



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**December 07, 2004**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First Independent National Bank  
Charter Number 23447**

**2012 Midway Road  
Plano, TX 75093**

**Comptroller of the Currency  
Dallas Field Office  
17300 Dallas Parkway, Suite 2020  
Dallas, TX 75248**

**NOTE: This document is an evaluation of this 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. 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.**

## **INSTITUTION'S CRA RATING**

### **This institution is rated Satisfactory.**

First Independent National Bank (FINB) has a satisfactory record of meeting community credit needs. This rating is based upon the following:

- A majority of loans sampled, representing 75% of the number and 91% of the dollar volume, originated within the bank's assessment area.
- The loan-to-deposit ratio of 103% meets the standards for satisfactory performance given the bank's size and financial condition.
- The distribution of loans made to borrowers of different incomes and to businesses of different sizes meets the standards for satisfactory performance.
- The geographic distribution of business loans reflects a reasonable dispersion of low- and moderate-income census tracts within the assessment areas.

## **DESCRIPTION OF INSTITUTION**

FINB is a community bank with \$66 million in assets located in Plano, Texas. FINB was rated "Satisfactory" in its previous CRA public evaluation dated October 30, 2000. The bank does not have financial or legal obstacles that affect its ability to meet community credit needs. Due to several changes in management since the bank opened in 1998, lending philosophies have also changed. During this analysis period, management and lending expertise lies in construction and commercial loans.

FINB is a full service institution, providing various deposit and loan products. Internet banking is also offered, allowing customers access to account information and the ability to conduct transactions including Bill Pay. Telephone banking is also available.

FINB services all of Collin County and portions of Dallas and Denton Counties through two banking locations and two automated teller machines (ATMs) located at 2120 Midway Road (main office) and 8901 Independence Parkway (branch), both in Plano, Texas.

As of December 31, 2003, FINB had a "net loans to total assets" ratio of 78%. The following table portrays the principal loan mix of the bank:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial (including real estate)	25,160	40.3%
Construction	26,877	43.0%
Residential Real Estate	8,700	13.9%
Consumer	1,537	2.5%
Other Loans	194	0.3%
<b>Total</b>	<b>62,468</b>	<b>100%</b>

## DESCRIPTION OF ASSESSMENT AREA

FINB has identified numerous census tracts located in Collin County, Dallas County (north of Interstate 30), and Denton County (south of Highway 380 and east of Interstate 35W) as its assessment area (AA). All of these areas are within the Dallas MSA #1920, meet regulatory guidelines, and do not arbitrarily exclude low- or moderate-income areas.

The following tables reflects the demographics for the AA:

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>		
<b>Census Year</b>	<b>1990</b>	<b>2000</b>
<b>Population</b>		
Number of Families	394,418	553,606
Number of Households	611,480	843,952
<b>Geographies</b>		
Number of Census Tracts	327	433
# - % Low-Income Census Tracts	25-7.49%	29-6.64%
# - % Moderate-Income Census Tracts	55-16.47%	95-21.74%
# - % Middle-Income Census Tracts	112-33.53%	133-30.43%
# - % Upper-Income Census Tracts	135-40.42%	176-40.27%
<i>Median Family Income (MFI)</i>		
1990 MFI for AA	\$38,754	
2002 HUD-Adjusted MFI	\$66,500	
2000 MFI for AA		\$55,854
2003 HUD-Adjusted MFI		\$65,000
<b>Economic Indicators</b>		
Unemployment Rate		6.2%*
2002 Median Housing Value	\$106,791	
2003 Median Housing Value		\$141,657
% of Households on Social Security	14%	14%
% of Households Below Poverty Level	8%	8%
% of Households on Retirement	9%	9%

\*Based on Annualized 2003 Bureau of Labor Statistics (BLS) Data for census tracts in assessment area.

More than 3 million residents populate the assessment area. Based on 1990 Census information, 94% of housing units are occupied, with owner-occupied housing of 52%, rental-occupied housing of 43%, and vacant housing units of 6%. The 2000 Census information reflects total occupied housing units of 90%, with owner-occupied housing of 46%, rental-occupied housing of 44%, and vacant housing units of 10%.

Unemployment rates have remained relatively stable and comparable to national averages. The economy of the area is stable and considered diverse. The largest employers in the bank's assessment area are the following: American Airlines, EDS, Texas Instruments, Parkland Memorial Hospital, UT Southwestern Medical Center, Baylor Medical Center, University of North Texas, and J. C. Penney.

There are numerous financial institutions that operate within the assessment area, including other national banks, branches of larger national and state banks, and credit unions.

The credit needs of the community were determined through interviews with individuals associated with the Texans Can! Academy. The community contact stated that area financial institutions are very cooperative and diligently try to meet the credit demands of the community.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

We reviewed a sample of loans made in the assessment area to determine FINB's performance as it relates to community reinvestment. The December 31, 2003 Call Report indicates that a majority of FINB's loan portfolio consists of real estate construction and commercial loans. A good portion of the loan portfolio also consists of residential real estate.

The tables in this evaluation reflect demographic data from the 1990 Census as opposed to the 2000 Census. The 1990 Census information was used since that period included a larger amount of data relevant to the analysis of the bank's adherence to CRA.

Overall, FINB meets the standards of satisfactory performance. Their strengths are lending in the designated assessment area; lending to moderate-income families; and lending to businesses with revenues of less than \$1.0 million.

### Lending in Assessment Area

Based on our review of lending patterns, FINB meets the standards of satisfactory performance. The lending pattern revealed 78% of loans within the assessment area, totaling \$7.8 million or 79% of the dollar volume. A sample of 20 home mortgage and 20 commercial loans was reviewed for this analysis.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home mortgage loans	15	75%	5,289	91%	5	25%	508	9%
Commercial	16	80%	2,583	66%	4	20%	1,235	34%
<b>Total Reviewed</b>	<b>31</b>	<b>78%</b>	<b>7,872</b>	<b>79%</b>	<b>9</b>	<b>22%</b>	<b>1,743</b>	<b>21%</b>

### Loan-to-Deposit Ratio

FINB's average loan-to-deposit (LTD) ratio is 103%. Given the size, financial condition, and assessment area credit needs, the bank meets the standards for satisfactory performance. The 18-quarter average LTD ratio appears favorable compared to other financial institutions within the assessment area. Information for these financial institutions is detailed in the following table:

<b>Institution</b>	<b>Assets ('000's) As of 12/31/03</b>	<b>Average LTD Ratio</b>
<b>FINB</b>	<b>79,975</b>	<b>103.51%</b>
Parkway NB	58,483	84.20%
Preston NB	48,134	87.74%
Sanger Bank	59,058	56.62%
Signature Bank	51,875	81.08%
National Peer Group	50,000-100,000	76.50%

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

The bank meets the standard for satisfactory performance in lending to borrowers of different incomes and to businesses of different sizes.

A sample of 20 home mortgage loans that originated within the bank's assessment area were reviewed. FINB's home mortgage lending to low- and moderate-income borrowers is low and needs improvement in comparison to the percentage of low-income families within the assessment area. However, the bank's penetration of home mortgage lending to middle-income borrowers is good as reflected in the following table:

<b>Borrower Income Level</b>	<b>LOW</b>		<b>MODERATE</b>		<b>MIDDLE</b>		<b>UPPER</b>	
% of AA Families	6.64%		21.74%		30.43%		40.27%	
LOANS by TYPE	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Mortgage Loans	0	0	4.35%	0.58%	26.09%	5.06%	69.57%	94.36^

This low penetration level results from management's lending focus during the analysis period of commercial and commercial real estate loans. These consisted of small business loans and construction loans to builders and individuals. Another reason for the nominal penetration of loans to low- and moderate-income borrowers results from the requirements of closing costs and down payments when purchasing a home. Typically, borrowers with higher incomes are able to produce these funds while many lower income borrowers are not. Despite these factors, management needs to make a more concerted effort to reach these individuals within their assessment area.

FINB originated an adequate number of loans to businesses with revenues of less than \$1.0 million. We reviewed a sample of 20 commercial loans originated within the bank's assessment area totaling \$2.6 million. Twelve of these, totaling \$1.7million, were made to businesses with revenues of less than \$1.0 million. The following table illustrates the bank's lending penetration to businesses of different sizes within the AA:

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	90%	10%
% of Bank Loans in AA #	85%	15%
% of Bank Loans in AA \$	69%	31%

## Geographic Distribution of Loans

FINB has a reasonable dispersion of loans in its assessment area (AA). The number and dollar volume of residential loans made in moderate-income census tracts is good as depicted in the table below.

RESIDENTIAL LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	4.38%		13.25%		38.57%		43.79%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Mortgage Loans	0	0	10%	2%	25%	12%	65%	86%

Mortgage loans sampled = 20 loans totaling \$5.8 million.

The number of business loans made in low and moderate-income census tracts is excellent in comparison to the percentage of businesses in the assessment area:

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	5%		20%		30%		45%	
Loan Type	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Commercial	4	3	25	35	29	31	42	31

Commercial loans sampled = 20 loans totaling \$5.4 million

## Responses to Complaints

FINB did not receive any CRA related complaints during this evaluation period.

## Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.