



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**United States National Bank
Charter Number: 12475**

**2201 Market Street
Galveston, Texas 77550-1527**

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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.

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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 CRA performance of **United States National Bank (USNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **February 9, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

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 safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

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race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. 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.

Low-Income - Income levels that are less than 50% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Upper-Income - Income levels that are 120% or more of the MFI.

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loans with an original amount of \$500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

CRA Rating

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

The major factors which support this rating include:

- ▶ USNB has demonstrated a good responsiveness to demonstrated credit needs, especially by a successful focus upon increased affordable housing lending. Loan volumes to low- and moderate-income borrowers significantly increased from 1996 to 1997.
- ▶ USNB has made a substantial majority of its loans inside its assessment area.
- ▶ The distribution of all types of lending among various geographies and among borrowers of different income levels is good.
- ▶ USNB has made some use of innovative or flexible lending practices and has an adequate level of community development loans.
- USNB has a poor level of community development investments.
- USNB’s retail delivery systems are reasonably accessible to individuals and geographies of different income levels, and it provides an adequate level of community development services.

The following table indicates the performance level of **United States National Bank** with respect to the lending, investment, and service tests:

Performance Levels	United States National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	x		
Low satisfactory			x
Needs to improve		x	
Substantial noncompliance			

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

Description of Institution and Assessment Area

United States National Bank is a full-service banking subsidiary of Cullen/Frost Bankers, Inc., a bank holding company headquartered in San Antonio, Texas. USNB has approximately \$140,000,000 in assets. The bank holds approximately \$130,000,000 in deposits, of which some \$30,000,000 are time deposits in excess of \$100,000. The remainder consist of demand (checking) and smaller savings and time deposits. The bank's recent average loan-to-deposit ratio of 40% is consistent with other comparable banks. USNB's loan to deposit ratio increases to approximately 58% after netting out public funds. The bank's deposits comprise approximately 8% of total commercial and savings bank deposits in Galveston County. There are some 19 banking companies represented in Galveston County, of which seven have offices on Galveston Island, where USNB is located.

The loan portfolio of USNB totals approximately \$60,000,000. The largest segment consists of commercial and personal real estate mortgage loans of \$35,000,000. Commercial loans, including small business loans, not secured by real estate comprise \$18,000,000 of the total. The remaining approximately \$7,000,000 consists primarily of personal and consumer loans.

USNB operates two full service branches and two ATMs in the City of Galveston in addition to several ATMs located on the campuses of the University of Texas Medical Branch (UTMB) and Texas A & M University at Galveston. All of these facilities are located on Galveston Island, and USNB serves primarily residents of the island and other county residents who commute to the island to work.

USNB has designated a single assessment area, consisting of Galveston County. The county is divided geographically into the mainland portion and Galveston Island where the City of Galveston is located. Galveston County has a population of approximately 217,000. There are 81,000 households, of which 14% are reported to be living below the established poverty level. The average median housing value is \$59,588 and the average monthly gross rent is \$406. Updated median family income is \$47,100. Galveston Island (City of Galveston) contains a population of approximately 60,000 persons in 24,000 households, with 21% below the poverty level. While the county as a whole has a home ownership rate of 50%, in the city only 32% of the housing units are owner occupied.

The distribution of census tracts within the assessment area, by average income level is depicted in the two tables below:

Galveston County															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
Census Tracts		Households		Census Tracts		Households		Census Tracts		Households		Census Tracts		Households	
#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
9	14	6,557	8	16	25	16,912	21	25	40	39,700	49	13	21%	18,248	22

Source: Demographic Data - 1990 U. S. Census

Galveston Island															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
Census Tracts		Households		Census Tracts		Households		Census Tracts		Households		Census Tracts		Households	
#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
7	30	4,642	19	8	35	9,213	37	5	22	8,803	36	3	13	1,944	8

Source: Demographic Data - 1990 U. S. Census

The largest employer in Galveston is UTMB, with about 11,000 employees, ranging from lower paid service employees to highly paid medical professionals. The tourism industry is very important and is currently a flourishing segment. It is not a segment which provides highly paid jobs, however, as most of the available jobs are in the service sector. The Port of Galveston is no longer a major U. S. port and is not a major provider of jobs in the community. Retail activity, except for that associated with tourism, has largely moved to shopping malls located in the mainland portion of the county. On the mainland, primarily in Texas City, petroleum refineries provide significant employment and a major source of tax revenue.

USNB's CRA performance was last evaluated as of April 29, 1996. At that time the bank's performance was rated "Satisfactory".

Conclusions with Respect to Performance Tests

LENDING TEST

Lending Activity

During the evaluation period, USNB has engaged actively in lending for business, home purchase and improvement, and consumer purposes. The great majority of this lending has been within its assessment area, and it has been distributed widely throughout the area. Historically, USNB has been a business lender and is not a major mortgage lender. However, during the evaluation period the bank made a specific and successful effort to increase its home purchase lending to low- and moderate-income borrowers. Overall, 1996 loan volumes for home related and consumer loans to all income groups was modest. However, it was noted that the bank significantly increased loan volumes for these types of loans to low- and moderate-income borrowers in 1997.

The bank's record of small business lending shows a good record of lending in smaller amounts and to smaller businesses in its community. In accordance with the CRA, USNB requested consideration of its consumer lending in this evaluation. The bank has made consumer loans to a good cross-section of borrowers throughout its assessment area during the assessment period.

Assessment Area Concentration

Banks subject to the CRA are expected to provide the majority of their credit services to borrowers located within their established assessment areas. During the evaluation period USNB has made a substantial majority of its loans inside its established assessment area of Galveston County. Ninety per cent of its small business loans, 94% of its home mortgage and home improvement loans, and 94% of its consumer loans were made within the assessment area. The tables below provide for the reader a more detailed display of the number and amounts of these types of loans and the percentages by number and amount within the assessment area.

Volume of Small Business and Small Farm Loan Originations in 1996 and YTD 1997 Within the Assessment Area						
Loan Product	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Small Business	112	\$8,232	109	97%	\$8,122	99%
Small Farm	0	\$0	0		\$0	
Total 1996	112	\$8,232	109	97%	\$8,122	99%
Small Business	123	\$13,429	102	83%	\$10,064	75%
Small Farm	0	\$0	0		\$0	
Total YTD 1997	123	\$13,429	102	83%	\$10,064	75%
Grand Total	235	\$21,661	211	90%	\$18,186	84%

Source:
Bank prepared Small Business and Small Farm Data Collection Registers

Volume of Home Mortgage Loan Originations in 1996 and 1997 Within the Assessment Area						
Product	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Home Purchase/Refinance	14	\$1,053	13	93%	\$1,003	95%
Home Improvement	36	\$671	35	97%	\$666	99%
Multifamily	0	\$0	0		\$0	
Total 1996	50	\$1,724	48	96%	\$1,669	97%
Home Purchase/Refinance	59	\$3,419	56	95%	\$3,192	93%
Home Improvement	41	\$943	37	90%	\$713	76%
Multifamily	1	\$337	1	100%	\$337	100%
Total 1997	101	\$4,699	94	93%	\$4,242	90%
Grand Total	151	\$6,423	142	94%	\$5,911	92%

Source:
HMDA Loan Application Registers

Volume of Consumer Loan Originations in 1996 and 1997 Within the Assessment Area						
Product	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Motor Vehicle Loans	75	\$1,296	74	99%	\$1,281	99%
Other Secured Loans	66	\$1,021	65	98%	\$991	97%
Other Unsecured Loans	235	\$1,593	227	97%	\$1,522	96%
Total 1996	376	\$3,910	366	97%	\$3,794	97%
Motor Vehicle Loans	121	\$2,323	106	88%	\$1,852	80%
Other Secured Loans	105	\$1,286	93	89%	\$1,038	81%
Other Unsecured Loans	268	\$1,694	254	95%	\$1,501	89%
Total YTD 1997	494	\$5,303	453	92%	\$4,391	83%
Grand Total	870	\$9,213	819	94%	\$8,185	89%

Source:
Bank prepared Consumer Loan Data Collection Register

Geographic Distribution of Loans within the Assessment Area

The CRA requires that banks be evaluated on the geographic distribution of their lending among census tracts (in the case of banks in urban locations, such as USNB) in each of four categories: low-income, moderate-income, middle-income, and upper-income, as defined earlier in this document.

The bank's small business loan distribution to low- and moderate-income census tracts is good when compared to the demographics of the community. During 1996 and 1997, USNB made 45% of its small business loans in the low-income census tracts in Galveston County. The tracts, constituting 14% of the total tracts, contain 17% of the businesses in the assessment area. In addition, 12% of its loans were made in moderate-income tracts containing an additional 16% of the businesses. Thus, USNB granted a total of 57% of its small business loans in low- and moderate-income tracts which contain 33% of the businesses in the county. The remaining 43% of its loans, therefore, were placed in the middle- and upper-income tracts which contain 67% of the businesses. USNB has provided a disproportionate volume of its small business lending to borrowers located in low- and moderate-income census tracts. The first table below displays details of this distribution for the reader.

Distribution of Small Business and Farm Loan Originations in 1996 and YTD 1997 Within the Assessment Area By Income Level of the Census Tract								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	9	14%	16	25%	25	40%	13	21%
Census Tracts Penetrated (% of tracts in income group)	6	67%	9	56%	13	52%	10	77%
Number of Businesses	1,191	17%	1,154	16%	3,042	42%	1,789	25%
Number of Farms	5	4%	18	13%	71	52%	43	31%
Loan Product	#	%	#	%	#	%	#	%
Small Business	54	50%	13	12%	26	24%	16	15%
Small Farm	0		0		0		0	
Total 1996	54	50%	13	12%	26	24%	16	15%
Small Business	41	40%	12	12%	31	30%	18	18%
Small Farm	0		0		0		0	
Total YTD 1997	41	40%	12	12%	31	30%	18	18%
Grand Total	95	45%	25	12%	57	27%	34	16%

Source:

Business Demographic Data and bank prepared Small Business and Farm Loan Data Collection Register

Although USNB is not a major mortgage lender, the distribution of its lending for home purchase, refinancing, and home improvement among census tracts is very good. During 1996 and 1997, 47% of such loans were made in Galveston County's low- and moderate-income census tracts containing 23% of the county's owner-occupied housing units. Loans made in these census tracts increased by 172% from 1996 to 1997, due largely to specific efforts of the bank to accomplish this increase. USNB established a partnership with Galveston Community Development Corporation (GCDC), to provide financing for this segment of the market. In addition, the bank entered into business arrangements with two mortgage companies to market its Progress loans more effectively. Details of this distribution are provided for the reader in the table below.

Distribution of Home Mortgage Loan Originations in 1996 and 1997 Within the Assessment Area By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	9	14%	16	25%	25	40%	13	21%
Census Tracts Penetrated (% of tracts in income group)	7	78%	10	63%	17	68%	7	54%
Number of Owner-Occupied Units	2,414	5%	9,270	18%	24,986	50%	13,793	27%
Median Year Built of Housing	1957		1965		1977		1985	
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	1	8%	3	23%	8	62%	1	8%
Home Improvement	4	11%	10	29%	8	23%	13	37%
Total 1996	5	10%	13	27%	16	33%	14	29%
Home Purchase/Refi	6	11%	28	50%	18	32%	4	7%
Home Improvement	5	14%	10	27%	17	46%	5	14%
Total YTD 1997	11	12%	38	41%	35	38%	9	10%
Grand Total	16	11%	51	36%	51	36%	23	16%

Source:
U.S. Census Demographic Data and HMDA Loan Application Registers

The number of consumer loans made by USNB in each category of census tract during 1996 and 1997 is consistent with the numbers of households in those tracts. The bank also made loans in all except 2 census tracts in the assessment area during the period. This constitutes a good overall distribution of consumer lending.

Distribution of Consumer Loan Originations in 1996 and 1997 Within the Assessment Area By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	9	14%	16	25%	25	40%	13	21%
Census Tracts Penetrated (% of tracts in income group)	9	100%	15	94%	24	96%	13	100%
Number of Households	6,557	8%	16,912	21%	39,700	49%	18,248	22%
Loan Product	#	%	#	%	#	%	#	%
Motor Vehicle Loans	4	5%	13	18%	31	42%	26	35%
Student Loans	3	3%	15	16%	45	47%	33	34%
Other Secured Loans	6	9%	21	32%	24	37%	14	22%
Other Unsecured Loans	10	8%	33	25%	55	42%	33	25%
Total 1996	23	6%	82	22%	155	42%	106	29%
Motor Vehicle Loans	10	9%	25	24%	40	38%	31	29%
Student Loans	4	3%	15	13%	55	47%	43	37%
Other Secured Loans	15	16%	24	26%	36	39%	18	19%
Other Unsecured Loans	14	10%	42	31%	51	37%	30	22%
Total YTD 1997	43	9%	106	23%	182	40%	122	27%
Grand Total	66	8%	188	23%	337	41%	228	28%

Source:
U.S. Census Demographic Data and bank prepared Consumer Loan Data Collection Registers

Distribution by Borrowers' Income within the Assessment Area

Geographic distribution analysis provides an indicator of a bank's willingness and ability to lend throughout its assessment area. It is also useful to analyze the distribution of the lending among borrowers of different income levels, regardless of where they may be located. When this is done, USNB shows good distribution to low- and moderate-income census tracts.

A majority of the bank's small business loans were made to companies with annual revenues of less than \$1,000,000 in 1996 and 1997. Such loans constituted 73% of small business loans in 1996 and 78% in 1997. Of loans less than \$100,000, 77% in 1996 and 84% in 1997 were made

to the smaller companies. This distribution is considered reasonable given that 94% of the small businesses in the area have revenues less than \$1 million. The two tables below show details of this distribution.

Distribution of Small Business and Farm Loan Originations in 1996 Within the Assessment Area By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	93	85%	\$2,783	34%	72	77%	\$2,129	77%
\$100,000 to \$250,000	10	9%	\$1,629	20%	5	50%	\$692	42%
\$250,000 to \$1,000,000	7	6%	\$3,710	46%	3	43%	\$1,410	38%
Totals	110	100%	\$8,122	100%	80	73%	\$4,231	52%
Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:					< 1 Million 94 % > 1 Million 6 %		*As a percentage of loans of the size category	

Source: Business Demographic Data and bank prepared Small Business and Farm Data Collection Register

Distribution of Small Business and Farm Loan Originations in 1997 Within the Assessment Area By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	80	78%	\$2,187	22%	67	84%	\$1,715	78%
\$100,000 to \$250,000	8	8%	\$1,255	12%	6	75%	\$995	79%
\$250,000 to \$1,000,000	14	14%	\$6,622	66%	7	50%	\$3,030	46%
Totals	102	100%	\$10,064	100%	80	78%	\$5,740	57%
Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:					< 1 Million 94 % > 1 Million 6 %		*As a percentage of loans of the size category	

Source: Business Demographic Data and bank prepared Small Business and Farm Data Collection Register

The distribution of home mortgage loans among borrowers of various income levels is good through the assessment period. The bank's concerted effort to provide more affordable home loans in 1997 is reflected in a noticeable redistribution of lending among the four income categories along with an increase in loans made. During the period, 44% of the bank's loans of these types were made to low- and moderate-income borrowers. Families in these income categories constitute 40% of families in Galveston County. Please see the table below for details of this distribution.

Distribution of Home Mortgage Loan Originations in 1996 and 1997 Within the Assessment Area By Income Level of the Borrower									
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income		
Number of Families	13,687	23%	9,784	17%	11,530	20%	23,328	40%	
Loan Product	#	%	#	%	#	%	#	%	
Home Purchase/Refi	2	15%	2	15%	1	8%	8	62%	
Home Improvement	3	9%	5	16%	4	13%	20	63%	
Total 1996	5	11%	7	16%	5	11%	28	62%	
Home Purchase/Refi	14	25%	23	41%	10	18%	9	16%	
Home Improvement	7	21%	4	12%	3	9%	20	59%	
Total YTD 1997	21	23%	27	30%	13	14%	29	32%	
Grand Total	26	19%	34	25%	18	13%	57	42%	

Source: U.S. Census Demographic Data and HMDA Loan Application Registers

As with the other types of loans considered, the distribution of consumer loans among borrowers of various income levels is good and is consistent with the income distribution in the population of the assessment area. In 1996 and 1997 38% of all types of consumer loans granted were made to low- and moderate-income borrowers. The table below displays details of this lending for 1996 and 1997.

Distribution of Consumer Loan Originations in 1996 and YTD 1997 Within the Assessment Area By Income Level of the Borrower									
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income		
Characteristics of Families	13,687	23%	9,784	17%	11,530	20%	23,328	40%	
Loan Product	#	%	#	%	#	%	#	%	
Motor Vehicle Loans	8	11%	7	10%	15	21%	40	57%	
Other Secured Loans	6	22%	8	30%	6	22%	7	26%	
Other Unsecured Loans	22	19%	20	17%	15	13%	60	51%	
Total 1996	36	17%	35	16%	36	17%	107	50%	
Motor Vehicle Loans	15	15%	24	24%	14	14%	46	46%	
Other Secured Loans	17	28%	11	18%	12	20%	20	33%	
Other Unsecured Loans	27	20%	27	20%	18	14%	60	45%	
Total YTD 1997	59	20%	62	21%	44	15%	126	43%	
Grand Total	95	19%	97	19%	80	16%	233	46%	

Source: U.S. Census Demographic Data and bank prepared Consumer Loan Data Collection Registers

Community Development Lending

During the evaluation period USNB has engaged in some lending which constitutes community development lending as defined by the CRA. The bank has financed the renovation of one multi-family rental complex which has as its targeted market persons of low or moderate income. This loan is in the amount of \$850,000. The units are not publicly subsidized, but rent for about 58 cents per square foot which makes them affordable for lower income persons. The complex is located near a major employment center for many persons of limited means.

Also, USNB made a \$50,000 loan to a not-for-profit organization to provide funds pending reimbursement of closing costs for affordable housing loans by local government. This loan assists in the provision of home loans to low- and moderate-income persons.

It is also noteworthy that during the assessment period USNB made \$840,000 in loans through its Historic Downtown/Strand Partnership program. These loans are technically small business loans under the provisions of the CRA and are considered in that portion of the lending test. However, these loans are made under a cooperative program which has as its specific and stated purpose the revitalization of the downtown area of Galveston.

Product Innovation and Flexibility

During 1997, USNB engaged in an active partnership with Galveston Community Development Corporation (GCDC) to increase the level of home ownership in the City of Galveston. Over forty loans were made through this partnership to persons of low or moderate income. These loans financed houses located throughout Galveston Island. The partnership provided for home buyer referral and education by GCDC and for flexible lending criteria on the part of USNB, utilizing its "Progress Galveston County" loan program. While not altogether innovative the program has been very successful in increasing the number of loans which USNB could make. Further information about this partnership is available from USNB or GCDC.

INVESTMENT TEST

USNB has made very limited qualified investments in its community. The CRA provides specific definition for investments, grants, and donations which qualify. Although USNB has made numerous donations and contributions in its community, many do not meet the tests specified by the CRA. Total qualified investments are approximately \$21,000. These consist of contributions in the form of reduced rent to two organizations, one which promotes affordable housing and one which coordinates the downtown revitalization program in Galveston. In addition, the bank paid a commitment fee for participation in a first time home owner bond program in Galveston.

This level of investment constitutes less than one quarter of one per cent of the bank's capital base and not quite one half of one per cent of its 1997 net earnings.

SERVICE TEST

The CRA specifies that banks be evaluated on their retail services and their community development services.

Retail Banking Services

USNB operates two full-service branches on Galveston Island and also operates two free-standing ATMs which are available to serve the general public. The main office and one ATM are located in a low-income census tract downtown and the branch and other ATM are located in a middle-income census tract in a commercial district farther west on Galveston Island. All of these facilities are accessible to a variety of individuals on the island. In addition, the bank operates five ATMs on the campus of UTMB and one at Texas A & M University - Galveston. These facilities are not marketed to the public, but are available to all employees and visitors to these campuses.

In addition, the bank offers typical alternative delivery services, including ReadyBank telephone account information lines in English and Spanish. In addition to this information line, the bank's Call Center provides direct contact with service representatives for a variety of available services.

Distribution of Delivery System By Income Level of the Census Tracts									
Community Data	Low-Income		Mod-Income		Middle-Income		Upper-Income		
Census Tracts	9	14%	16	25%	25	40%	13	21%	
Households	6,557	8%	16,912	21%	39,700	49%	18,248	22%	
Type of Service	#	%	#	%	#	%	#	%	
Branches	1	50%	0	0%	1	50%	0	0%	
ATMs	1	50%	0	0%	1	50%	0	0%	
Totals	2	50%	0	0%	2	50%	0	0%	

Source: Bank Internal Records

Community Development Services

Two officers of USNB have been lent by the bank to the Galveston Community Development Corporation during the evaluation period. These officers have provided expertise to that organization as members of its finance and office renovations committees. Another officer's expertise has been lent to the Galveston Housing Finance Corporation during the period. The bank contributes the time of one officer to produce a finance and banking column for a monthly publication, The Galveston Journal. This newspaper is focused upon the low- and moderate-income community in Galveston. Bank staff have been active, from time to time, in various programs of financial education in the assessment area, as well.

Fair Lending Review

Our concurrent fair lending examination did not detect any evidence of discriminatory or other illegal credit practices.

Appendix A: Scope of Examination

This evaluation of the performance of United States National Bank under the provisions of the Community Reinvestment Act covered the period from April 29, 1996 through February 9, 1998. Most of the lending data utilized covered the entirety of 1996 as early 1996 data had not been collected for review previously. The lending review considered home mortgage and home improvement lending and small business lending, as specified by the regulation. The bank has not engaged in farm lending. The regulation allows the consideration of consumer lending in the evaluation if the bank so requests and provides pertinent data, and this was the case.

The evaluation is based upon information provided by the bank, various information available in the public realm (including comparative data from other banks), and information obtained from contact with members of the public. Three such contacts were made during this review and information from previous contacts was reviewed, as well.