



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

October 7, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Brazoswood National Bank
Charter Number 17383**

**2300 Highway 288 B
Richwood, Texas 77531**

**Office of the Comptroller of the Currency
Houston East Duty Station
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 Community Reinvestment Act (CRA) performance of the **Brazoswood National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 7, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25. A copy of this document should be placed in the bank's public file.*

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

Brazoswood National Bank has a *satisfactory* record of meeting credit needs within the community.

- C The bank's loan-to-deposit ratio is reasonable.
- C A majority of loans originated by Brazoswood National Bank are within the assessment area.
- C The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- C The bank's record of lending to individuals of different income levels, including low- and moderate-income individuals and businesses of different sizes is reasonable.

DESCRIPTION OF INSTITUTION

Brazoswood National Bank is a \$13 million financial institution serving its customers with a main location in Richwood, Texas. Net loans represent 39.57 percent of total assets. The bank's main office is located within a middle income census tract. To help meet the credit needs of its community, the bank offers small dollar loan products for consumers and small businesses. Lending activity is in the following categories: one-

to-four family residential property (17 percent), loans to individuals (34 percent), real estate (16 percent), and commercial and industrial loans (33 percent). The bank offers a variety of deposit accounts and other banking services as well.

The bank received a Community Reinvestment Act (CRA) rating of *Satisfactory* at the CRA examination dated September 26, 1996. There are no legal or financial circumstances which impede the bank's ability to help meet the credit needs in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

Brazoswood National Bank's has defined its assessment area as all of Brazoria County. The assessment area consists of fifty-five (55) census tracts. Of the fifty-five (55) census tracts within the assessment area, eleven (11) are defined as moderate-income, thirty-four (34) are middle-income and five (5) upper income. The remaining census tracts were not applicable to this income categorization. The assessment area does not have any census tracts designated as low-income. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The assessment area has a population of about 191,707 thousand people, with 10% living below the established poverty level. The assessment area has approximately 74,504 thousand housing units with 69 percent being one-to-four family units. The number of owner occupied units is high accounting for 59 percent of the one-to-four family units. The percentage of vacant housing units is low at 14 percent of the total. The median housing value is \$59,812 and the median monthly gross rent is \$402. According to the 1990 census, the weighted average Metropolitan Statistical Area (MSA)/Non-MSA's Census Median Family Income was \$39,344. The updated Median Family Income of all Non-MSAs is \$54,400.

Brazoswood National Bank's main competition is from a major credit union, Dow Credit Union, and First State Bank. Both are located in the Brazosport area of Brazoria County.

Brazoria County, Texas is located just south of Houston along the Texas Gulf Coast. The county is a community of twenty-three (23) cities. State Highway 288 runs through the center of the county running north to south from Houston to Freeport. Highway 35 provides movement east and west. Richwood, Texas where the bank is located is part of the area called Brazosport (nine cities joined into one economic entity).

The area's abundance of oil and location on the Gulf of Mexico is the attraction for one

of the largest petrochemical complexes, Dow Chemical Co. Amoco and Phillips Petroleum also have facilities in the area. Government jobs at area correctional facilities along with construction, trade and services have driven employment growth in recent years. The unemployment rate is 5.6%.

COMMUNITY'S CREDIT NEEDS

Brazoswood National Bank has identified small dollar consumer and commercial loans as the area's primary credit needs. A community organization contacted during the examination indicated that the banks in the area are active both lending and providing services in the community. This community contact indicated the need for affordable housing funding and small business loans due to the growth in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

Brazoswood National Bank actively attempts to meet the credit needs of its assessment area. The loan-to-deposit ratio as of September 30, 1999 was 48.71 percent. The bank's loan-to-deposit ratio is reasonable based on the community's credit needs. This ratio is in line with similarly situated banks in the Brazosport area. Since the prior CRA Performance Evaluation dated September 26, 1996, the bank's loan-to-deposit ratio has averaged 56.07 percent (over 13 quarters).

LENDING IN THE ASSESSMENT AREA

The majority of the loans originated by Brazoswood National Bank are within the assessment area. Examiner analysis performed during the examination included a sample of consumer and small business loan files. This analysis revealed that 96 percent of the number and 99.7 percent of the dollar volume were within the assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

Overall, Brazoswood National Bank’s level of lending to individuals of different income levels and businesses of different sizes is reasonable. Loan applications are solicited from all income levels and is in line with the profile of the assessment area. In addition, our sample of commercial loans revealed a majority of loans were to small businesses with revenues less than \$1 million per year. Table 1 summarizes our review.

Table 1

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	19%		19%		25%		37%		100%	
Loans	#	%	#	%	#	%	#	%	#	%
Consumer	4	25%	4	25%	5	31%	3	19%	16	100%
Revenue Ranges	< \$100M		\$100M--\$500M		\$500--\$1MM		> \$1MM		Total	
Commercial	3	27%	2	18%	1	9%	5	46%	11	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. Although a detailed analysis was not performed during the examination, we noted that the bank was making loans in all areas of its assessment area.

RESPONSE TO COMPLAINTS

Brazoswood National Bank did not receive any consumer complaints since the prior CRA examination. However, the bank has a satisfactory procedure in place to handle consumer complaints.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

A Fair Lending review was performed in conjunction with the CRA examination. A sample of used auto loans were reviewed to determine if loan term(s) for any prohibited basis group were less favorable than for any other group. Loan approvals for ten females were compared to loan approvals for twenty-three males. No instances of disparate treatment were noted and no violations of the substantive provisions of the anti-discrimination laws and regulations were cited during the examination.