



**Comptroller of the Currency
Administrator of National Banks**

SMALL BANK

PUBLIC DISCLOSURE

June 24, 1998

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Security Bank, N.A.
Charter Number 18660**

**2720 Beltline Road
Garland, Texas 75044**

**Comptroller of the Currency
Southwestern District
500 North Akard, 1600 Lincoln Plaza
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 **Security Bank, N.A.**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 8, 1999**. 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 lending performance of Security Bank, N.A. in Garland (SBG) reflects satisfactory responsiveness to the credit needs of the community served. This assessment is based on the following:

- ! The loan-to-deposit ratio is reasonable and is in the upper end of the bank’s competition in its assessment area of Garland and portions of Richardson and Rockwall.
- ! A majority of the bank’s loans are within its assessment area.
- ! The distribution of loans reasonably penetrate the different income levels. In addition, a majority of the commercial loans are to small businesses.
- ! Lending patterns are reasonably distributed throughout the assessment area.

These issues are discussed in detail in this document.

The following table indicates the performance level of **Security Bank, N.A.** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Security Bank, N.A.</u> Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the last examination.		

DESCRIPTION OF INSTITUTION:

Security Bank, N.A. (SBG) is a \$81 million full-service financial institution. Banking facilities include the main branch office located at 2720 Beltline Road in Garland, Texas and a branch office located at 3354 Broadway Boulevard in southeast Garland. The bank has automated teller machines at each location. SBG is independently owned and has no affiliates or subsidiaries. It is located in a fast growing community with a population of over 200,000 in Garland and over 80,000 in Richardson. Manufacturing and light industrial companies comprise the majority of businesses in Garland. Richardson, Texas has over 600 high tech companies along North Central Expressway or also known as the Telecom Corridor. These companies are comprised of telecommunications, software and computer/semi-conductor businesses.

SBG has adopted a lending strategy that focuses on loans to small businesses and industry as the best means for servicing the needs of the assessment area. The bank has been a certified Small Business Administraton (SBA) lender since 1993. SBG hired a loan officer with an expertise in making SBA loans in 1998. The bank's secondary lending focus is to professionals and executives, with a third emphasis on the mature market. SBG also extends consumer loans for automobile purchases and other consumer related debt. Although SBG is not an active mortgage lender of 1 to 4 family homes, they do refer applicants to a local mortgage lender.

SBG has no legal or financial obstacles affecting its ability to meet the community's credit needs. The following table portrays the principle loan mix of SBG:

TYPES OF DOMESTIC LOANS OUTSTANDING SEPTEMBER 30, 1998 (000s)		
<i>Types of Loans</i>	<i>Amount</i>	<i>Percentage</i>
Commercial Real Estate Loans	\$23,770	41%
Commercial Loans	\$23,177	40%
Individual/Consumer Loans	\$4,494	8%
Construction & Development Loans	\$3,598	6%
1 to 4 Family Residential Loans	\$2,668	5%
Average Gross Loans	\$57,707	100%

DESCRIPTION OF ASSESSMENT AREA (AA):

SBG has identified its assessment area as all of the City of Garland, and part of Richardson , Plano, and Rockwall. The bank considers Interstate 635 as its southwest boundary and Interstate 30 as its southeast boundary. The North Central Expressway delineates the northwest boundary and specific census tracts in Rockwall comprise the north east boundary. The AA meets regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas (LMI). The defined census tracts are predominantly upper- and middle-income levels. The following table reflects the demographics for census tracts in bank’s AA.

ASSESSMENT AREA DEMOGRAPHICS			
<i>Designation</i>	<i># of Census Tracts</i>	<i>% of Total Tracts</i>	<i>% of Households Residing in the Census Tracts</i>
Low	0	0%	0%
Moderate	5	12%	9%
Middle	20	49%	52%
Upper	16	39%	39%
TOTAL	41	100%	100%

More than 280,000 residents populate the AA. The AA weighted average of census median family income is \$54,400. In addition, the median housing value is \$85,380 with the median age of housing stock in the AA at 23 years. Total occupied housing units is 90%, with owner-occupied housing at 55% and rental-occupied housing at 35%. Vacant housing units in the AA are 9%.

Unemployment rates have remained low and steady over the past two years at approximately 3.4%. The largest employers in the AA are the following: E Systems, Nortel, MCI, Ericsson, City of Garland, Fujitsu, and Baylor Medical Center Garland.

We determined the credit needs of the community through discussions with management and by reviewing local community contacts made by this agency and other regulatory agencies. The community

contacts agreed with management that the areas primary credit needs are small business and commercial loans. They also indicated that area financial institutions were meeting community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loans-to-Deposits

The loan-to-deposit (LTD) ratio gauges the institution’s volume of lending in comparison to other institutions of similar size and capacity. As of December 31, 1998, SBG’s LTD ratio was 79.92%. Over the past two years this ratio has fluctuated between 73% and 87%, averaging 81.45%. It falls in the upper end of similarly situated state and national banks with LTD ratios ranging from 37% to 98%.

Lending in the Assessment Area (AA)

We took a sample of 60 commercial loans, 33 home related loans, and 27 auto loans to determine the location of loan originations. Based on our review, SBG has a satisfactory record of serving the credit needs of its community .

ASSESSMENT AREA LENDING (Based on an OCC sample by loan types)				
<i>Loan Type</i>	<i>Sample Size</i>	<i># Out of AA</i>	<i># In AA</i>	<i>% In AA</i>
Business Loans	60	26	34	57%
Home Loans	33	16	17	51%
Auto Loans	27	9	18	67%
Total	120	51	69	58%

Lending to Businesses of Different Sizes

SBG’s primarily lending niche is to small businesses which are defined in CRA as companies with gross annual revenues of less than \$1million. Based on our sample of 60 commercial loans, 75% of the commercial loan portfolio is to small businesses.

Lending to Borrowers of Different Income Levels

Although the majority of loans at SBG are commercial, we sampled consumer related loans to evaluate SBG's record of lending to borrowers of different income levels. Based on a sample of auto loans, 80% were provided to individuals from low- and moderate-income levels.

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the AA. The commercial loan sample of 60 loans indicated 20 or 33% were made to businesses in moderate income census tracts. The assessment area had no low-income census tracts and only five moderate-income census tracts. Of the remaining 36 census tracts, 20 were middle income and 16 were upper income census tracts.

Compliance with Antidiscrimination Laws

A fair lending review performed with this CRA examination revealed satisfactory compliance with fair lending regulations. We noted no practices intended to discourage or impede potential borrowers from applying for credit.