



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 18, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Security National Bank
Charter Number 15136**

**100 St. Cloud
San Antonio, Texas 78228**

**Office of the Comptroller of the Currency
San Antonio Duty Station
9601 McAllister Freeway, Suite 200
San Antonio, Texas 78216**

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 **Security National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, April 17, 1997. 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.**”

- Security National Bank’s loan-to-deposit ratio exceeds the standard for satisfactory performance, averaging 67.2% for the thirty month period ending December 31, 1996. This compares very favorably with similar institutions having offices in Bexar County.
- A majority of Security National Bank’s loans and other lending related activities are in the bank’s assessment area (AA). As of December 31, 1996, 68.6% of the number and 79.8% of the dollar volume of consumer, mortgage, and commercial loans were in the bank’s AA.
- Security National Bank’s geographic distribution of loans reflects a reasonable dispersion throughout the AA.
- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- There have been no consumer complaints with respect to the bank’s CRA performance.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>SECURITY 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

Security National Bank (Security) has total assets of \$163 million. The bank is headquartered in San Antonio, Texas, with its main office located northwest of downtown at 100 St. Cloud. Security has three branches located in the northeast, north, and northwest areas of the city. Security National Bank is owned by Security Bancorp, Inc., a one bank holding company. The majority of the bank's direct lending is in commercial and real estate loans with the focus being on small business loans. A breakdown of the bank's loan portfolio, as of February 28, 1997, is shown below:

Loan Type	Dollar Volume (000's)	% of Loan Portfolio
Consumer	\$ 8,331	8%
1-4 Family Residential	\$ 7,551	7%
Commercial	\$ 38,419	38%
Commercial Real Estate	\$ 41,588	41%
Small Business Administration	\$ 5,072	5%
Agriculture	\$ 873	1%
Total	\$101,834	100%

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The bank's defined AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The AA includes all census tracts located north of Highway US 87 East and Highway US 90 West, and inside loop FM 1604. The bank's AA consists of 159 census tracts with the distribution of low-, moderate-, middle-, and upper-income areas being similar to that of Bexar County. The population of the AA is estimated at 891,000 with 55% being minorities (45% Hispanic). The median family income of the AA is \$29,872 which is marginally higher than median family income for the county.

Business demographic data of the AA indicates that the vast majority of businesses have less than five employees, have one location, and have total revenues of less than \$500,000. To help meet the loan demand in this segment of the economy, Security National Bank actively participates in the San Antonio Business Development Fund (SABDF), a local community development corporation. The focus of the SABDF is to participate in small business loans with local banks by providing additional capital for the prospective borrowers. Security has also provided computerized loan services to the SABDF.

The bank's competition is strong, with several regional banks, thrifts, and credit unions operating in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

- **Loan to Deposit Ratio**

Security National Bank's loan-to-deposit ratio exceeds the standard for satisfactory performance, comparing very favorably with other institutions in the area having similar characteristics. Security has averaged a loan-to-deposit ratio of 67.2% over the past 2.5 years. Other banks in the area with total assets between \$100 million and \$250 million averaged 50.0%.

- **Lending in the Assessment Area**

A majority of Security National Bank's loans and other lending related activities are in the bank's AA. Security prepares a semi-annual report detailing the bank's lending activities. The December 31, 1996, report indicated that 68.6% of the number of consumer, mortgage, and commercial loans were in the AA, 79.8% by dollar volume. A review of a sample of ninety-four files was taken from loans originated since the March 29, 1994, CRA Performance Evaluation supports these figures.

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

The distribution of loans to borrowers of different income levels demonstrates reasonable lending levels to low- and moderate-income households. Based on the sample of loans that originated since the March 29, 1994, CRA Evaluation, 22.6% of consumer loans and 14.6% of residential loans were made to low-income households. Further review indicated that 19.4% of consumer loans and 8.3% of residential loans sampled were made to moderate-income households.

A comparison of our loan sample to the AA demographic data is detailed below.

	Loan Sample Distribution by Income Group									
	Low Income Household s		Moderate Income Household s		Middle Income Household s		Upper Income Household s		Total # of Household s	
Area Demographic Characteristics	8.6%		18.3%		39.1%		34.0%		100%	
# of Households	27,785		58,517		125,349		108,880		320,531	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	7	22.6	6	19.4	2	6.5	16	51.5	31	100
Residential	7	14.6	4	8.3	7	14.6	30	62.5	48	100

The distribution of loans to businesses of different sizes also demonstrates reasonable lending efforts to small businesses in the AA. A sample of seventeen loans indicated that 23.5% were to businesses with less than \$250,000 in gross revenues and 17.6% to businesses with gross revenues between \$250,000 and \$1,000,000. Loans to businesses with gross revenues of more than \$1,000,000 comprised 58.9% of our sample.

- **Geographic Distribution of Loans**

The geographic distribution of the loans reflects a reasonable dispersion given the demographic characteristics of the AA. The AA includes twenty-one low-income tracts, thirty-four moderate-income tracts, fifty-three middle-income tracts, and fifty-one upper-income tracts.

The loan dispersion shows that the number of loans to low- to moderate-income households as a percentage of total loans is moderately high as compared to the percentage of low- to moderate-income census tracts in the AA. This indicates that the bank is lending to low-income households that may or may not be located in low- to moderate-income census tracts.

A combination of loan sampling and review of standardized bank reports comparing consumer, residential, and commercial lending efforts to AA demographic characteristics is exhibited below.

Lending in Areas of Different Income Levels within the Assessment Area										
	Low Income Areas		Moderate Income Areas		Middle Income Areas		Upper Income Areas		Total	
Percent of Total Demographic Areas in AA: Count:	13.2%		21.4%		33.3%		32.1%		100%	
	21		34		53		51		159	
Loan Types	#	%	#	%	#	%	#	%	#	%
Consumer	0	0.0	9	29.0	8	25.8	14	45.2	31	100
Residential	1	1.7	18	30.5	15	25.4	25	42.4	59	100
Commercial	25	5.7	86	19.6	183	41.7	145	33.0	439	100
Total	26	4.9	113	21.4	206	38.9	184	34.8	529	100

- **Responses to Complaints**

Security National Bank has not received any comments from the public regarding their CRA performance. An examination of 29 home improvement loan applications was conducted to determine if there exists indications of illegal discrimination in terms granted to borrowers on the basis of ethnic origin. The results of this examination do not show reason to believe that illegal discrimination has occurred on that basis in the granting or denial of these loans. No violation of substantive provisions of the antidiscrimination laws and regulations was identified.