



**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION
PUBLIC DISCLOSURE**

Norwest Bank Texas, Alice

342858 / 11480070

601 East Main Street
Alice, Texas 78333 - 1790

As of
April 22, 1996

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.

Federal Reserve Bank of Dallas

Station K, Dallas, Texas 75222

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 **Norwest Bank Texas, Alice, Texas**, prepared by the **Federal Reserve Bank of Dallas, Dallas, Texas**, the institution's supervisory agency, as of April 22, 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 major factors supporting the bank's rating were an excellent distribution throughout the assessment area by BNA and a reasonable dispersion by borrower revenue of the 47 home improvement and 58 small business loans sampled. Of the 105 loans sampled, 51 percent were made in moderate-income BNAs, 50 percent of the home improvement loans were made to low- or moderate-income individuals, and 33 percent of the small business loans were made to businesses with gross revenues of \$250 thousand or less.

The following table indicates the performance level of Norwest Bank Texas, Alice, Texas with respect to each of the five performance criteria.

<u>NORWEST BANK TEXAS, ALICE, TEXAS</u>			
PERFORMANCE LEVELS			
SMALL INSTITUTION ASSESSMENT CRITERIA	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

Norwest Bank Texas, Alice, Texas, was acquired by an out of state bank holding company, Norwest Corporation, Minneapolis, Minnesota, on September 15, 1995. The bank's main office is located at 601 East Main Street. It also has a motor bank facility with a small lobby limited to deposit-related transactions located on the east side of town at 1705 E. Houston. Also, the bank has two conveniently located, 24-hour automated teller machines: one located across the street from the main facility and the other is located adjacent to the motor bank facility.

As of December 31, 1995, the bank reported total assets of \$168 million, down from \$176 million as of June 30, 1994. Net loans and leases represented 32.2 percent of total deposits. Since the last examination, loans and deposits have declined by approximately \$5 million and \$13 million, respectively. According to management, continued weak loan demand in the commercial oil and gas industry has contributed to reduced commercial and commercial real estate loan activity. The decline in total deposits was partially attributed to increased deposit interest rate competition by a local bank.

The asset distribution by loan type is as follows as of December 31, 1995:

LOAN TYPE	DOLLAR AMOUNT (THOUSANDS)	PERCENT OF TOTAL LOANS
Real Estate:		
Construction	\$ 784	1.76
Residential 1-4	11,529	25.82
Multifamily	2,196	4.92
Commercial	6,594	14.77
Agricultural	3,546	7.94
Total Real Estate	24,649	55.21
Consumer:		
Open-end credit	209	0.47
All other	9,712	21.75
Commercial and Industrial	8,644	19.35
Agricultural	1,139	2.55
State and Political Obligations	233	0.52
Other	65	0.15
Total	\$44,651	100.00%

The bank's primary lending focus has shifted from commercial and commercial real estate loans to residential 1-4 family real estate and consumer loans. At the last examination, commercial and commercial real estate loans represented 47.1 percent of the loan portfolio. As of year-end 1995, this figure had decreased to 34.1 percent. However, residential 1-4 family loans increased by approximately \$3.6 million and comprised 25.8 percent of the loan portfolio. While consumer loans have held fairly steady at approximately \$10 million, they have increased as a percentage of total loans from 20.2 percent at the last examination to 22.2 percent.

The bank's ability to meet various community credit needs has not been hampered by its capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, and demographic factors present in the assessment area. However, certain economic factors present in the institution's assessment area have somewhat limited lending opportunities available, as well as the bank's ability to meet various community credit needs. While the local economy is considered stable by management and community contacts, the bank's lending opportunities have been hampered primarily by weak commercial loan demand in the dominant oil and gas service industry, a devastated agricultural base due to continued drought conditions, an increasingly competitive local banking sector, a flat retail/merchant market, and a high unemployment rate of 8.9 percent as of year-end 1995 in comparison to state and national figures.

According to bank management and community contacts, there has been little or no growth in the city in terms of new major employers. This is due to the city's rural location, lack of adequate, surrounding highway infrastructure, and an absence of tax incentives offered by city officials for corporate expansions and relocations. However, it is anticipated that the city's economy will grow and diversify in the next few years with the completion of two major highway relief/by-pass projects involving United States Highway 281 and State Highway 44 located just outside the city limits, future tax incentives to be offered as part of the city's "Master Plan," and projected economic benefits from the North American Free Trade Agreement.

DESCRIPTION OF ASSESSMENT AREA

The bank has defined its assessment area as Jim Wells County, Texas. Jim Wells County is located in the far southern portion of the state approximately 45 miles west of Corpus Christi, Texas. The 1990 United States Census listed Jim Wells County's population at 37,679. According to the Alice Chamber of Commerce 1995 Economic Information Report, the county's population had increased slightly to 39,700. The city of Alice serves as the county seat and its estimated population of 20,368 represents 51.3 percent of the total county population. According to the Alice Chamber of Commerce, Alice serves as the "petroleum service center" of South Texas with over 250 oil and gas companies and lies at the center of a large agriculture economy. Other important sectors of the economy are retail, government, and education.

Based upon 1990 United States Census figures, ethnicity of Jim Wells County is approximately 72 percent Hispanic, 26 percent White, 1 percent Black, and 1 percent Other. While the total county population has grown by approximately 2,021 or 1 percent per year since 1990, there have been no major changes in the demographic makeup of the county during that period, according to bank management and community contacts.

The 1990 median family income (MFI) for Jim Wells County was \$18,315, which was below the state's nonmetropolitan 1990 MFI of \$20,301. Alice's Chamber of Commerce's 1995 Economic Information Report listed the city's income per household at \$22,832. The Office of Housing and Urban Development updates MFI on an annual-basis and reported the 1995 Texas nonmetropolitan MFI at \$28,700. For CRA purposes, borrower income information for a nonmetropolitan area such as Jim Wells County are based on the latter figure. There are zero low-income, two moderate-income, four middle-income, and one upper-income BNAs within the assessment area. (Refer to Income Category chart in Distribution of Credit Within the Assessment Area section for definitions of income categories.)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The institution's average loan-to-deposit ratio is considered reasonable in light of its performance context, which includes the institution's capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the institution's assessment area.

The bank's average loan-to-deposit ratio since the last consumer affairs examination is 32.55 percent. As of December 31, 1995, the bank's net loans and leases represented 32.18 percent of total deposits. The unadjusted national peer ratio for the same period was 64.45 percent. To better understand the bank's performance in relation to its immediate peer group, a loan-to-deposit ratio analysis was made of the state chartered banks in the city of Alice, Texas. After taking into account loan portfolio mixes, high growth branches located outside the assessment area, and other factors, it was determined that two smaller peer banks were similarly-situated institutions and that both would serve as a more reasonable peer comparison. As of December 31, 1995, estimates for the respective loan-to-deposit ratios for these two similarly-situated peer banks for their Alice, Texas branches were approximately 27 percent and 38 percent, with their average being 32.5 percent.

Comparison of Credit Extended Inside and Outside of the Assessment Area

The institution is considered satisfactory in this performance criteria, as a review of sampled loans indicated that a majority of the loans were extended inside the assessment area. Examiner analysis was comprised of a sample review of 58 small business loans and 47 home improvement loans that were made during a six month period. On an overall-basis, 76 percent were found to be within the bank's assessment area. On an individual-basis, 79 percent of the home improvement loans and 74 percent of the small business loans were made inside the bank's assessment area. Of the 105 loans reviewed, 10 home improvement loans and 15 small business loans were made outside the assessment area.

Distribution of Credit Within the Assessment Area (By Revenue/Income)

A review of the bank's distribution of loans in its assessment area by small business revenues and borrower income was performed on the sampled loans.

Analysis of the loan distribution among the various business revenues as presented on the following table revealed a satisfactory distribution of loans. Of the 33 small business loans analyzed, 33 percent were made to businesses with revenues of \$250 thousand or less and 21 percent were made to businesses with revenues greater than \$1 million. Excluded from the analysis were 10 loans for which income data was not available, 8 of which were CD/Savings-secured loans, and 15 loans made outside the assessment area.

SMALL BUSINESS LOAN SAMPLE BY INCOME LEVEL				
NUMBER OF LOANS		GROSS REVENUES (GR) (THOUSANDS)	DOLLAR AMOUNT	
NUMBER OF LOANS BY INCOME OF APPLICANT	PERCENT OF TOTAL LOANS		NUMBER OF LOANS BY INCOME OF APPLICANT (THOUSANDS)	PERCENT OF TOTAL LOANS
5	15%	GR < \$100	\$ 42	2%
6	18%	\$100 <GR< \$250	172	9%
15	46%	\$250 <GR< \$1,000	380	19%
7	21%	GR > \$1,000	1,375	70%
33	100%	Total	\$1,969	100%

Home improvement loans using borrower income were analyzed as a percentage of the Texas nonmetropolitan MFI. A breakdown by income range for each category is detailed below:

1995 TEXAS NONMETROPOLITAN MEDIAN FAMILY INCOME \$28,700		
INCOME CATEGORY	INCOME RANGE AS A PERCENT OF MEDIAN	UPPER LIMIT OF RANGE
LOW-INCOME	0 - 50%	\$14,350
MODERATE-INCOME	50 - 80%	\$22,960
MIDDLE-INCOME	80 - 120%	\$34,440
UPPER-INCOME	120% and over	over \$34,440

An analysis of the loan distribution of 26 home improvement loans among the various income levels is detailed on the following chart. Excluded from the analysis were 11 loans for which income data was not available, 8 of which were CD/Savings-secured loans, and 10 loans made outside the assessment area.

HOME IMPROVEMENT LOAN SAMPLE BY INCOME LEVEL				
NUMBER OF LOANS		INCOME CATEGORY	DOLLAR AMOUNT	
NUMBER OF LOANS BY INCOME OF APPLICANT	PERCENT OF TOTAL LOANS		NUMBER OF LOANS BY INCOME OF APPLICANT (THOUSANDS)	PERCENT OF TOTAL LOANS
6	23%	Low-income	\$ 27	14%
7	27%	Mod-income	29	15%
4	15%	Mid-income	37	19%
9	35%	Upper-income	102	52%
26	100%	Total	\$195	100%

While these numbers display an above average distribution of loans, further analysis indicates that these numbers are somewhat overstated. Approximately 23 percent of the total loan sample was omitted due to a lack of borrower information. The majority of the loans missing income information were located in middle- or upper-income BNAs and were secured by the borrower's deposit account. Furthermore, the 1990 United States Census figures indicate that low- and moderate-income households comprised approximately 30.1 percent and 15.2 percent, respectively, of the assessment area's total population. On an overall-basis, the level of lending to low- and moderate-income individuals closely approximates the estimated, combined percentage of residents in these two categories in the bank's assessment area and appears reasonable. On an individual category basis for comparison purposes, the percentage of loans to low-income individuals was below the percentage of low-income residents living in Jim Wells County, while the percentage of loans to moderate-income residents was above the percentage of moderate-income residents living in Jim Wells County.

Distribution of Credit Within the Assessment Area (By Geography)

A review of the bank's distribution of loans among moderate-, middle-, and upper-income geographies was performed on the sampled loans. Excluded from the analysis were 1 home improvement loan for which a BNA could not be determined, 10 home improvement loans made outside the assessment area, and 15 small business loans made outside the assessment area. The chart below details the loan distribution in each income category by loan type:

Loan Sample by BNA				
	Small Business Loans		Home Improvement Loans	
Income Category	Loans in CT Income Category	Percent of Total Loans by Loan Type	Loans in CT Income Category	Percent of Total Loans by Loan Type
LOW-INCOME	NA	NA	NA	NA
MOD-INCOME	22	51%	18	50%
MID-INCOME	7	16%	9	25%
UPPER-INCOME	14	33%	9	25%
TOTAL	43	100%	36	100%

The analysis of loan distribution among the various BNAs revealed an excellent distribution of the small business and home improvement loans sampled on both a combined and individual-basis. Of the total

loans sampled, 50.6 percent, 20.3 percent, and 29.1 percent were in moderate-, middle-, and upper-income geographies, respectively. These numbers compared favorably with the 1990 United States Census figures of the estimated total population percentages within each of these BNA categories in the assessment area of 28.9 percent, 52.5 percent, and 18.7 percent, respectively. On an individual loan category basis, 51 percent of the small business loans and 50 percent of the home improvement loans were made to individuals living in moderate-income BNAs.

Review of Complaints

The institution has not received any written complaints about its CRA performance since the last examination.

Discrimination

No violations involving illegal discrimination or discouragement were found.