



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Southwestern District
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3394

PUBLIC DISCLOSURE

January 31, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**United Community Bank, N.A.
Charter Number: 23545
2100 FM 407
Highland Village, Texas 75077**

**Office of the Comptroller of the Currency
Dallas North Field Office
1600 Lincoln Plaza
500 North Akard
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 **United Community Bank** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of January 31, 2000. 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 following factors support this overall rating:

- ! The bank's quarterly average loan-to-deposit ratio meets the standards for satisfactory performance given the bank's size, financial condition, and assessment area credit needs.
- ! The bank originated 45 or 52% of its commercial loans within its assessment area.
- ! The bank's lending performance reflects a reasonable distribution of credit to businesses of different sizes.
- ! The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

SCOPE OF THE EXAMINATION

This evaluation of United Community Bank's (UCB) CRA performance covers the period from when the bank opened in May 27, 1998 through January 31, 2000. The evaluation includes an analysis of UCB's designated assessment area and the bank's lending patterns.

DESCRIPTION OF INSTITUTION

UCB is wholly owned subsidiary of The Delaware Community Group, Inc., which is wholly owned by The Community Group Inc., a Texas one-bank holding company. The bank services the following communities: Bartonville, Double Oak, Flower Mound, Highland Village, and Lewisville, Texas. As of January 31, 2000, the bank has only one office and ATM located at FM 407 in Highland Village, Texas. At this location, the bank has drive-up facilities that provide extended weekday and Saturday hours.

As of December 31, 1999, the bank had \$30 million in total assets. UCB's lending focus is toward small business and commercial customers. The bank offers Small Business Administration (SBA) loans, in addition to the following commercial loans: working capital, market expansion, letters of credit, purchase of machinery and equipment, expansion/improvement of premises and funding inventory purchases.

The bank also offers consumer and real estate credit products to its community. Examples of these types of loans offered are: auto, boat, education, lines of credit, personal loans, recreational vehicles, vacations, and home improvements.

UCB's main competition consists of branches of larger multi-national banks, state banks, and also area credit unions. Regardless, UCB does not have any financial or legal obstacles affecting its ability to meet its community's credit needs. The following table portrays the principal loan mix of UCB:

TYPES OF DOMESTIC LOANS OUTSTANDING(\$000's)		
DECEMBER 31, 1999		
<i>TYPE OF LOANS</i>	<i>AMOUNT</i>	<i>PERCENTAGE</i>
Commercial Loans	\$8,732	56%
Construction & Land Development	\$4,809	31%
Installment	\$1,650	10%
Secured by 1-4 Family Residential Properties	\$487	3%
TOTAL	\$15,678.00	100%

DESCRIPTION OF ASSESSMENT AREA

UCB has defined its assessment area as five cities within Denton County, which is in the Dallas MSA #1920. The assessment area consists of 20 census tracts. The assessment area meets

regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas. The following table reflects the demographics for the assessment area.

ASSESSMENT AREA DEMOGRAPHICS			
<i>Designation</i>	<i># Census Tracts</i>	<i>% of Total Census Tracts</i>	<i>% of Families By Income Level of Census Tracts</i>
Low	0	0%	0%
Moderate	1	5 %	4%
Middle	7	35%	36%
Upper	12	60%	60%
TOTAL	20	100.00%	100.00%

More than 107,728 residents populate the assessment area. Based on the updated HUD-1999 Census information, the median family income for the Dallas MSA is \$58,200. The median housing value for the bank's assessment area is \$100,619, with the median age of housing stock at 21 years. The total occupied housing units for the assessment area is at 91%, with owner-occupied housing at 62% and rental-occupied housing at 29%. Vacant housing units in the assessment area are at 9%.

Unemployment rates have remained low and steady over the past two years at approximately 4%. The largest industries in the assessment area are retail trade and services. The largest employer's in the bank's market area are the following: DFW International Airport, Texas Instruments, GTE, Vista Ridge Mall, and the Lewisville I.S.D.

We determined the credit needs of the community through discussions with management and a community contact. Management stated that the community credit needs are small business loans and personal banking services. The community representative from the city of Highland Village stated that financial institutions are meeting community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

A majority of UCB's loan portfolio is in commercial loans and construction and land development. For this analysis, we will focus only on the bank's lending of commercial loans. Based on the bank's mix of consumer and business construction loans, we could not obtain a sufficient sample for a meaningful analysis of the bank's construction lending patterns.

LOAN-TO-DEPOSIT RATIO

Given UCB's size, financial condition, and assessment area credit needs, the bank meets the standards for satisfactory performance. The bank has been in operation for the past seven quarters. Its seven-quarter average loan-to-deposit (LTD) ratio is 43%.

We compared UCB's quarterly average LTD ratio to other institutions that opened for business within the same year. Within the Dallas MSA, two financial institutions opened in 1998. Information for these financial institutions are detailed in the following table:

	Date opened	Total Assets (000's) 09/30/99	Quarterly Average LTD Ratio (from opening date)
Banks within the Dallas MSA:			
First Mercantile Bank, N.A., Dallas, TX	01/29/98	\$101,523	69%
First Independent National Bank, Plano, TX	09/03/98	\$27,895	55%

UCB's quarterly average of 43% seems low compared to these other institutions. However, these institutions are in a different market of the Dallas MSA and may not be similarly situated. Regardless, the bank's LTD ratio has steadily increased and as of December 31, 1999, the LTD ratio was at 58%. Based on the bank's pro forma financial projections, provided with the charter application, management is meeting its LTD projections.

LENDING IN ASSESSMENT AREA

Based on our review of UCB's lending patterns, the bank meets the standards of satisfactory performance. We reviewed 87 business loans, totaling \$6.2 million, made to 42 commercial borrowers. UCB originated 45, or 52%, of its commercial loans totaling \$2.0 million within its assessment area. The 45 commercial loans were made to 21, or 50%, of the bank's commercial borrowers who own businesses within the bank's assessment area.

The percentages of the number of loans and borrowers within the assessment area are low. This is mitigated by the fact that 27, or 31%, of the business loans made outside of the bank's assessment area were made to 10 businesses owned by bank shareholders, which is 48% of the business borrowers outside of the bank's assessment area. Some of the bank shareholders actually reside within UCB's assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND

TO BUSINESSES OF DIFFERENT SIZES

Borrowers of Different Incomes

UCB does not have an adequate loan portfolio size for residential and consumer loans to perform a meaningful analysis of lending to borrowers of different income levels.

Businesses of Different Sizes

UCB's lending to businesses of different sizes is adequate. Seventy-four percent of the businesses in the bank's assessment area have revenues of less than \$1.0 million. We reviewed all of the commercial loans originated by the bank. UCB has originated 15 of the 21, or 71%, of the commercial loans within the assessment area to businesses with revenues of less than \$1.0 million.

GEOGRAPHIC DISTRIBUTION OF LOANS

UCB has a reasonable distribution of loans in the assessment area. This distribution is reasonable considering competitive factors and the size and location of the bank. The following table illustrates the geographic distribution of the bank's lending within the assessment area (AA).

Census Tract	# of loans	% of # of loans	\$ of loans	% of \$ of loans	% of all Businesses within the AA
Moderate-income	3	14%	\$165	8%	17%
Middle-income	1	5%	\$69	3%	23%
Upper-income	17	81%	\$1,776	89%	60%
Total	21	100%	\$2,010	100%	100%

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

A fair lending review performed with this CRA examination revealed satisfactory compliance with fair lending regulations. At this examination, we used alternative fair lending procedures. This entailed a review of UCB's policy, procedures, and practices. As such, we noted no practices intended to discourage or impede potential borrowers from applying for credit.

RESPONSES TO COMPLAINTS

UCB has not received any complaints during this evaluation period.