



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

November 23, 1998

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Brookhollow National Bank
Charter Number: 21357
1131 North Jupiter Road
Richardson, Texas 75081-3166**

**Office of the Comptroller of the Currency
Dallas North Field Office
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 **Brookhollow National Bank** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of November 23, 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**.

The following factors support this overall rating:

- The bank's average loan to deposit ratio during the examination period at 65% is reasonable.
- A majority of business and home loans sampled during this examination were originated within the bank's assessment area.
- The bank's lending performance reflects a reasonable distribution of credit to businesses of different sizes and borrowers of different income levels.
- The geographic distribution of small business and home loans reflects a reasonable dispersion.

The following table shows the performance level of Brookhollow National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	BROOKHOLLOW NATIONAL BANK 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	BNB did not receive any complaints concerning its CRA performance.		

Scope of the Examination

This evaluation of Brookhollow National Bank's (BNB) CRA performance covers the period from September 1, 1995 through November 23, 1998. The evaluation includes an analysis of BNB's designated assessment area, which covers areas in the Dallas Metropolitan Statistical Area. We also base our analysis on BNB's business lending, in addition to BNB's home loan activity.

Description of Institution

Brookhollow Bancshares, Inc., a Texas bank holding company, owns 100% of BNB. BNB is a \$20 million institution in Richardson, Texas. It serves certain communities of Dallas and Collin Counties. BNB was rated "Satisfactory" in the previous CRA public disclosure dated August 1, 1995.

BNB is in a very visible location on North Jupiter Road. Drive-up teller facilities provide extended weekday and Saturday hours. In addition, a 24-hour ATM is available for after-hour transactions. BNB has not opened or closed any branches during this evaluation period.

BNB offers a wide range of credit products to its community: agricultural, consumer, commercial, mortgage, and construction loans. BNB has traditionally been flexible in granting loans to individuals, community groups, and local businesses. BNB's competition stems from mostly credit unions, and regional and local banks.

Also, BNB does not have any financial or legal obstacles affecting its ability to meet its community's credit needs. The following table portrays the principle loan mix of BNB:

TYPES OF DOMESTIC LOANS OUTSTANDING		
SEPTEMBER 30, 1998		
<i>(\$000's)</i>		
<i>TYPE OF LOANS</i>	<i>AMOUNT</i>	<i>PERCENTAGE</i>
1-4 Family Residential Loans	\$1,776	15%
Commercial Loans	\$6,090	52%
Installment	\$3,261	28%
Other (exclude consumer loans)	\$674	5%
TOTAL	\$11,801	100%

Description of Assessment Area (AA)

Initially, BNB has defined its AA as four specific census tracts in Dallas County. However, during the examination, management adjusted its AA to include 13 additional census tracts within Dallas and Collin Counties, which are in the Dallas Metropolitan Statistical Area #1920. They made the adjustment to 17 census tracts to encompass a majority of loans and other lending-related activities.

The AA meets regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas (LMI). The defined census tracts are predominately upper-income level census tracts. The following table reflects the demographics for both counties.

ASSESSMENT AREA DEMOGRAPHICS			
<i>Designation</i>	<i># Census Tracts</i>	<i>% of Total Tracts</i>	<i>% of Households Residing in the Census Tracts</i>
Low	0	0%	0%
Moderate	1	6 %	3%
Middle	5	29%	36%
Upper	11	65%	61%
N/A	0	0%	0%
TOTAL	17	100%	100%

More than 104,648 residents populate the AA. The AA weighted average of census median family income is \$38,754. In addition, the median housing value is \$100,215, with the median age of housing stock in the AA at 22 years. Total occupied housing units is 94%, with owner-occupied housing at 63% and rental-occupied housing at 31%. Vacant housing units in the AA are 5%.

Unemployment rates have remained low and steady over the past two years at approximately 5%. The largest employers in the AA are the following: E-Systems, Northern Telecom, MCI/WorldCom, Texas Instruments, Alcatel, and Fujitsu.

We determined the credit needs of the community through discussions with management and by reviewing local community contacts made by this agency and other regulatory agencies. Management indicated that the primary credit need is consumer, home improvements, and home equity loans. In addition, we contacted the Richardson Chamber of Commerce during the examination. The community contact stated that financial institutions are meeting community credit needs.

Conclusions with Respect to Performance Criteria:

This review covered business loans made in 1998 and all home mortgage loans made the period from January 1, 1997 to November 9, 1998.

Loan to Deposit Ratio

BNB's quarterly average loan-to-deposit ratio is 65%, which is reasonable given the bank's size, financial condition, and AA credit needs. The bank's loan-to-deposit ratio has benefitted from BNB's loan participations with its sister bank, Brookhollow National Bank - Dallas. In comparison, the ratio is significantly above local peers' quarterly average of 53%. The local peer consists of state and national-chartered banks in Dallas County with total assets of \$25 million or less.

Lending in Assessment Area (AA)

We took a sample of 35 commercial loans and reviewed BNB's home loan activity reports for 1997 and 1998 to determine the location of loan originations. Dallas and Collin Counties are considered fully developed areas. The bank's abilities to establish new loan growth is limited because of the maturity of the area. Despite this, BNB has an adequate record of serving the credit needs of its community based on this sample.

ASSESSMENT AREA LENDING					
Loan Type	Total Sampled	# of Loans in AA	% of # Loans in AA	Amount (\$000s)	% of Amount
Home Loans	37	20	54%	840	42%
Commercial Loans	35	20	57%	1,064	57%
Total	72	40	57%	1,904	49%

Lending to Businesses of Different Sizes

BNB's lending to businesses of different sizes is adequate. Small business loans are defined as loans of less than \$1.0 million. Based on our sample of 20 commercial loans, 80% of the commercial loan portfolio is to small businesses.

Lending to Borrowers of Different Incomes

In addition, BNB's record of lending to borrowers of different income levels was also evaluated using home mortgage loans originating in 1997 and 1998. Our review of home mortgage loans revealed reasonable lending patterns during the examination period.

In 1997, 40% of the home mortgage loans made by BNB were provided to middle-income borrowers and 60% were provided to upper-income borrowers within the bank's AA. While in 1998, 100% of all the home mortgage loans made were provided to upper-income borrowers in BNB's AA.

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the AA. The following table summarizes the geographic distributions of home and commercial loans sampled.

GEOGRAPHIC DISTRIBUTION OF LOANS SAMPLED								
	Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
	#	%	#	%	#	%	#	%
Loan Type								
Home Mortgage	0	0%	6	30%	14	70%	20	100%
Commercial	3	15%	3	15%	14	70%	20	100%

The data shows the majority of lending penetration exists within the upper-income census tracts. BNB's main branch office is in and the bank's surrounding geographies are middle- and upper-income census tracts, with most of the lending activity concentrated in these areas.

Compliance with Antidiscrimination Laws

A fair lending review performed with this CRA examination revealed satisfactory compliance with fair lending regulations. We noted no practices intended to discourage or impede potential borrowers from applying for credit.