



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 6, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**NBC Bank - Laredo, N.A.
Charter Number 16127
Interstate Highway 35 at Mann Road
Laredo, Texas 78042**

**Office of the Comptroller of the Currency
Southwestern District
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 **NBC Bank - Laredo, N.A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 6, 1996. 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 Outstanding.

The lending performance of NBC Bank - Laredo, N.A. reflects strong responsiveness to its community credit needs, including low- and moderate-income individuals and areas. This is demonstrated by the types of loans made by the bank and its excellent loan to deposit ratio. Most of the bank's loans are located within its assessment area and the distribution of borrowers reflects strong penetration among businesses of different sizes and individuals of different income levels.

The following table indicates the performance level of NBC Bank - Laredo, N.A. with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>NBC Bank - Laredo, N.A.</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 received since the prior examination.		

DESCRIPTION OF INSTITUTION

NBC Bank - Laredo, N.A. provides banking services through its main banking and motor banking facilities located in the city of Laredo, Webb County, Texas. In addition, the bank operates two ATM machines, one adjacent to the main banking facility and one in the Mall Del Norte in Laredo. It is one of three banks owned by National Bancshares Corporation of Texas, a multi-bank holding company located in Laredo. The holding company has total assets of \$276 million. The bank has total assets of \$61 million and loans totaling \$33 million. Loans comprise 54% of the bank's total assets. The loan portfolio consists of the following primary categories: (percentages are of total loans)

- 48% - Commercial loans;
- 38% - Residential real estate loans;
- 12% - Consumer loans;
- 2% - Other loans;
- 100% Total loans.

The bank's financial condition is strong and there are no legal, financial or other factors that interfere with its ability to make credit available in its assessment area. The previous Community Reinvestment Act examination is dated September 7, 1993.

DESCRIPTION OF LAREDO METROPOLITAN STATISTICAL AREA

NBC Bank - Laredo, N.A.'s assessment area consists of Webb County which is the entire Metropolitan Statistical Area (MSA). The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Webb County has a population of approximately 133,000. The county is located along the Rio Grande river across from Nuevo Laredo, Mexico. The county is served by seven commercial banks, six credit unions and one savings and loan association. The principal industries are energy and retail trade and transportation. The entire Texas-Mexico border economy, particularly the retail trade and transportation industries, have been adversely affected by the devaluation of the Mexico Peso. The median family income for the assessment area is \$24,900 which is significantly below the statewide average for all MSA areas of \$40,800. Comparatively, Webb County is one of the poorest metropolitan areas in the State of Texas with 34% of the households below the

poverty level. As defined by the United States Census Bureau, Webb County is composed of 24 census tracts of which 11 are designated as moderate income, 8 are

middle income, and 5 are upper income¹. Due to the very low median family income in the MSA, there are no census tracts in the county that meet the definition of low-income. Furthermore, five of the moderate income census tracts have limited lending opportunities as these census tracts consist largely of industrial, governmental, or university uses.

Our office conducted community contacts with a local government agency and a local economic development agency in the bank's assessment area. Credit needs identified by the community contacts included affordable housing, home improvement, consumer, and small business loans. Both contacts stated that the local financial institutions are meeting these needs to the best of their abilities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Management has demonstrated outstanding performance in meeting the credit needs of the assessment area, including low- and moderate-income individuals and areas, consistent with its resources and capabilities.

- **Loan to Deposit Ratio**

The loan to deposit ratio is excellent. The average loan to deposit ratio for the last twelve quarters is 62%. The bank's ratio exceeds that of all but two banks located in Webb county and surrounding counties. As of March 31, 1996, the bank's ratio was 59% compared to its competitors' average ratio of 44%. The competitor group's March 31, 1996, loan to deposit ratios range from 16% to 70%.

- **Lending in the Assessment Areas**

A substantial majority of credit extended is located within the assessment area. An analysis performed by the bank in August 1996 reflected 91% of the dollar volume and 96% of the number of outstanding loans were located within the assessment area. The 1995 and 1996 year-to-date Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR) reflects 84% of the dollar volume and 95% of the number of residential mortgage approvals were for properties located within the assessment area.

¹**Low income** census tracts are census tracts whose median family income is equal to **less than 50 percent** of the MSA's median family income, **moderate income** census tracts are census tracts whose median family income is equal to **between 50 percent and 79 percent** of the MSA's median family income, **middle income** census tracts are census tracts whose median family income is equal to **between 80 percent and 119 percent** of the MSA's median family income, and **upper income** census tracts are census tracts whose median family income is equal to **120 percent and above** of the MSA's median family income.

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

The distribution of loans to businesses of different sizes is excellent with an emphasis on small businesses. This is significant because 48% of the bank's lending activity is to business or commercial borrowers. Our review of 25 new commercial loans made in 1996 reflected the following distributions:

LENDING TO BUSINESSES OF DIFFERENT SIZES										
Business Revenue Ranges	<\$100M		\$100M-\$500M		\$500M-\$1MM		>\$1MM		Total	
	#	%	#	%	#	%	#	%	#	%
Business Loans	4	16%	12	48%	3	12%	6	24%	25	100%

The distribution of loans to individuals with different income levels is reasonable. Our review of 1995 and year-to-date 1996 approved home loans (all loans reported on the HMDA-LAR), and a sample of 32 consumer loans made during 1996 reflected the following distributions:

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
	#	%	#	%	#	%	#	%	#	%
Area Demographic Characteristics	25%		17%		16%		42%		100%	
Count	7,324		4,954		4,918		12,539		29,735	
Loan types:										
Residential	12	12%	6	5%	23	23%	61	60%	102	100%
Consumer	12	38%	2	6%	8	25%	10	31%	32	100%

While the percentage of residential loans to low- and moderate-income families does not appear to reflect the area demographics, the income level for such borrowers is so low that it essentially precludes extending such loans. Nevertheless, the bank extended 12 loans for home purchase and home improvement to families earning less than \$12,450.

This is particularly noteworthy given that the average home value is \$41,350 and the average sales price of a new home is significantly above that. This bank's recent experience showed that a typical "low cost" starter home in a moderate-income neighborhood was about \$60,000. The bank's consumer lending compares favorably to the demographics. The bank has also engaged in lending activities that benefit low- and moderate-income housing.

The bank also has a special loan program that benefits low-income borrowers. It is entitled "Prestamos Con Pilon" and provides loans ranging in size from \$250 to \$420. The program has been a success with 258 loans totaling \$102,000 outstanding as of August 1996.

- **Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Credit is extended in all census tracts in the assessment area. The bank's analysis of outstanding loans as of August 8, 1996, and our review of the 1995 and year-to-date 1996 residential lending activity reflected the following geographic distributions:

GEOGRAPHIC DISTRIBUTION OF LOANS										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	0%		46%		33%		21%		100%	
Count	0		11		8		5		24	
	#	%	#	%	#	%	#	%	#	#
Sample Types:										
Outstanding Loans	0	0%	265	21%	228	18%	754	61%	1,247	100%
Residential Loans	0	0%	27	25%	30	28%	50	47%	107	100%

This distribution reflects reasonable dispersion, given the demographic characteristics of the bank's assessment area. While moderate-income census tracts comprise 46% of census tracts, only 32% provide lending opportunities as the others are comprised of university, industrial, and governmental uses.

- Responses to Complaints

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

- Community Development Loans

The bank has participated with a local construction company in a program to provide financing for relatively low-cost housing at affordable terms to individuals who would not otherwise qualify for a Federal Housing Administration loan or a conventional home mortgage loan. Almost all of these homes are located in a moderate-income census tract. This program was started about August 1993 and the bank has extended about \$3,000,000 in loans since that time.