

PUBLIC DISCLOSURE

November 9, 1998

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Brookhollow National Bank
Charter Number: 15929
1111 W. Mockingbird Lane
Dallas, Texas 75247**

**Office of the Comptroller of the Currency
Dallas North Field Office
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 **Brookhollow National Bank** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of November 9, 1998. 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**.

The following factors support this overall rating:

- The bank's average loan-to-deposit ratio during the examination period at 54% is reasonable.
- A majority of business loans sampled during this examination were originated within the bank's assessment area.
- The bank's lending performance reflects a reasonable distribution of credit to businesses of different sizes and borrowers of different income levels.
- The geographic distribution of small business loans reflects a reasonable dispersion.

The following table shows the performance level of Brookhollow National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	BROOKHOLLOW 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	BNB did not receive any complaints concerning its CRA performance.		

Scope of the Examination

This evaluation of Brookhollow National Bank's (BNB) CRA performance covers the period from September 1, 1995 through November 9, 1998. The evaluation includes an analysis of BNB's designated assessment area, which covers areas in the Dallas Metropolitan Statistical Area. We also base our analysis on BNB's business lending, in addition to the Home Mortgage Data Act Loan Activity Reports (HMDA-LAR) and Loan Registers. We tested the HMDA-LAR for accuracy during the examination.

Description of Institution

Brookhollow Bancshares, Inc., a Texas bank holding company, owns 94% of BNB. BNB is a \$99 million institution, which serves the communities of northwest Dallas, south Irving, and the Bachman Lake area through three locations with four ATMs. Its main office is in Dallas, Texas. BNB has not opened or closed any branches during this examination period. BNB was rated "satisfactory" in the previous CRA public disclosure dated July 17, 1995.

BNB offers a wide range of credit products to its community: consumer, commercial, mortgage, and construction loans and letters of credit. BNB has traditionally been flexible in granting loans to individuals, community groups, and local businesses. BNB's competition stems from regional and local banks, savings and loans, and credit unions.

Also, BNB does not have any financial or legal obstacles affecting its ability to meet its community's credit needs.

The following table portrays the principle loan mix of BNB:

Types of Domestic Loans Outstanding September 30, 1998 (\$000's)		
<i>TYPE OF LOANS</i>	<i>AMOUNT</i>	<i>PERCENTAGE</i>
1-4 Family Residential Loans	\$12,026	23%
Commercial Loans	\$33,845	64%
Installment	\$6,555	12%
Other (exclude consumer loans)	\$62	<1%
TOTAL	\$52,488	100%

Description of Assessment Area (AA)

BNB has defined its AA as 32 specific census tracts in Dallas County, which is in the Dallas Metropolitan Statistical Area #1920. The AA is primarily a commercial and industrial area. The AA meets regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas (LMI).

However, during the examination, we recommended adjusting BNB's AA to include 12 additional census tracts within Dallas County. This adjustment to 44 census tracts was made to ensure that a majority of loans and other lending-related activities are included in BNB's AA.

ASSESSMENT AREA DEMOGRAPHICS			
<i>Designation</i>	<i># Census Tracts</i>	<i>% of Total Tracts</i>	<i>% of Households Residing in the Census Tracts</i>
Low	5	11%	10%
Moderate	10	23%	24%
Middle	21	48%	56%
Upper	8	18%	10%
N/A	0	0%	0%
TOTAL	44	100%	100%

More than 208,702 residents populate the AA. The AA weighted average of census median family income is \$38,754.

As seen in the above table, 34% of households in the AA reside in LMI tracts, with the median housing value at \$88,072. The median age of housing stock in the AA is 31 years. Total occupied housing units is 86%, with owner-occupied housing at 41% and rental-occupied housing at 45%. Vacant housing units in the AA are 13%.

Unemployment rates have remained low and steady over the past two years at approximately 5%. Retail trade and light manufacturing are the largest employment sectors in the AA.

We determined the credit needs of the community through discussions with management and by reviewing local community contacts made by this agency and other regulatory agencies. The community contacts suggested that the primary credit need is affordable housing. The community contact stated that small business lending needs have been met. The bank focuses their efforts on small business lending.

Conclusions with Respect to Performance Criteria:

This review covered business loans made in 1998 and all Home Mortgage Disclosure Act (HMDA) reported loans made during the period from January 1, 1997 to November 9, 1998.

Loan to Deposit Ratio

BNB's quarterly average loan-to-deposit ratio is 54%. Although this ratio is below local peer at 62%, it is considered reasonable given BNB's size, financial condition, and AA credit needs. The local peer consists of state- and national-chartered banks in Dallas County with total assets of \$150 million or less.

Lending in Assessment Area (AA)

We took a sample of 42 commercial loans and reviewed BNB's HMDA loan application register to determine the location of loan originations. BNB has an adequate record of serving the credit needs of its community based on this sample. 71% of the business loans sampled are within the bank's AA. In addition, 24% of home mortgage loans made in 1997 were in BNB's AA; 15% percent of home mortgages made in 1998 were in the AA.

Lending to Businesses of Different Sizes

BNB's lending to businesses of different sizes is adequate. Based on our sample of 30 commercial loans, 57% of the commercial loan portfolio is to small businesses and small farms.

Lending to Borrowers of Different Incomes

In addition, BNB's record of lending to borrowers of different income levels was also evaluated using HMDA reportable loans originating in 1997 and 1998. Our review of HMDA loans revealed reasonable lending patterns during the examination period.

30% of the families in the AA are defined as LMI. In 1997, 10% of BNB's HMDA-related loans were provided to LMI borrowers; in 1998, this total is 25%.

Geographic Distribution of Loans

BNB has a reasonable distribution of business loans in the AA. Based on our sample of 30 commercial loans made within the AA, 90% of the business loans sampled are in moderate-income census tracts. The bank made 27 loans to moderate-income level census tracts and three loans were made to middle-income level census tracts.

The geographic distribution of HMDA loans throughout BNB's AA is adequate based on the demographics of the AA. The data shows the majority of lending penetration exists within the moderate-income census tracts. All of BNB's branches and surrounding geographies are in moderate- and middle-income census tracts, with most of the lending activity concentrated in these areas.

Compliance with Antidiscrimination Laws

A fair lending review performed with this CRA examination revealed satisfactory compliance with fair lending regulations. We noted no practices intended to discourage or impede potential borrowers from applying for credit.