lubbock and Amarillo Assessment Area By Income Level of the Census Tract								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	15	12%	28	22%	54	42%	32	25%
Census Tracts Penetrated (% of tracts in income group)	14	93%	23	82%	49	91%	29	91%
Number of Businesses	2,576	14%	3,247	18%	7,619	43%	4,361	24%
Number of Farms	38	7%	70	14%	272	53%	129	25%
Loan Product	#	%	#	%	#	%	#	%
Small Business	251	18%	160	12%	581	42%	399	29%
Small Farm	25	19%	12	9%	73	56%	21	16%
Total 1996	276	18%	172	11%	654	43%	420	28%
Small Business	225	15%	193	13%	680	45%	410	27%
Small Farm	31	18%	12	7%	87	51%	39	23%
Total 1997	256	15%	205	12%	767	46%	449	27%
<b>Grand Total</b>	<b>532</b>	<b>17%</b>	<b>377</b>	<b>12%</b>	<b>1,421</b>	<b>44%</b>	<b>869</b>	<b>27%</b>

Source: Business Demographic Data and bank prepared Small Business and Farm Loan Data Collection Register

The previous chart demonstrates that Plains has penetrated 82% to 93% of all census tracts and we identified no conspicuous gaps in the lending patterns to small businesses and small farms. Lending patterns are reasonable given the demographics of the assessment area.

The following chart show's Plains overall market share to small businesses with revenues less than \$1 million. It also shows the market share and rank for small business and small farm loans made in low- and moderate-income census tracts.

The bank's overall share regarding small farms within the assessment areas can be attributed to the rural location of many of the borrowers which typically fall outside the MSA. Also, many correspondent banks rely on Plains to meet the borrowing needs of their large customers for which they do not have the legal lending limit to service. Many of these borrowers reside outside the Lubbock and Amarillo MSA's. Plains serves the correspondent banking needs of approximately 67 banks located in West Texas and the Texas Panhandle.

Plains market share indicates that the bank is one of the leaders in the origination of small business and small farm loans within the assessment area. Plains ranks second and fourth overall in lending to low- and moderate-income census tracts respectively.

<b>1996 Small Business/Farm Loan Origination Market Share</b> <b>Loans to Businesses with less than \$1 million in Gross Annual Revenues</b> <b>Within the Lubbock and Amarillo Assessment Areas</b> <b>by Income Level of the Census Tract</b>									
	All Tracts			Low-Income Tracts			Moderate-Income Tracts		
Loan Product	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Small Business	1,018	18.6%	2	136	18.2%	2	103	12.5%	4
Small Farm	120	20.0%	3	28	49.1%	1	10	23.8%	2
Total	1,138	18.8%	2	164	20.4%	2	113	13.1%	4

Source: Small Business Aggregate Data

## Home Mortgage Loans

The distribution of mortgage related loans throughout the assessment areas is good. Lending levels in low- and moderate-income tracts are reasonable considering the number of owner occupied units and the bank's overall market share in these census tracts. The following chart shows residential lending patterns by the income level of the census tracts located in the assessment areas.

Distribution of Home Mortgage Loan Originations in 1996, 1997 and YTD 1998 Within the Lubbock and Amarillo Assessment Areas By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	15	12%	28	22%	54	42%	32	25%
Census Tracts Penetrated (% of tracts in income group)	10	67%	22	79%	48	89%	29	91%
Owner Occupied Units	3,972	4%	18,179	18%	45,641	45%	33,246	33%
Median Year Built of Housing	1960		1956		1967		1974	
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	12	3%	30	7%	190	45%	188	45%
Home Improvement	1	1%	13	11%	59	50%	45	38%
<b>Total 1996</b>	<b>13</b>	<b>2%</b>	<b>43</b>	<b>8%</b>	<b>249</b>	<b>46%</b>	<b>233</b>	<b>43%</b>
Home Purchase/Refi	7	2%	35	10%	181	51%	132	37%
Home Improvement	4	4%	11	10%	56	52%	36	34%
<b>Total 1997</b>	<b>11</b>	<b>2%</b>	<b>46</b>	<b>10%</b>	<b>237</b>	<b>51%</b>	<b>168</b>	<b>36%</b>
Home Purchase/Refi	5	2%	28	13%	101	47%	80	37%
Home Improvement	2	4%	5	10%	25	51%	17	35%
<b>Total YTD 1998</b>	<b>7</b>	<b>3%</b>	<b>33</b>	<b>13%</b>	<b>126</b>	<b>48%</b>	<b>97</b>	<b>37%</b>
<b>Grand Total</b>	<b>31</b>	<b>2%</b>	<b>122</b>	<b>10%</b>	<b>612</b>	<b>48%</b>	<b>498</b>	<b>39%</b>

Source: U.S. Census Demographic Data and HMDA Loan Application Registers

Plains funded a significant number of more home loans in middle- and upper-income census tracts than low- and moderate-income census tracts during the time periods noted above. This is reflective of the growth patterns in Lubbock and Amarillo. Plains is also one of the market leaders in the middle- and upper-income census tracts in Lubbock. The level of lending in the low- and moderate-income census tracts within the Lubbock MSA is affected somewhat by the increasing level of home values. However, housing costs are more affordable than the majority of

other cities in Texas. The 1990, 18.6% of the total Lubbock population was considered below the poverty level. In the low-income census tracts, approximately 45% of the families in these tracts are below the poverty level. In the Amarillo MSA, the level of lending in low- and moderate-income tracts is affected by the high poverty rate of 39% and 26% respectively of the households located within those tracts. The lending is also affected by the low volume of owner occupied housing. Plains originated approximately 2% of home related loans in low-income census tracts and 10% in moderate-income census tracts. However, Plains market share for 1996 is 6.2% in low-income tracts and 3.1% in moderate-income tracts. These market share totals place Plains fifth and eleventh, respectively in the low- and moderate-income tracts. Lending in low-income tracts is equal with the bank's overall market share.

The following chart shows Plains overall market share for home purchase/refinance and home improvement loans in its assessment areas. It also shows the market share and rank for home related loans made in low- and moderate-income census tracts.

<b>1996 Home Mortgage Loan Originations Market Share Within the Lubbock and Amarillo Assessment Area by Income Level of the Census Tract</b>									
	<b>All Tracts</b>			<b>Low-Income Tracts</b>			<b>Moderate-Income Tracts</b>		
<b>Loan Product</b>	<b>#</b>	<b>% Mkt</b>	<b>Rank</b>	<b>#</b>	<b>% Mkt</b>	<b>Rank</b>	<b>#</b>	<b>% Mkt</b>	<b>Rank</b>
Home Purchase/Refi	420	4.4%	9	12	7.8%	2	30	2.8%	11
Home Improvement	118	7.0%	5	1	1.8%	11	13	4.1%	7
<b>Total</b>	<b>538</b>	<b>4.8%</b>	<b>5</b>	<b>13</b>	<b>6.2%</b>	<b>5</b>	<b>43</b>	<b>3.1%</b>	<b>11</b>

Source: HMDA Aggregate Data



***Distribution by Borrowers' Income within the Assessment Areas***

**Small Business and Farm Loans**

Plains has been responsive to small business/farm credit needs within its assessment areas. The following chart shows Plains willingness to make loans of varying sizes. The section on the right of the chart represents what portion of the loans of different sizes are made to businesses with annual revenues less than \$1 million.

<b>Distribution of Small Business and Farm Loan Originations in 1996 and 1997 Within the Assessment Areas By Loan Size and Business Revenues</b>								
<b>Loan Size</b>					<b>Annual Revenues &lt; \$1 Million</b>			
	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b>#</b>	<b>%*</b>	<b>\$ (000)</b>	<b>%*</b>
less than \$100,000	2,014	82%	\$53,453	29%	1,794	89%	\$44,726	84%
\$100,000 to \$250,000	270	11%	\$46,124	25%	194	72%	\$32,114	70%
\$250,000 to \$1,000,000	177	7%	\$87,698	47%	97	55%	\$44,585	51%
Totals	2,461	100%	\$187,275	100%	2,085	85%	\$121,425	65%
<b>Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:</b>				< 1 Million	64 %	*As a percentage of loans of the size category		
				> 1 Million	11 %			
				Unknown	25%			

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

Clearly, the bank is extending credit to small businesses at varying dollar ranges but most significantly in amounts less than \$100,000. Additionally, these loans are being made to businesses with revenues less than \$1 million which is consistent with the demographics of the assessment areas.

## Home Mortgage Loans

Plains originates home related loans to individuals and families across all income levels. Originations to upper-income families is higher. The following table reflects the distribution of HMDA reportable loans made in 1996, 1997 and year to date 1998. For comparison, the chart also presents the distribution of all families living in the assessment areas according to their income level.

Distribution of Home Mortgage Loan Originations in 1996, 1997 and YTD 1998 Within the Lubbock and Amarillo Assessment Areas By Income Level of the Borrower								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Characteristics of Families	22,259	21%	18,943	18%	23,373	22%	42,152	39%
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	18	4%	34	8%	90	22%	260	65%
Home Improvement	10	9%	21	18%	18	15%	68	58%
Total 1996	28	5%	55	11%	108	21%	328	63%
Home Purchase/Refi	14	3%	29	7%	61	14%	329	76%
Home Improvement	6	6%	14	13%	24	23%	60	58%
Total 1997	20	4%	43	8%	85	16%	389	72%
Home Purchase/Refi	7	3%	15	7%	34	17%	145	72%
Home Improvement	4	8%	4	8%	12	24%	29	59%
Total YTD 1998	11	4%	19	8%	46	18%	174	70%
<b>Grand Total</b>	59	5%	117	9%	239	18%	891	68%

Source: U.S Census Demographic Data and HMDA Loan Application Registers

\*The totals do not include 35 loans to borrowers with unknown incomes.

The overall distribution of loans to low-income borrowers appears low but is affected by the small number of households and the high poverty rate. Approximately 13% of all families within the combined areas have incomes below the poverty level. The distribution of loans to moderate-income borrowers is reasonable and representative of the demographics of the area.

A review of the bank's market share for HMDA lending in 1996 shows that Plains ranked fifth in overall market share in the combined areas. Additionally, they rank ninth in lending to both low- and moderate-income borrowers. The bank's market share of lending to borrowers with these characteristics individually is lower than the bank's overall market share.

Overall HMDA lending is lower in 1997 than in 1996 with declines noted in each of the borrower income characteristics. The declines are not considered significant. However, 1998 year to date dollar volume of loans has increased and expected to exceed 1997 numbers. The decline in volume for 1997 was attributed to management changes within the mortgage company and staffing issues. These issues have been resolved.

The following chart shows Plains overall market share in home purchase/refinance and home improvement loans originated within its assessment areas. It also shows market share and rank for HMDA originations to low- and moderate-income borrowers.

<b>1996 Home Mortgage Loan Originations Market Share Within the Lubbock and Amarillo Assessment Areas by Income Level of the Borrower</b>									
	<b>All Borrowers</b>			<b>Low-Income Borrowers</b>			<b>Mod-Income Borrowers</b>		
<b>Loan Product</b>	<b>#</b>	<b>% Mkt</b>	<b>Rank</b>	<b>#</b>	<b>% Mkt</b>	<b>Rank</b>	<b>#</b>	<b>% Mkt</b>	<b>Rank</b>
Home Purchase/Refi	420	4.42%	9	18	7.69%	8	34	2.80%	11
Home Improvement	118	7.02%	5	9	4.62%	7	21	8.24%	5
<b>Total</b>	<b>538</b>	<b>4.81%</b>	<b>5</b>	<b>27</b>	<b>3.95%</b>	<b>8</b>	<b>55</b>	<b>3.75%</b>	<b>10</b>

Source: HMDA Aggregate Data

### **Community Development Lending**

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 reported in the review of small business, small farm, home mortgage, or consumer loans.

Plains has participated in a \$350,000 loan totaling \$168,415 to the South Plains Regional Housing Authority. The bank's participation is in combination with a grant from the Federal Home Loan Bank and the State of Texas. These funds were advanced for the construction and permanent financing of a 12 unit rental property in Olton, Texas, which is just outside the Lubbock Assessment Area. 80% of the units are reserved for moderate-income individuals. The remaining units are reserved for low-income individuals.

Plains has an extensive lending relationship with the Guadalupe Economic Service Corporation (Guadalupe). Guadalupe is a community service organization that serves low-income families. Plains has a residential mortgage warehouse loan as well as operating lines extended to Guadalupe. These loans are primarily for the purpose of funding Guadalupe's residential lending to low-income individuals or financing residential loans in low- and moderate-income geographies. Residential loans underwritten by Guadalupe are generally sold to the secondary market. The lines extended to Guadalupe by Plains have a maximum limit of \$264,056.

### ***Product Flexibility***

Plains uses flexible underwriting guidelines to meet the credit needs of both individuals and small businesses. Examples of loan products with flexible loan criteria include:

**City of Lubbock Down Payment and Closing Cost Loan Program** - This program is administrated through the Lubbock Housing Finance Corporation to assist low-and moderate-income families to purchase a home. Funds are provided through bond money. The prospective customers have good credit and/or nontraditional credit history who have insufficient funds for closing costs and down payment. Qualifying for the program is contingent upon income limitations. Mandatory homeowner responsibility education is required to qualify for participation in the program. This program is primarily generated through the bank's mortgage company. The bank has been in this program since 1996. Plains has originated only 1 loan totaling \$2,586 for 1998.

**South Plains Housing Finance Corporation** - This program is funded by bond money to fund mortgage loans for first time home buyers. This program provides financing at below market rates which enables more families to afford a home. Due to income limitations, loans are most often extended to low-and moderate-income families. Mandatory homeowner counseling and education is required to qualify for participation in the program. Plains originated 23 loans in 1997 and year to date 1998 totaling \$1,084,047.

**The Lubbock Housing Finance Corporation** - Established to assist low-and moderate-income families who need some flexibility regarding debt ratios and the use of non-traditional credit references. Plains has originated 11 mortgage loans totaling \$522,275.

**In-House Mortgage Loans** - Are for loans that are originated and retained in the bank's loan portfolio. These loans for some reason do not meet investor underwriting requirements in the secondary market. These loans are typically short-term fixed rate.

**FHA and VA Home Mortgage Loans** - These programs offer low down payment and closing cost requirements.

**Secured Credit Card Program** - Available for individuals to establish credit history.

### **INVESTMENT TEST**

Plains was assigned a Component Test Rating of **“Needs to Improve”**. Plains has a poor level of qualified community development investments and grants. Qualifying investments are investments, deposits, membership shares or grants that have as their primary purpose community development. Community development is specifically defined in the CRA regulation. Based on the information provided by the bank and our verification of its accuracy, Plains has made qualified donations to 12 different organizations or projects. For example, these organizations

include the Lubbock Area Foundation, Women's Protective Services, and the Canyon Lakes Credit Union. These are typically small dollar amounts. For the review period of 1996 to June 30, 1998, the dollar total of these qualified donations amounts to \$72,429.

The qualified donations made by Plains affect social issues and community services such as food, clothing, shelter and other social services for the low- and moderate-income citizens of the assessment areas. Other donations have been to organizations that promote affordable housing, specifically for low-and moderate income individuals.

During this evaluation, we performed community contacts and held meetings with bank management in an attempt to identify local community development needs. Community contacts expressed opinions that Plains is responsive to requests for donations to assist the local community needs. However, these contacts also found the need for affordable housing units as a significant need that should be addressed by community leaders. We found no significant constraints that would prohibit the bank from attempting to meet this need under the investment test.

Plains rarely makes use of, or initiates, innovative or complex investment products. The primary focus of investment performance has been on donation activities.

## **SERVICE TEST**

### ***Retail Banking Services***

Plains was assigned a Component Test Rating of **“High Satisfactory”**. The quantity and quality of the bank's service-delivery systems allow for reasonable access to bank products and services by essentially all portions of the institutions assessment areas. The bank offers a reasonable range of services through its office locations and ATM network. Plains has ten full-service locations and 14 ATMs. One branch is located in a low-income census tract; two are located in moderate-income census tracts; the remaining eight are in middle- and upper-income areas. Hours of operation are generally 7:30 am to 6:00 pm M-F and 7:30 am to noon on Saturdays for drive-ins; and 8:30 am to 5:00 pm M-F for branch lobbies. One branch has extended hours from 9:00 am to 7:00 pm M-S as well as afternoon hours on Sundays. Additional product delivery systems include 24 hour bank-by-phone and Internet banking. Plains also has a mortgage center located in Lubbock, Texas, that primarily offers residential loan products. During this review, Plains was in the process of purchasing a mortgage company which has 14 locations throughout Texas. Regulatory approval is pending.

Four branches have been opened in the Amarillo MSA since the prior examination. Two were in moderate-income areas, one was in a middle-income area, and one in an upper-income area. The bank has received regulatory approval to open an additional branch in an upper-income area.

All products offered by Plains are available at all locations with the exception of the mortgage lending facility mentioned above which primarily offers residential mortgage products.

Plains offers two deposit products which specifically aid low- and moderate-income individuals. A free checking account is available that was designed to minimize account fees, no minimum balance requirements, and no monthly service charge. Another account is being offered which will provide individuals receiving direct deposited government checks convenient access to their funds with minimal account fees. This program issues no checks and assists individuals who pay with cash.

### ***Community Development Services***

Plains provides an adequate level of community development services in the assessment areas. These activities relate to the provision of financial technical expertise and essential office furnishings with the primary purpose of community development. These services also include providing assistance to local non-profit organizations that serve low- and moderate-income areas, individuals, and families. See the ***Community Development Services*** section for each assessment area for more detail.

## **Fair Lending Review**

We performed a fair lending review utilizing procedures outlined within the OCC's Fair Lending Handbook, dated October 1997. The fair lending review focused on a selected group of applications for unsecured consumer loans. A comparative file review was conducted with specific emphasis upon the potential for illegal discrimination on the basis of gender. We compared 27 approved female applicants to 60 approved male applicants. We found no reason to believe that illegal discrimination occurred. In addition, the bank's internal procedures for prevention and/or detection of possible illegal discrimination were reviewed and analyzed. No areas of concern were identified.

## Lubbock Metropolitan Area

### Discussion of Performance Tests in the Lubbock Metropolitan Area

#### LENDING TEST

#### Geographic Distribution of Loans within the Lubbock MSA

##### Small Business and Farm Loans

Plains geographic distribution of small business/farm loans reflects a good dispersion throughout the Lubbock assessment area. The following chart shows the number of small business/farm loans originated within the Lubbock assessment area in 1996 and 1997. The chart also displays the number and percentage of all small businesses and farms located in each of the census tract designations.

<b>Distribution of Small Business and Farm Loan Originations in 1996 and 1997 Within the Lubbock Assessment Area By Income Level of the Census Tract</b>								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	8	12%	11	18%	28	46%	14	23%
Census Tracts Penetrated (% of tracts in income group)	8	100%	9	82%	26	93%	14	100%
Number of Businesses	1,460	16%	1,741	18%	3,953	41%	2,448	25%
Number of Farms	19	7%	43	16%	153	56%	58	21%
Loan Product	#	%	#	%	#	%	#	%
Small Business	231	22%	141	14%	335	32%	333	32%
Small Farm	25	21%	12	10%	64	54%	17	14%
Total 1996	256	22%	153	13%	399	34%	350	30%
Small Business	207	20%	158	15%	341	33%	326	32%
Small Farm	31	25%	12	10%	51	40%	32	25%
Total 1997	238	21%	170	15%	392	34%	358	31%
<b>Grand Total</b>	494	21%	323	14%	791	34%	708	31%

Source: Business Demographic Data and bank prepared Small Business and Farm Loan Data Collection Register

The distribution of loans made to small businesses in low- and moderate- income census tracts is comparable to those originated to small businesses in middle- and upper- income census tracts.



The number of loans made in low- and moderate-income census tracts is good when considering the number of small businesses located in these areas.

The following chart shows the bank’s market share of small business lending in the Lubbock MSA. It also shows the market share and rank for small business and farm loans made in low- and moderate-income census tracts.

<b>1996 Small Business/Farm Loan Origination Market Share</b> <b>Loans to Businesses with less than \$1 million in Gross Annual Revenues</b> <b>Within the Lubbock Assessment Areas</b> <b>by Income Level of the Census Tract</b>									
	All Tracts			Low-Income Tracts			Moderate-Income Tracts		
Loan Product	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Small Business	755	34.6%	1	129	37.2%	2	92	26.1%	2
Small Farm	108	38.4%	2	28	63.6%	1	10	27.0%	2
Total	863	35.0%	1	157	40.2%	1	102	26.2%	2

Source: Small Business Aggregate Data

Home Mortgage Loans

A review of Plains residential lending patterns for 1996, 1997 and year to date 1998 demonstrates a low volume of lending to low-income census tracts and a reasonable level of lending in moderate-income census tracts. The following chart shows the residential lending patterns by the income level of the census tracts located within the Lubbock assessment area.

Distribution of Home Mortgage Loan Originations in 1996, 1997 and YTD 1998 Within the Lubbock Assessment Area By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	8	13%	11	18%	28	46%	14	23%
Census Tracts Penetrated (% of tracts in income group)	8	100	11	100%	28	100%	14	100%
Owner Occupied Units	2,265	5%	8,847	19%	22,627	47%	14,048	29%
Median Year Built of Housing	1961		1958		1968		1975	
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	11	3%	26	7%	165	45%	166	45%
Home Improvement	1	1%	13	11%	58	50%	44	38%
Total 1996	12	2%	39	8%	223	46%	210	43%
Home Purchase/Refi	6	2%	27	9%	145	49%	117	40%
Home Improvement	4	4%	10	10%	54	53%	33	33%
Total 1997	10	3%	37	9%	199	50%	150	38%
Home Purchase/Refi	4	2%	17	10%	77	45%	74	43%
Home Improvement	2	4%	5	11%	23	50%	16	35%
Total YTD 1998	6	3%	22	10%	100	46%	90	41%
<b>Grand Total</b>	28	3%	98	9%	522	48%	450	41%

Source: U.S. Census Demographic Data and HMDA Loan Application Registers

Plains originated approximately eight times as many home loans in middle- and upper-income census tracts than in low- and moderate-income census tracts. During this evaluation period, Plains originated approximately 3% of home related loans to individuals in low-income tracts and approximately 9% of home related loans to individuals in moderate-income tracts. These percentages are low compared to demographic information for the assessment area. This information reflects that approximately 5% and 19% of the 1-4 family owner-occupied housing units are located within low-income census tracts and moderate-income census tracts, respectively.

Even though this appears low, Plains ranks number first and fifth in market share in the origination of home purchase and refinance loans in low- and moderate-income census tracts respectively. Plains average loan size of home purchase/refinance products in low-income tracts was \$29 thousand and generated a higher dollar volume (approximately \$100 thousand) from its nearest competitor. Plains also ranks first in the dollar volume of loans in low-income census tracts.

Average loan size in moderate-income census totals \$38 thousand. The top lender for the moderate-income census tracts has approximately twice the dollar volume of loans than Plains.

The following chart shows Plains overall market share for home purchase/refinance and home improvement loans in the Lubbock assessment area. It also shows market share and rank for home related loans made in low- and moderate-income tracts.

1996 Home Mortgage Loan Originations Market Share Within the Lubbock Assessment Area by Income Level of the Census Tract									
Loan Product	All Tracts			Low-Income Tracts			Moderate-Income Tracts		
	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Home Purchase/Refi	368	7.35%	4	11	12.1%	1	26	5.3%	5
Home Improvement	116	15.6%	2	1	3.6%	5	13	10.0%	3
Total	484	8.4%	2	12	10.1%	2	39	6.2%	4

Source: FFIEC HMDA Aggregate Data

### Distribution by Borrowers' Income within the Lubbock MSA

#### Small Business and Small Farm Loans

Plains has demonstrated a good responsiveness to the small business credit needs within the Lubbock 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 and Farm Loan Originations in 1996 and 1997 Within the Lubbock Assessment Area By Loan Size and Business Revenues								
Loan Size				Annual Revenues < \$1 Million				
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	1,369	83%	\$34,812	28%	1,221	89%	\$29,369	84%
\$100,000 to \$250,000	160	10%	\$26,827	21%	115	72%	\$18,677	70%
\$250,000 to \$1,000,000	124	8%	\$64,587	51%	59	48%	\$27,683	43%
Totals	1,653	100%	\$126,226	100%	1,395	84%	\$75,729	60%
<b>Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:</b>				< 1 Million	60 %	*As a percentage of loans of the size category		
				> 1 Million	11 %			
				Unknown	29%			

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

The information presented above demonstrates that a substantial majority of the number and percentage of small business loans had original loan amounts of \$100,000 or less, and a similar distribution is noted regarding the distribution of those loans to businesses with revenues less than \$1 million. This is consistent with the demographic breakdown of businesses within the assessment area.

### Home Mortgage Loans

Plains has made home loans to individuals and families across economic lines. The following table reflects the distribution of HMDA reportable loans for 1996, 1997 and year to date 1998. For comparison, the chart also presents the distribution of all families living in the assessment area according to their income level.

Distribution of Home Mortgage Loan Originations in 1996, 1997 and YTD 1998 Within the Lubbock Assessment Area By Income Level of the Borrower								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Characteristics of Families	11,741	21%	9,907	18%	11,685	21%	22,365	40%
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	18	5%	33	9%	84	24%	220	62%
Home Improvement	10	9%	21	18%	18	16%	66	57%
Total 1996	28	6%	54	11%	102	22%	286	61%
Home Purchase/Refi	13	4%	24	8%	51	17%	205	70%
Home Improvement	6	6%	14	14%	23	23%	55	56%
Total 1997	19	5%	38	10%	74	19%	260	66%
Home Purchase/Refi	7	4%	15	9%	34	21%	106	65%
Home Improvement	4	9%	4	9%	12	26%	26	57%
Total YTD 1998	11	5%	19	9%	46	22%	132	63%
<b>Grand Total</b>	<b>58</b>	<b>5%</b>	<b>111</b>	<b>10%</b>	<b>222</b>	<b>21%</b>	<b>678</b>	<b>63%</b>

Source: U.S Census Demographic Data and HMDA Loan Application Registers

\*The totals do not include 29 loans to borrowers with unknown incomes.

Approximately 5% of the total number of loans were made to low-income borrowers during the time period reflected above. Although this percentage appears low considering that 21% of all families within the assessment area are designated as low-income; approximately 13% of all families have incomes below the poverty level. Loan volumes to moderate-income borrowers is good with approximately 10% of the loans during this time period made to moderate-income borrowers. This compares favorably with the demographics of the assessment area in which 18% of all the families are moderate-income. Combined, the bank's lending to low- and moderate-income borrowers is good when compared to all other home lenders in the Lubbock MSA. Plains ranked fourth in market share for HMDA loans to low- and moderate-income borrowers in 1996.

The following chart shows Plains overall market share in home purchase/refinance and home improvement loans originated within the Lubbock assessment area. It also shows the market share and rank for HMDA related loans originated to low- and moderate-income borrowers.

1996 Home Mortgage Loan Originations Market Share Within the Lubbock Assessment Area by Income Level of the Borrower									
Loan Product	All Borrowers			Low-Income Borrowers			Mod-Income Borrowers		
	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Home Purchase/Refi	368	7.4%	4	18	7.7%	2	33	6.0%	5
Home Improvement	116	15.6%	2	9	11.4%	3	21	17.9%	2
Total	484	8.4%	2	27	8.6%	4	54	8.1%	5

Source: HMDA Aggregate Data

Overall, the above market share data shows that Plains is among the leaders originating HMDA reportable loans to low- and moderate-income borrowers in the Lubbock MSA. Lending to both low- and moderate-income borrowers individually is slightly less than the bank's overall market share.

### Community Development Lending

Plains has participated in a \$350,000 loan totaling \$168,415 to the South Plains Regional Housing Authority. The bank's participation is in combination with a grant from the Federal Home Loan Bank and the State of Texas. These funds were advanced for the construction and permanent financing of a 12 unit rental property in Olton, Texas, which is just outside the Lubbock Assessment Area. 80% of the units are reserved for moderate-income individuals. The remaining units are reserved for low-income individuals. Although we only consider projects within the bank's assessment area(s), such lending reflects the bank's willingness to fund such projects.

Plains has an extensive lending relationship with the Guadalupe Economic Service Corporation (Guadalupe). Guadalupe is a community service organization that serves low-income families. Plains has a residential mortgage warehouse loan as well as operating lines extended to Guadalupe. These loans are primarily for the purpose of funding Guadalupe's residential lending to low-income individuals or financing residential loans in low- and moderate-income geographies. Residential loans underwritten by Guadalupe are generally sold to the secondary market. The lines extended to Guadalupe by Plains have a maximum limit of \$264,056.

Plains participates in the South Plains Housing Finance Corporation. This program provides financing at below market rates for low-and moderate-income families. Plains originated since 1997 23 loans totaling \$1,084,047.

Plains also participates in the Lubbock Housing Finance Corporation. This program assists low- and moderate-income families qualify for mortgage loans by providing lenient debt ratios and using nontraditional credit references. Plains has originated 11 loans totaling \$522,275.

## **INVESTMENT TEST**

Plains has a very low dollar level of qualified investments in the Lubbock MSA assessment area, especially considering the existence of identified needs for this area, the lack of innovative or complex investment products, and the absence of any significant financial constraints on the bank.

Based on the information provided by the bank and our verification of its accuracy, Plains has made qualified donations to 12 different organizations or projects. For example, these organizations include the Lubbock Area Foundation, Women's Protective Services, and the Canyon Lakes Credit Union. These are typically small dollar amounts. For the review period of 1996 to June 30, 1998, the dollar total of these qualified donations amounts to \$72,429.

The qualified donations made by Plains affect social issues and community services such as food, clothing, shelter and other social services for the low- and moderate-income citizens of the assessment areas. Other donations have been to organizations that promote affordable housing. There appears to be limited investment opportunities within the Lubbock MSA. Our opinion is based from our community contact interviews, discussions with our Community Reinvestment Development Specialists, and with bank management. We recommended that Plains take a leadership role in exploring all potential investment avenues.

## **SERVICE TEST**

### ***Retail Banking Services***

The quantity and quality of the bank's service-delivery systems allow for reasonable access to bank products and services by essentially all portions of the institutions assessment areas. Our conclusion is based on our review and assessment of internally and externally generated data. The bank provides a reasonable range of products through its branch and ATM networks. Six full service locations and one mortgage center are within reasonable proximity of all low- and moderate-income census tracts. The bank has 11 proprietary ATMs in the Lubbock MSA. No branches were opened or closed since the previous compliance examination. The following table illustrates how the bank's locations generally reflect the income distribution of the area's population and geographies.

Distribution of Delivery System By Income Level of the Census Tracts								
Community Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	8	13%	11	18%	28	46%	14	23%
Households	6,896	8%	14,460	18%	39,129	48%	20,896	26%
Type of Service	#	%	#	%	#	%	#	%
Branches	1	14%	0	0%	3	43%	3	43%
ATMs	1	13%	1	13%	3	38%	3	38%
Totals	2	13%	1	7%	6	40%	6	40%

Standard bank services, which includes all types of checking and savings accounts, loans, credit cards, phone banking and ATM's, are offered at all branches with the exception of the mortgage center where residential loan products are offered. Although there are no branches in a moderate-income census tracts, no portions of the assessment area are inconvenienced. Our conclusion is based on the locations and accessibility of all branch locations. Several services are offered by telephone including; deposit and personal line of credit balance inquiry; determination of last five transactions; verifying deposits; checking deposit rates; applying for personal lines of credit and personal loans; and checking the status of credit applications. Internet services/information are also available including; information on products, services and fees; listing of funds availability policy, listing of branch and ATM locations; requesting a student loan application; and applying for personal lines of credit, overdraft protection or credit cards. Products and services offered by Plains do not have a negative impact to low-to moderate-income individuals.

Plains offers two deposit products which specifically aid low- and moderate-income individuals. A free checking account is available that was designed to minimize account fees. There is a \$50 minimum to open the account. There are no minimum balance requirements. There are no monthly service charges. Another account is being offered which will provide individuals receiving direct deposited government checks, convenient access to their funds with minimal account fees. There is no minimum monthly balance or initial deposit. ATM cards are provided free of charge. There are four free withdrawals per month.

Hours of operation are generally equitable bank-wide. Plains hours of operation are generally 8:30am to 6:00pm M-F for lobbies and 7:30am to 6:00pm for drive-ins M-F. Saturday hours for drive-ins are 7:30am to noon. One branch offers extended lobby hours from 9:00am to 7:00pm M-S. This same branch offers Sunday lobby hours from 1:00 pm to 5:00pm. The Downtown branch offers regular M-F lobby hours and Saturday drive-in hours and is located in a low income census tract. ATMs, banking by phone, and the Internet are available 24 hours a day.



## **Community Development Services**

Plains provides an adequate level of community development services in the Lubbock assessment area. These activities relate to the provision of financial technical expertise with the primary purpose of community development. These services include providing assistance to local non-profit organizations that serve low- and moderate-income areas, individuals, and families.

Examples include:

**Canyon Lakes Credit Union** - The credit union opened in '96 and closed in late '97 due to inadequate resources provided by organizers. The credit union was located in a low-income area of Lubbock and served the needs of low-income individuals. Plains was the leader in providing technical assistance and office equipment for the start-up of the association. Technical assistance included in part on how financial institutions are managed via loans and operations. A majority of the office equipment for the association was provided by Plains.

**Casa** - This organization is a court appointed board. The primary function is to provide counseling and interim housing for children of low- and moderate-income families displaced by divorce, abuse, and custody disputes. The board receives state funding. A member of the Plain's lending staff represents the bank on this board.

**Dream Tour of Homes** - Annual housing fair which is held to promote new construction of single family housing. Builders, lenders and other entities related to providing housing products conduct/sponsor the event. The '98 tour was held exclusively in a low-income neighborhood. Plains had two lenders spend approximately 11 hours assisting at the tour. They pre-qualified potential home buyers and offered counseling on the loan process including providing information on down payment and closing cost assistance programs offered by the city of Lubbock. Plains received 10 loan applications from the tour. Four were qualified. One loan was closed. The applicants were low or moderate-income.

**Lubbock Centercorp Inc.** - This organization promotes development and redevelopment of the downtown Lubbock area which is comprised primarily of low- and moderate-income census tracts. A member of Plains senior management provides technical expertise by serving on the corporation's board. Plains involvement includes providing or obtaining financing for such projects. Plains also provides grant money donations. Such projects generate jobs within the community.

**Market Lubbock, Inc.** - This corporation is the predominant community development organization in Lubbock. A member of the bank's board offers technical expertise to Market Lubbock, Inc. by serving on the board of this organization.

**South Plains Regional Workforce Development Board** - A member of bank management serves as President of this board. The board administers about \$15 million in federal and state employment and training funds for the fifteen county area.

## **Amarillo Metropolitan Area**

## Conclusions about Performance Tests in the Amarillo Metropolitan Area

### LENDING TEST

#### Geographic Distribution of Loans within the Metropolitan Area

##### Small Business and Small Farm Loans

The geographic distribution of small business/farm loans reflects a reasonable dispersion throughout the Amarillo assessment area. The following chart shows the number of small business/farm loans originated in the Amarillo metropolitan area in 1996 and 1997. The chart also displays the number and percentage of businesses located in each census tract designation.

Distribution of Small Business and Farm Loan Originations in 1996 and 1997 Within the Amarillo Assessment Area By Income Level of the Census Tract								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	7	12%	17	25%	26	38%	18	26%
Census Tracts Penetrated (% of tracts in income group)	6	86%	14	82%	23	88%	15	83%
Number of Businesses	1,118	14%	1,506	18%	3,676	45%	1,913	23%
Number of Farms	19	8%	27	11%	119	50%	71	30%
Loan Product	#	%	#	%	#	%	#	%
Small Business	20	6%	19	5%	246	70%	66	19%
Small Farm	0	0%	0	0%	9	69%	4	31%
Total 1996	20	5%	19	5%	255	70%	70	19%
Small Business	18	4%	35	7%	339	71%	84	18%
Small Farm	0	0%	0	0%	36	84%	7	16%
Total 1997	18	3%	35	7%	375	72%	91	18%
<b>Grand Total</b>	38	4%	54	6%	630	71%	161	18%

Source: Business Demographic Data and bank prepared Small Business and Farm Loan Data Collection Register

The distribution loans to small businesses in low-and moderate-income census tracts is reasonable compared to those originated to small business in upper-income census tracts. Plains originated a substantial number of loans in middle-income census tracts. This is somewhat reflected of the number of small businesses located in these areas.

The following chart represents the bank’s market share of small business lending within the Amarillo MSA. It also shows the market share and rank for small business and farm loans made in low-and moderate-income census tracts.

1996 Small Business/Farm Loan Origination Market Share Loans to Businesses with less than \$1 million in Gross Annual Revenues Within the Amarillo Assessment Areas by Income Level of the Census Tract									
Loan Product	All Tracts			Low-Income Tracts			Moderate-Income Tracts		
	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Small Business	263	8.0%	3	7	1.8%	5	11	2.3%	4
Small Farm	12	3.9%	4	0	0.0%	5	0	0.0%	4
Total	275	7.7%	3	7	1.7%	5	11	2.3%	4

Source: Small Business Aggregate Data

Note (1): Total small farm loan applications in low-moderate income tracts for all lenders is eighteen.

### Home Mortgage Loans

Plains residential lending activity in the Amarillo assessment area is low. The low level of activity is due in part to the bank entering the Amarillo market in February 1996 and staffing problems in their mortgage department in 1997. A mortgage loan representative was recently (April 1998) placed in Amarillo due to increasing loan demand. The following chart shows residential lending patterns by the income level of the census tracts located within the Amarillo assessment area.

Distribution of Home Mortgage Loan Originations in 1996, 1997 and YTD 1998 Within the Amarillo Assessment Area By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	7	10%	17	25%	26	38%	18	26%
Census Tracts Penetrated (% of tracts in income group)	2	29%	11	65%	20	77%	15	83%
Owner Occupied Units	1,707	3%	9,682	18%	23,014	43%	19,198	36%
Median Year Built of Housing	1958		1953		1965		1972	
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	1	2%	4	8%	25	48%	22	42%
Home Improvement	0	0%	0	0%	1	50%	1	50%
Total 1996	1	2%	4	7%	26	48%	23	43%
Home Purchase/Refi	1	2%	8	13%	36	60%	15	25%
Home Improvement	0	0%	1	17%	2	33%	3	50%
Total 1997	1	2%	9	14%	38	58%	18	27%
Home Purchase/Refi	1	2%	11	26%	24	57%	6	14%
Home Improvement	0	0%	0	0%	2	67%	1	33%
Total YTD 1998	1	2%	11	24%	26	58%	7	16%
<b>Grand Total</b>	<b>3</b>	<b>2%</b>	<b>24</b>	<b>15%</b>	<b>90</b>	<b>55%</b>	<b>48</b>	<b>29%</b>

Source: U.S. Census Demographic Data and HMDA Loan Application Registers

The following chart shows Plains overall market share for home purchase, refinance and home improvement loans in this area. It also shows market share and rank for home related loans made in the moderate-income census tract.

1996 Home Mortgage Loan Originations Market Share Within the Amarillo Assessment Area by Income Level of the Census Tract									
Loan Product	All Tracts			Low-Income Tracts			Moderate-Income Tracts		
	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Home Purchase/Refi	52	1.16%	19	1	1.6%	16	4	.71%	24
Home Improvement	2	.21%	17	0	0.0%	19	0	0.0%	19
Total	54	.99%	21	1	1.10%	21	4	.53%	28

Source: HMDA Aggregate Data

Plains lending volume of home related loans in this assessment area ranks twenty-first overall as well as in their low-income census tracts. The level of lending in the moderate-income tract is slightly greater than in their low-income census tracts and is ranked twenty-eighth.

**Distribution by Borrowers’ Income within the Amarillo Metropolitan Area**

Small Business and Farm Loans

Plains has demonstrated a good responsiveness to the small business credit needs within the Amarillo assessment area. The following chart shows Plains willingness to make loans of varying sizes and to businesses of different revenue levels.

<b>Distribution of Small Business and Farm Loan Originations in 1996 and 1997 Within the Amarillo Assessment Area By Loan Size and Business Revenues</b>														
<b>Loan Size</b>					<b>Annual Revenues &lt; \$1 Million</b>									
	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b>#</b>	<b>%*</b>	<b>\$ (000)</b>	<b>%*</b>						
less than \$100,000	645	80%	\$18,641	31%	573	89%	\$15,357	82%						
\$100,000 to \$250,000	110	14%	\$19,297	32%	79	72%	\$13,437	70%						
\$250,000 to \$1,000,000	53	7%	\$23,111	38%	38	72%	\$16,902	73%						
<b>Totals</b>	<b>808</b>	<b>100%</b>	<b>\$61,049</b>	<b>100%</b>	<b>690</b>	<b>85%</b>	<b>\$45,696</b>	<b>75%</b>						
<b>Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:</b>					<table> <tr> <td>&lt; 1 Million</td> <td>80 %</td> </tr> <tr> <td>&gt; 1 Million</td> <td>10 %</td> </tr> <tr> <td>Unknown</td> <td>10%</td> </tr> </table> <p>*As a percentage of loans of the size category</p>				< 1 Million	80 %	> 1 Million	10 %	Unknown	10%
< 1 Million	80 %													
> 1 Million	10 %													
Unknown	10%													

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

Plains responsiveness to small business credit needs is noted by the high percentage of the number and dollar amount of small business loans with original loan amounts of \$100 thousand or less. Also, a substantial majority of the number and dollar volume of these loans were made to businesses with revenues less than \$1 million. This lending pattern is consistent with the number of businesses within the assessment area whose revenues are less than \$1 million.

## Home Mortgage Lending

Plains has made loans to individuals and families across economic lines but more to upper-income. The following table reflects the distribution of HMDA reportable loans for 1996, 1997 and year to date 1998. For comparison, the chart also shows the distribution of all families living in the Amarillo assessment area according to their income level.

Distribution of Home Mortgage Loan Originations in 1996, 1997 and YTD 1998 Within the Amarillo Assessment Area By Income Level of the Borrower								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Characteristics of Families	10,518	21%	9,036	18%	11,688	23%	19,787	39%
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	0	0%	1	2%	6	13%	40	85%
Home Improvement	0	0%	0	0%	0	0%	2	100%
Total 1996	0	0%	1	2%	6	12%	42	86%
Home Purchase/Refi	1	2%	5	8%	10	17%	43	73%
Home Improvement	0	0%	0	0%	1	17%	5	83%
Total 1997	1	2%	5	8%	11	17%	48	74%
Home Purchase/Refi	0	0%	0	0%	3	7%	39	93%
Home Improvement	0	0%	0	0%	0	0%	3	100%
Total YTD 1998	0	0%	0	0%	3	7%	42	93%
<b>Grand Total</b>	<b>1</b>	<b>1%</b>	<b>6</b>	<b>4%</b>	<b>20</b>	<b>13%</b>	<b>132</b>	<b>83%</b>

Source: U.S Census Demographic Data and HMDA Loan Application Register

1996 Home Mortgage Loan Originations Market Share Within the Amarillo Assessment Area by Income Level of the Borrower									
Loan Product	All Borrowers			Low-Income Borrowers			Mod-Income Borrowers		
	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Home Purchase/Refi	52	1.16%	19	0	0.00%	37	1	.15%	35
Home Improvement	2	.21%	17	0	0.00%	19	0	0.00%	19
Total	54	.99%	21	0	0.00%	40	1	.12%	39

Source: HMDA Aggregate Data

\*The totals do not include 5 loans to borrowers with unknown incomes.

Overall, the market share data shows that Plains has minimal market share among financial institutions originating HMDA reportable loans to all borrowers in the Amarillo MSA.

### Community Development Lending

Based on information provided by the bank, no community development loans were originated in the Amarillo assessment area. We recommend that Plains explore and documents its efforts regarding such lending opportunities for all its assessment area(s).

### Investment Test

Plains has no qualified investments in the Amarillo MSA assessment area based on the information provided by the bank and our verification of its accuracy,. Considering the existence of identified needs for this area, the lack of innovative or complex investment products, and the absence of any significant financial constraints on the bank, we recommend that Plains explore all potential investment avenues.

### Service Test

#### *Retail Banking Services*

The quantity and quality of the bank's service-delivery systems allow for reasonable access to bank products and services by essentially all portions of the institutions assessment areas. The bank provides a reasonable range of products through its branch and ATM networks. Four full service locations have opened since the last compliance examination and are within reasonable proximity of all low- and moderate-income census tracts. Two were in a moderate-income census tracts, one in a middle-income census tract, and one in an upper income census tract. Reasonable proximity to low-and moderate-income census tracts are based on our review of their locations. The bank has three proprietary ATMs in the Amarillo MSA. No branches have been closed in the

Amarillo MSA. The following table illustrates how the bank’s locations generally reflect the income distribution of the area’s population and geographies.

Distribution of Delivery System By Income Level of the Census Tracts								
Community Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	7	10%	17	25%	26	38%	18	26%
Households	3,803	5%	15,427	21%	32,908	46%	20,114	28%
Type of Service	#	%	#	%	#	%	#	%
Branches	0	0%	2	50%	1	25%	1	25%
ATMs	0	0%	1	33%	1	33%	1	33%
Totals	0	0%	3	43%	2	29%	2	29%

The same standard bank services offered in the Lubbock MSA branches offices are available in the Amarillo MSA branches. These include all types of checking and savings accounts, loans, credit cards, phone banking and ATM’s, No portions of the assessment area are inconvenienced.

With the exception of extended lobby hours on Saturday and Sunday, the hours of operations are consistent with the Lubbock MSA branches.

### Community Development Services

Plains provides a limited level of community development services in the Amarillo assessment area. The bank submitted one qualified community development service for Amarillo. A member of Plains senior management represents the bank as President of, and provides technical expertise to the Texas Panhandle Regional Development Board. The board evaluates and approves the SBA 504 loan requests for the upper 26 counties of the State of Texas. The SBA issues debentures to fund the development corporations portion of the SBA 504 financing.



## **Appendix A: Scope of Examination**

A full scope CRA examination was conducted which included an analysis of Plains small business and small farm and HMDA lending activity from 1996, 1997 and year to date June 1998. We evaluated the bank's lending, investment, and service performance in both of the assessment areas, the Lubbock MSA and Amarillo MSA.