



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Public Disclosure

May 26, 1998

Community Reinvestment Act Performance Evaluation

**First Commercial Bank, N.A.
Charter Number 17862**

**1336 Court Street
Seguin, Texas 78155**

**Office of the Comptroller of the Currency
Southwestern District
San Antonio North Duty Station
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San Antonio, Texas 78216-4605**

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 CRA performance of **First Commercial Bank, N.A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 26, 1998**. 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.

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

First Commercial Bank's lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

- The bank's loan-to-deposit ratio exceeds the standard for satisfactory performance, averaging 70% since the previous examination. This exceeds the average for all similar institutions in the assessment area.
- A majority of the bank's loans and other lending related activities are made in the bank's delineated assessment area (AA).
- The distribution of borrowers reflects a satisfactory penetration among individuals of different income groups and businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- There have been no consumer complaints with respect to the bank's CRA performance.

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

Small Institution Assessment Criteria	First Commercial Bank, N.A. 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 previous examination.		

Description of Institution

First Commercial Bank, N.A. was chartered in 1981 and provides banking services through its offices in Seguin, New Braunfels, Lockhart and Lakeway, Texas. It also operates several loan production offices in Texas and Colorado. The bank is a wholly-owned subsidiary of First Commercial Financial Corporation, a one-bank holding company. It is a locally owned and managed institution with \$137 million in total assets as of March 31, 1998. Net loans amounted to 52% of total assets as of that date. The bank offers traditional loan products with a primary focus on small business (particularly Small Business Administration) lending. In fact, in terms of dollar volume, the bank's SBA lending program is the 22nd largest in the country. The bank has also been involved in several low cost housing and other small business programs. Loan products also include consumer instalment, home equity, and student loans. Although the bank does not directly fund a large volume of residential loans, it does facilitate the funding of a large volume of residential purchase loans for mortgage companies.

There are no financial or legal impediments to the bank's ability to meet the area's credit needs. The last CRA performance evaluation was done June 25, 1996, the bank was rated "Satisfactory."

A breakdown of the bank's total loan portfolio as of March 31, 1998:

Loan Type	Amount	% of Portfolio
Commercial	58,489	79
Agricultural	376	1
Residential	5,283	7
Consumer	9,452	13
Total	73,600	100

Description of the Assessment Area

First Commercial Bank, N.A. has defined four separate assessment areas. These include Guadalupe and Comal Counties which are included in the San Antonio Metropolitan Statistical Area (MSA). Caldwell County and a section of Travis County are also included in the assessment area. They are both part of the Austin-San Marcos MSA. The combined areas had a population of 170,736 in 1990 and there has been significant population growth in parts of the assessment area since that time. The chief population centers are Seguin, New Braunfels and parts of Austin, Texas.

The Census Bureau's 1998 median family income for the San Antonio MSA was \$29,898, and \$35,481 for the Austin-San Marcos MSA. Twenty percent of families in the overall assessment area are considered low-income, 17% are moderate-income, 21% are middle-income, and 42% are upper-income. Six percent of households in the area receive public assistance. The combined assessment area includes thirty-six census tracts. Five are defined as moderate-income, twenty-one as middle income and nine are upper-income. There is only one low-income tract in the assessment area.

Guadalupe and Comal Counties

According to 1990 Census information, Guadalupe County has a population of 64,873 and Comal County, 51,832. The 1998 estimated median family incomes in the counties were \$30,452 for Guadalupe and \$34,918 for Comal County. The area economy is centered in farming, tourism, and light manufacturing. Other financial institutions in the area include three other community banks as well as branches of Norwest and NationsBank.

Lakeway, Texas

The five census tracts in southwest Travis County designated as part of the bank's assessment area have a population of 27,639, according to the 1990 Census. However, the area has experienced strong population growth since 1990. Lakeway is primarily a bedroom community of Austin, Texas. The estimated 1998 median family income for the area is \$52,561. The local economy is service oriented and the area's largest employer is the public school system. Hill Country Bank provides financial services in the area. As commuters, many residents have access to the wide variety of institutions providing services in Austin.

Caldwell County

The bank purchased an office in Lockhart, Texas the seat of Caldwell County, in August of 1997 and the bank has designated the county as part of its assessment area. In 1997 Caldwell County was designated as part of the Austin-San Marcos MSA. Based on 1990 Census information, the county has a population of 26,392. The county's 1998 estimated median family income is \$24,037. The economy is centered in agriculture, mineral production and light manufacturing. Several community banks, including First Lockhart National Bank, Citizens State Bank of Luling and NBC Bank Central in Luling provide services in the area.

We conducted community contacts with the Seguin Economic Development Corporation, Seguin and Guadalupe County Chamber of Commerce and the New Braunfels Housing Authority. The contacts emphasized the strong local economy and the continued need for residential and small business credit.

Conclusions with Respect to Performance Criteria

Management has demonstrated a satisfactory performance in meeting the credit needs of the assessment area, including low and moderate income families.

Loan to Deposit Ratio

The bank's loan to deposit ratio exceeds the standard for satisfactory performance, comparing favorably with other institutions in the area. The ratio has averaged 70% since the previous CRA evaluation. Ratios for six similar institutions in the area averaged between 13 and 68% over the same period. The ratio has declined somewhat since the August 1997 acquisition of a branch (of Pacific Southwest Bank) in Lockhart. The ratio was 57% as of March 31, 1998.

Lending in Assessment Area

A substantial majority (by number) of the loans made in 1997 were within the bank's assessment area. A geographical analysis of loans originating in 1997 was recently performed by an outside consultant. We used this analysis for our review as well as a geographical analysis of all residential loans reportable under the Home Mortgage Disclosure Act that were made in 1997 and the first quarter of 1998. A majority of the loans reviewed in the study were within the designated assessment area. By number, 88% of the consumer loan sample and 50% of the residential sample were in the assessment area. By dollar amount, 89% of consumer loans and 40% of residential loans were in the AA.

Due to the strong SBA lending program pursued at the bank's geographically dispersed loan production offices, a large dollar portion of commercial loans are made outside the AA. Loans made in these offices also tend to be of a larger dollar amount than most commercial loans made in the AA. Although 72% of the commercial loans made in 1997 (by number) were located in the AA, only 27% of the dollar amount were in the area. Given the large volume of commercial lending, these amounts represent well over half of the bank's loan portfolio. Of the total sample of 1,254 loans, 80% by number and 34% by dollar amount were located in the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of loans to borrowers of different income levels demonstrates reasonable lending efforts to low and moderate income borrowers, particularly in the consumer lending area. The following table reflects the distribution of consumer and residential originations in our sample:

Loan Sample Distribution by Income Group										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
Area Demographic Characteristics	23%		14%		20%		43%		100%	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	7	28	4	16	8	32	6	24	25	100
Residential	7	16	5	11	7	16	26	57	45	100

The distribution of loans to businesses of different sizes indicates a broad lending effort to small borrowers. In fact, 86% of the commercial loans in our sample were to borrowers with gross revenues of less than \$500 thousand dollars. Almost half were to borrowers with revenues of less than \$100 thousand dollars. The following table reflects the findings of our sample.

Lending to Businesses of Different Sizes										
Gross Revenues \$	Less than 100,000		100,000-500,000		500,000-1,000,000		More than 1,000,000		Total	
Loan Type	#	%	#	%	#	%	#	%	#	%
Commercial	7	46	6	40	1	7	1	7	15	100

Geographical Distribution of Loans

There is a reasonable geographic distribution of loans in the assessment area. The assessment area includes a total of thirty-six census tracts, with nine of the tracts defined as upper income, twenty-one defined as middle income, five defined as moderate income and only one low income. The geographical distribution of our loan sample follows these proportions. For example, our total sample of 984 loans, 57% were in middle income areas, roughly the same as the portion of defined middle income areas within the AA. Refer to the table below.

Geographic Distribution of Loans										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	3%		14%		58%		25%		100%	
	1		5		21		9		36	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Consumer	26	4	106	16	380	58	143	22	655	100
Mortgage	0	0	2	4	28	61	16	35	46	100
Commercial	5	2	48	17	155	54	75	27	283	100

Responses to Complaints

No complaints regarding the bank's CRA performance have been received since the previous examination. Furthermore, based on the fair lending portion of our examination, no violations of the substantive portions of antidiscrimination laws and regulations.