



## **PUBLIC DISCLOSURE**

September 28, 1998

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First Bank of Conroe, N.A.  
Charter Number: 18612  
Post Office Box 1280  
1426 Loop 336  
Conroe, Texas 77305**

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

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

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining 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 **First Bank of Conroe, N. A.** prepared by **The Office of the Comptroller of the Currency** the institution's supervisory agency, as of September 28, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

First Bank of Conroe, N.A. has a *satisfactory* record of meeting credit needs within the community, as evidenced by the following:

- A loan to deposit ratio which exceeds the standards for satisfactory performance;
- A reasonable proportion of loan originations within the bank's assessment area;
- A reasonable distribution of loan originations to borrowers of different income levels and businesses of different sizes;
- A reasonable geographic distribution of lending within the assessment area;
- No consumer complaints regarding the bank's CRA performance were received since the prior examination. However, the bank has a satisfactory process to handle consumer complaints.

The following table indicates the performance level of **First Bank of Conroe, N.A.** with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b><u>FIRST BANK OF CONROE, N.A.</u> PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
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 regarding CRA performance were received since the prior examination.		

## **DESCRIPTION OF INSTITUTION**

First Bank of Conroe, N.A. is a \$114 million institution serving its customers with a main location in Conroe, Texas on Loop 336, a separate drive-in facility closer to downtown Conroe, and a branch office in nearby Montgomery, Texas. All facilities have ATM machines. The bank has a cash dispensing machine in Willis, Texas. To help meet credit needs, the bank offers general loan products for consumers, small businesses, and small farms. Lending activity is in the following categories: real estate (64%), loans to individuals (18%), commercial and industrial loans (17%), agricultural and all other loans (1%). The bank offers a variety of deposit accounts and other banking services.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's designated assessment area includes all thirty-nine census tracts in Montgomery County. Only one census tract is designated as low income. Nine census tracts are designated as moderate income. Eighteen tracts are designated as middle income, and eleven are upper income tracts. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Conroe and Montgomery County are significantly influenced by the close proximity to Harris County with Houston, Texas in that county.

The assessment area had 182 thousand people according to the 1990 census with 11% living below the established poverty level. Approximately 5% of the population received public assistance and 20% received social security payments. A 1996 estimate placed the population at approximately 276 thousand. The ethnic composition of Montgomery County is white (88%), Hispanic (7%), black (4%), and Asian (1%).

According to the 1990 census, the assessment area has approximately 74 thousand housing units with 69% being one - four family units. The median housing value was \$70 thousand, and the median monthly gross rent was \$435. As of the 1990 census, the HUD Houston Metropolitan Statistical Area Median Family Income was \$36,886. The updated HUD Median Family Income is \$50,400.

The bank is subject to intense competition from five branches of large regional national banks, two community national banks, and seven state chartered banks. Five federal savings banks are located in the area in addition to other non-bank financial entities.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

## LOAN TO DEPOSIT RATIO

The bank actively attempts to meet the credit needs of its assessment area. The loan to deposit ratio exceeds the standards for satisfactory performance and has averaged 74% since the prior Performance Evaluation dated March 31, 1995. Ratios for the five most recent quarters compared to the bank's most similar peer group are shown in Table 1.

**Table 1**

<b>LOAN TO DEPOSIT RATIO FOR THE QUARTER ENDED</b>	<b>FIRST BANK OF CONROE, N.A.</b>	<b>BANKS IN MONTGOMERY AND HARRIS COUNTY</b>
June 30, 1998	75.05%	61.33%
March 31, 1998	75.88%	60.63%
December 31, 1997	75.00%	60.39%
September 30, 1997	75.84%	59.60%
June 30, 1997	77.80%	59.61%
Five Quarter Average	75.91%	60.31%

## LENDING IN THE ASSESSMENT AREA

A majority of the bank's loans are within the assessment area. The exact percentage could not be determined. However, a management analysis of 1,644 loan originations in 1997 revealed a known census tract location for 1,265 loans. Of that total, 88% of the number of loans (1,118 of 1,265) were within the bank's assessment area. If the 379 loans without a known location are considered as outside the assessment area, the percentage drops to 68%. Dollar totals for known loans show that 85% (\$29.3 million of \$34.5 million) were within the assessment area. As a further test, we sampled 1998 loan originations and confirmed a majority of loans are originated in the assessment area. Our sample of all 1998 originations recorded on the loan application register for home purchase, home improvement, and refinancing of homes revealed 86% (42 of 49) were within the assessment area. A sample of consumer loans yielded similar results.

Community contact during the examination indicated the bank is active in the community in both lending and service. Our contact did not disclose any unaddressed

credit needs but stated housing for all income ranges was the greatest need in Montgomery County.

**LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES**

Overall, the bank’s level of lending to individuals of different income levels and businesses of different sizes is reasonable. Loan applications are solicited from all income levels. Income information for most borrowers has been maintained and is available from the bank’s system. In addition to totals for 1997 and 1998, we sampled consumer loans granted in July, August, and September 1998. And, we analyzed home purchase, home improvement, and refinancing of home loans in 1998 using the Home Mortgage Disclosure Act (HMDA) Statements. This information is contained in the following Table.

**Table 2**

<b>LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS</b>										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	21%		17%		22%		40%		100%	
Income Distribution	#	%	#	%	#	%	#	%	#	%
1997	154	8%	287	14%	543	26%	1,067	52%	2,051	100%
1998	87	6%	211	15%	399	28%	733	51%	1,430	100%
Total	241	7%	498	14%	942	27%	1,800	52%	3,481	100%
Consumer Sample	7	35%	3	15%	3	15%	7	35%	20	100%
HMDA Sample	2	4%	6	13%	16	35%	22	48%	46	100%

Most of the bank’s commercial lending is to small businesses with less than \$1 million

in gross revenues. We reviewed a limited sample of commercial loans originated in July, August, and September of 1998. We found that 7 of 9 loans (78%) of the loans were granted to businesses with less than \$1 million in gross revenues. All of the loans were less than \$1 million in the amount.

### **GEOGRAPHIC DISTRIBUTION OF LOANS**

The locations of the bank’s loans reflect a reasonable geographic distribution throughout the bank’s assessment area. Management maintains information detailing the census tract location of loan originations. Information for all 1997 originations was available and is detailed in Table 3. Of 1,644 loan originations in 1997, management was able to identify the census tract location of 1,118 loans in its assessment area. The bank granted loans in every census tract in 1998 within its assessment area with the exception of two. Both are middle income tracts (901.12 and 901.22) geographically separated by distance and U.S. Highway 59. The highway acts as a natural barrier. In addition, other financial institutions in the area adequately serve these census tracts.

**Table 3**

<b>1997 GEOGRAPHIC DISTRIBUTION OF LOANS</b>										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	3%		23%		46%		28%		100%	
Count	1		9		18		11		39	
	#	%	#	%	#	%	#	%	#	%
1997 Distribution	35	3%	367	33%	507	45%	209	19%	1,118	100%

We sampled 1998 information to confirm a reasonable geographic distribution of loans.

We analyzed a sample of consumer loans, 1998 HMDA data, and a sample of commercial loans. Table 4 details the results of this sample.

**Table 4**

<b>1998 GEOGRAPHIC DISTRIBUTION OF LOANS</b>										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	3%		23%		46%		28%		100%	
Count	1		9		18		11		39	
Samples	#	%	#	%	#	%	#	%	#	%
Consumer	1	5%	6	32%	7	37%	5	26%	19	100%
HMDA	0	0%	13	31%	20	48%	9	21%	42	100%
Commercial	0	0%	3	38%	2	24%	3	38%	8	100%
Total	0	0%	22	32%	29	43%	17	25%	68	100%

## **RESPONSE TO COMPLAINTS**

During this evaluation period, First Bank of Conroe, N. A. did not receive any complaints concerning the bank's CRA performance. However, management has a satisfactory process to handle any complaints.

## **COMPLIANCE WITH ANTI-DISCRIMINATION LAWS**

A Fair Lending review was performed at the same time as this CRA examination. First Bank of Conroe, N.A. is in compliance with the provisions of the anti-discrimination laws and regulations. In addition, we did not find any evidence of practices intended to discourage potential borrowers from applying for credit at this bank.

## **OTHER CONSIDERATIONS**



First Bank of Conroe, N.A. and its officers participate in projects designed to contribute to the general welfare of the community. The executive officers are involved with the Greater Conroe Economic Development Council and the Chamber of Commerce Board of Directors. The bank participates in the Annual Fair & Rodeo of Montgomery County. Also, the bank sponsors a “Junior Board of Directors” composed of high school students nominated by their teachers, counselors, and school administrators. The criteria for selection include academic standing, leadership qualities, enthusiasm, and a strong desire to succeed. Students are selected from Conroe, Montgomery, and Willis high schools. The bank makes contributions to local charities and organizations in the normal course of business.

Lending participation includes financing the Montgomery city park, apartment complexes to meet housing needs, and local church expansions. The bank has a minimum loan amount of \$1 thousand. However, they offer a Cash Reserve account to meet the smaller credit needs of individuals in the community. At December 31, 1997, the bank had 525 Cash Reserve accounts with a dollar total of \$376 thousand. In addition, the bank offers access to conventional long-term residential mortgages in the secondary market. In 1997, the mortgage department closed 80 loans totaling more than \$10 million.

First Bank of Conroe, N.A. is an approved Small Business Administration (SBA) lender and was rated friendliest to small business in the six most populous states by the SBA. In addition, the *Houston Business Journal* rated the bank first in “friendly banking” based on the ability to serve small businesses.