

PUBLIC DISCLOSURE

May 29, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Texas Community Bank, N.A.
Charter Number 18302**

**8235 Douglas Avenue, Suite 100
Dallas, Texas 75225**

**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 **Texas Community Bank, N.A. at Dallas** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 29, 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 lending performance of the Texas Community Bank, N.A. at Dallas reflects satisfactory responsiveness to its community credit needs. This is demonstrated with the types of loan products offered. Seventy six percent (76%) of total loans are in home mortgage, small business, and consumer loans. Competition for loans within the assessment area is strong. Despite heavy competition, the bank's loan-to-deposit ratio reflects very good performance. In addition, a substantial majority of the loans extended are within the bank's identified assessment area. The lending pattern reflects a reasonable penetration among borrowers of all income levels and in all segments of the community.

The following table indicates the performance level of Texas Community Bank, N.A. at Dallas with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Texas Community Bank N.A., Dallas</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 examination		

DESCRIPTION OF INSTITUTION

The Texas Community Bank, N.A. at Dallas (TCoB) is owned by Texas Community Bancshares, Inc., a one-bank holding company, located seven miles North of downtown Dallas in the Preston Center area of Dallas County. The bank offers basic banking services, has one onsite ATM, and one mobile branch for the collection of customer deposits. In addition, the bank has established its own mortgage company, Texas Community Mortgage, offering flexible-term residential mortgage products. The company offers mortgage loans available through FNMA, FHA, VA, and other secondary market investors. The bank's focus is on residential mortgage and interim construction lending and on commercial business lending: 48% of the loan portfolio is in 1-4 family mortgage and construction loans; 30% of loans are to small and large business enterprises. Other types of loans made include: commercial real estate - 9% of total loans; other consumer - 7%; and, Small Business Administration (SBA) loans - 6%.

DESCRIPTION OF ASSESSMENT AREA

TCoB's assessment area is part of the Dallas Metropolitan Statistical Area (MSA). The assessment area includes all of Dallas County and 40 specific census tracts in southern Collin County, a total of 454 census tracts. Of the 454 census tracts, 56 are low income, 117 are moderate income, 138 are middle income, and 137 are upper income. Six of the census tracts did not have income information available. The assessment area designation meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The economic make-up of the area indicates that the primary credit needs are large and small business enterprise loans, as well as residential mortgage and construction loans.

The population of the bank's assessment area is just over two million with 37% being minority. The MSA median family income for the assessment area, based on adjusted 1990 census information, is \$42,407. According to the same data, low income families comprise 8% of all families in the area, while another 24% are moderate income, 37% are middle income, and 31% are upper income families. The bank's immediate market area is comprised of retail, service, and office buildings. The environment of the area is considered commercially oriented. Large residential areas surround the commercial sector. Residents of the immediate area are primarily business and professional. The income level for this area is high.

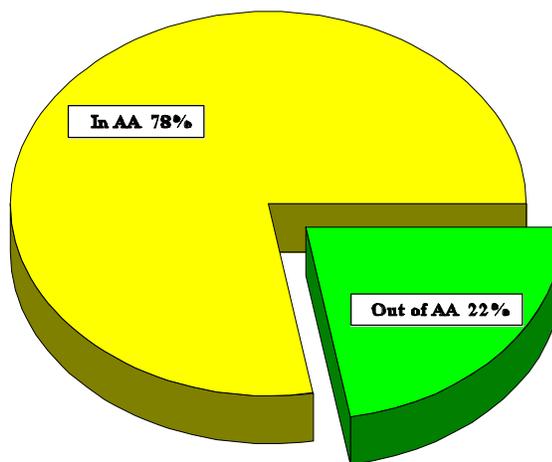
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

TCoB's lending performance is satisfactory. The bank makes residential mortgage, interim construction, small business, and consumer loans throughout the assessment area. This also includes loans to individuals with various income levels. Our review of fair lending regulations revealed no evidence of discriminatory practices, and no violations of the substantive provisions of anti-discrimination laws.

Assessment Area Concentration

A majority of the bank's lending is within the assessment area (AA). Our analysis of 1996 and 1997 Home Mortgage Disclosure Act (HMDA) reportable loans (a total of 170 loans) reflected an average 78% of the number and 77% of the dollar volume of outstanding loans booked were within the assessment area. Our sample of 25 commercial business loans continued to support this conclusion.

Mortgage Loans



Loan to Deposit Ratio

Within a two block area surrounding the bank, twelve other financial institutions compete for loans. Competition for loans in the immediate area is very strong. Despite heavy competition, TCoB's loan-to-deposit ratio of 90% over the past six quarters reflects strong performance.

Geographic Distribution of Loans

The loan distribution to borrowers reflects a satisfactory penetration among individuals of different income levels. The bank does not maintain a geographical analysis program of the bank's assessment area. An analysis of 170 HMDA reportable loans for 1996 and 1997 reflected **9% of the loans were extended to borrowers at low- and moderate-income levels.** Our sample of 25 business loans indicated that 56% of these loans were extended to small business borrowers with gross revenues less than \$1 million. While the bank obtains income information on its loan customers, there is no internal analysis to determine the level of penetration into different income levels. The results of the random

sampling determined that there is a reasonable penetration of loans among individuals of different income levels.

TcoB makes loans in original amounts as low as \$2,500, typically to low- and moderate-income individuals. Since May 22, 1997, the bank has made 16 loans under \$5,000 totaling \$53M.

In addition to the above types of credit, the bank is an active small business lender. The Small Business Administration (SBA) has approved the bank as a Certified Lender. Application is pending for Preferred Lender status. Since January 1997, the bank's SBA loan department has funded 16 small business loans totaling \$9.4 million. Currently, \$2 million in loans have been approved by SBA but have not been funded. Of the SBA loans funded, 63% were extended to women and minority owned businesses.

The bank is actively involved in 11 community programs that provide assistance for residential and small business loans in low- and moderate-income areas. The bank remains committed to making affordable loan products to all applicants and at all income levels. For example, in 1996, the bank funded the purchase of twelve residential lots near Fair Park for a minority owned realty firm that primarily assists low- to moderate-income individuals to obtain affordable housing.

Response to Substantiated Complaints

TCoB has received no complaints concerning its performance in meeting assessment area credit needs.