



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

June 12, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Alvin
Charter Number: 14905**

**1600 East Highway 6
Alvin, Texas 77511**

**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 the **First National Bank of Alvin** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 12, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25. A copy of this document should be placed in the bank's public file.*

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

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

- A reasonable loan-to-deposit ratio;
- A majority of loan originations within the bank's assessment area;
- An outstanding distribution of loan originations to borrowers of different income levels and businesses of different sizes; and
- A satisfactory geographic distribution of lending within the assessment area; and,

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST NATIONAL BANK OF ALVIN</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 CRA examination.		

DESCRIPTION OF INSTITUTION

First National Bank of Alvin is an \$82 million institution serving its customers with a main location in Alvin and a branch in Manvel. The Alvin location has an ATM attached to the commercial drive-in overhang. The Manvel location has an ATM attached to the building. To help meet the credit needs of its community, the bank offers general loan products for consumers and small businesses. Lending activity is in the following categories: real estate (35%), one to four family residential property (11%), loans to individuals (33%), and commercial and industrial loans (21%). The bank offers a variety of deposit accounts and other banking services as well.

DESCRIPTION OF ASSESSMENT AREA

First National Bank of Alvin's assessment area includes fourteen whole census tracts in Brazoria County around the bank. Four of the fourteen census tracts are moderate income, and ten are middle income. The assessment area does not have any census tracts designated as low or upper income. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The assessment area has a population of about 63 thousand people, with 10% living below the established poverty level. The city of Alvin has most of the population with approximately 26 thousand residents. Manvel has about 4 thousand residents. The remaining population lives in rural areas in close proximity to Alvin. The assessment area has approximately 23 thousand housing units with 61% being one to four family units. The number of owner occupied units is high accounting for 88% of the one to four family units. The percentage of vacant housing units is low at 11% of the total. The median housing value is \$63,548 and the median monthly gross rent is \$406. As of the 1990 census, the weighted average of Metropolitan Statistical Area (MSA) Non-MSA's Census Median Family Income was \$39,344. The updated MSA Median Family Income is \$50,400. Social security payments are received by 18% of the population in the assessment area.

Competition in the area, especially in the City of Alvin, is considered intense. The bank is subject to competition from national banks, state chartered banks, and non-bank financial entities in the area. Also, the bank has competition from a local credit union and a savings and loan association. Manvel has less competition with no other financial institution within Manvel although there are several in close proximity.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

First National Bank of Alvin actively attempts to meet the credit needs of its assessment area. The loan-to-deposit ratio is reasonable and has averaged 44% since the prior Performance Evaluation dated April 4, 1995. The bank's ratios for the five most recent quarters compared to similar peer groups are shown in Table 1.

Table 1

LOAN-TO-DEPOSIT RATIO FOR THE QUARTER ENDED	FIRST NATIONAL BANK OF ALVIN	BANKS IN BRAZORIA COUNTY, TEXAS	BANKS IN BRAZORIA, MATAGORDA, GALVESTON, & FORT BEND COUNTIES
December 31, 1997	44.55%	45.36%	48.36%
September 30, 1997	43.30%	45.01%	47.21%
June 30, 1997	43.92%	46.61%	49.11%
March 31, 1997	38.26%	43.97%	48.63%
December 31, 1996	42.47%	43.96%	46.75%
Five Quarter Average	42.50%	44.98%	48.01%

LENDING IN THE ASSESSMENT AREA

A management analysis revealed a majority of the bank's loans were within its assessment area. This analysis revealed 58% (1,411 of 2,419) were made within the bank's assessment area. Also, most of the dollar amount (\$19.4 million of \$32.2 million or 61%) of the total loans was within the assessment area.

A community contact performed during the examination indicates that the bank is active in the community in both lending and service. Also, our contact did not disclose any credit needs not being addressed.

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 outstanding. Loan applications are solicited from all income levels. However, our sample of consumer loans revealed a greater proportion of lending to low- and moderate-income borrowers than reflected by the area demographics. The concurrent fair lending review revealed further support for the conclusion that the bank has a significant portion of its consumer loans to low- and moderate-income borrowers. Similarly, a review of all owner occupied home purchase loans for 1997 and 1998 showed a majority of the loans were made to low income borrowers. Most of the home improvement loans in 1998 for owner occupied homes were to low- and moderate-income borrowers. In addition, our sample of commercial loans revealed a majority of loans we sampled were to small businesses with revenues less than \$1 million per year. Table 2 summarizes our review.

Table 2

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	20%		20%		26%		34%		100%	
Loan Types	#	%	#	%	#	%	#	%	#	%
Mortgage	10	52%	2	11%	4	21%	3	16%	19	100%
Consumer	8	32%	11	44%	5	20%	1	4%	25	100%
Home Improvement	6	25%	9	37%	5	21%	4	17%	24	100%
Total	24	35%	22	32%	14	21%	8	12%	68	100%
Revenue Ranges	< \$100M		\$100M--\$500M		\$500--\$1MM		> \$1MM		Total	
Commercial	7	35%	7	35%	2	10%	4	20%	20	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

Our sample of loans from the bank's consumer, mortgage, home improvement, and small business portfolios revealed a satisfactory geographic distribution of loans. The bank has made loans in every census tract within its assessment area.

The percentage of loans in moderate income tracts and middle income tracts closely approximates the area demographic characteristics. The bank's data processing system provides detailed information on the bank's lending by census tract. The following table is based upon that information and details the distribution of all bank loans within the assessment area:

Table 3

GEOGRAPHIC DISTRIBUTION OF LOANS										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	0%		29%		71%		0%		100%	
Count	0		4		10		0		14	
	#	%	#	%	#	%	#	%	#	%
Loan Types										
Mortgage	0	0%	16	28%	41	72%	0	0%	57	100%
Consumer	0	0%	214	17%	1,029	83%	0	0%	1,243	100%
Home Improvement	0	0%	21	17%	103	83%	0	0%	124	100%
Small Business	0	0%	192	88%	25	12%	0	0%	217	100%
Total Loans	0	0%	443	27%	1,198	73%	0	0%	1,641	100%

RESPONSE TO COMPLAINTS

The bank did not receive any consumer complaints since the prior CRA examination. However, First National Bank of Alvin has a satisfactory procedure in place to handle any future consumer complaints.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

A Fair Lending review was performed in conjunction with the CRA examination. First National Bank of Alvin is in compliance with the provisions of anti-discrimination laws and regulations. We found no evidence of practices intended to discourage potential borrowers from applying for credit at this bank.

OTHER CONSIDERATIONS

First National Bank of Alvin actively participates in lending projects designed to contribute to the general welfare of the community. This includes offering Small Business Administration loans, mobile home loans, and a special home purchase loan program for low- and moderate-income borrowers. The home purchase program is called "Primary Mortgage" and features no underwriting (origination fee or prepaids) or credit bureau fee, no minimum loan amount, and less restrictive underwriting guidelines than most conventional home mortgage plans. Also, management began a "Jingle Bucks" program in 1996 during the Christmas season. It features loans for up to \$2,500 on an unsecured basis, possible deferment of one payment, and a reasonable interest rate. Officers were able to make more than 200 loans in 1997 under this program, and it will be offered again in 1998. Approval criteria are centered in payment history and all other unsecured debt. To further encourage consumer borrowing, the bank does not have a minimum loan amount.

Officers have actively solicited and made community development loans. This includes loans to several area churches, a community health organization, and a volunteer fire department. The bank's investment portfolio contains several bonds and securities from the local school district and the cities of Alvin and Manvel.