



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

October 26, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Community Bank, N. A.
Charter Number 22814**

**1000 East Broadway
Pearland, Texas 77581**

**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 the **First Community Bank, N.A. of Pearland, Texas** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 26, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25. A copy of this document should be placed in the bank's public file.*

INSTITUTION'S CRA RATING: This institution is rated “*Satisfactory.*”

First Community Bank, N.A. (FCB) of Pearland has a *satisfactory* record of meeting credit needs within the community. The bank's loan-to-deposit ratio is reasonable. A majority of loans originated by FCB are within the assessment area. The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. The bank's record of lending to borrowers of different income levels, including low- and moderate- income individuals and businesses of different sizes is reasonable.

The following table indicates the performance level of **First Community Bank, N.A. of Pearland** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST COMMUNITY BANK, N.A. OF PEARLAND</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 were received since the prior CRA examination.		

DESCRIPTION OF INSTITUTION

First Community Bank, N.A. (FCB) is a \$102 million institution serving its customers with a main location in Pearland, Texas. Additionally, the bank opened three full service branch locations since the previous evaluation period. All of the locations but one have stand alone ATMs. To help meet the credit needs of its community, the bank offers general loan products for consumers and small businesses. Lending activity is in the following categories: real estate (36%), one to four family residential property (7%), loans to individuals (19%), and commercial and industrial loans (38%). The bank offers a variety of deposit accounts and other banking services. There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

FCB's assessment area comprises eighty-three (83) census tracts within the counties of Brazoria, Galveston, and Harris. The main office location borders the counties of Brazoria and Galveston. Of the eighty-three census tracts within the assessment area, only one is defined as low-income. Nineteen of the census tracts are moderate-income, thirty-three are middle-income and twenty-six are upper. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The assessment area has a population of about 426 thousand people, with only 8% living below the established poverty level. The assessment area has approximately 166 thousand housing units with 66% being one to four family units. The number of owner occupied units is high accounting for 55% of the one to four family units. The vacant housing is low at 8% of the total. The median housing value is \$67,271 and the median monthly gross rent is \$449. As of the 1990 census, the weighted average Metropolitan Statistical Area (MSA) Non-MSA's Census Median Family Income was \$36,944. The updated Median Family Income of all Non-MSAs is \$48,984. Social security payments are received by 14% of the population in the assessment area.

Competition in the assessment area is intense. FCB is subject to competition from numerous financial institutions. Also, there are several other financial institutions in close proximity to all of the branch locations.

COMMUNITY'S CREDIT NEEDS

First Community Bank, N.A. (FCB) has identified general consumer loans and small business loans as the assessment area's primary credit needs. Community contacts with community organizations indicate that the banks in the area are active in the community in both lending and service.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

First Community Bank, N.A. (FCB) actively meets the credit needs of its assessment area. The bank's loan-to-deposit ratio is reasonable based on the community's credit needs. The loan-to-deposit ratio as of September 30, 1998 was 76%. Since the prior CRA Performance Evaluation dated October 21, 1996 the bank's loan-to-deposit ratio has averaged 75% and compares favorably with the average for other similarly situated banks in the assessment area. FCB's ratios for the five most recent quarters are shown in Table 1.

Table 1

QUARTER ENDED	LOAN-TO-DEPOSIT RATIOS
September 30, 1998	76%
June 30, 1998	76%
March 31, 1998	72%
December 31, 1997	71%
September 30, 1997	68%
Five Quarter Average	73%

LENDING IN THE ASSESSMENT AREA

An analysis prepared for the bank by an external management consultant firm revealed that a majority of FCB's loans are within its assessment area. This analysis revealed that 57% of the loans originated were within the bank's assessment area.

Our analysis performed during the examination included a sample of consumer, residential real estate, home improvement and small business loan files (54). This analysis revealed that 57% of the number and 66% of the dollar volume were within the assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

Overall, First Community Bank, N.A. (FCB's) level of lending to individuals of different income levels and businesses of different sizes is reasonable. Loan applications are solicited from all income levels. The bank has made a significant portion of its consumer loans to middle-income borrowers. Similarly, a review of a sample of residential home purchase loans showed a majority of the loans were made to middle and upper income borrowers. Although the bank's level of lending to low- and moderate- income is low, the bank's lending practices are reasonable considering the community profile. In addition, our sample of commercial loans revealed a majority of loans were to small businesses with revenues less than \$1 million per year. Table 2 summarizes our review.

Table 2

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	15%		15%		22%		48%		100%	
Loans	#	%	#	%	#	%	#	%	#	%
Residential	0	0%	0	0%	2	17%	10	83%	12	100%
Consumer	0	0%	0	0%	1	13%	7	87%	8	100%
Total	0	0%	1	10%	0	0%	9	90%	10	100%
Revenue Ranges	< \$100M		\$100M--\$500M		\$500--\$1MM		> \$1MM		Total	
Commercial	5	28%	5	28%	6	33%	2	11%	18	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. Our sample of loans from the bank’s consumer, mortgage, and small business portfolios revealed a reasonable geographic distribution of loans. The percentage of loans in moderate income tracts and middle income tracts closely approximates the area demographic characteristics. Table 3 is based upon that information and details the distribution of loans within the assessment area.

Table 3

GEOGRAPHIC DISTRIBUTION OF LOANS										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	1%		23%		39%		31%		100%	
Count	1		19		32		26			
	#	%	#	%	#	%	#	%	#	%
Loan Types										
Residential	0	0%	0	0%	0	0%	7	100%	7	100%
Consumer	0	0%	0	0%	0	0%	7	100%	7	100%
Small Business	0	0%	0	0%	0	0%	2	100%	2	100%
Total Loans	1	7%	0	0%	9	60%	5	33%	15	100%

RESPONSE TO COMPLAINTS

First Community Bank, N.A. did not receive any consumer complaints since the prior CRA examination. However, the bank has a satisfactory procedure in place to handle any future consumer complaints.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

A Fair Lending review was performed in conjunction with the CRA examination. No violations of the substantive provisions of the anti-discrimination laws and regulations were cited during the examination.

OTHER CONSIDERATIONS

Officers have actively solicited and made community development loans. This includes loans to several area churches, affordable housing units, and small business loans. Specifically, the bank provided funding to a nonprofit 501(c) Corp. and United Way Agency. The funds were used to purchase land and buildings (an old Pearland Town Site facility). Additionally, the bank provided funding to a nonprofit organization which provides interim housing to battered women. The funds were used for the purchase several of apartment units for housing. The bank has invested in the community and monitors this investment by direct involvement with the various clubs and organizations.