



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

May 31, 2011

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Newfirst National Bank  
Charter Number: 6112

202 East Jackson  
El Campo, TX 77437-0000

Office of the Comptroller of the Currency

Houston Field Office  
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 COMMUNITY REINVESTMENT ACT (CRA) RATING:  
This institution is rated Satisfactory**

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

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

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

- Lending to borrowers of different incomes and to businesses of different sizes reflects reasonable penetration.
- The geographic distribution of loans reflects reasonable dispersion.
- The bank's performance shows adequate responsiveness to the community development needs of the assessment area (AA) through community development lending, investments, and services.
- A majority of loans were originated inside the assessment area.

## **Scope of Examination**

NewFirst was evaluated under the Intermediate Small Bank examination procedures which include the Lending Test and Community Development Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. Our examination evaluated the bank's lending performance from June 1, 2008 through May 27, 2011. The Community Development Test evaluates the bank's responsiveness to needs and opportunities within the community. Community development performance was evaluated from June 1, 2008 through May 27, 2011.

The bank's primary loan products are business, residential real estate, and consumer loans. Business and residential real estate loans are the largest products by dollar volume, while consumer loans are the largest product by number.

NewFirst is a Home Mortgage Disclosure Act (HMDA) reporter. All residential loans originated from June 1, 2008 through December 31, 2010 were considered in our analysis. The bank is not required to report data under the Community Reinvestment Act (CRA) regulation for business and consumer loans. A Data Integrity Review was performed prior to the CRA examination and the bank's data was found to be reliable. We selected a statistically valid sample using bank reports of loan originations for business and consumer.

## Description of Institution

NewFirst National Bank is wholly owned by NewFirst Financial Group, Inc. and is a full service community bank headquartered at 202 E. Jackson St., El Campo, Texas, 77437. The bank has one related organization known as NewFirst Insurors, which provides full service commercial lines. The bank opened in 1902 and was formerly the First National Bank of El Campo. The bank changed its name to NewFirst National Bank on January 22, 2002. NewFirst now serves their community from eight locations throughout Texas: two locations in El Campo, Texas, including the main branch; one in Wharton, Texas; one in Houston, Texas; one in Rosenberg, Texas; one in Sugarland, Texas; one in Needville, Texas, and one in Victoria, Texas. The bank offers a full range of credit products within its assessment area. While the primary lending focus is on commercial business loans, the bank has originated a significant volume of consumer loans since the last examination. Automated Teller Machine services are available at all branches with the exception of the Sam Houston and Sugar Land locations.

As of March 31, 2011, the bank had \$430 million in total assets and a Tier One Leverage Capital ratio of 8.91%. The bank received a Satisfactory rating at the prior CRA examination dated May 27, 2008. There are no legal or financial factors that impede the bank's ability to meet the credit needs of the bank's AA.

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

## Description of Assessment Area(S)

NewFirst has three AAs described below. Wharton County and Jackson County are combined into one AA, as the tracts in these counties are contiguous and are not part of a Metropolitan Statistical Area (MSA). The Victoria County AA is part of the Victoria MSA. Harris and Fort Bend County are combined into the Houston AA and is part of the Houston-Sugar Land-Baytown MSA.

### **Wharton and Jackson County (Wharton/Jackson AA)**

The Wharton Jackson County AA is comprised of fifteen census tracts (CTs) combined as one contiguous AA. The AA includes one moderate-income CT and no low-income CTs. In addition, there are six middle-income CTs that have been designated as distressed based on population loss. The bank has three branch locations in this AA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The total population of the AA is approximately 55,579 people according to the US Census 2010 Population Estimates, a decrease of 216 people since the last Census. Households in the AA total 20,147 and include 14,737 families. The number of housing units total 23,151 and includes 60.95% owner occupied units and 29.46% rental occupied units. Households receiving social security total 30.54% and 3% on public assistance. Approximately 17% of all households live below the poverty level, with

13.41% expending in excess of 30% of monthly income for mortgage or rental payments. Median income for a household is \$33,556, while the median income for a family is \$33,556. The average median price for owner occupied housing is \$53,959, and monthly gross rent is \$417. According to the U.S. Bureau of Labor Statistics, the 2010 unemployment rate is 7.9% in Wharton County and 7.3% in Jackson County.

Wharton County is surrounded by Matagorda, Colorado, and Jackson Counties and the San Bernard River, which forms the northeastern border and the Fort Bend County line. Wharton County is located southwest of Houston and U.S. Highway 59 on the Coastal Plain of southwest Texas. The county is densely populated, divided primarily by prairie and timberland. El Campo is the largest city and the City of Wharton is the county seat. The area's major resources include rice, corn, sorghum, cotton, cattle, and oil and gas. Major employers include the City of Wharton, Gulf Coast Medical Center (GCMC), Nan Ya Plastics, Wharton Independent School District (ISD), Wharton County Junior College, South Texas Medical Clinic, Maxim Production Co., Wal-Mart, Wharton County and HEB Food Store.

Jackson County is adjacent to and southwest of Wharton County. Edna, the county's largest town is the county seat. Edna is known as the center for petroleum and natural gas production, oil field industries and services and grain production according to the city website. Major employers include Wal-Mart Distribution Center, Schneck Medical Center, Seymour Community Schools, Rose Acre Farms, Wal-Mart Transportation, Brownstown Community Schools, and Jay C Food Stores, a division of the Kroger Company. The bank does not have financial centers in Jackson County; however customers are serviced by nearby centers located in Wharton County.

The bank has a number of competitors in the AA. Major competitors include First State Bank of Louise, Prosperity Bank, Commercial State Bank, Texas Gulf Credit Union, Vista Bank and Capital One, National Association (N.A.)

### **Fort Bend and Harris County (Houston AA)**

The Houston AA includes all CTs in Fort Bend County and all tracts in the northeast and northwest of Harris County. Fort Bend and Harris County are a part of the Houston-Sugar Land-Baytown MSA. The AA comprises a total of 464 CTs combined as one contiguous AA, and includes 113 moderate-income CTs and 30 low-income CTs. The bank has four branch locations in this AA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The total population of the AA is approximately 2.5 million people according to the US Census 2010 Population Estimates, an increase of more than 400,000 from the last Census. Households total 916,245 and include 630,040 families. The number of housing units in the AA total 981,151 and includes 52.40% owner occupied units and 40.91% rental occupied units. Median income for a household is \$52,258 and the median income for a family is \$60,992. Unemployment is less than state and national averages. However, about 11% of the households live below the poverty line, with 16.17% on social security or public assistance. In addition, there are a number of low-

income communities scattered throughout the AA. The average median owner occupied housing unit costs \$115,879, and monthly gross rent is \$639.

Fort Bend County is adjacent to and southwest of Victoria County. The county is one of the fastest growing counties and considered one the most affluent communities in the state of Texas. The county seat is Richmond, while Sugar Land is the largest city and economic center of the county. The county's population is 585,375 according to the US Census 2010 Population Estimates and projected to reach 1 million by 2030. The area's major industries include energy, education, hospitality, manufacturing, and distribution sectors. Major employers include Fort Bend County, Fort Bend Independent School District, Lamar Consolidated ISD, and Flour Corporation. Most of the bank's branches are in Fort Bend County. The U.S. Bureau of Labor Statistics list the 2010 unemployment rate at 7.4%.

Harris County is adjacent to and northeast of Fort Bend County. The total population of county is approximately 4 million according to the 2010 US Census Population Estimates, making it the most populous county in Texas and the third most populous county in the United States. The county seat is Houston, the largest city in Texas, with a population of 4.1 million. The Houston economy is primarily based in the energy industry, particularly oil, and the home of 3,000 energy-related establishments. Major employers include Continental Airlines, Administaff, Halliburton, Wal-Mart Stores, Exxon Mobil, Kroger Company, Memorial Hermann Healthcare System, and The University of Texas Medical Branch. Per the U.S. Bureau of Labor Statistics, the 2010 unemployment rate is 8%.

Bank competition is intense. The largest competitors include Chase Bank USA, N.A., Wells Fargo Bank, N.A., Bank of America, N.A., Amegy Bank, N.A., Capital One and Citibank, N.A.

During the examination, we contacted one local community organization in the AA. The contact indicated needs for owner-occupied housing rehabilitation assistance for the elderly and disabled, affordable housing options, and financial education.

### **Victoria County (Victoria AA)**

The Victoria AA includes all of Victoria County, and is part of the Victoria MSA. The AA includes twenty-one CTs, and includes seven moderate-income CTs, and one low-income CTs. The bank has one branch location in this AA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The total population of the AA is approximately 86,793 people according to the US Census 2010 Population Estimates, an increase of approximately 2,000 from the last Census. Households totals 30,040 and include 22,348 families. The number of housing units in the AA total 32,945 and includes 61.49% owner occupied units and 29.79% rental occupied units. Median income for a household is \$40,877 and the median income for a family is \$46,636. About 13% of the households live below the

poverty line. The average median price for an owner occupied housing unit is \$67,821, and monthly gross rent is \$504.

Victoria County is adjacent to and southwest of Jackson County. The City of Victoria, the largest city in Victoria County is the county seat. The City of Victoria is located two hours outside of Houston, Austin, San Antonio and Corpus Christ. The city serves as a regional center for shopping, medical, business, educational, and entertainment services. Major resources include corn, grain sorghum, and soybeans. The county's top ten employers include Victoria ISD, Citizens Medical Center, DeTar Healthcare System, H.E.B. Food Store, the County of Victoria, the City of Victoria, INVISTA, First Victoria Bank, N.A., Victoria College, and the University of Houston-Victoria. Per the U.S. Bureau of Labor Statistics, Victoria County's 2010 unemployment rate of 6.4% is well below the national average.

Bank competition is diverse. Major competitors include First Victoria, N.A., Dow Credit Union, Bank of America, N.A., Victoria Teachers Credit Union and Capital One, N.A.

## **Conclusions with Respect to Performance Tests**

The Lending Test is rated Satisfactory.

### **LENDING TEST**

The Lending Test is rated Satisfactory. NewFirst's loan-to-deposit ratio is reasonable. A substantial majority of the bank's loans were originated inside the AA. Loan penetration to low- and moderate-income borrowers is reasonable and geographic dispersion in low- and moderate-income census tracts is also reasonable.

#### **Loan-to-Deposit Ratio**

The loan-to-deposit ratio is reasonable. NewFirst's quarterly average since the prior examination of May 27, 2008 is 81.25%. We compared the bank's quarterly average to a peer group of banks with assets between \$250 million and \$750 million and with branch locations in the same counties as NewFirst. The competing banks' ratios ranged from a low of 67% to a high of 100%, and resulted in an average of 79% for the same evaluation period. The bank's ratio compares favorably to the ratio of peer group banks.

#### **Lending in Assessment Area**

Lending in the AAs represents a majority of bank lending and meets the standards for satisfactory performance both in number (81%) and dollar amount (74%) of loan originations. We used HMDA data for all residential real estate loans originated between 2008 and 2010. We used bank provided information for all consumer and business loans originated between June 1, 2008 and May 27, 2011. A sample of 20 loans was selected for each loan type in each AA. This totaled to 60 loans per AA.

Performance in each loan category is shown in the following table:

<b>Table 1 - Lending in Wharton, Jackson, Harris, Fort Bend, and Victoria Counties</b>										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Res RE Purchase	261	79.33	55	20.67	329	32,346	72.58	12,223	27.42	44,569
Res RE Refinance	134	86.45	23	13.55	155	14,709	67.36	7,128	32.64	21,837
Res RE Imprv.	188	89.52	2	10.48	210	7,643	87.81	1,061	12.19	8,704
Consumer	48	80.00	4	20.00	60	667	70.66	277	29.34	944
Business	55	91.67	3	8.33	60	4,192	84.35	778	15.56	4,970
Totals	364	81.07	85	18.93	4494	59,557	73.51	13,728	16.39	81,024

Source: Data reported under HMDA; Sample of loans.

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

The distribution of loans reflects a reasonable penetration among households and families of different income levels and businesses of different sizes, given the bank's product offerings and local economic conditions.

#### *Residential Real Estate*

The distribution of residential real estate loans reflects a reasonable penetration given the demographics. We analyzed residential real estate lending using borrower income compared to the median family income levels according to information from the U.S Census Bureau. The 2010 median family income for the Wharton/Jackson AA was \$46,500, Houston AA \$65,100, and Victoria AA \$55,600.

The distribution of residential real estate loans for the Wharton/Jackson AA reflects poor distribution of lending to families of different income levels. It is important to note that the bank made 36 residential real estate loans in this AA, which represents 5% of total residential real estate loans made during the evaluation period. In this particular market, the bank's primary product is farm loans.

- For home purchase loans, there were no loans made to low-income families. However, the actual percentage of lending to moderate-income families is good at 10% compared to the demographic comparator of 16.71%.
- There were no home improvement or home refinance loans made to low- or moderate-income families.

The bank’s performance is shown in the following table:

<b>Table 2A - Borrower Distribution of Residential Real Estate Loans Wharton/Jackson AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Purchase	17.93	0.00	16.71	10.00	19.40	10.00	45.96	80.00
Refinance	17.93	0.00	16.71	0.00	19.40	16.67	45.96	83.33
Home Imprv.	17.93	0.00	16.71	0.00	19.40	15.00	45.96	65.00

Source: Data reported under HMDA; U.S. Census data. Income not available for 20% of the loan data for home improvement loans.

The distribution of residential real estate loans for the Houston AA reflects reasonable lending to families of different income levels.

- For home purchase loans, the bank’s performance in lending to low-income families is below the demographic comparator. However, lending to moderate-income families is near to the demographic comparator.
- For home refinance loans, the bank’s performance in lending to low-income families is below the demographic comparator. However, lending to moderate-income families exceeds the demographic comparator.
- For home improvement loans, the bank’s performance in lending to low-income families is below the demographic comparator. However, lending to moderate-income families is somewhat near the demographic comparator and reflects adequate penetration.

The bank’s performance is shown in the following table:

<b>Table 2B - Borrower Distribution of Residential Real Estate Loans Houston AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Purchase	20.83	7.69	16.33	15.38	18.13	32.31	44.72	44.62
Refinance	20.83	4.45	16.33	22.22	18.13	24.44	44.72	48.89
Home Imprv.	20.83	2.35	16.33	10.59	18.13	20.00	44.72	52.94

Source: Data reported under HMDA; U.S. Census data. Income not available for 20% of the loan data for home improvement loans.

The distribution of residential real estate loans for Victoria AA reflects reasonable penetration of lending to families of different income levels.

- For home purchase loans, the bank’s performance in lending to low-income families is below the demographic comparator. However, lending to moderate-income families indicates adequate penetration.
- For home refinance loans, the bank’s performance in lending to low-income families indicates adequate penetration. There were no home refinance loans made to moderate-income borrowers indicating poor penetration.
- For home improvement loans, the bank’s performance in lending to low-income families is below the demographic comparator. Lending to moderate-income families is somewhat lower than the demographic, but reflects adequate penetration.

The bank’s performance is shown in the following table:

Table 2C - Borrower Distribution of Residential Real Estate Loans Victoria AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Purchase	20.24	3.04	17.37	9.09	20.25	39.39	42.15	48.48
Refinance	20.24	12.50	17.37	0.00	20.25	12.50	42.15	75.00
Home Imprv.	20.24	2.86	17.37	8.57	20.25	25.71	42.15	62.86

Source: Data reported under HMDA; U.S. Census data. Income not available for 14.12% of the loan data for home improvement loans.

### Consumer Lending

The level of lending to consumers of different incomes demonstrates a reasonable penetration. We analyzed consumer lending using borrower income compared to the median household income levels according to U.S Census Bureau information. The 2010 median household income for the Wharton/Jackson AA was \$33,556, Houston AA \$52,258, and Victoria AA \$40,877.

The level of lending to consumers in the Wharton/Jackson AA reflects good penetration. Lending to low- and moderate-income households are near to the characteristics of the AA. The bank’s performance is shown in the following table:

<b>Table 2D - Borrower Distribution of Consumer Loans Wharton/Jackson AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer Loans	22.81	17.65	15.09	11.76	29.41	44.93	44.93	29.41

Source: loan sample; U.S. Census data. Income not used in credit decision in 11.76% of the loan sample.

The level of lending to consumers in the Houston AA exceeds the characteristics of the AA and reflects excellent penetration. Lending to low- and moderate income households exceeds the characteristics of the AA. The bank’s performance is shown in the following table:

<b>Table 2E - Borrower Distribution of Consumer Loans Houston AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer Loans	21.04	23.53	16.59	17.65	17.96	29.41	44.72	23.53

Source: Loan sample; U.S. Census data. Income not used in credit decision in 5.88% of the loan sample.

The level of lending to consumers in the Victoria AA reflects a reasonable penetration. Lending to low-income households is somewhat lower than the characteristics of the AA, but reflects adequate penetration. Lending to moderate-income households is near to the characteristics of the AA and reflects good penetration to consumers of different incomes. The bank’s performance is shown in the following table:

<b>Table 2F - Borrower Distribution of Consumer Loans Victoria AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer Loans	22.91	14.29	17.08	14.29	19.35	14.29	40.66	50.00

Source: Loan sample; U.S. Census data. Income not used in credit decision in 7.13% of the loan sample

### Small Business Loans

The bank's performance in lending to small businesses with gross revenues equal to or less than \$1 million is reasonable. We compared the bank's loan originations to the size of businesses for each AA according to Dunn & Bradstreet information.

Lending to small businesses with gross revenues equal to or less than \$1 million for the Wharton/Jackson AA exceeds the characteristics of the AA at 84.21% of the 73.81% reporting businesses. The dollar amount originated is below the characteristics of the AA at 73.93%. Lending to small businesses reflects excellent penetration. The bank's performance is shown in the following table:

<b>Table 2G - Borrower Distribution of Loans to Businesses Wharton/Jackson AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.81	3.33	22.86	100%
% of Bank Loans in AA by #	84.21	10.53	5.26	100%
% of Bank Loans in AA by \$	73.93	25.17	0.90	100%

Source: Loan sample; Dunn and Bradstreet data.

Lending to small businesses with gross revenues equal to or less than \$1 million for the Houston AA is somewhat lower than the characteristics of the AA at 47.37% of the 79.21% reporting businesses. The dollar amount originated is below the characteristics of the AA at 36.44%. Lending to small businesses reflects adequate penetration. The bank's performance is shown in the following table:

<b>Table 2H - Borrower Distribution of Loans to Businesses Houston AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79.21	3.95	16.84	100%
% of Bank Loans in AA by #	47.37	42.11	10.53	100%
% of Bank Loans in AA by \$	36.44	57.34	6.22	100%

Source: Loan sample; Dunn and Bradstreet data.

Lending to small businesses with gross revenues equal to or less than \$1 million for the Victoria AA is somewhat lower than the characteristics of the AA at 52.94% of the 75.5% reporting businesses. The dollar amount originated is below the characteristics of the AA at 45.35%. Lending to small businesses reflects adequate penetration. The bank's performance is shown in the following table:

<b>Table 2I - 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	75.50	3.81	18.69	100%
% of Bank Loans in AA by #	52.94	41.18	5.88	100%
% of Bank Loans in AA by \$	45.35	53.05	1.60	100%

*Source: Loan sample; Dunn and Bradstreet data.*

### **Geographic Distribution of Loans**

The overall geographic distribution of the bank's loans is satisfactory considering the demographics of the bank's three AAs. There is one moderate-income CT and no low-income tracts in the Wharton/Jackson AA. There are seven moderate-income CTs and one low-income CT in the Victoria AA. There are 113 moderate-income CTs and 30 low-income CTs in the Houston AA. It is important to note that in Fort Bend County, which is the location for the majority of the branches in the Houston AA, there is one low-income CT and four moderate-income tracts. Our review did not reveal any conspicuous gaps in lending in the AAs.

#### *Performance in the Wharton/Jackson AA*

Our analysis revealed a reasonable dispersion throughout the CTs of different income levels. There are no low-income CTs in this AA; therefore, the focus of our analysis was on the level of lending in the moderate-income tracts and the middle-income tracts designated as distressed because of population loss.

#### Residential Lending

The bank did not originate any loans to borrowers in moderate-income CTs. However, we considered the fact that the AA has 2.74% of the owner-occupied housing in the moderate-income CTs. In addition, the bank made 36 residential real estate loans during the evaluation period, which represents 5% of total residential real estate loans made during the evaluation period. The bank originated 40% of home purchase and home improvement loans in the middle-income CTs designated as distressed. Seventeen percent of the home refinance loans were made in those same tracts. The bank's performance is shown in the following table:

<b>Table 3A - Geographic Distribution of Residential Real Estate Loans Wharton/Jackson AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	0.00	0.00	2.74	0.00	46.41	40.00	50.85	60.00
Refinance	0.00	0.00	2.74	0.00	46.41	16.67	50.85	83.33
Home Imprv.	0.00	0.00	2.74	5.00	46.41	40.00	50.85	55.00

Source: Data reported under HMDA; U.S. Census data.

**Consumer Lending**

Consumer loan originations show that lending in moderate-income census tracts exceeds the characteristics of the AA and shows excellent dispersion. Lending in middle-income tracts designated as distressed represents 47% of loan originations during the evaluation period. The bank’s performance is shown in the following table:

<b>Table 3B - Geographic Distribution of Consumer Loans Wharton/Jackson AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00	0.00	3.13	5.88	48.73	47.06	48.14	47.06

Source: Data collected by bank; U.S. Census data.

**Business Lending**

The bank did not originate any loans to borrowers in moderate-income CTs. However, we considered the AA has 1.98% of the reporting businesses located in a moderate-income CT. Loan officers originated 57.89% of business loans in middle-income tracts. The bank’s performance is shown in the following table:

<b>Table 3C - 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
Business Loans	0.00	0.00	1.98	0.00	50.15	57.89	47.87	42.11

Source: Data collected by bank; U.S. Census data.

*Performance in the Houston AA*

Our analysis revealed a reasonable dispersion throughout the CTs of different income levels.

Residential Lending

Loan officers originated a small number of residential real estate loans in low-income census tracts; however, we considered the AA has 2.13% of the owner-occupied housing in the low-income CTs.

Residential loan originations show that lending in low- and moderate-income census tracts reflects reasonable dispersion.

- For home purchase loans, there were no loan originations in the low-income CTs. The bank’s performance of lending in moderate-income tracts is lower than demographic comparator and indicates poor dispersion.
- For home refinance loans, there were no loan originations in the low-income CTs. However, the bank’s performance of lending in moderate-income tracts is near to the demographic comparator and indicated good dispersion.
- For home improvement loans, the bank’s performance of lending in low-income tracts exceeds the demographic comparator and indicated excellent dispersion. The level of lending in moderate-income tracts is lower than demographic comparator and indicates poor dispersion.

The bank’s performance is shown in the following table:

<b>Table 3D - Geographic Distribution of Residential Real Estate Loans Houston AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	2.13	0.00	15.98	4.62	32.29	61.54	49.60	33.84
Refinance	2.13	0.00	15.98	11.11	32.29	51.11	49.60	37.38
Home Imprv.	2.13	3.53	15.98	5.88	32.29	54.12	49.60	36.47

Source: Data reported under HMDA; U.S. Census data.

Consumer Lending

There were no consumer loans originated in low-income census tracts. However, consumer loans originated in moderate-income tracts shows excellent dispersion and exceeds the characteristics of the AA. The bank’s performance is shown in the following table:

<b>Table 3E - Geographic Distribution of Consumer Loans Houston AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	5.54	0.00	23.28	29.42	32.67	35.29	38.40	35.29

Source: Data collected by bank; U.S. Census data.

**Business Lending**

Business loan originations in low-income census tracts far exceed the characteristics of the AA and shows excellent penetration. Loan originations in moderate-income CTs are near to the characteristics of the AA and shows good penetration. The bank’s performance is shown in the following table:

<b>Table 3F - Geographic Distribution of Loans to Businesses in Houston AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Business Loans	3.85	10.53	18.81	15.79	28.84	26.32	48.20	47.37

Source: Data collected by bank; U.S. Census data.

*Performance in the Victoria AA*

Our analysis revealed a reasonable dispersion throughout the CTs of different income levels.

**Residential Lending**

Loan officers did not originate any loans in low-income CTs; however, according to the bank’s HMDA-Loan Application Register there were no residential real estate loan applications received by the bank from borrower’s located in low-income CTs.

Residential loan originations show that lending in low- and moderate-income CTs reflects reasonable dispersion.

- For home purchase loans, the bank’s performance of lending in moderate-income tracts is significantly below the demographic comparator and indicates poor dispersion.
- For home refinance loans, the bank’s performance of lending in moderate-income tracts exceeds the demographic comparator and indicates excellent

dispersion.

- There were no home improvement loans made in moderate-income tracts.

The bank’s performance is shown in the following table:

<b>Table 3G - Geographic Distribution of Residential Real Estate Loans Victoria AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	2.08	0.00	22.53	3.03	42.78	72.73	32.61	24.24
Refinance	2.08	0.00	22.53	25.00	42.78	12.50	32.61	62.50
Home Imprv.	2.08	0.00	22.53	0.00	42.78	12.50	3.61	62.50

Source: Data reported under HMDA; U.S. Census data.

**Consumer Lending**

There were no consumer loans originated in low-income CTs. However, consumer loans originated in moderate-income tracts shows excellent dispersion and exceeds the characteristics of the AA. The bank’s performance is shown in the following table:

<b>Table 3H - Geographic Distribution of Consumer Loans Victoria AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	2.23	0.00	28.00	28.57	40.86	42.86	28.92	28.57

Source: Data collected by bank; U.S. Census data.

**Business Lending**

Business loan originations in low-income census tracts far exceed the characteristics of the AA and shows excellent penetration. Loan originations in moderate-income CTs are near to the characteristics of the AA and shows good penetration. The bank’s performance is shown in the following table:

**Table 3I - Geographic Distribution of Loans to Businesses in Victoria AA**

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
Business Loans	1.15	5.88	33.16	23.53	35.22	47.06	30.47	23.53

Source: Data collected by bank; U.S. Census data.

## Responses to Complaints

NewFirst has not received any complaints during this evaluation period directly related to CRA performance.

## COMMUNITY DEVELOPMENT TEST

Overall, the bank's performance for the Community Development Test is Satisfactory and reflects adequate responsiveness to the needs of the AA. Performance in the Wharton/Jackson AA reflects poor responsiveness to the needs of its AA. However, performance in the Houston and Victoria AAs reflect adequate responsiveness to the needs of its AA.

### Number and Amount of Community of Development Loans

The level of community development loans is adequate. Officers originated seven qualified loans totaling \$5.8 million since the last CRA examination. All loans are for affordable housing. Of the seven, five loans were made inside the bank's AA: three loans in the Houston AA and two loans in the Victoria AA. Two loans totaling \$3.9 million were made outside the bank's AA, but they were both located in Houston, Harris County, Texas. These two loans were for affordable housing, in which the multi-family units are located in a CT adjacent to the bank's Houston AA. We considered these loans benefited the greater regional area of Harris County and concluded they were qualified. There were no community development loans made in the Wharton/Jackson AA.

### Number and Amount of Qualified Investments

The level of community development investments is satisfactory. The bank purchased two qualified investments totaling \$1.1 million. The investments are both in Federal National Mortgage Association (FNMA) securities through the Federal Home Loan Bank of Dallas. The investments are a pool of affordable housing loans in the Houston AA. One of the qualified investments is a prior commitment made during the last CRA examination and the other was purchased during the current evaluation period. There were no qualified investments in the Wharton Jackson AA.

In addition to the qualified community development investments, the bank made a

number qualifying community development donations located in all three of its AAs. Community development donations total \$21,000. These donations serve and benefit low- and moderate-income residents.

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

The bank has a reasonable level of community development services. The bank's branch distribution is reasonable. The Rosenberg branch in Fort Bend County is located in a moderate-income CT. In addition, the branches in El Campo, Texas are located in designated distressed areas because of population loss. Although the other branches are not located in low- or moderate- income CTs, they are reasonably accessible to low- and moderate income residents. Hours of operations at branch locations are reasonable.

We identified seven qualified services performed by the bank employees in all three of its AAs. These services include:

- Treasurer for Meals on Wheels which services low- and moderate-income individuals.
- Secretary for the Boys and Girls Club of Victoria which offers many programs to children from low- and moderate-income families and helping to fundraise for events.
- Committee Chairman of Community Action Committee of Victoria, a non-profit that serves low-income and elderly with several programs including Meals on Wheels and also offers rent assistance.
- Serves on the United Way Committee reviewing applicants for organization funding.
- Serves on the Family Selection Committee for Habitat for Humanity.
- Serves on Finance & Investment Committee and the Audit Committee for Gulf Coast Medical Association which provides grants to many local non-profit organizations that benefit and serve low- and moderate-income individuals.
- Serves as President and Treasurer of the Fort Bend Housing Authority Mortgage Credit Certificate Program. This program helps qualified homebuyers purchase homes in Fort Bend County. Thirty percent of the certificates were granted to low- and moderate-income families during the evaluation period.

In addition to bank officer's involvement in community development services, the bank sponsored an affordable housing application for the Habitat for Humanity of Victoria. The purpose of the application was for the down-payment and closing cost assistance to benefit low- and moderate-income borrowers for three newly constructed homes in the Victoria AA.

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

NewFirst has an adequate level of responsiveness to community development needs.

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

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