

## **Public Disclosure**

October 12, 1999

### **Community Reinvestment Act Performance Evaluation**

**American First National Bank  
Charter Number 23521**

**9999 Bellaire Boulevard  
Houston, Texas 77036**

**Comptroller of the Currency  
Administrator of National Banks  
Houston Field Office  
1301 McKinney Avenue, Suite 3750  
Houston, Texas 77010**

**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 Comptroller of the Currency 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 **American First National Bank** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of **October 12, 1999**. The agency rates the CRA performance of an institution consistent with the provisions of Appendix a to 12 C.F.R. part 25.

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

This rating is based primarily upon

- C the bank's lending within its Assessment Areas, and
- C the dispersion of the bank's loans within its Assessment Area, and
- C the bank's lending to borrowers of different incomes and to businesses of different sizes.

## DESCRIPTION OF THE INSTITUTION

American First National Bank is a newly chartered bank with its main office located in far southwest Houston on Bellaire Boulevard near the intersection with the Sam Houston Tollway. The bank opened for business in May of 1998. It has since opened branches on Harwin Street (near the intersection of Hillcroft and the Southwest Freeway), in Sugar Land, a Fort Bend County suburb on Houston's southwest side, and in Richardson, a suburb of Dallas. The bank operates four (4) Automatic Teller Machines (ATMs), one at each of the bank's offices. As of June 30, 1999, the bank reported total assets of \$131 million, total deposits of \$117 million and net loans of \$81 million. Net loans represent approximately 62 percent of total assets. This is the first evaluation of the bank's performance under the Community Reinvestment Act (CRA).

There are no significant subsidiaries of the bank. The bank is not part of a multibank holding company, nor is it a part of any chain banking group. However, American First National Bank is affiliated with nearby Texas National Bank through common ownership. There are no legal or financial impediments to the bank's performance under CRA.

The bank's business focus is commercial, with emphasis on small to medium sized businesses. At June 30, 1999, the bank's loan portfolio consisted of \$50 million in real estate loans, \$28 million in commercial loans and \$3 million in loans to individuals. It serves a predominantly Asian clientele providing standard depository and lending services as well as a range of international services designed to facilitate the importation and exportation of manufactured goods. Consumer services, such as personal checking accounts, consumer loans, home mortgages, etc., are also available. Competition is provided by several local institutions in addition to regional and multinational banks. Several of the bank's competitors also target products and services to the Asian community. Most of the bank's officers and employees are bilingual.

## DESCRIPTION OF THE ASSESSMENT AREA

American First National Bank has chosen two Assessment Areas in which its performance under CRA is to be evaluated. These are the Houston Area and the Richardson Area. The Houston Area represents the area around the bank's main office, its Harwin branch and its Sugar Land branch. The Richardson Area is that area surrounding the bank's Richardson, Texas branch.

In the course of conducting evaluations of financial institutions' performances under the Community Reinvestment Act, examiners frequently meet with members of the community to get a feel for the community and to see the banks' assessment areas from a perspective different from that of the banks. The results of such contacts were reviewed along with a contact made during this evaluation. The needs of the community expressed in these meetings are loans to small businesses, venture capital for start-up enterprises, and affordable housing.

### Houston Area

The bank's Houston Assessment Area consists of 100 census tracts surrounding the bank's three Houston Area offices. Of these 100 tracts, 89 are in Harris County and 11 are in Fort Bend County.

Fort Bend County is adjacent to Harris County and is an area into which the Houston Metropolitan Area is rapidly growing. The areas selected represent the areas in which the bank realistically believes it can service the needs of its customers. Although the tracts surrounding the bank's Sugar Land Office are not contiguous to the remainder of the Assessment Area, practical considerations, such as the relative proximity and the economic homogeneity of the areas, render them as one area.

The area is defined, geographically, as the area enclosed by the Katy Freeway (I-10 West) to the north, the West Loop (I-610) to the east, South Main Street (U.S. 90A) to the south, and Addicks-Howell Road (Texas Highway 6) to the West. To that is added the area bounded by Murphy Road (FM 1092), Highway 6, and Flat Bank Creek to the east, the Brazos River to the south, the Southwest Freeway (U.S. Highway 59) to the west, and Oyster Creek and Lexington Boulevard to the north. The census tracts separating the area around the Sugar Land Office from the remainder of the Houston Area, are middle- and upper-income tracts, as classified by the 1990 U.S. Census. This area meets the requirements of the CRA regulation in that it consists of whole geographies (in this case, census tracts) and does not arbitrarily exclude any low- to moderate-income areas.

This combined area is relatively affluent. Of the 100 tracts, 54 are upper-income, 25 middle-income, 16 moderate-income, and five low-income. The updated median family income of this area is \$54,100. The 1990 U.S. Census listed 148,763 total families in this Assessment Area. Of these, 19.10 percent are low-income, 14.57 percent are moderate-income, 17.82 percent are middle-income, and 48.51 percent are upper-income. The total population of the area is 587 thousand. Of the 246 thousand households in the area, 10.09 percent live below the poverty line. The median housing value is \$103 thousand and 35.62 percent of housing units are owner occupied. It should be noted, however, that substantial changes have occurred in this area in the decade since the last census. The census to be conducted in April 2000 is expected to produce profoundly different characteristics.

Major employers in the area include industries such as the medical industry, electronics, retail sales, construction and computer software. Unemployment has been at record lows for several years as the area, mirroring the national economy, has enjoyed historically unprecedented growth. Competition is provided by several local banks, savings institutions, credit unions and finance companies. All the major multinational and regional banks in the Houston Metropolitan Area have offices in this Assessment Area. Competition among those banks targeting the Asian Community is keen. Total assets of predominately Asian institutions are now well in excess of \$1 billion.

### Richardson Area

The bank's Richardson Assessment Area consists of 40 census tracts surrounding the bank's branch office in Richardson, Texas, a Dallas suburb. These contiguous tracts are bounded by LBJ Parkway (I-635) to the south, Jupiter Road to the east, Renner Road to the north, and the Dallas North Tollway to the west. This assessment area fulfills the requirements of the CRA regulation in that it does not arbitrarily exclude any low- to moderate-income areas.

This is also a relatively affluent area. The updated median family income is \$58,200. Of the 53,141 families living in this area, according to the 1990 U.S. Census, 11.41 percent were low-income, 14.03 percent were moderate-income, 18.58 percent were middle-income, and 55.97 percent were upper-income. Of the 40 census tracts in the area, 20 were upper-income, 15 were middle-income and five were moderate-income tracts. There were no low-income tracts in the area. The census listed a total population of 204 thousand persons. Of the 89 thousand households, 5.54 percent live below the poverty line. The median housing value was \$133 thousand and approximately 40 percent of the dwellings were owner occupied. Major employers include such industries as petroleum, retail sales, medical and electronics. The area is served by numerous local banks, savings institutions, credit unions, mortgage companies and finance companies. All the regional and multinational banks in the Dallas Metropolitan Area have offices in this area. It should be also noted, however, than substantial changes have occurred in this area as well in the decade since the last census. The census to be conducted in April 2000 is expected to produce profoundly different characteristics here as in the Houston Area.

### **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The following section summarizes the bank's performance in five specific areas. They are Loan-to-Deposit Ratio, the bank's lending within its Assessment Area, the bank's record of lending to borrowers of different incomes and to businesses of different sizes, the geographic distribution of loans within the bank's Assessment Area, and the bank's response to complaints about its CRA performance.

#### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio **meets the standards for satisfactory performance.** The ratio of loans, net of unearned income and bad debt reserves, to total deposits is measured as of the end of each calendar quarter for the past eight quarters. These eight ratios are then averaged to determine the bank's average loan-to-deposit ratio. Only six quarters are available as this bank did not commence operations until May 1998. The chart below shows this bank's loan-to-deposit ratios for each calendar quarter-end since it began operations. The ratios shown are taken from the *Reports of Income and Condition* filed quarterly by all banks.

<b>Quarter Ending</b>	<b>Net Loans as a Percent of Total Deposits</b>
June 30, 1998	27.15
September 30, 1998	48.68
December 31, 1998	66.53
March 31, 1999	62.55
June 30, 1999	68.85
September 30, 1999	70.62
<b>Average</b>	<b>57.40</b>

It should be noted that the bank had neither loans nor deposits when it opened for business. The bank's loan portfolio has grown rapidly in a short period of time. This average compares satisfactorily to other institutions of similar size operating in this market. This comparison is made without specific reference to other institutions individually, or in the aggregate, as this bank has been able to achieve a ratio exceeding 70 percent in the one and one-half years it has been in operation.

### **Lending in Assessment Area**

The bank's record of lending within its Assessment Areas **meets the standard for satisfactory performance.**

This element of the bank's CRA performance indicates simply the proportion of loans made within its community as opposed to loans made to other areas. It is a measure of the degree to which the bank returns local deposits to the community as loans. To take this measure, loan originations are normally used. In so far as this is a new bank, with little turnover yet in its loan portfolio, the outstanding loans for September 30, 1999 were used as a surrogate. The bank's entire loan portfolio was sampled as the bank's primary loan products, real estate and commercial, are intermingled and comprise \$78 million of the \$81 million in total loans. A sample of 44 loans, representing 12.61 percent of the total number, was taken in the Houston Area. In the Richardson Area, a sample of 21 loans, representing 44.68 percent of the total number of loans, was used. In the Houston Area, the percentage of loans within the bank's Assessment Area is 56.82 percent, as to the number of loans, and 60.99 percent as to the dollars lent. In the Richardson Area, 40.00 percent of the number of loans and 54.90 percent of the dollars lent were within the bank's Assessment Area. It should be noted that the total volume of lending in the Richardson office represents only 11.78 percent of the total number of loans in the bank and only 18.41 percent of the dollars loaned by the bank.

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

The bank's record of lending to borrowers of all incomes **meets the standard for satisfactory performance.**

This element measures the extent to which the bank's lending is dispersed throughout the economic spectrum of its local community. It should be viewed in the context of the relative affluence of the bank's Assessment Areas. Please refer to the previous discussion of the bank's two Assessment Areas. The bank's business focus is loans to small and medium-size businesses. Insofar as this is a new bank with little loan portfolio turnover, outstanding loans as of September 30, 1999 were used as opposed to loan originations. The differences in sample populations are indistinct.

The following tables were constructed using the same sample of loans as mentioned in the previous section.

<b>Houston Assessment Area</b>				
Income	Number of Loans	Percentage of the Number of Loans	Dollars Loaned	Percentage of the Dollars Loaned
Businesses with revenues of less than \$1 million	26	59.09	4,506,737	40.84
Businesses with revenues of more than \$1 million	11	25.00	5,701,250	51.66
Loans to Individuals	3	6.82	598,400	5.42
Loans with no income data	4	9.09	230,000	2.08

The three loans to individuals are to upper-income borrowers. The four loans with no income data were all secured with certificates of deposit. Accordingly, the bank waived income data. The concentration of commercial loans is in keeping with the bank's focus as a commercial lender.

<b>Richardson Assessment Area</b>				
Income	Number of Loans	Percentage of the Number of Loans	Dollars Loaned	Percentage of the Dollars Loaned
Businesses with revenues of less than \$1 million	11	52.38	4,816,000	67.00
Businesses with revenues of more than \$1 million	4	19.05	1,552,000	21.59
Loans to Individuals	1	4.76	25,000	0.35
Loans with no income data	5	23.81	795,000	11.06

The loan to an individual was to a middle-income borrower. Of the five loans noted in which no income data was available, three were secured by certificates of deposit and one was made upon the collective financial strength of a group of guarantors.

### Geographic Distribution of Loans

The bank's record of geographically distributing its loans throughout its Assessment Area **meets the standard for satisfactory performance.**

This element seeks to measure the extent to which the bank has made credit available throughout its Assessment Area. An unfavorable rating would indicate an institution which lends only to certain segments of the community to the disadvantage of other, low- to moderate-income areas.

In the Houston Area, the bank made 25 of the 44 sample loans within its Assessment Area. Those 25 loans were distributed as follows among census tracts with different income characteristics:

Census Tract Income	Number of Loans	Percentage of Number of Loans	Dollars Loaned	Percentage of Dollars Loaned
Low	1	4.00	221,250	3.29
Moderate	9	36.00	3,319,000	49.31
Middle	8	32.00	1,986,481	29.51
Upper	7	28.00	1,204,406	17.89

In the bank's Richardson Office, the bank made eight of the sampled 21 loans within its Assessment Area. Those eight were distributed as follows:

Census Tract Income	Number of Loans	Percentage of Number of Loans	Dollars Loaned	Percentage of Dollars Loaned
Low	0	0	0	0
Moderate	0	0	0	0
Middle	4	50.00	3,603,500	91.51
Upper	4	50.00	334,500	8.49



## **Response to Complaints**

Neither the bank nor the OCC has received any complaints relative to the bank's performance under the Community Reinvestment Act.

## **RECORD OF COMPLIANCE WITH ANTIDISCRIMINATION LAWS**

Simultaneously with this CRA evaluation, an examination of the bank to determine compliance with consumer laws and regulations was performed. The scope of that examination included a review of the bank's compliance with antidiscrimination laws. A sample of loans was reviewed to determine compliance with Fair lending Laws such as the Equal Credit Opportunity Act and the Fair Housing Act.

The loan terms approach was used to evaluate the fair lending efforts. The control group was males and the prohibited basis group was females. The loan product evaluated was used vehicle loans. They were compared based on interest rates, terms of loan, and down payment required. We found no fair lending concerns in this area.

The bank is in substantial compliance with the spirit, intent, and technical aspects of antidiscrimination laws. No violations of fair lending laws were noted. Management is providing appropriate employee training programs to help ensure adherence to fair lending laws. Management has also adopted satisfactory policies and procedures to promote equal credit opportunities for all applicants regardless of race, color, religion, national origin, sex, marital status, age, or the fact that all or part of the applicant's income is derived from a public assistance program.