



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 14, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Inter National Bank
Charter Number 18480

1700 South 10th Street
McAllen, Texas 78502-1700

Comptroller of the Currency
Southwestern District
500 North Akard, 1600 Lincoln Plaza
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 financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Inter National Bank, McAllen, Texas, prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 14, 1996. 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.

Inter National Bank is responsive to the community credit needs including low- and moderate-income individuals and areas based on the following:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the assessment area.
- A majority of loans are made within the bank's assessment area which encompasses those census tracts in and around the cities of McAllen and Mission, Texas.
- The geographic distribution of loans covers all census tracts and reflects reasonable dispersion throughout the assessment area.
- A reasonable penetration of loans is granted to low- and moderate-income individuals and businesses of different sizes.

The following table indicates the performance level of Inter National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>INTER NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet 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 were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Inter National Bank (INB) is a commercial bank with total assets of \$114 million and gross loans of \$70.4 million as of March 31, 1996. INB has two branches located in McAllen, Texas, with a third McAllen branch scheduled to open August 15, 1996. All locations have automated teller machines (ATM) with a stand alone ATM located on the corner of Tenth and Nolana Streets. INB does not face any legal impediments and the financial condition does not inhibit efforts in supporting the community's credit needs. INB offers a wide range of deposit services and credit products. The loan portfolio consists of: family residential 23%, loans to individuals 11%, commercial real estate 26%, commercial and industrial 26%, construction 11%, and other 3%. INB is wholly owned by INB Delaware Corporation, a wholly owned subsidiary of INB Financial Corporation.

DESCRIPTION OF HIDALGO COUNTY

INB designates the cities of McAllen, Mission, Sharyland, Palmview, La Joya, and Penitas as its assessment area (AA). All of these communities are within Hidalgo County. The AA does not arbitrarily exclude low- and moderate-income geographic areas and is in compliance with the regulation's requirements. The AA is located in the McAllen-Edinburg-Mission Metropolitan Statistical Area and includes 31 census tracts comprised of 7 moderate, 11 middle, and 13 upper income census tracts. No low-income census tracts are located in the AA.

The city of McAllen is located in the heart of the Rio Grande Valley approximately ten miles from the Mexico border town of Reynosa. The 1990 census reports the population of McAllen at 84 thousand with Hidalgo County having a median family income of \$17,619. McAllen is the center of a 250 mile retail market area containing more than ten million people. McAllen's financial institutions include ten banks, three savings and loans, and two credit unions. McAllen has a commission-manager form of government. The mayor and four commissioners are elected at large and serve as the legislative body. Hidalgo County's largest employers are McAllen Independent School District, the City of McAllen, and Hagggar Apparel Company, all who have at least one thousand employees each.

INB identifies small business and affordable housing loans as primary credit needs. These credit needs are identified in prior community contacts we performed.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

INB is satisfactorily meeting the community credit needs of its assessment area, including low- and moderate-income individuals, consistent with its resources and capabilities.

INB's seven quarterly average loan-to-deposit ratio is reasonable at 59% and is 65% at the time of this review. This ration is comparable with McAllen's four other locally owned banks which have a combined loan-to-deposit ratio of 65%.

INB extends a majority of its loans within the AA. The 1995 Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) identifies 89% of the number and 92% of the dollar volume of loans are within the AA. INB's May 31, 1996, analysis of other non HMDA reportable loans indicates 75% of the number and 74% of the dollar volume of loans are within the AA. These percentages correspond with our sample of 25 business and 25 consumer loans originating in 1996 which indicates 92% of both the number and dollar volume are extended within the AA.

Please refer to the following table for an analysis of Inter National Bank's 1995-96 HMDA loan originations:

1995-96 HMDA LOAN ORIGINATIONS (\$000'S) WITHIN\OUTSIDE THE ASSESSMENT AREA								
Loan Type	# within AA	%	# outside AA	%	\$ within AA	%	\$ outside AA	%
Home Purchase (1-4 family)	102	89%	12	11%	6,913	91%	676	9%
Home Improvement	27	84%	5	16%	413	87%	63	13%
Refinancing (1-4 family)	14	88%	2	12%	648	87%	95	13%
Multi family dwelling	10	100%	0	0%	1,779	100%	0	0%
Total	153	89%	19	11%	9,753	92%	834	8%

INB has a reasonable distribution of loans to borrowers of different income levels, including low- and moderate-income individuals. Although the 1995-96 HMDA-LAR indicates no loans to low-income individuals, 16% were extended to moderate-income individuals. Our sample of 25 consumer loans indicates 8.7% are low-income individuals and 4.6% to moderate-income individuals. Our 25 business loan sample indicates 80% are to small businesses.

Please refer to the following table for additional detail:

1995-96 HMDA Originations Based on Income of the Borrower (000's)				
Income	# 1995-6 HMDA Loans	%	\$ 1995-6 HMDA Loans	%
Low Income	0	0%	0	0%
Moderate Income	26	16%	644	8%
Middle Income	20	13%	353	4%
Upper Income	113	71%	7,638	88%
Total	159	100 %	8,635	100%

INB's loan distribution within the AA's 31 census tracts is reasonable. Our analysis reflects 16% of the number of loans are within moderate income census tracts.

During this evaluation period, INB has not received any consumer complaints regarding CRA performance. Further, no violations of anti-discrimination laws and regulations were identified. Fair lending training is provided to lending personnel and annual audits are conducted to ensure compliance with the anti-discrimination laws. All loans receive a secondary review before denial to ensure consistency in the lending process.