



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 23, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Surety Bank, N.A.
Charter Number 15187**

**1845 Precinct Line Road, Suite 100
Hurst, Texas 76054**

**Comptroller of the Currency
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 Surety Bank, N.A. prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of January 23, 1997. 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.

Surety Bank's (Surety's) performance reflects satisfactory responsiveness to the credit needs of the different communities served. The bank's loan to deposit ratio is reasonable and is comparable to the ratios of area banks. Most of the loans are within the bank's designated assessment areas, reasonably penetrate the different income levels and are reasonably distributed throughout the assessment areas.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Surety Bank, N.A. 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 since the last examination.		

DESCRIPTION OF INSTITUTION

Surety is owned 100% by Surety Capital Corporation a one-bank holding company. Surety's main bank is located in Hurst, Texas with branches in the Texas communities of Chester, Kennard, Lufkin, Midlothian, Waxahachie, Wells and Whitesboro. Total assets of the bank, as of September 30, 1996, were \$172,285,762. Surety's asset mix consists of 56% loans and 24% investment securities.

The bank offers a variety of credit products including consumer, real estate and commercial credits. The composition of the loan portfolio is as follows; commercial real estate and business loans 63%, 1-4 family mortgage and construction loans 26%, and other consumer loans 11%.

Surety's financial condition does not inhibit its ability to meet credit needs in its assessment areas. Additionally, the bank has no legal impediments that would inhibit its ability to meet community credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The bank is comprised of the main bank in Hurst, Texas with seven branches spread through north and east Texas. Information relating to each office and the respective assessment area is detailed below.

Hurst - Main Bank - Tarrant County (assessment area description)

Hurst's population approximates 34,000. Hurst is located midway between Dallas and Fort Worth in Tarrant County (population of 1,170,103). This office is located in the Fort Worth Metropolitan Statistical Area (MSA). The economic focus is retail as many residents work in Dallas or Fort Worth. A branch of Tarrant County Junior College is located two blocks from the bank. Competition is very active and includes branches of major banks, independent banks, thrifts, and credit unions. The median family income is \$37,571. Unemployed labor is 3%.

Midlothian Branch - Ellis County

Midlothian's population approximates 5,800. Midlothian, 26 miles south of Dallas, is located in Ellis County (population of 85,167). Ellis County is located in the Dallas MSA. Major employers are industrial in nature. Competition is active and includes branches of independent banks. The median family income is \$38,754. Unemployed labor is 3%.

Waxahachie Branch - Ellis County

Waxahachie's population approximates 19,000. Waxahachie, 28 miles south of Dallas, is also located in Ellis County. Major employers are industrial in nature. Competition is very active and includes branches of major banks, independent banks, thrifts, and credit unions. The median family income is \$38,754. Unemployed labor is 3%.

Whitesboro Branch - Grayson/Cooke Counties

Whitesboro's population approximates 3,500. Whitesboro, 20 miles west of Sherman, Texas, is located in western Grayson County (population of 95,021). Grayson County is part of the Sherman MSA. The community is also in close proximity to Cooke County which has a population of 30,777. The economy is primarily agribusiness and related. Competition is active and includes branches of major banks. The median family incomes for Grayson and Cooke Counties are \$30,114 and \$24,586 respectively. Unemployed labor is 3%.

Chester Branch - Tyler County

Chester's population approximates 300. Chester, approximately 40 miles southeast of Lufkin, Texas is located in Tyler County (population of 16,646). The largest town in the county is Woodville, approximate population 2,600. The economy is lumber and livestock based. The median family income is \$24,586. Unemployed labor is 2%.

Kennard Branch - Houston County

Kennard's population approximates 350. Kennard, approximately 27 miles west of Lufkin, is located in Houston County (population of 21,375). The largest town in the county is Crockett, approximate population 7,000. The economy is lumber and livestock based. The median family income is \$24,586. Unemployed labor is 3%.

Lufkin Branch - Angelina County

Lufkin's population approximates 35,000. Lufkin, approximately 120 miles northeast of Houston, is located in Angelina County (population of 69,884). Major employers are industrial in nature but also include a presence in health care. Competition is very active and includes banks, a thrift, and credit unions. The median family income is \$24,586. Unemployed labor is 3%.

Wells Branch - Cherokee County

Wells' population approximates 800. Wells, approximately 15 miles north of Lufkin, is located in Cherokee County (population of 41,049). Other towns in the county include Jacksonville, approximate population 13,000, and Rusk, approximate population 4,400. The economy is agribusiness and manufacturing based. The median family income is \$24,586. Unemployed labor is 3%.

Recent community contacts did not reveal any unmet credit needs. The primary credit need in the smaller communities (Chester, Kennard, Lufkin and Wells) is small consumer loans for personal purposes. The credit needs for the other communities include small consumer, residential real estate and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Surety is competitive in each assessment area which is in part reflected in the loan-to-deposit ratio (LTD). Inside of the bank's different assessment areas, there are numerous other banks and/or branches of area banks that are considered the primary competition. Surety's overall LTD reflects satisfactory performance at 64% compared to the ratios of these other institutions which range from 17% to 88%.

The bank has no minimum loan amount and has significantly demonstrated its willingness to meet the needs of the low and moderate income applicants. Internal reports, for the first 11 months of 1996, indicate a large number of loans with an original extension amount of \$3,000 or less. Broken down further, this report indicates the following:

- 18% of loans extended in this period were for amounts of \$1,000 or less,
- 16% were for amounts between \$1,000 and \$2,000, and
- 12% were for amounts between \$2,000 and \$3,000.

Many of these loans were actually less than \$500. Management recognizes the need for these types of loans and will continue to make them.

Management tracks the location of each loan made and internal reports indicate that 79.5% of all loans on the books are located within the various assessment areas.

While the bank obtains income information on its loan customers there is no internal analysis to determine the level of penetration into the different income levels. Surety's typical loan customers are small consumer and small business. Using a random sample from each branch we were able to determine that there is a reasonable penetration of loans among individuals of different income levels, especially to individuals with low or moderate income. In our sample of 315 consumer loans across all 8 branches 38% were to individuals with low or moderate income. We also determined that the business loans are primarily to businesses with gross income of less than \$1 million. In our sample of 45 business loans across all branches 76% were to small businesses.

The bank performed a gawked analysis of all loans on the books as of November 30, 1996. This analysis indicates that the bank is lending across each assessment area. While there were some census tracts in many assessment areas with no lending activity we noted no patterns of excluding any certain income level. Overall, there are 354 census tracts in the various assessment areas broken down as follows:

	<u>#</u>	<u>%</u>
Low	30	8.5
Moderate	86	24.3
Middle	142	40.1
Upper	96	27.1

The majority of the low and moderate income census tracts are located in Tarrant County. In this assessment area there are a significant number of financial institutions available to service the community's needs. The geocode analysis indicates loan extensions are made throughout the county with no concentration in any specific area.

During the evaluation period, Surety received no negative responses from the public regarding its CRA performance. Further, based on the fair lending portion of our examination, no violations of the substantive provisions of the antidiscrimination laws and regulations were identified. Management has been active in training officers and employees on fair lending concepts and practices.