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Comptroller of the Currency  
Administrator of National Banks

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Washington, D.C.

**CRA Decision #100  
November 1999**

**DECISION OF THE COMPTROLLER OF THE CURRENCY  
ON THE APPLICATION TO MERGE  
PROVIDENT BANK, DALLAS, TEXAS, INTO  
INWOOD NATIONAL BANK, DALLAS, TEXAS,  
UNDER THE CHARTER AND TITLE OF  
INWOOD NATIONAL BANK  
October 14, 1999**

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**A. Introduction**

On July 7, 1999, application was made to the Office of the Comptroller of the Currency (hereinafter "OCC") for prior approval to merge Provident Bank, Dallas, Texas (hereinafter "Provident"), into Inwood National Bank, Dallas, Texas (hereinafter "Inwood") under the charter and the title of Inwood, pursuant to 12 U.S.C. §§ 215a and 12 U.S.C. § 1828(c). As part of the merger application, Inwood also requested approval to retain Provident's main office and branches, as branches of Inwood. This application was based on an agreement entered into between the proponents on June 29, 1999.

As of March 31, 1999, Inwood had deposits of \$344 million and operated five offices in Texas. On the same date, Provident had total deposits of \$204 million and also operated five offices in Texas. Inwood is wholly-owned by Inwood Bancshares, Inc., a one bank holding company.

**B. The Bank Merger Act**

The Bank Merger Act, 12 U.S.C. § 1828(c), requires the OCC's approval for a merger between insured banks where the resulting institution will be a national bank. Under the Act, the OCC generally may not approve a merger which would substantially lessen competition. In addition, the Act also requires the OCC to take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. For the reasons stated below, we find this merger may be approved under section 1828(c).

**1. Competitive Analysis**

At the time of the merger, Inwood Bankshares will own 58.48 percent of the shares of Provident in a transaction approved by the Federal Reserve under the Bank Holding Company Act, giving consideration to the competitive effects of the transaction. The OCC has reviewed the competitive effects of the merger by using its standard procedures for determining whether a business combination clearly has minimal or no adverse competitive effects. The OCC finds that the proposal satisfies its criteria for a merger that clearly has no or minimal adverse competitive effects.

## **2. Financial and Managerial Resources**

We find that the financial and managerial resources of Inwood and Provident do not raise concerns that would warrant disapproval of the application. The future prospects of the proponents, individually and combined, are considered favorable. We find the financial and managerial resources of the applicants is consistent with approval of the merger.

## **3. Convenience and Needs**

The merger will not have an adverse impact on the convenience and needs of the communities to be served. No products or services will be discontinued, and all facilities will remain open after consummation of the merger. Inwood represented that it maintains Credit Needs Committees within the communities it serves to help identify credit needs and responsive lending programs. We find that the convenience and needs factor is consistent with approval of the merger.

## **C. The Community Reinvestment Act**

The Community Reinvestment Act ("CRA") requires the OCC to take into account the applicant's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, when evaluating certain applications, including mergers. The OCC considers the CRA performance of each institution involved in the transaction. Under the CRA regulations, effective July 1, 1997, the OCC evaluates performance of most large banks using lending, investment, and service criteria. The OCC also considers the institution's capacity and constraints, including the size and financial condition of the bank and its subsidiaries.

Inwood received a Satisfactory CRA rating dated December 31, 1998 from the OCC. The bank's performance was assessed under the lending, investment, and service tests. OCC rated the bank's performance as "low satisfactory" under each of the three tests. Its assessment area included 274 contiguous census tracts primarily in the northeastern portion of the Dallas MSA. Provident received a Satisfactory CRA rating dated July 1, 1997 from the FDIC. The FDIC used small bank performance standards in evaluating Provident's performance.<sup>1</sup> Its assessment area included 274

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<sup>1</sup> Provident's CRA performance was evaluated based on its (a) loan to deposit ratio; (b) percentage of loans and other lending-related activities located in its assessment area; (c) record of lending to or for borrowers of different income levels and businesses and farms of different sizes; (d) geographic distribution of loans; and (e) record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area.

census tracts areas surrounding its main and branch offices in the Dallas MSA and in two nonmetropolitan areas.

Shortly after the August 4, 1999 conclusion of the public comment period, the OCC received a letter from a community organization based in Dallas, Texas, raising general concern with Inwood's and Provident's compliance with the spirit and intent of CRA in relation to the "southern Dallas" area.<sup>2</sup> The organization also requested a copy of the application and an opportunity to comment after it had reviewed the application. The OCC promptly provided the organization with copy of the application. No further material was received from the organization. Inwood and the organization have continued to exchange correspondence and plan to meet discuss credit needs and services.

The organization alleged that both banks lacked involvement with the African American community in southern Dallas especially with marketing and outreach, recruitment and hiring,<sup>3</sup> and financing and equity investments in housing and economic development. In addition, the organization indicated that both banks had been unresponsive to requests by the organization that they participate in community meetings and forums sponsored by the organization. In connection with its consideration of the issues raised by the organization, the OCC reviewed the representations made in the application, the most recently issued CRA Performance Evaluations for each of the banks, the responses submitted by Inwood, and additional HMDA information for both banks.

The CRA assessment area for Inwood included a portion of the southeastern Dallas area around its Buckner branch. The branch had approximately \$48 million in deposits as of June 30, 1998. The branch is located in a moderate-income census tract with a population that is approximately 36 percent African American. The CRA assessment area for Provident included a portion of the southwestern Dallas area around its Desoto branch. The branch had approximately \$68 million in deposits as of June 30, 1998. The branch is located in a moderate-income census tract with a population that is approximately 13 percent African American. These assessment areas are not contiguous -- a portion of southern Dallas lies between them. In the merger application, Inwood indicated that it intends to add Provident's assessment areas to its own. During the next CRA evaluation of the resulting bank, the OCC will review the bank's determination of its assessment area. By that time, the resulting bank may have revised its assessment area to include greater portions of southern Dallas.

At the most recent CRA examinations, each bank was also examined for compliance with the fair lending laws. Neither FDIC nor OCC examiners found any evidence of discriminatory lending practices. CRA focusses primarily on loans, investments, and services within a bank's assessment

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<sup>2</sup> Since the "southern Dallas" area was not defined by the organization in its written submission, the OCC contacted the organization to clarify the geographic area with which it was concerned, and reviewed information for the geographic area it intended.

<sup>3</sup> Employment practices are generally under the jurisdiction of other Federal agencies and the OCC did not investigate the organization's concerns in this regard. We noted, however, that the bank provided the organization with information about its employment practices.

area and the relative income level of the bank's customers and their communities, rather than racial characteristics.

According to the most recent performance evaluation for Provident, it extended 83 percent of its loans within its CRA assessment area; it lent heavily in low- or moderate-income areas; and its distribution of borrowers by income level was reasonable. During the OCC's review of the merger application, we also reviewed 1998 HMDA data for Provident's lending in southern Dallas. We found that the bank made a small number of HMDA-reportable loans in that area, which included four refinancing loans to African American applicants for an aggregate of \$146,000. Provident denied only one African American applicant's application for a HMDA-covered loan in southern Dallas. We also found that 62.5 percent of the bank's loans in southern Dallas were made in census tracts that had a substantial minority population.

Inwood's lending record in home loans shows that it penetrated low- and moderate-income markets to a greater degree than wealthier markets. In 1997, the bank's originations ranked it 141st among all lenders in its assessment areas. However, it ranked 68th in the origination of home loans in low- and moderate-income census tracts. OCC also reviewed 1998 HMDA data for Inwood's lending in southern Dallas as part of our review of the merger application. We found that the bank made a small number of HMDA-reportable loans in that area, which included four HMDA-reportable loans to African American applicants for an aggregate of \$28,000. Inwood denied only one African American applicant's application for a HMDA-covered loan in southern Dallas. We also found that 55.6 percent of the bank's loans in southern Dallas were made in census tracts that had a substantial minority population.

During our most recent CRA examination of Inwood, we found its community development lending to be very limited. Its only lending considered under the CRA's "community development loan" criteria during 1998 was its \$2,400 pro rata share of loans made by a minority enterprise small business investment corporation in which the bank invested. However, its community development investments were more substantial. The bank made more than a \$1 million investment in a FNMA loan pool targeted to low- and moderate-income borrowers. Approximately 30 percent of the pool's loans were in the bank's assessment area. Inwood also holds a \$5,000 investment in The Southern Dallas Development Fund Corporation, a community development corporation that funds mortgage loans to low- and moderate-income borrowers. The bank also made donations totaling over \$28,000 to groups in its assessment areas supporting community development in low- and moderate-income segments of its assessment area.

With respect to the service test, Inwood opened the Buckner branch in late 1996. All of the bank's branches had ATMs; the Buckner branch also had a drive-up ATM. Inwood offered bi-lingual services at its main office and the Buckner branch, and the bank's no-cost senior citizens checking account was actively marketed only from the Buckner branch.

In summary, our investigation and analysis of the issues raised relating to CRA performance of the banks indicated no basis for denying or conditioning the approval of this application.

#### **D. Conclusion and Approval**

For the reasons set forth above, including the representations and commitments of the applicants, we find that the proposed merger between Inwood and Provident Bank is authorized, that it will not lessen significantly competition in any relevant market, and that other factors considered in evaluating this proposal are satisfactory. Accordingly, this merger application is approved.

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Julie L. Williams  
First Senior Deputy Comptroller  
and Chief Counsel

10-14-99

Date

Application Control Number: 1999-SW-02-0036