



# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## Public Disclosure

January 14, 2002

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

Texas First National Bank  
Charter Number: 18558

9315 Bellaire Boulevard  
Houston, TX 77036

#### Office of the Comptroller of the Currency

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**NOTE:** This document is an evaluation of this 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. This evaluation is not, and should not 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.

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## Overall CRA Rating

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

The following table indicates the performance level of **Texas First National Bank (TFNB)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Texas First National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Low Satisfactory	X	X	X
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- Given the bank’s performance context, lending levels reflect an adequate responsiveness to the credit needs of the bank’s assessment areas (AAs).
- TFNB’s distribution of loans among geographies of different income levels is excellent throughout its AAs.
- TFNB’s distribution of loans among borrowers of different income levels is adequate throughout its AAs.
- Community development lending activity had a positive impact on the rating.
- Investments reflect an adequate responsiveness to the needs of its AAs.
- Accessibility of TFNB’s offices to geographies and individuals of different income levels and the responsiveness of TFNB services to the needs of its AAs are adequate.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Block Numbering Area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also

include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home Mortgage Loans:** such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

Texas First National Bank, (TFNB) with its main office in Houston, Texas, is in an area which is densely populated with Asian American groups. The bank was originally founded mainly by a group of local Chinese Americans. The bank is independently owned. The bank has one affiliate, which is American First National Bank located in Houston, Texas. The Office of the Comptroller of the Currency approved the original charter and the bank opened for business on May 3, 1985.

TFNB is an intrastate bank with four branches and one Loan Production Office. On March 11, 1995, the main bank relocated its headquarters to a newly constructed building, which is currently located at 9315 Bellaire Blvd., in Houston, Texas. Three additional branches were opened. Two in the Houston, Texas area, known as Champions Branch and Sugar Land Branch, both opened in 1995 and one in the Dallas, Texas area, known as Richardson Branch, opened in 1996. A Loan Production Office was also re-opened in 1999 in New Orleans, Louisiana.

As of September 30, 2001, TFNB reported total assets of \$372 million. The Tier 1 Capital ratio for the bank is listed at 7.12 percent. Net Loans and Leases represent 47 percent of the total assets of the bank. The loan portfolio is comprised of 76 percent real estate loans, 19 percent commercial loans, and 5 percent consumer loans. Loans secured by commercial real estate represent the largest product in the portfolio. The real estate loan portfolio consists of 78 percent commercial loans, 10 percent multi-family unit loans, 7 percent construction-development loans, and 5 percent 1-4 family unit loans.

TFNB operates in two assessment areas. The Houston assessment area consists of 290 census tracts located in Harris and Fort Bend counties. The Dallas assessment area consists of 186 census tracts located in Dallas and Collin counties. The full scope assessment area, which is Houston, is described in detail in the market profile section of this report. As of June 30, 2001, approximately 88 percent of the bank's total deposits were located in the Houston assessment area and 12 percent were located in the Dallas assessment area.

The bank's deposit market share rank in the Houston assessment area is 27<sup>th</sup> of 138 competitors, and in the Dallas assessment area, the bank is 65<sup>th</sup> of 108 competitors. TFNB competes in heavily banked markets where several of the nation's largest banks maintain a significant presence. The bank lists its major competitors as follows: American First National Bank, Concord Bank, N. A., Bank of America, Cathy Bank, Chase Bank, MetroBank, Southwestern National Bank, United Central Bank, Wells Fargo Bank, and 1<sup>st</sup> International Bank. There are no financial impediments, which limit the bank's ability to help meet the credit needs of its assessment areas.

TFNB's CRA performance was last evaluated on November 23, 1998, based on Small Bank CRA performance guidelines. At that time, the bank's overall level of performance was rated "Satisfactory".

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This Performance Evaluation assesses the bank's performance under the Lending, Investment, and Service Tests. In evaluating the bank's lending performance, we reviewed their residential mortgage loans subject to filing under the Home Mortgage Disclosure Act (HMDA) and small business loans. The evaluation period under the Lending Test for home mortgage loans is January 1, 1999 through September 30, 2001. For small business loans, the evaluation period is January 1, 1999 through June 30, 2001. For community development (CD) loans and the Investment and Service Tests, the evaluation period is November 24, 1998 through January 14, 2002. The Investment Test included a review of investments, grants, and donations made in the bank's AAs that meet the definition of community development investments. The Service Test included a review of retail and community development services provided in the bank's AA.

### Data Integrity

As a part of the CRA evaluation, we tested the accuracy of TFNB's small business and HMDA loan data. Several errors were noted with the accumulated data that management was able to correct. We evaluated the bank's corrected data and found it to be reliable.

Community development loans, investments, and services submitted by TFNB management were verified to ensure that they met the regulatory definition for community development. In error, the bank did not publicly report any CD loans. However, the bank originated CD loans during the evaluation period and they were considered in this review.

### Selection of Areas for Full-Scope Review

During this examination we performed a full-scope review for the Houston MSA AA. This AA was selected for review because the bank maintains a substantial share of its business; 88 percent of deposits and approximately 84 percent of total reported CRA loans in this AA (based on 2001 average loans and deposits). A limited scope review was conducted in Dallas MSA AA. Please refer to the table in Appendix A for more information.

### Ratings

The bank's overall rating is based primarily on the full-scope review of the Houston MSA AA. Small business lending was given the greatest weight under the lending test since it is the bank's primary business line. Home purchase loans were considered but given less weight since the bank does not aggressively pursue these loans. Home improvement and refinance loans were given little weight since the bank originated a minimal number of these loans and does not pursue these types of loans. We gave no weight to small farm loans since none were originated by the bank and farm loans were not a significant need identified in the bank's urban AA.

## Other

Three community contacts, primarily from community development and community service organizations, were conducted during this exam in the Houston assessment area. Previous contacts done for both the Houston MSA and Dallas MSA by the OCC and other regulatory agencies were also reviewed. These contacts indicated that opportunities for participation in community development activities were high, and banks have been extremely responsive to the opportunities in Houston. Contacts indicated that the level and types of products and services available through banks is strong and does not leave any unmet credit needs. There are many public agencies and community-centered organizations actively working on community development. The primary credit needs identified by the community contacts are small business lending, affordable housing, financial education, and a need for multi-lingual bank employees.

## **Fair Lending Review**

An analysis of 1999, 2000 and 2001 public comments and consumer complaint and HMDA, small business and small farm lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "Low Satisfactory". Based on a full-scope review, the bank's performance in the Houston MSA AA is adequate.

#### Lending Activity

Refer to Tables 1 Lending Volume and 1 Other in Appendix C for the facts and data used to evaluate the bank's lending activity.

TFNB's lending activity is adequate in the Houston MSA AA. TFNB's approximate loan-to-deposit ratio in the Houston MSA AA is 54 percent. The bank's total loans have decreased approximately 4.5 percent from December 31, 1998 to September 30, 2001. The bank originated no small farm loans during the evaluation period. It is not a business line of the bank and as such, we do not make an assessment on the performance of small farm lending in this performance evaluation. During the evaluation period, the bank has not aggressively pursued the origination of home purchase, home improvement and home refinance loans. The home mortgage market in the Houston MSA AA is very competitive and dominated by larger lending institutions with 586 lenders originating home mortgage loans. The bank has served housing needs through the financing of multi-family housing. The small business loan market is also dominated by several large national lenders with 179 lenders originating small business loans in the AA.

In the Houston MSA AA, TFNB ranks 27<sup>th</sup> in deposit market share with less than a one percent share. The bank's loan volume in this assessment area is adequate within the CRA performance context. Based on 2000 HMDA aggregate data, TFNB's overall market share for the origination and purchase of home mortgage loans was less than one percent with a market rank of 276. Based on 2000 aggregate small business data, TFNB ranks 42<sup>nd</sup> in small business loans with less than 1 percent market share.

#### Distribution of Loans by Income Level of the Geography

##### *Home Mortgage Loans*

Refer to Tables 2, 3, 4 and 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

##### Home Purchase Loans:

The bank's geographic distribution of home purchase loans is excellent in the Houston MSA AA. The distribution of home purchase loans exceeds the percentage of owner-occupied

housing units in both low- and moderate-income tracts. The bank's market share in both low- and moderate-income tracts, though less than 1 percent, exceeds its overall market share.

### **Home Improvement Loans:**

Geographic distribution analysis is not meaningful since the bank only originated one home improvement loan in the Houston MSA AA.

### **Refinance Loans:**

Geographic distribution analysis is not meaningful since the bank only originated two refinance loans in the Houston MSA AA.

### **Multi-Family Loans:**

The bank's geographic distribution of multi-family loans is good in the Houston MSA AA. The distribution of multi-family loans is near to the percentage of owner-occupied housing units in low-income tracts and exceeds the percentage of owner-occupied housing units in moderate-income tracts. The bank's market share exceeds its overall market share in low-income tracts. The bank's market share in moderate-income tracts was less than its overall market share.

### ***Small Loans to Businesses***

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

TFNB's geographic distribution of small business loans in the Houston MSA AA is excellent. The percentage of small business loans made in both low- and moderate-income tracts exceeds the percentage of small businesses in these tracts. The bank's market share in both low- and moderate-income tracts exceeds its overall market share.

### **Lending Gap Analysis**

Maps and reports detailing TFNB's lending activity over the evaluation period for home mortgage loans and small loans to businesses were reviewed to identify gaps in the geographic distribution of those loans. No unexplained conspicuous gaps were identified.

### ***Inside/Outside Ratio***

A majority of the home mortgage loans, small loans to businesses and community development loans originated by TFNB over the evaluation period were within its AAs. Approximately 79 percent of the bank's home mortgage loans, 77 percent of the small business loans and 100 percent of CD loans were within its AAs. This performance was positively factored into the overall analysis of the geographic distribution of lending.

## **Distribution of Loans by Income Level of the Borrower**

### ***Home Mortgage Loans***

Refer to Tables 8, 9, and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

### **Home Purchase Loans:**

The bank's distribution of home purchase loans by borrower income levels is good in the Houston MSA AA. The percentage of home purchase loans to low-income borrowers is lower than the percentage of low-income families in the AA. This distribution is not considered negatively since a portion of the low-income families in the AA do not have sufficient income to qualify for a mortgage loan. The percentage of home purchase loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. The bank's market share is near to its overall market share in both low-income tracts and moderate-income tracts.

### **Home Improvement Loans:**

Income distribution analysis is not meaningful since the bank only originated one home improvement loan in the Houston MSA AA.

### **Refinance Loans:**

Income distribution analysis is not meaningful since the bank only originated two refinance loans in the Houston MSA AA.

### ***Small Loans to Businesses***

Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The bank's loan distribution to small businesses in the Houston MSA AA is adequate. The percentage of bank loans to businesses with revenues less than \$1 million is lower than the percentage of businesses with revenues less than \$1 million. However, the bank's market share to businesses with revenues less than \$1 million exceeds its overall market share.

## **Community Development Lending**

Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

Texas FNB has an excellent level of community development loans. During the evaluation period, the bank originated three community development loans totaling \$3.48 million. All of the loans were for multi-family affordable housing and directly addressed identified community development needs in the assessment area. None of the CD loans are considered complex or innovative.

### **Product Innovation and Flexibility**

No innovative or flexible lending products are offered by the bank.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the lending test in the Dallas MSA AA is not inconsistent with the bank's overall "Low Satisfactory" rating performance under the Lending Test. Refer to Tables 1 through 13 in Appendix C for the facts and data that support these conclusions.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Investment Test is rated "Low Satisfactory". Based on full-scope reviews, the bank's performance in the Houston MSA assessment area is adequate. Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

TFNB's level of qualified community development investments and donations reflects an adequate responsiveness to credit and community development needs. An ample level of qualified community development opportunities exist in the Houston assessment area, which was confirmed by community contacts. Qualifying investments are investments, deposits, membership shares or grants that have as their primary purpose community development, as defined in the CRA regulation.

During the review period, TFNB made an equity investment totaling \$1.5 million in a CRA qualified mutual fund. The funds were used to purchase a pool of qualifying mortgage loans in both AAs and to finance a multi-family affordable housing project in the Houston MSA AA. In addition, six contributions were made to four different organizations that support community services targeted toward low- to moderate-income individuals.

## Conclusions for Area Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Investment Test in the Dallas MSA assessment area is consistent with the bank's overall "Low Satisfactory" performance under the Investment Test. Refer to Table 12 in Appendix C for the facts and data that support these conclusions.

## SERVICE TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "Low Satisfactory." Based on a full-scope review, the bank's performance in the Houston MSA AA is adequate.

#### Retail Banking Services

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Overall, the distribution and accessibility of the bank's main office and branches supports a "Low Satisfactory" rating. The main bank location in Houston and the branch location in Richardson are in middle income census tracts. The branches in Sugar Land and Champions are in upper income census tracts. In the Houston Metropolitan Statistical Area, the main bank and the branches are either in close proximity to low- and moderate-income census tracts or easily accessible to low- and moderate-income individuals. The main office in Houston is geographically close to a significant number of the low- and moderate-income census tracts in the bank's assessment area. Four low income census tracts representing 19 percent of the total low income census tracts in the assessment area and fourteen moderate income census tracts representing 22 percent of the total are within twelve miles of the main office. The other low- and moderate-income census tracts in the assessment area not described earlier are a considerable distance from the main bank and the branches. Most of these tracts are located on the eastern and northern edge of the assessment area.

The Sugar Land and Champions branches are both located in upper income census tracts. However, the branches are located on major business thoroughfares and are highly accessible to the surrounding areas, including low- and moderate-income tracts.

The bank's automated teller machines (ATMs) are all located on bank premises. Houston, Champions, and Richardson have an ATM located on the bank building. The Sugar Land branch has the ATM located in the Drive-In. The ATMs in all locations can be accessed 24 hours per day. In addition, the bank offers internet and telephone banking.

The hours of operation are the same at all locations. Credit and deposit products offered match the competition and meet the needs of the community. Loan products offered include vehicle, home, commercial, commercial real estate, and construction loans. Deposit products include standard checking and savings accounts and certificates of deposit. Special accounts

include the Texas Student Account for students, Children's Bank Savings for children under age 18, and the "Tex 55 Account" that waives service charges for those 55 years or older.

Written product descriptions are available in Chinese and English. Customer service is available in several languages including Cantonese, English, Gujrati, Hindi, Mandarin Chinese, Spanish, Taiwanese, Urdu, and Vietnamese. While not all languages are spoken by employees at each branch, the multi-lingual services are available by telephone.

### **Community Development Services**

A bank officer provides financial and technical assistance for the Chinese Health Service Center, a nonprofit organization formed to disseminate health care information and education. In addition to health information, the center provides medical referrals, free flu shots, and activities for senior citizens. The center publishes a newsletter. The services are available to all income levels but primarily benefit low- and moderate-income individuals.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on a limited scope review, the bank's performance under the Service Test in the Dallas MSA AA is not inconsistent with the bank's overall "Low Satisfactory" performance under the Service Test. Refer to the Table 13 section of Appendix C for the facts and data that support these conclusions.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): Home Mortgage Loans (01/01/99 to 09/30/01) Small Business Loans (01/01/99 to 06/30/01) Investment and Service Tests and CD Loans: (11/24/98 to 01/14/02)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Texas First National Bank (TFNB) - Houston, Texas	Small Business Loans HMDA Loans CD Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Houston MSA AA #3360 Dallas MSA AA #1920	Full Scope Limited Scope	AAs do not include entire MSAs. Refer to Market Profile for details of the Houston MSA AA.

# Appendix B: Market Profiles for Full-Scope Areas

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### Market Profiles for Areas Receiving Full-Scope Reviews

Houston MSA AA

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## Houston MSA AA

Demographic Information for Full-Scope Area: Houston MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	290	7.24	22.07	29.31	41.03	0.34
Population by Geography	1,596,718	6.06	20.76	31.97	41.21	0.00
Owner-Occupied Housing by Geography	299,760	2.53	13.38	29.31	54.79	0.00
Businesses by Geography	101,431	4.09	20.99	30.37	44.47	0.09
Farms by Geography	1,519	2.70	15.80	32.85	48.65	0.00
Family Distribution by Income Level	402,093	19.35	15.21	18.97	46.46	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	138,989	12.06	33.49	33.69	20.76	0.00
Median Family Income	\$36,886	Median Housing Value				\$91,513
HUD Adjusted Median Family Income for 2001	\$58,500	Unemployment Rate				3.13%
Households Below the Poverty Level	10.97%					

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 U.S. Census, and 2001 HUD updated MFI.

Our evaluation period was calendar years 1999 through September 2001. The bank has chosen its Assessment Area to be 290 tracts located in Harris and Fort Bend Counties, Texas (Houston Assessment Area). Harris County is part of the Houston, Texas MSA. Per the 1990 Census, the Houston Assessment Area had a population of 1,596,718. The Houston Assessment area has a total of 290 census tracts of which 21 are low-income tracts, and 64 are moderate-income census tracts. The bank's deposits in this Assessment Area as of June 30, 2001 totaled \$292 million amounting to 88% of the total deposits of the bank.

Local banking competition is aggressive and includes affiliates of large national banking companies, regional banks, numerous small community banks, credit unions, and non-bank financial service providers. The top 11 deposit market share banks within the Assessment Area consist of various large multi-state banks as well as large community banks. These banks account for 75% of the deposits within the Houston Assessment Area. In addition, these banks have 301 offices throughout the Assessment Area.

Harris County is a widely diversified economy with employment concentrations primarily in the service sector as well as in retail trade and in finance, insurance and real estate. According to the 2000 US Census, the unemployment rate for the Houston Assessment Area was 5.20%.

A review of local government programs and community contacts conducted in the Houston assessment area identified that opportunities for participation in community development activities were high, and banks have been extremely responsive to the opportunities in

Houston. These contacts provided us with information in developing our Assessment Area profile. Contacts indicated that the level and types of products and services available through banks is strong and does not leave any unmet credit needs. There are many public agencies and community-centered organizations actively working on community development. The primary credit needs identified by the community contacts are small business lending, affordable housing, financial education, and a need for multilingual bank employees.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm.

Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.





**Table 1. Other Products**

LENDING VOLUME		Geography: Texas First National Bank		Evaluation Period: January 1, 1999 to September 30, 2001	
MA/Assessment Area:	Other Unsecured Consumer Loans		Other Optional Loans*		
	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>					
Houston MSA AA	0	0	0	0	
<b>Limited Review:</b>					
Dallas MSA AA	0	0	0	0	

(\*)The evaluation period for Optional Product Line(s) is from January 1, 1999 to September 30, 2001.





**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT		Geography: Texas First National Bank								Evaluation Period: January 1, 1999 to September 30, 2001					
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Houston MSA AA	1	100.0	2.53	0.00	13.38	0.00	29.31	0.00	54.79	100.00	0.00	0.00	0.00	0.00	0.00
<b>Limited Review:</b>															
Dallas MSA AA	0	0	2.29	0.00	8.41	0.00	33.73	0.00	55.57	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2001 Peer Mortgage Data: Southwest Region.  
 \*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.  
 \*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.





**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY		Geography: Texas First National Bank								Evaluation Period: January 1, 1999 to September 30, 2001					
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Houston MSA AA	12	100.0	9.91	8.33	31.73	50.00	31.65	25.00	26.72	16.67	0.75	10.0	0.00	0.00	0.00
<b>Limited Review:</b>															
Dallas MSA AA	0	0.00	14.35	0.00	36.05	0.00	33.93	0.00	15.67	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2001 Peer Mortgage Data: Southwest Region.  
 \*\* Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.  
 \*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES												Geography: Texas First National Bank		Evaluation Period: January 1, 1999 to June 30, 2001		
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*					
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Houston MSA AA	275	84.10	4.09	14.91	20.99	29.82	30.37	25.45	44.47	29.82	0.12	0.45	0.21	0.08	0.06	
<b>Limited Review:</b>																
Dallas MSA AA	52	15.90	4.43	7.69	27.54	46.15	28.51	26.92	35.43	19.23	0.04	0.05	0.06	0.02	0.04	

\* Based on 2001 Peer Small Business Data: US.  
 \*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.  
 \*\*\* Source Data - Dun and Bradstreet 2001.



**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE			Geography: Texas First National Bank						Evaluation Period: January 1, 1999 to September 30, 2001						
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Houston MSA AA	32	82.05	19.35	10.53	15.21	15.79	18.97	15.79	46.46	57.89	0.02	0.00	0.02	0.01	0.02
<b>Limited Review:</b>															
Dallas MSA AA	7	17.95	17.84	14.29	15.76	42.86	19.01	42.86	47.38	0.00	0.03	0.18	0.03	0.05	0.00

\* Based on 2000 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 33.33% of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.



**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT			Geography: Texas First National Bank						Evaluation Period: January 1, 1999 to September 30, 2001						
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families**	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Houston MSA AA	1	100.0	19.35	0.00	15.21	0.00	18.97	0.00	46.46	100.00	0.00	0.00	0.00	0.00	0.00
<b>Limited Review:</b>															
Dallas MSA AA	0	0.00	17.84	0.00	15.76	0.00	19.01	0.00	47.38	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2000 Peer Mortgage Data: Southwest Region.  
 \*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by Bank.  
 \*\*\* Percentage of Families is based on the 1990 Census information.  
 \*\*\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.





**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES				Geography: Texas First National Bank		Evaluation Period: January 1, 1999 to June 30, 2001			
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share	
	#	% of Total**	% of Businesses***	% BANK****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Houston MSA AA	275	84.10	83.77	63.27	63.27	20.00	16.73	0.12	0.24
<b>Limited Review:</b>									
Dallas MSA AA	52	15.90	82.15	42.31	67.31	19.23	13.46	0.04	0.09

\* Based on 2000 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2001).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 20.18% of small loans to businesses originated and purchased by the Bank.

**Table 12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS									
Geography: Texas First National Bank					Evaluation Period: January 1, 1999 to June 30, 2001				
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Houston MSA AA	0	0.00	87.16	0.00	0.00	0.00	0.00	0.00	0.00
<b>Limited Review:</b>									
Dallas MSA AA	0	0.00	85.66	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2000 Peer Small Business Data: US.

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2001).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.00% of small loans to farms originated and purchased by Bank.



**Table 13. Geographic and Borrower Distribution of Consumer Loans (Institution's Option)**

Consumer loans were not considered for this evaluation.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: Texas First National Bank				Evaluation Period: November 24, 1998 to January 14, 2002			
MA/Assessment Area:	Prior Period Investments		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Houston MSA AA	0	0	7	1,256	7	1,256	83.23	0	0
<b>Limited Review:</b>									
Dallas MSA AA	0	0	1	253	1	253	16.77	0	0

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.  
 \*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

