

Public Disclosure

June 28, 1999

Community Reinvestment Act Performance Evaluation

**Asian American National Bank
Charter Number: 17772**

**6100 Corporate Drive, Suite 100
Houston, Texas 77036**

**Office of the Comptroller of the Currency
Houston Field Office
1301 McKinney Street, Suite 3750
Houston, Texas 77010**

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 CRA performance of **Asian American National Bank, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 28, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institutions' CRA Rating: This institution is rated *satisfactory*.

Asian American National Bank has a *satisfactory* record of meeting credit needs within the community. The bank meets or exceeds the factors considered to assign the rating as evidenced by:

- ! A loan to deposit ratio that exceeds the standards for satisfactory performance;
- ! A majority of loan originations within the bank's assessment area;
- ! A reasonable distribution of loan originations to borrowers of different income levels and businesses of different sizes; and,
- ! A reasonable geographic distribution of loan originations within the assessment area.

Description of Institution

Asian American National Bank is a \$39 million institution serving its customers through two locations and one drive-in facility in Houston, Texas. The main office is located in the southwest part of Houston, and the branch is in downtown Houston. Since the previous CRA examination, the main office was moved from downtown to the southwest location. The hours of operation are reasonable. To help meet the credit needs of its community, the bank offers general loan products for consumers and small businesses. Total loans at March 31, 1999 were \$28 million and represented 71 percent of assets. Lending is concentrated in commercial loans to small businesses. March 31, 1999 lending activity was in the following categories: commercial loans (93 percent), secured by 1 - 4 family residential properties (6 percent), and all other loans (1 percent).

Typical deposit accounts such as checking accounts, savings accounts, money market accounts, IRA, and time accounts are offered. In addition, international wire transfers are available.

Asian American National Bank does not have any legal, financial, or other factors that impede the ability to help meet the credit needs in its assessment area. The evaluation period is from the prior CRA examination date of August 3, 1995 through June 28, 1999. At the prior examination, the bank was assigned a rating of "Satisfactory."

Description of Harris County Assessment Area

The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The assessment area had not changed since the previous examination. It was two small areas delineated by zip code surrounding the each locations. After reviewing current and planned lending activity, management changed the assessment area during the examination to include all of Harris County, a part of the Houston Metropolitan Statistical Area. The assessment area now includes five hundred eighty-two (582) whole census tracts, and our examination was based on the new assessment area. The assessment area census tracts have the following characteristics: seventy-three low income (13 percent), one hundred and seventy-nine moderate income (31 percent), one hundred and sixty-nine middle income (29 percent), and one hundred and forty-seven upper income (25 percent). The remaining 2 percent or fourteen tracts are NA indicating they are commercial or industrial tracts without residents.

The weighted average of the 1990 Metropolitan Statistical Area (MSA)/Non-MSA Census Median Family Income was \$36,886. The updated MSA Median Family Income for 1999 is \$54,100. The income levels and percentages of families within the assessment area are low (23 percent), moderate (17 percent), middle (20 percent), and upper (40 percent). Approximately 14 percent of the families in the assessment area live below the established poverty level and 22 percent receive public assistance or social security.

According to the 1990 census, the assessment area had approximately 1.2 million housing units with about 63 percent being 1 - 4 family units and 33 percent multifamily units. Mobile homes or trailers and boarded up units comprise the remainder. Owner occupied units were less than half of the units at 45 percent. Rental occupied units were 42 percent, and vacant housing units were 13 percent of the total. The weighted average of the median housing value was \$75 thousand and monthly gross rent was \$415. The weighted average of the median year built was 1969.

The 1990 census placed the total population of Harris County at 2.8 million individuals. Unemployment is low at 3.65 percent. The current economic conditions are favorable, and the primary industry is oil and gas. Other significant industries include medical and transportation/shipping. Dun & Bradstreet 1997 business demographic data shows 126 thousand businesses in the assessment area. A significant majority of those that reported income information (88 percent) had sales of less than \$1 million. The business demographics of the assessment area provide significant small business lending opportunities.

Competition is intense. Competitors include a number of non-bank financial entities, branches of regional and multinational corporations, and other financial institutions. Dun & Bradstreet business demographic data for June of 1997 shows fifty-six financial institutions with ten or more loans in the assessment area. In addition, the MSA has numerous nonfinancial institution entities that compete for deposits and loans.

We contacted a representative of an area Chamber of Commerce during our examination to determine community credit needs and performance of the institutions. Our contact was positive concerning the efforts of local banks. Our community contact did not reveal any unaddressed credit needs but stated loans to existing small businesses

and start-up businesses were the most needed. Asian American National Bank concentrates on lending to these types of businesses.

Conclusions about Performance Criteria

Loan-to-Deposit Ratio

The loan-to-deposit ratio exceeds the standards for satisfactory performance. Asian American National Bank actively attempts to meet the credit needs of its assessment area. The loan-to-deposit ratio has averaged 83 percent for the fifteen quarters since the August 3, 1995 CRA Examination. The average loan-to-deposit ratio is significantly above a peer group average of forty banks in Harris County with less than \$250 million in assets considered to be small banks. Also, the ratio is above the average ratio of a peer group of national banks of similar size in metropolitan areas. **Table 1** details the comparison to the two peer groups for the five most recent quarters:

Table 1

For the Quarter Ending	Asian American National Bank Loan-to-Deposit Ratio*	Harris County Small Banks' Loan-to-Deposit Ratio*	National Peer Group Loan-to-Deposit Ratio*
March 31, 1998	83.94%	59.91%	66.08%
June 30, 1998	77.56%	60.65%	67.45%
September 30, 1998	79.99%	60.66%	68.17%
December 31, 1998	82.47%	63.70%	66.20%
March 31, 1998	82.63%	63.81%	66.30%
Recent Five Quarter Average Loan-to-Deposit Ratio	81.32%	61.75%	66.84%

* as determined from Call Report data.

Lending in The Assessment Area

The level of lending in the assessment area is a majority and meets the standards for satisfactory performance. Management did not have census tract information on all loans. We sampled a total of sixty-eight loans to assess performance. Our sample included eleven consumer loans, thirty-six mortgage loans for homestead and rental properties, and twenty-one commercial loans. The results are in **Table 2**:

Table 2

LOANS IN THE BANK'S ASSESSMENT AREA	INSIDE AREA	OUTSIDE AREA	TOTAL
Number of Loans	61	7	68
Percentage of Number of Loans	90%	10%	100%
Dollar Amount of Loans	\$10.4 Million	\$1.0 Million	\$11.4 Million
Percentage of Dollar Amount	91%	9%	100%

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

The lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance. The primary product line is commercial, but loans to individuals, home mortgages, and loans for rental properties are offered.

Lending to Individuals

We reviewed all consumer loans with income information originated since the prior examination. Also, we reviewed information from the Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR) for loans to individuals on homestead properties originated after the prior examination. Our review included both the number and the dollar amount of those loans. The results reflect a lending level of a bank with a commercial lending emphasis. However, the results of our review reflect a reasonable distribution of lending to low- and moderate-income borrowers for loans granted.

Lending to moderate income borrowers exceeds the assessment area demographics.

Table 3 details our findings:

Table 3

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS BY NUMBER OF LOANS										
Income of Families	Low Income		Moderate Income		Middle Income		Upper Income		Total	
Area Demographic Characteristics	23%		17%		20%		40%		100%	
Loan Types	#	%	#	%	#	%	#	%	#	%
Consumer	3	33%	2	22%	1	12%	3	33%	9	100%
Home Mortgage	0	0%	4	50%	3	38%	1	12%	8	100%
Total	3	18%	6	36%	4	23%	4	23%	17	100%
BY DOLLAR AMOUNT OF LOANS IN THOUSANDS (000)										
Loan Types	\$	%	\$	%	\$	%	\$	%	\$	%
Consumer	60	26%	28	12%	50	22%	92	40%	230	100%
Home Mortgage	0	0%	178	43%	210	50%	28	7%	416	100%
Total	60	9%	206	32%	260	40%	120	19%	646	100%

Small Business Loan Originations

We found the majority of commercial lending was to small businesses with less than \$1 million in gross receipts.

A significant number of loans to unincorporated individuals, partnerships, and corporations for rental properties have been granted. The HMDA-LAR contains information regarding these loans. We reviewed information on all twenty-eight loan originations (total \$3.1 million) since the prior examination for rental properties. Originations included single rent houses, a duplex, condominiums, and an apartment complex. We found that twenty-seven of the twenty-eight loans (96 percent) were granted to borrowers with less than \$1 million in gross receipts. The size of the loans ranged from \$21 thousand to \$800 thousand. The largest loan was for the purchase of an eighty-six unit condominium project. Details of the borrower income levels and the amount of the loans are in **Table 4**:

Table 4

RENTAL PROPERTIES FROM HMDA-LAR				
Borrower Revenue Range	Number	%	Total of Loans in Thousands (000)	%
\$0 to < \$100,000	6	21%	612	20%
\$100,000 to < \$250,000	20	71%	1,349	43%
\$250,000 to < \$500,000	0	0%	0	0%
\$500,000 to < \$1,000,000	1	4%	800	26%
Over \$1,000,000	1	4%	350	11%
Total	28	100%	3,111	100%

Management maintains information on commercial lending to small businesses based on outstanding balances at specified dates. The information includes a list of businesses with less than \$1 million in gross receipts and a comparison to totals on the loan trial balance. The list containing originations prior to the previous CRA examination, renewals, and gross receipts information needed some revision. It could not be used solely to determine lending to small businesses. However, it provided a reasonable estimate of lending to small businesses. The results of the analysis showed approximately 71 percent of the number of loan accounts and 89 percent of the total loan balances were to small businesses.

We supplemented bank information with additional analysis. Most of the loans are less than \$1 million. The loan portfolio has only four loans greater than \$1 million. One was originated before the prior examination, and the remaining three were originated since the prior examination. In total, the bank had four loans over \$1 million compared to a total of one hundred and sixty-seven loans or about 2 percent of the loan portfolio at March 31, 1999.

We selected a sample of twenty-one loans originated since the prior CRA examination to evaluate lending to small businesses and test management's conclusions. Although two of the loans were in excess of \$1 million, all loans in the sample were granted to businesses with less than \$1 million in gross revenue. The distribution to businesses of different sizes by number and amount determined in the sample is shown in **Table 5**:

Table 5

COMMERCIAL LOAN SAMPLE				
Borrower Revenue Range	Number	%	Total of Loans in Thousands (000)	%
\$0 to < \$100,000	5	24%	823	11%
\$100,000 to < \$250,000	7	33%	1,045	14%
\$250,000 to < \$500,000	3	14%	2,515	33%
\$500,000 to < \$1,000,000	6	29%	3,230	42%
Over \$1,000,000	0	0%	0	0%
Total	21	100%	7,613	100%

In addition to the range of revenues, we compared the borrower distribution percentages to the percent of businesses that are small in Harris County. According to Dun & Bradstreet information on businesses reporting revenue information in 1997, a total of 88 percent had revenues less than \$1 million. Management's internal estimate is in line with this percentage, and the results of our sample show a distribution that exceeds Harris County characteristics.

Geographic Distribution of Loans

The geographic distribution of loans is reasonable and meets the standards for satisfactory performance. The distribution reflects lending in all income level census tracts within the assessment area. In addition, our review did not reveal any concerns as to the lack of or low penetration in low- and moderate-income census tracts.

We used the same sample to review the geographic distribution as was used to assess other performance categories. Only those loans that were within the assessment area were used. The results of our sample are shown in **Table 6**:

Table 6

GEOGRAPHIC DISTRIBUTION OF LOANS BY NUMBER OF LOANS										
Census Tract Designation	Low Income		Moderate Income		Middle Income		Upper Income		Total	
Tract Count	73		179		169		147		582	
Percent of Total Tracts	13%		31%		29%		25%		(14 tracts or 2% are N/A) 100%	
Loan Types	#	%	#	%	#	%	#	%	#	%
Consumer	1	10%	3	30%	4	40%	2	20%	10	100%
Home Mtg.	1	13%	2	24%	4	50%	1	13%	8	100%
Rental	0	0%	6	23%	16	62%	4	15%	26	100%
Commercial	4	24%	5	29%	5	29%	3	18%	17	100%
Total	6	10%	16	26%	29	48%	10	16%	61	100%
BY DOLLAR AMOUNT OF LOANS IN THOUSANDS (000)										
Loan Types	\$	%	\$	%	\$	%	\$	%	\$	%
Consumer	35	12%	125	43%	106	36%	26	9%	292	100%
Home Mtg.	65	16%	37	9%	170	41%	144	34%	416	100%
Rental	0	0%	1,025	41%	886	36%	585	23%	2,496	100%
Commercial	790	11%	2,340	33%	1,510	21%	2,530	35%	7,170	100%
Total	890	9%	3,527	34%	2,672	25%	3,285	32%	10,374	100%

Owner occupied homes in Harris County are located in census tracts as follows: low income tracts (6 percent), moderate income tracts (23 percent), middle income tracts (32 percent), and upper income tracts (39 percent). The number and dollar amount with percentages is reflected in the table above. The level of lending is reasonable based on the percentages of owner occupied homes in the different tracts.

In the above table, we analyzed the location of commercial loans as to census tract income characteristics. We also compared the location of small business commercial

loans to locations of small businesses in Harris County. Dun & Bradstreet business demographic information shows businesses in Harris County are located in these census tracts: low income (7 percent), moderate income (29 percent), middle income (30 percent), and upper income (34 percent). Comparing this information to **Table 6** shows that lending does not significantly differ from the average in low- and moderate- income census tracts in Harris County.

Responses to Complaints

During this evaluation period, no consumer complaints regarding CRA performance was received. However, a satisfactory procedure is in place to handle consumer complaints.

Record of Compliance with Antidiscrimination Laws

A Fair Lending review was performed concurrent with this CRA examination. Compliance with Fair Lending laws and regulations is satisfactory.

The scope of the review included ensuring compliance with the provisions of the Equal Credit Opportunity Act. Ten loan files, including consumer, owner occupied 1- 4 family dwellings, non-owner 1- 4 family dwellings, and commercial loans, were reviewed. Asian American National Bank is in compliance with the provisions of antidiscrimination laws and regulations. We found no evidence of practices intended to discourage potential borrowers from applying for credit. In addition, we did not find any violations of the substantive provisions of the antidiscrimination laws and regulations.