



PUBLIC DISCLOSURE

April 6, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Banco Popular, N.A.
Charter Number 16754**

**1615 Little York Road
Houston, Texas 77093-3225**

**Comptroller of the Currency
Southwestern District 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 **Banco Popular, N.A. (BP)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 5, 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 “**Outstanding.**”

BP's performance rating is supported by:

- a very high loan to deposit ratio in relation to peers,
- an exceptional record of lending to low-and moderate-income (LMI) individuals,
- a strong record of lending to borrowers within the assessment area,
- a reasonable distribution of loans to individuals and businesses of all income characteristics, and
- an excellent geographic distribution of loans among all census tracts, especially LMI census tracts.

The following table indicates the performance level of **BP** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Banco Popular, N.A. Houston, Texas 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 examination.		

Description of Institution:

BP is a \$67 million full service bank. The bank is a wholly owned subsidiary of a holding company, Popular, Inc. which is an \$18 billion holding company based out of Puerto Rico, a commonwealth of the United States of America. The bank was acquired by the holding company on December 1, 1997. The bank has one location in the northeast area of Houston approximately 20 miles north of downtown Houston. This location offers a drive-in facility and an Automated Teller Machine. The bank offers a limited alternative delivery system via their telephone dial in voice response system. This system enables customers to check loan and deposit balances and make transfers between accounts. The immediate trade area is heavily populated by people of Hispanic descent which is a target market for the bank. Spanish is the primary language in this area. This area is primarily characterized by low and moderate income census tracts. The banking office is located in a moderate income census tract and the immediate trade area is surrounded by LMI census tracts.

The bank has also recently received approval to open two branch locations in the Spring Branch area of Houston. These locations will also be located in moderate income census tracts and cater to the Hispanic population. Further penetration is expected into adjacent LMI census tracts. The bank's primary business focus is mortgage real estate lending within low and moderate income census tracts and lending to individuals of low and moderate income levels. During the fourth quarter of 1997, the bank has hired five Small Business Administration (SBA) lenders in anticipation of increased lending in this area.

At December 31, 1997, loans to individuals for the purpose of purchasing 1-4 single family dwellings comprised 81% of the loan portfolio. A majority of these loans were made to low and moderate income individuals. An additional 14% of the loan portfolio is consumer purpose installment lending. Together, these two categories comprise over 95% of the entire loan portfolio.

There are no legal, financial or other factors impeding BP's ability to help meet the credit needs in its assessment area.

The last CRA examination of BP was conducted as of February 22, 1995, at which time the bank received an Outstanding rating.

Description of BP's Assessment Area

BP's assessment area includes all of the political boundaries of Harris County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude LMI geographies. The bank's target market is actually the low and moderate income geographies and the Hispanic population in general.

The local Harris County economy is strong and continues to grow moderately and create jobs. Large new residential and retail areas are under development and construction. Major shopping malls have opened in the past few years and housing construction continues at a strong pace. While the oil/gas and petrochemical industries continue to play a large part in the economy's overall health, significant diversification has occurred into other industries. Financial and insurance related businesses thrive,

retail stores and restaurants are enjoying solid growth. The Texas Medical Center and the National Aeronautics & Space Administration (NASA) agency also provide employment opportunities. Competition for banking services is high in Harris County, with hundreds of offices of commercial banks, savings institutions, credit unions, brokerage firms, finance companies, and other companies providing financial services.

The following chart reflects population and income characteristics of BP’s assessment area. The assessment area does not exclude LMI areas.

Income and Population Characteristics of BP’s Assessment Area	
	Harris County
1990 Census Population	2,818,199
1990 Census Weighted Average Median Family Income	\$39,468
1997 Updated H.U.D. Weighted Average Median Family Income	\$49,100

The following charts depict some of the demographic information for BP’s assessment area which is Harris County.

Harris County				
Type of Census Tract	Number of Census Tracts	Percentage of Total Number of Census Tracts	Number of Households in Census Tracts	Percentage of Households in Census Tracts
Low Income	73	13%	87,693	9%
Moderate Income	179	31%	282,126	27%
Middle Income	169	29%	336,556	33%
Upper Income	147	25%	321,443	31%
N/A	14	2%	0	0%

The N/A category is due to census tracts which are entirely industrial, undeveloped, or otherwise uninhabited.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

The loan to deposit ratio is excellent and is well above average compared to other similarly sized commercial banks. The loan to deposit ratio is 96% at March 31, 1998. The quarterly average for BP since the last CRA examination is 93%. Additionally, BP has had a stable loan to deposit ratio over the past year and since the last CRA examination.

A comparison of BP to peer group averages of all banks in the Houston Duty Station reflects a loan to deposit ratio significantly *above* other commercial banks. As of December 31, 1997, the peer group loan to deposit ratio average was 58%. The lowest loan to deposit ratio by any bank in this geographic area is 26% and the highest was 90%. BP's loan to deposit ratio is thirty-eight percentage points *above* this average.

Lending in the Assessment Area

A considerable majority of the dollar volume and number of BP's loans are within its assessment area. The following chart reflects an analysis performed by an outside consultant for management of the percentages of the dollar amount of loans made within the assessment area. The figures include *all* loans outstanding (commercial, business, and consumer loans).

Lending Within and Outside of the Assessment Area As of November 30, 1997 By Dollar Volume		
	Percentage of Dollar Volume of Loans	Percentage of the Loan Accounts by Number
Loans Within the Assessment Area	85%	91%
Loans Outside of the Assessment Area	15%	9%

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of loans to borrowers of different income levels and businesses of different sizes is excellent.

The following information reflects the distribution of loans to individual borrowers of different incomes and businesses of different sizes as of December 31, 1997. This analysis was based on the bank's random sample of 82 loans for business purposes which originated during 1997 (approximately 64% of the entire business purpose loan portfolio were included in this sample).

Lending to Businesses of Different Sizes As of December 31, 1997				
Gross Revenues of the Business	Less than \$100,000	\$100,001 to \$500,000	\$500,001 to \$1,000,000	More than \$1,000,000
Percentage Based on the Number of Loans	63%	29%	2%	6%
Percentage Based on the Dollar Amount of Loans	55%	38%	0%	7%

The following information concerning consumer loans was prepared from a sample of 473 consumer mortgage loans originated during 1997. This sample was derived from the 1997 Home Mortgage Disclosure Act - Loan Application Register and represents approximately 42% of the entire consumer mortgage loan portfolio.

Lending to Borrowers of Different Income Levels As of December 31, 1997				
	Low Income Borrowers	Moderate Income Borrowers	Middle Income Borrowers	Upper Income Borrowers
Percentage Based on the Number of Loans	36%	35%	19%	10%
Percentage Based on the Dollar Amount of Loans	21%	40%	27%	12%
Percentage of Families in the Assessment Area by Income Characteristic	23%	17%	20%	40%

Geographic Distribution of Loans

There is an excellent distribution of loans extended within the low, moderate, middle and upper income census tracts within the assessment area. The bank has loans extended in 74% of the census tracts in its assessment area with a concentration in the LMI census tracts. The following chart reflects the distribution of all types of loans within the bank's assessment area by the income designation of the census tract. This analysis is based on a sample of 2,459 loans which is 92% of the entire loan portfolio. The sample was prepared by an outside consulting firm for bank management's assessment of their CRA performance.

Geographic Analysis of Loans As of December 31, 1997			
Type of Census Tract	Percentage of the Number of Loans Within the Type of Census Tract	Percentage of the Dollar Amount of Loans Within the Type of Census Tract	Percentage of Census Tracts by Income Characteristic
Low Income	7%	5%	13%
Moderate Income	57%	40%	31%
Middle Income	26%	34%	29%
Upper Income	10%	21%	25%
N/A			2%

This distribution is strong given the geographic size of the assessment area. This analysis also reflects that BP has originated loans in 77% of the low income census tracts, 83% of the moderate income census tracts, 76% of the middle income census tracts, and 59% of the high income census tracts. This distribution is excellent especially among LMI census tracts when considering the geographic location of only one banking office.

Low income census tracts account for 9% of all households in the assessment area, moderate income tracts account for 27% of households, middle income census tracts account for 33%, and upper income census tracts account for 31%. The bank has a strong penetration into LMI tracts.

Summary

The bank's target market is lending to LMI individuals and the Hispanic population. Management has performed an excellent job of providing LMI individuals a true full service banking alternative to finance companies, pawn shops, and expensive check cashing services.

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The bank is in substantial compliance with the spirit, intent, and technical aspects of anti-discrimination laws. No violations of fair lending laws were noted. Management has also provided appropriate employee training programs to help ensure adherence to fair lending laws. Management has also adopted satisfactory policies and procedures to promote equal credit opportunities for all applicants regardless of race, color, religion, national origin, sex, marital status, age, or the fact that all or part of the applicant's income is derived from a public assistance program. The loan to deposit ratio, lending in the assessment area, lending to borrowers of different incomes and businesses of different sizes, and the geographic distribution of loans is exceptional for the resources and geographic location of the institution.