



## **PUBLIC DISCLOSURE**

June 23, 2014

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

NewFirst National Bank  
Charter Number 6112

202 East Jackson, El Campo, TX 77437

Office of the Comptroller of the Currency

1301 McKinney Street, Suite 1410, Houston, TX 77010-3031

**NOTE:** This document is an evaluation of this 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. 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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

NewFirst National Bank (NewFirst) has a Satisfactory record of meeting community credit needs based on the following:

- NewFirst has maintained a loan-to-deposit ratio on a quarterly basis that is reasonable compared to similarly sized peer banks.
- A substantial majority of the bank's lending is inside the combined assessment area (AA) by number and dollar amount of loans originated.
- Lending to businesses of different sizes reflects reasonable penetration of small businesses with gross annual revenues of \$1 million or less compared to the census characteristics.
- Geographic distribution of loans reflects reasonable dispersion of small business loans in census tracts (CTs) in the AAs.
- The bank's performance under the Community Development (CD) Test is Outstanding and shows excellent responsiveness to the needs of its AAs.

## **Scope of Evaluation**

We completed a review of NewFirst's Community Reinvestment Act (CRA) performance. NewFirst was evaluated under the Intermediate Small Bank (ISB) CRA procedures, which include a Lending Test and a CD Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through lending activities. The CD Test evaluates the bank's responsiveness to CD needs in its AAs through qualified CD lending, investments, and services.

NewFirst's primary lending products are business loans, which represent 41 percent of total loans by dollar amount as of December 31, 2013. By category of business loans, commercial and industrial loans were 21 percent and commercial real estate loans were 20 percent of the loan portfolio. Other loan categories such as residential, farmland and agricultural production, and consumer loans each represent less than 20 percent of total loans.

As an ISB, the bank is not required to collect or report loan data for business loans, and management elected not to collect this information during this evaluation period. Therefore, we based our analyses under the Lending Test on a statistically valid random sample of 60 business loans originated or renewed from January 1, 2012 through December 31, 2013.

For the CD Test, our review included all CD loans, investments, and services in the AAs since the date of the last CRA evaluation, May 31, 2011, through the date of this evaluation, June 23, 2014.

## **Description of Institution**

NewFirst is a full service community bank headquartered in El Campo, Texas. The bank is wholly owned by NewFirst Financial Group, Inc. and has one related organization known as NewFirst Insurers. NewFirst bank serves its community with eight locations in Texas, with the main branch in El Campo, and one branch in each of the following cities: Wharton, Edna, Houston, Rosenberg, Sugarland, Needville, and Victoria. Banking hours are reasonable: 8:00 a.m. to 4:00 p.m. Monday through Thursday with extended hours on Friday to 6:00 p.m. Three of the branches are open on Saturday; operating hours are 9:00 a.m. to 12:00 p.m. Motor banking services are offered at all branch locations. Automated teller machine services are available at all branches except the Houston and Sugar Land locations. The branch in Edna was opened January 2014. No branches were closed during the evaluation period.

The bank provides a comprehensive line of loan and deposit products and other banking services, including online and mobile banking, check cards, remote deposit capture, night depository, merchant services, wire transfer, and safe deposit boxes.

As of March 31, 2014, NewFirst had \$567 million in total assets and a Tier One Leverage Capital ratio of 9.6 percent. The bank received a Satisfactory rating at the prior CRA evaluation dated May 31, 2011. There are no legal or financial factors that impede the bank's ability to meet the credit needs of its community.

*Please refer to the bank's Public File for more information about the institution.*

## Description of Assessment Areas

NewFirst has three AAs: Fort Bend/Houston, Wharton/Jackson, and Victoria. The Fort Bend/Houston AA consists of Harris and Fort Bend counties, which are a part of the Houston-Sugar Land-Baytown Metropolitan Statistical Area (MSA). The Wharton/Jackson AA consists of Wharton and Jackson counties; these counties are not in an MSA. The Victoria AA consists of Victoria County, which is in the Victoria MSA. All AAs include full counties and do not arbitrarily exclude any low- or moderate-income CTs.

### Fort Bend/Houston AA

The Fort Bend/Houston AA includes all CTs in Harris and Fort Bend counties. The counties are adjacent and form one contiguous AA, which is located in Southeast Texas. The AA consists of 862 CTs: 125 low-income (14.5%), 258 moderate-income (29.9%), 210 middle-income (24.4%), 265 upper-income (30.7%), and four CTs that are not income defined (0.5%). The Fort Bend/Houston AA has a population of 4.6 million according to the 2010 United States (US) Census data. The county seats are Houston and Richmond, respectively. Other cities in the AA include Sugar Land and Rosenberg.

Harris County has a population of 4.1 million according to the 2010 US Census, and a median household income of \$53,160 per the 2012 American Community Survey. The county seat is Houston. The economy of Harris County is stable. According to the 2013 Harris County Comprehensive Annual Financial Report, major corporate employers in the county include Exxon Mobil, Shell Oil Company, and Memorial Herman Health System. The Bureau of Labor Statistics reports that the unemployment rate was 5.5 percent, while 2010 US Census reports that 17.9 percent of residents were below the poverty level.

Fort Bend County has a population of 585 thousand according to the 2010 US Census, and a median household income of \$82,668 per the 2012 American Community Survey. The county seat is Richmond. The largest city in the county is Sugar Land, with a population of 82 thousand residents. The economy of Fort Bend County is stable. Per the Greater Fort Bend Economic Development Council, some of the largest employers in the county in 2013 include the Fort Bend Independent School District (ISD), Flour Corporation, and Schlumberger Technology Corporation. The Bureau of Labor Statistics reports that the unemployment rate was 5 percent, while 2010 US Census Data reports that 8.3 percent of residents were below the poverty level.

Competition with other financial institutions in the Fort Bend/Houston AA is significant. According to the FDIC Market Share Report, as of June 30, 2013 there are 88 financial institutions in the AA. NewFirst has four branches in the Fort Bend/Houston AA and holds 0.11 percent of the deposit market share. The largest deposit market share holders in the AA are JP Morgan Chase Bank, National Association (N.A.), Wells Fargo Bank, N.A., and Bank of America, N.A.

## **Wharton/Jackson AA**

The Wharton/Jackson AA consists of 14 CTs combined as one contiguous AA. The AA consists of one moderate-income CT (7.1%), nine middle-income CTs (64.3%), and four-upper income CTs (28.6%). No low-income CTs are located in the AA. The Wharton/Jackson AA has a population of 55 thousand according to the 2010 US Census data.

Wharton County has a population of 41 thousand according to the 2010 US Census, and a median household income of \$40,988 per the 2012 American Community Survey. El Campo is the largest city and the City of Wharton is the county seat. The economy of Wharton County is stable. The economy is mainly driven by agriculture, manufacturing, and oil and gas industries. Major employers include Wharton and El Campo ISDs, Wharton Junior College, the City of Wharton, Nan Ya Plastics Corporation, and HEB Food Store according to the county website. The Bureau of Labor Statistics reports that the unemployment rate was 4.6 percent, while 2010 US Census reports that 18.5 percent of residents were below the poverty level.

Jackson County is adjacent to and southwest of Wharton County. Jackson County has a population of 14 thousand according to the 2010 US Census, and a median household income of \$47,591 per the 2012 American Community Survey. Edna is the largest town and is the county seat. The economy of Edna is stable. According to the city website, petroleum and natural gas production, grain production, and retail trade mainly drive the economy of Jackson County. Major employers include Jackson ISD, Jackson County Hospital, Edna ISD, Boardwalk, and DCP Midstream. The Bureau of Labor Statistics reports that the unemployment rate was 6 percent, while 2010 US Census reports that 12.8 percent of residents were below the poverty level. NewFirst opened a branch location in Edna on January 27, 2014.

The bank has a number of competitors in the AA. According to the FDIC Market Share Report, as of June 30, 2013 there are 13 financial institutions in the AA. NewFirst has three branches in the Wharton/Jackson AA and holds 11.7 percent of the deposit market share. Major competitors include Prosperity Bank, The First State Bank, and Capital One, N.A.

## **Victoria AA**

The Victoria AA consists of all of Victoria County, and is a large segment of the Victoria MSA. The AA contains twenty-three CTs. Two CTs are designated as low-income (8.7%), five CTs are moderate-income (21.7%), eleven CTs are middle-income (47.9%), and four CTs are upper-income (17.4%). There is one CT for which no income designation is specified (4.3%).

The population of the Victoria AA is 86,793 according to the 2010 US Census. The city of Victoria is the largest city in Victoria County and is the county seat. The economy is

stable. According to the U.S. Bureau of Labor Statistics, Victoria County's 2013 unemployment rate is 4.3 percent compared to the statewide rate of 5.1 percent. The city of Victoria serves as a regional center for shopping, medical, business, educational, and entertainment services. According to the county website, the top ten employers are Victoria ISD, Citizens Medical Center, DeTar Healthcare System, INVISTA, City of Victoria, Pioneer Natural Resources, Victoria County, Caterpillar, University of Houston-Victoria, and Victoria College. The median household income is \$50,097 according to the 2012 American Community Survey, while 2010 US Census Data reports that 14.4 percent of residents were below the poverty level.

Banking competition in Victoria County is intense. According to the FDIC Market Share Report, as of June 30, 2013, there were eight financial institutions in the AA. NewFirst's presence in Victoria County is limited with one branch location in the Victoria MSA. The bank ranks fifth among financial institutions in the county with 3.6 percent of the deposit market share. Major competitors in the AA are Wells Fargo, N.A., Prosperity Bank, and Capital One, N.A.

### **Community Contacts**

During the evaluation period, a District Community Affairs Officer for the OCC made several contacts with community organizations in each of the bank's AAs. One contact in Harris County in the bank's Fort Bend/Houston AA was with a representative of a non-profit social services organization. The representative stated that there is a need in the community for small short-term unsecured loans as an alternative to more expensive credit from nonbank lenders. While consumer lending is not a primary loan product at NewFirst, the bank does offer small dollar personal loans.

The District Community Affairs Officer also contacted an organization which serves multiple counties, including Jackson County in the bank's Wharton/Jackson AA, and Victoria County in the bank's Victoria AA. The organization is a small business development center, and provides counseling in several business disciplines such as management, marketing, and finance. The representative stated that local financial institutions have opportunities to partner with the development center to offer financial education, credit counseling, and funding for micro-loans. As noted previously, small business lending is NewFirst's primary loan product.

## Conclusions with Respect to Performance Tests

### LENDING TEST

NewFirst's performance under the Lending Test is Satisfactory.

#### Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is close to the average for similarly sized and situated institutions, and is reasonable given the bank's performance context. The bank's quarterly LTD ratio since the prior CRA evaluation averaged 73 percent. Fifteen banks with \$300 million to \$1 billion in total assets, headquartered in any of the counties in NewFirst's AAs, had an average LTD ratio of 76 percent for the same time period. The LTD ratios for the peer group banks ranged from 52 to 94 percent.

#### Lending in Assessment Area

A substantial majority of the bank's lending is inside the AAs by number and dollar amount of loans originated and purchased. During the evaluation period, 85 percent by number and 84.26 percent by dollar amount of loans were originated within the bank's AAs. The following table details the bank's lending inside and outside the AAs by number and dollar amount:

Loan Type	Number of Loans				Total	Dollars of Loans (000)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Commercial	51	<b>85.00</b>	9	15.00	60	5,456	<b>84.26</b>	1,019	15.74	6,475

Source: loan sample.

#### Lending to Businesses of Different Sizes

The distribution of loans to businesses of different sizes is reasonable. In each of the bank's AAs, the penetration of loans to businesses with gross annual revenues of \$1 million or less is below but near to the census demographics. The bank's performance is shown in the following tables:

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.38	3.98	24.64	100.00
% of Bank Loans in AA by #	<b>52.00</b>	44.00	4.00	100.00
% of Bank Loans in AA by \$	63.25	31.64	5.11	100.00

Source: Dun and Bradstreet data; loan sample.

<b>Table 2B - Borrower Distribution of Loans to Businesses in Wharton/Jackson AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.11	3.78	25.11	100.00
% of Bank Loans in AA by #	<b>55.00</b>	5.00	40.00	100.00
% of Bank Loans in AA by \$	54.50	36.70	8.80	100.00

Source: Dun and Bradstreet data; loan sample.

<b>Table 2C - Borrower Distribution of Loans to Businesses in Victoria AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.44	3.67	24.89	100.00
% of Bank Loans in AA by #	<b>65.00</b>	35.00	0.00	100.00
% of Bank Loans in AA by \$	53.33	46.67	0.00	100.00

Source: Dun and Bradstreet data; loan sample.

### Geographic Distribution of Loans

The geographic distribution of loans in the combined AAs reflects reasonable dispersion. Lending dispersion to businesses in low-income CTs in the Fort Bend/Houston AA is poor; however, dispersion of loans to businesses in moderate-income CTs in the Fort Bend/Houston AA meets the demographics standard. For the Wharton/Jackson AA and the Victoria AA, the lack of dispersion to businesses in low-income CTs is not indicative of poor performance as the Wharton/Jackson AA has no low-income CTs, and less than three percent of businesses in the Victoria AA are in low-income CTs. Similarly, for the Wharton/Jackson AA, approximately five percent of businesses are in the only moderate-income CT; therefore, the lack of dispersion is not unreasonable. Geographic dispersion of loans in moderate-income CTs in the Victoria AA is below but near to the census demographic and is reasonable. The bank's performance is shown in the following tables:

<b>Table 3A - Geographic Distribution of Loans to Businesses in Fort Bend/Houston AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans						
Commercial	9.55	<b>0.00</b>	21.17	<b>20.00</b>	23.96	48.00	45.25	32.00

Source: Dun and Bradstreet data; loan sample.

Note: Income information was not available for 0.07% of AA census tracts.

<b>Table 3B - Geographic Distribution of Loans to Businesses in Wharton/Jackson AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	0.00	<b>0.00</b>	5.29	<b>0.00</b>	53.36	45.00	41.35	55.00

Source: Dun and Bradstreet data; loan sample.

<b>Table 3C- Geographic Distribution of Loans to Businesses in Victoria AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	2.90	<b>0.00</b>	20.64	<b>10.00</b>	50.59	75.00	25.75	15.00

Source: Dun and Bradstreet data; loan sample.

Note: Income information was not available for 0.12% of AA census tracts.

## Responses to Complaints

The bank did not receive any CRA-related complaints during the evaluation period.

## COMMUNITY DEVELOPMENT TEST

Overall, the bank's performance under the CD Test is outstanding and shows excellent responsiveness to the needs of its AAs. The bank responded to CD needs with substantial originations and renewals of loans for affordable housing. The level of investments and contributions show continued support with investments supporting affordable housing and donations supporting community services. The bank's responsive to service needs is reasonable with bank employees serving as members of multiple organizations throughout the community. The bank's CD activities are described below.

### Number and Amount of Community Development Loans

During the evaluation period, we qualified 24 loans totaling \$22.78 million that promoted CD within the bank's AAs. The loans primarily helped to provide affordable housing (20 loans) within the community, as well as assist organizations that provide community services to low- and moderate-income individuals (4 loans). CD lending was predominately concentrated in the Fort Bend/Houston AA. This is proportionate to the bank's lending in its AAs.

### **Number and Amount of Qualified Investments**

During the evaluation period, we qualified two investments and eight donations totaling \$2.18 million. Investments included a CRA qualified mortgage-backed security of \$111 thousand and an equity investment in a fund that purchases and manages low-rent apartment complexes of \$1 million. Both investments were used to promote affordable housing in the Fort Bend/Houston AA. In addition, the bank had two prior-period investments in mortgage-backed securities with current book values of \$180 thousand and \$251 thousand that promoted affordable housing in the Fort Bend/Houston AA.

NewFirst's charitable contributions were made to organizations that offer community services to low- and moderate-income individuals. These contributions included three community service organizations that provide free civil legal advice to low-income Texans, programs for at-risk youth, and free eyeglasses and exams for needy children.

### **Extent to Which the Bank Provides Community Development Services**

CD services provided by the bank included 10 services within its AAs. Of the services provided, four services provided affordable housing and six services provided community services to low- and moderate-income individuals. Bank employees served as board members or directors of nine organizations. Bank personnel performed community services activities in all AAs, with the majority in the Victoria AA.

Along with the services mentioned, NewFirst also offers reasonable access to services in its three AAs. The bank operates eight full-service branches that allow reasonable access to automated teller machines, night deposit boxes, and other services. The bank has four branches in the Fort Bend/Houston AA, three branches in the Wharton/Jackson AA, and one branch in the Victoria AA. While the majority of branch locations are located in middle- and upper-income tracts, access for low- and moderate-income individuals is reasonable. Specific products that provide access to low- and moderate-income individuals include student checking and senior checking accounts. Checking accounts also include free online and mobile banking, debit cards, and telebanking (available in English and Spanish).

### **Responsiveness to Community Development Needs**

Overall, the bank's responsiveness to CD needs is Outstanding. The bank has originated a significant level of qualified CD loans for affordable housing, which demonstrates excellent responsiveness to this need in the community. The level of investments and services is reasonable in the AAs given the bank's performance context.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.