



Small Institution Performance Evaluation
FFIEC November 13, 1995

PUBLIC DISCLOSURE

December 19, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Texas Guaranty National Bank
Charter Number 18421**

**1505 Highway 6 South
Houston, Texas 77024**

Office of the Comptroller of the Currency

**Southwestern District
1600 Lincoln Plaza
500 North Akard Street
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 **Texas Guaranty National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 19, 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 “**Satisfactory**”.

Texas Guaranty National Bank has satisfactory CRA performance supported by:

- An adequate loan-to-deposit ratio of 58%;
- A satisfactory percentage of lending within the assessment area at 78%;
- A reasonable distribution of loans within the bank’s assessment area; and,
- A good record of lending to small businesses and low- and moderate-income individuals.

Texas Guaranty National Bank has a good record of extending credit, compared with the size and scope of operations. The distribution of loans reflects a reasonable penetration among census tracts of different income categories. Loan distribution also shows a good dispersion of credit to low- and moderate-income individuals and businesses of different sizes. The bank has not received any complaints from the public regarding its CRA performance.

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

| SMALL INSTITUTION ASSESSMENT CRITERIA | Texas Guaranty 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 | No complaints were received since the previous examination. | | |
| | | | |

DESCRIPTION OF INSTITUTION

Texas Guaranty National Bank is owned by American Bancorp of Oklahoma Inc., a commercial bank holding company based in Edmond, Oklahoma. The bank has five locations. The main office is located at 1505 Highway 6 South in Houston, Texas. The other locations are as follows:

- ▶ Memorial Branch
12602 Memorial Drive
Houston, Texas

- ▶ Waller Branch
2403 Main Street
Waller, Texas

- ▶ Hempstead Branch
1005 12th Street
Hempstead, Texas

- ▶ Drive-in Facility
1070 Highway 6 South
Houston, Texas

The Memorial location also has drive-in facilities and an automated teller machine (ATM). ATM services are also available at the drive-in facility on Highway 6 South. As of September 30, 1996, the bank has total assets of \$82 million with loans representing \$52 million or 63% of total assets. Lending activity is centered in small business loans. The following table shows the composition of the loan portfolio.

| LOAN CATEGORY | DOLLAR AMOUNT (in thousands) | PERCENT OF TOTAL PORTFOLIO |
|------------------------|---|-----------------------------------|
| Real Estate | | |
| Construction | \$9,290 | 18% |
| Farmland | \$658 | 1% |
| 1-4 Family | \$8,719 | 17% |
| Multifamily | \$2,487 | 5% |
| Commercial Real Estate | \$18,436 | 35% |
| Agriculture | \$138 | -- |
| Commercial | \$8,389 | 16% |
| Consumer | \$4,141 | 8% |
| TOTAL | \$52,258 | 100% |

Total deposits are \$71 million and equity capital is \$6 million. The bank offers a variety of loan and deposit products. No financial conditions, legal constraints, or other factors hinder the bank's ability to help meet the credit needs of its assessment area. The last Community Reinvestment Act (CRA) examination was performed in November 1994.

DESCRIPTION OF ASSESSMENT AREA

Texas Guaranty's assessment area meets the requirements of the CRA and does not arbitrarily exclude low- or moderate-income geographies. The assessment area consists of Fort Bend, western Harris, and Waller Counties. Primary industries are service and manufacturing. The assessment area contains 320 census tracts. The following table shows income characteristics of these census tracts.

| Tract Characteristics | Count | % |
|-----------------------|-------|------|
| Low-income | 16 | 5% |
| Moderate-income | 65 | 20% |
| Middle-income | 106 | 33% |
| Upper-income | 130 | 41% |
| Not applicable | 3 | 1% |
| Total | 320 | 100% |

The assessment area's population is 1.6 million representing 412 thousand families. Families are broken down by income levels as follows: 18% low-income, 15% moderate-income, 20% middle-income, and 47% upper-income. The 1990 U.S. Census median family income for this assessment area is \$36,886. The 1996 Department of Housing and Urban Development Median family income for this assessment area is \$46,000.

The market for financial services is highly competitive in Fort Bend and western Harris Counties. Texas Guaranty has survived and grown by developing a niche in small business lending. Waller County provides a different market for the bank. The market is primarily rural in nature with a heavy emphasis on agriculture. Since Texas Guaranty is new to the market, established institutions have a competitive edge. Prairie View A&M University is located in Waller County. Management hopes to establish a good working relationship with the university and explore opportunities for possible loan growth.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

Texas Guaranty National Bank meets its assessment area's credit needs. The average loan-to-deposit ratio for the last nine quarters (September 30, 1994 to September 30, 1996) is 58%. The bank's ratio is below the ratio of similarly sized institutions at 67%. In the past year, management has made diligent efforts to enhance the bank's loan-to-deposit ratio. As of September 30, 1996, the bank's loan-to-deposit ratio is 73%, which is slightly above similar institutions at 70%.

Lending in Assessment Area

As of July 31, 1996, Pickering and Associates, a compliance consulting firm based in Louisiana, prepared a CRA compliance report. The report included information of the volume of loans and deposits inside and outside the bank's assessment area. Between January 1, 1996 and July 31, 1996, the bank originated 396 loans totaling \$33.2 million. The following table shows the number and dollar amount of loans made inside and outside the assessment area.

| | Count | % | Dollar Amount (in thousands) | % |
|-------------------------|-------|------------|---------------------------------|------------|
| Inside Assessment Area | 309 | 78% | \$22,418 | 68% |
| Outside Assessment Area | 66 | 17% | \$8,923 | 27% |
| Undetermined | 21 | 5% | \$1,849 | 5% |
| Total | 396 | 100% | \$33,190 | 100% |

As shown above, the majority of loans are within the bank's assessment area. For various reasons, bank management and Pickering and Associates were unable to determine the exact census tract for 21 (5%) of the loans originated by the bank. Management has purchased several loan participations from an affiliate in Oklahoma to increase the loan portfolio and enhance profitability. The above figures include 35 participations of which 30 or 86% are outside the bank's assessment area. Originations inside the assessment area increases to 86% without the participations.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Texas Guaranty makes loans to individuals of different income levels and businesses of different sizes. The following table shows the distribution of loans to individuals and businesses.

| LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS | | | | | | | | | | |
|--|--------------------------|-----|--------------------------|-----|------------------------------|-----|--------------------------|-----|-------|------|
| | Low Income Families | | Moderate Income Families | | Middle Income Families | | Upper Income Families | | Total | |
| Area Demographic Characteristics | 18% | | 15% | | 20% | | 47% | | 100% | |
| | # | % | # | % | # | % | # | % | # | % |
| Loan Types | | | | | | | | | | |
| Consumer | 7 | 23% | 10 | 32% | 8 | 26% | 6 | 19% | 31 | 100% |
| Mortgage | 3 | 11% | 1 | 4% | 2 | 7% | 22 | 78% | 28 | 100% |
| | | | | | | | | | | |
| Revenue Ranges | Less Than \$100 Thousand | | \$100 - \$500 Thousand | | \$500 Thousand - \$1 Million | | Greater Than \$1 Million | | | |
| Commercial | 1 | 5% | 5 | 24% | 8 | 38% | 7 | 33% | 21 | 100% |

The above table shows that the bank made 55% of the sampled consumer loans to low- and moderate-income individuals. This percentage is greater than the assessment area's characteristics with low- and moderate-income families representing 33%. In addition, the bank extended 67% of the sampled commercial loans to small businesses.

Geographic Distribution of Loans

Texas Guaranty's geographic distribution of loans represents the demographic characteristics of its assessment area. The following table shows the geographic distribution of loan originations based on Pickering and Associates' July 31, 1996 analysis.

| GEOGRAPHIC DISTRIBUTION OF LOANS | | | | | | | | | | |
|----------------------------------|-------------------|----|------------------------|-----|----------------------|-----|---------------------|-----|-------|------|
| | Low Income Tracts | | Moderate Income Tracts | | Middle Income Tracts | | Upper Income Tracts | | Total | |
| Area Demographic Characteristics | 5% | | 20% | | 33% | | 41% | | 100% | |
| Count | 16 | | 65 | | 106 | | 13 | | 317 | |
| | # | % | # | % | # | % | # | % | # | % |
| Loan Types | | | | | | | | | | |
| Consumer | 0 | 0% | 64 | 37% | 23 | 14% | 84 | 49% | 171 | 100% |
| Mortgage | 0 | 0% | 6 | 18% | 5 | 15% | 22 | 67% | 33 | 100% |
| Commercial | 0 | 0% | 12 | 11% | 21 | 20% | 72 | 69% | 105 | 100% |

Thirty-seven percent of consumer loan originations were made to individuals in low- and moderate-income areas. This percentage exceeds the characteristics of the assessment area at 25%. The volume of loans in low-income census tracts is reasonable. The bank does not have any branches in low-income tracts. Low-income census tracts only represent 5% of the bank's assessment area. The majority of low-income census tracts are at the eastern edge of the bank's assessment area (not near any branches). Only 4% of the assessment area's population lives in low-income census tracts.

Other Considerations

Our fair lending review did not identify any evidence of discrimination or other illegal credit practices. Compliance with fair lending laws and regulations does not have an adverse impact on the bank's CRA rating.