

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PUBLIC DISCLOSURE

United Bank and Trust

Name of Institution

Abilene

City

Texas

State

Mario E. Fuentes

Examiner-in-Charge

1049 North Third Street

Street

Taylor

County

79604

Zip Code

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## CRA PERFORMANCE ASSESSMENT

### 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 Bank and Trust, Abilene, Texas**, prepared by the **Federal Reserve Bank of Dallas, Dallas, Texas**, the institution's supervisory agency, as of December 9, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

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

The management of United Bank and Trust has demonstrated a resolve to meet the spirit and intent of the Community Reinvestment Act through its business activities. Community needs are met through the origination of real estate mortgage, construction, home improvement, consumer, commercial and agricultural loans. Compliance and CRA Officer Gary Williams oversees the institution's CRA program. Three major factors contributed to the bank's overall CRA rating. First, the bank's loan-to-deposit ratio is adequate given the institution's size and competition in the assessment area. Second, the bank's record of lending is considered outstanding since 94% of the loans sampled were originated inside the assessment area. Third, the institution's record of providing credit to individuals of different income levels and businesses of different sizes is satisfactory. The bank extended 60% of the consumer loans sampled to low- and moderate-income borrowers. Further, the commercial loan analysis disclosed that the bank originated 56% of the loans sampled to businesses with revenues of less than \$250 thousand and 78% of the loans sampled were in amounts of less than \$50 thousand.

**DESCRIPTION OF INSTITUTION**

United Bank and Trust is a full service community bank located in Abilene, Texas. In addition to the main office, the bank operates four branches which are located in Buffalo Gap, Trent, Bangs, and Grapevine, Texas. The Buffalo Gap and Bangs branches were opened in 1995 and the Grapevine branch was opened in 1996. The institution provides a full range of deposit services and loan products including mortgage, commercial, agricultural, and consumer loans. The bank's competitors include Bank One, First National Bank, Bank of America, Security State Bank, and First State Bank. United Bank and Trust received a satisfactory rating at the previous CRA examination as of May 22, 1995.

The bank reported total assets of \$86 million as of June 30, 1996. Further, net loans and leases represented 73% of total deposits as of this date. The distribution of the bank's loan portfolio as of June 30, 1996, is profiled on the following chart:

LOAN	DOLLAR AMOUNT	PERCENT OF
Real Estate:		
Construction	\$ 3,534	5.94%
Residential 1-4	7,742	13.01
Multifamily	0	0
Commercial	12,785	21.48
Agricultural	234	.39
Total Real Estate	24,295	40.82
Consumer:		
All other	14,144	23.77
Commercial and Industrial	17,860	30.01
Agricultural	2,513	4.22
Other	701	1.18
Total	\$59,513	100.00%

As indicated in the preceding chart, the bank's primary lending focus is commercial and consumer loans. Commercial (Real Estate and Non Real Estate) loans comprise 51% of the bank's loan portfolio as of June 30, 1996. Further, consumer loans comprise 24% of the loan portfolio.

The bank's loan portfolio has grown 47% since the previous examination. This growth is mainly attributed to the increase in the commercial loan portfolio. The bank originates loans in the \$100 to \$200 thousand range to small businesses in the area. The institution's commercial customer base has grown because the institution charges lower fees for originating these credits than the large banks in the area. Management plans to continue to expand the loan portfolio. A loan officer was employed to originate 1 to 4 family mortgage and SBA loans. Further, management plans to continue their focus on originating SBA 7a's, 504's, and, low-doc loans. The institution promotes economic development in the community by offering products and services consistent with its size and financial capacity. Further, the volume of lending is considered adequate given the competition and credit needs in the assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

Abilene, Texas, is located in Taylor County, approximately 183 miles west of Dallas. The bank has designated Taylor and the contiguous counties of Nolan, Fisher, Jones, Shackelford, Callahan, Brown, Coleman, and Runnels as its first assessment area. Additionally, the bank has designated the city of Grapevine, where one of its branches is located, as its second assessment area. The institution's assessment area includes all geographies where there are branch offices and encompasses whole census tracts. Further, the defined area does not reflect illegal discrimination nor does it arbitrarily exclude any low- and moderate-income areas.

According to 1990 census data, the population total for the bank's first assessment area is 228,131. A large percentage of the population, approximately 52%, resides in Taylor County and the remaining counties contain mainly rural geographies. According to the census data, the total number of housing units in the market is 102,396 with 57,892 or 57% owner-occupied, and 27,034 or 26% percent renter-occupied. Additionally, owner-occupied housing units represent 36% and 48% of the total units in low- and moderate-income areas, respectively. Further, the median age of the housing stock within the assessment area is 30 years and the median household income of the bank's first assessment area is \$21,854.

According to 1990 census data, the population total for the bank's second assessment area is 37,260. Additionally, the total number of housing units in the market is 14,611 with 9,308 or 64% owner-occupied, and 4,223 or 29% renter-occupied. There are no designated low- and moderate-income geographies in the city of Grapevine. Owner-occupied housing units in middle-income areas represent 57% of the total units and upper-income units represent 65%. Further, the median age of the housing stock within the assessment area is 14 years and the median household income of the bank's second assessment area is \$53,345.

The economy in Abilene has been improving in recent years and is stable. The local economy has been adversely affected in past years by cutbacks in the defense industry since Dyess Air Force Base is the major employer in the area. Additionally, the Lockheed Abilene Facility reduced employee levels resulting in approximately 400 job losses in the past few years. However, the city has recovered from these losses and presently, employment in the area is at its highest level in recent memory. The unemployment rate is low at 4.3%. The economy in the area is also closely tied to the oil industry with major employers such as Pride Refining located in Abilene. Construction is booming in Abilene. The number of housing permits issued

has been increasing steadily since 1994. New residential areas are being developed which is also an indicator of the improving economy.

The community contacts mentioned that there is a demand for affordable housing in the city. The average home prices have increased in recent years. As a result, low- and moderate-income individuals have been priced out of the market. Further, the contacts indicated that there is a demand for credit programs to assist first time home buyers. One contact stated that there has been an increase in the number of small businesses in the area. He added that the local banks have been proactive in providing financing to these businesses. However, he noted that there is presently a demand from small businesses for start-up loans.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

### **LOAN-TO-DEPOSIT RATIO**

The bank's quarterly average loan-to-deposit ratio is satisfactory in light of its performance context which includes the institution's capacity to lend, the capacity of other similarly-situated institutions to lend, existing demographic and economic factors, and the lending opportunities in the bank's assessment area. The bank's average loan-to-deposit ratio since the May 22, 1995, examination is 68.63%. The ratio increased slightly from 68.04% on December 31, 1994, to 72.91% on June 30, 1996. However, the ratio has remained steady since the previous examination. Further, the bank originated two mortgage loans totalling \$126 thousand and sold these credits on the secondary market.

The bank's ratio is reasonable when compared with two institutions operating inside the bank's assessment area including one located in Abilene, and one in Brownwood, Texas. These banks are considered similarly-situated institutions based upon their respective asset sizes, loan portfolio mixes, and other factors. The seasonally adjusted loan-to-deposit ratios of the two similarly-situated institutions are 40.67 and 80.26 percent, respectively. More emphasis is placed on the ratio of the bank located in Abilene since this institution operates in the same competitive environment as United Bank and Trust. Further, the bank's ratio compares favorably with the national peer group ratio of 69.62 percent.

The bank's loan-to-deposit ratio is reasonable given the institution's size and financial condition; and competition in the bank's assessment area. Further, the real estate mortgage loans sold on the secondary market are considered a positive factor. Management is monitoring the bank's loan-to-deposit ratio on a quarterly basis and including this data in the public file as required by the Act.

### LENDING IN ASSESSMENT AREA

The institution exceeds the standards for satisfactory performance relative to this factor since a substantial majority of the 150 loans sampled were originated inside the bank's assessment area. A review of the geographic distribution of the bank's loans disclosed the following information:

<b>DISTRIBUTION OF LOANS IN/OUT OF ASSESSMENT AREA</b>				
<b>LOAN TYPE</b>	<b>IN</b>		<b>OUT</b>	
	<b>NUMBER</b>	<b>PERCENT</b>	<b>NUMBER</b>	<b>PERCENT</b>
<b>CONSUMER LOANS (83)</b>	78	94%	5	6%
<b>SMALL BUSINESS (67)</b>	63	94%	4	6%
<b>TOTAL (150)</b>	141	94%	9	6%

Overall, 94% by number of the loans sampled were made inside the bank's assessment area. An analysis of the specific loan product categories revealed a similar conclusion. A total of 94% of consumer and small business loans, respectively, were made inside the assessment area. The bank's performance relative to this assessment factor is considered outstanding.

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

The distribution of the bank's loans by borrower income and business revenue reflects reasonable penetration among individuals of different income levels and businesses of different sizes and is satisfactory. The following tables detail the demographics of the area and the distribution of the loans sampled:

<b>PERCENT OF HOUSEHOLDS BY INCOME CHARACTERISTICS (BASED ON 1990 CENSUS)</b>				
	<b>LOW- INCOME</b>	<b>MOD- INCOME</b>	<b>MID- INCOME</b>	<b>UPP- INCOME</b>
<b>TAYLOR &amp; CONTIGUOUS COUNTIES</b>	25%	16%	19%	40%
<b>CITY OF GRAPEVINE</b>	10%	10%	13%	67%

<b>CONSUMER LOAN SAMPLE BY INCOME CATEGORY</b>				
	<b>NUMBER OF LOANS BY INCOME LEVEL OF BORROWER</b>	<b>PERCENT OF TOTAL LOANS BY BORROWER</b>	<b>NUMBER OF LOANS BY CENSUS TRACT INCOME</b>	<b>Percent of Total Loans By Census Tract Income</b>
<b>LOW- INCOME</b>	11	23%	6	11%
<b>MOD- INCOME</b>	18	38	10	18
<b>MID- INCOME</b>	13	27	27	49
<b>UPP- INCOME</b>	6	13	12	22
<b>TOTAL</b>	<b>*48</b>	<b>100%</b>	<b>*55</b>	<b>100%</b>

\*Totals and Percentages exclude loans for which income and census tract information could not be obtained.

As the chart illustrates, the sample included 48 unsecured consumer loans. The analysis disclosed that the bank originated 23% of the loans sampled to low-, 38% to moderate-, 27% to middle-, and 12% to upper-income individuals. This distribution is in line with the demographics of Taylor and the contiguous counties which show approximately 25% low-, 16% moderate-, 19% middle-, and 40% upper income households in the assessment area. The distribution of the loans sampled is also favorable in light of the demographics of the Grapevine assessment area which show that the percentage of low- and moderate-income individuals in the area is 20%. The distribution of the loans sampled demonstrates the institution's willingness to provide credit to individuals of different income levels in its community.

The examination also entailed a review of 67 commercial loans. The following table details this review:

<b>SMALL BUSINESS LOAN SAMPLE BY GROSS REVENUES</b>				
<b>NUMBER OF LOANS</b>		<b>GROSS REVENUES (GR)</b>	<b>DOLLAR AMOUNT</b>	
<b>NUMBER OF LOANS BY GROSS REV.</b>	<b>PERCENT OF TOTAL LOANS</b>		<b>DOLLAR AMOUNT OF LOANS BY GROSS REV. (THOUSANDS)</b>	<b>PERCENT OF TOTAL LOANS</b>
15	28%	GR < 100M	\$ 191	8%
15	28	100M <GR< 250M	512	21
13	25	250M <GR< 1MM	513	22
10	19	GR > 1MM	1,183	49
53	100%	Total	\$2,399	100%

\*Totals and Percentages exclude 10 loans for which revenue information was not available. Analysis excludes 4 loans in the sample which were outside of the assessment area.



The analysis indicates that 81% by number and 51% by dollar amount of the loans sampled were to businesses with revenues of less than \$1 million dollars which are considered small businesses. However, this analysis is somewhat limited because revenue information was only available for 53 of the 67 commercial loans sampled. An analysis of the sample by loan amount was performed to supplement this review and is detailed below:

<b>SMALL BUSINESS LOAN SAMPLE BY LOAN AMOUNT</b>				
<b>NUMBER OF LOANS</b>		<b>LOAN AMOUNT (LA)</b>	<b>DOLLAR AMOUNT</b>	
<b>NUMBER OF LOANS BY LOAN AMOUNT</b>	<b>PERCENT OF TOTAL LOANS</b>		<b>DOLLAR AMOUNT OF LOANS BY LOAN AMOUNT (THOUSANDS)</b>	<b>PERCENT OF TOTAL LOANS</b>
13	21%	LA < 5M	\$ 39	1%
8	13	5M <LA< 10M	54	2
28	44	10M <LA< 50M	583	23
7	11	50M <LA< 100M	449	18
7	11	100M <LA<500M	1,437	56
63	100%	Total	\$2,562	100%

\*Analysis excludes 4 loans outside of the assessment area.

The analysis disclosed that 78% by number of the commercial loans sampled were originated in amounts of less than \$50 thousand. This activity is consistent with the demographics of the assessment area and the financial capacity of the institution and is considered reasonable. Both analyses demonstrate the institution's efforts and commitment to meet the credit needs of small businesses in its community.

## GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of the bank's loans reflects reasonable dispersion throughout the assessment area and is considered satisfactory. There are no designated low- and moderate-income census tracts in the bank's Grapevine assessment area. The following table details the distribution of the households in the bank's assessment area by designated census tracts:

<b>PERCENT OF TOTAL HOUSEHOLDS RESIDING IN DESIGNATED CENSUS TRACTS (BASED ON 1990 CENSUS)</b>				
	<b>LOW- INCOME</b>	<b>MOD- INCOME</b>	<b>MID- INCOME</b>	<b>UPP- INCOME</b>
<b>TAYLOR &amp; CONTIGUOUS COUNTIES</b>	6%	27%	53%	14%
<b>CITY OF GRAPEVINE</b>	0%	0%	25%	75%

<b>SMALL BUSINESS LOAN SAMPLE BY INCOME CATEGORY</b>		
	<b>NUMBER OF LOANS BY CENSUS TRACT INCOME</b>	<b>PERCENT OF TOTAL LOANS BY CENSUS TRACT INCOME</b>
<b>LOW-INCOME</b>	1	3%
<b>MOD-INCOME</b>	16	39%
<b>MID-INCOME</b>	19	46%
<b>UPP-INCOME</b>	5	12%
<b>TOTAL</b>	41	100%

\*Totals and Percentages exclude 22 loans for which census tract information could not be obtained due to post office box address.

The above tables show that approximately 6% and 27% of the households in the assessment area are located in low- and moderate-income census tracts, respectively. All of these households are located in the Taylor and contiguous counties since the city of Grapevine does not contain any low- and

moderate-income geographies. The analysis of loans sampled disclosed that the bank originated 11% and 18% of the consumer loans and 3% and 39% of the small business loans in low- and moderate-income census tracts, respectively. While the percentage of small business loan originations in low-income areas is low, this percentage should improve given the bank's present strategy to increase its SBA lending.

A review of the bank's Home Mortgage Disclosure Act data further supports the aforementioned analysis. This analysis disclosed that of the 35 loans reported, 31% and 46% were originated in low and moderate-; and middle-income areas, respectively. Given the demographics of the two counties, the distribution of the bank's loans reflects a reasonable dispersion throughout the assessment area.

### **RESPONSE TO COMPLAINTS**

The institution has not received any complaints regarding its CRA performance since the previous examination.

### **COMPLIANCE WITH ANTIDISCRIMINATION LAWS (ECOA, FHA, OR HMDA)**

No violations involving illegal discrimination or discouragement were noted during the examination.