



COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION
PUBLIC DISCLOSURE

Norwest Bank Texas, New Braunfels

[RSSD # 954569 / DSB # 11485685]

315 Landa Street
New Braunfels, Texas 78131

As of
June 17, 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
P. O. Box 655906
Dallas, Texas 75265-5906

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, New Braunfels, Texas**, prepared by the **Federal Reserve Bank of Dallas, Dallas, Texas**, the institution's supervisory agency, as of June 17, 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 contributing to the bank's rating were an exceptional amount of lending within the assessment area, a reasonable distribution by business revenue, and a satisfactory distribution by borrower income of the 65 consumer loans and 38 commercial loans sampled. Of the 103 loans sampled, 95% of the loans on a dollar-basis were made inside the bank's assessment area. Analysis of the commercial loan sample revealed that 85% were made for amounts of \$100 thousand or less and 19% were made to businesses with gross revenues of \$250 thousand or less. Of the 65 consumer loans sampled, 34% were made to low- and moderate-income borrowers, which closely matched the 1990 United States Census combined figure of 33% for low- and moderate-income families residing in the assessment area.

The bank attained a satisfactory rating at its previous assessment as of January 30, 1995.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>NORWEST BANK TEXAS, NEW BRAUNFELS, TEXAS</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 prior examination.		

DESCRIPTION OF INSTITUTION

Norwest Bank Texas, New Braunfels (Norwest) was acquired by an out of state bank holding company, Norwest Corporation, Minneapolis, Minnesota, on July 20, 1995. The bank's only location at 315 Landa Street is both a full service office and the organization's main headquarters. This location offers an ATM machine with 24 hour access, one commercial and four consumer drive-through lanes, a lobby with five teller windows, and convenient weekday and weekend hours. Additionally, the bank offers various mortgage loan products through Norwest Mortgage Corporation, a wholly-owned subsidiary of Norwest Corporation.

As of March 31, 1996, the bank reported total assets of \$46.5 million, which increased by approximately \$2.1 million or 3.2% on an annualized-basis since the last examination. The majority of this growth was centered in loans, as gross loans increased by \$1.4 million since September 30, 1994. Net loans and leases as a percentage of total deposits increased from 44.7% at the last examination to 49.2% at this examination.

The bank's primary lending focus continues to remain in consumer and residential 1-4 family real estate loans, as shown in the following table as of March 31, 1996:

LOAN TYPE	DOLLAR AMOUNT (THOUSANDS)	PERCENT OF TOTAL LOANS
Real Estate:		
Construction	\$2,631	13.41
Residential 1-4	5,459	27.82
Multifamily	72	0.37
Commercial	3,324	16.94
Agricultural	62	0.32
Total Real Estate	11,548	58.86
Consumer:		
Open-end credit	40	0.20
All other	3,627	18.48
Commercial and Industrial	4,384	22.34
Agricultural	3	0.02
Other	21	0.10
Total	\$19,623	100.00%

As of March 31, 1996, approximately 46.5% of the bank's loan portfolio was comprised of consumer and residential 1-4 family loans, in comparison to 48.6% at the last examination.

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, demographic and economic factors present in the assessment area, or the lending opportunities available in the institution's assessment area. As of December 31, 1995, Norwest appears to be in a position to meet the credit needs of the community based upon its well-capitalized position (the bank's tier 1 capital leverage ratio was 7.9%), manageable level of problem assets (noncurrent loans and leases to gross loans equaled 0.4%), and level of profitability (Norwest's return on average assets was 1.1%).

DESCRIPTION OF COMAL COUNTY

The bank has defined its assessment area as Comal County, Texas. Comal County is located in the south central portion of the state. The local economy is considered robust and very favorable. Comal County lies directly in the middle of the fastest growing area of the state, known as the Austin/San Antonio Corridor Area, which runs southeast approximately 75 miles along United States Interstate Highway 35 from Austin, Texas to San Antonio, Texas. This area has experienced rapid growth due to increased trade and commerce with Mexico and other countries as a result of the North American Free Trade Agreement, a strong rebound in the real estate market after a severe recession in the late 1980's, expansion of the local high technology and semiconductor industry, and increased commercial and retail market activity. Per the Greater New Braunfels Chamber of Commerce (Chamber), employment growth has averaged approximately 5% over the last five years in the city of New Braunfels, Texas, which serves as the county seat for Comal County. The economy appears to be well diversified, as the major industries in the area are distribution and transportation, textile production, manufacturing, recreational, tourist, hotel, public education, government, retail, and construction.

President Michael G. Meek of the Chamber and Executive Officer Pat Patton of the New Braunfels/Canyon Lake Area Association of Realtors (Association) both indicated that the city's strong economic and population growth has exacerbated existing low- and moderate-income affordable housing and rental property availability. According to 1995 Association statistics, homes listed for under \$60,000 were on the market for 6 months or less, indicating a particularly strong market for homes in the price range for low- and moderate-income borrowers. According to Norwest's Managing Officer Bill Cone, shortages in the supply of these low- and moderate-income affordable housing UNITS can be attributed to a strong real estate market and including overly restrictive city residential building codes. Evidence of rental property shortages in the area can be measured by the healthy annual growth rate of 10% in the median contract rent in New Braunfels, Texas from 1980 to 1990. While these individuals felt that the local banking industry has sufficient lending capacity and is aggressively marketing a wide variety of loan products to address these as well as other needs, revised building codes, more effective governmental oversight, increased community development initiatives, and improved coordination with local banks would serve to greatly improve these shortages. Both community contacts indicated that there have been no dramatic demographic changes since that time.

The 1990 median family income (MFI) for Comal County and the San Antonio Metropolitan Statistical Area (San Antonio MSA) were \$33,450 and \$29,898, respectively, in comparison to the state metropolitan area MFI of \$31,553. The Office of Housing and Urban Development updates MFI on an annual-basis and reported the 1995 San Antonio MSA MFI at \$34,900. For CRA purposes, borrower income information is based on the latter figure. Of the 11 census tracts (CT), 7 or 64% are middle-income CTs and 4 or 36% are upper-income CTs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

The institution's quarterly average loan-to-deposit (LTD) ratio is considered reasonable based upon 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.

Norwest's quarterly average LTD ratio since the last examination equaled 48.3%. As of March 31, 1996, the bank's LTD ratio was 49.2%. The national peer LTD ratio for the same period was 63.4%. Due to the fact that there were a limited number of independent/community banks located inside the bank's assessment area, Norwest was compared with four banks operating in and/or adjacent to the bank's assessment area. Two of the four banks were considered to be similarly-situated institutions and would serve as a more reasonable peer comparison based upon their respective asset sizes, loan portfolio mixes, LTD ratios, and other factors. Norwest's quarterly average LTD ratio was considered reasonable in comparison to the 30.9% and 33.4% quarterly average LTD ratios calculated for these two similarly-situated banks.

LENDING IN ASSESSMENT AREA

The institution exceeded the standards for satisfactory performance, as a substantial majority of the 103 total loans sampled were made inside the bank's assessment area. Overall, 95% on a dollar-basis and 83% on a number-basis were made inside the bank's assessment area. Of the 65 consumer loans sampled, 82% on a dollar-basis and 75% on a number-basis were made inside Comal County. Of the 38 commercial loans sampled, 98% on a dollar-basis and 95% on a number-basis were made inside Comal County. Of the 103 loans reviewed, 18 were made outside Comal County.

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

A review of the bank's distribution of loans within its assessment area by business revenues and borrower income was performed on the 103 sampled loans.

Analysis of the loan distribution among the various business revenue levels indicates a reasonable distribution of business loans. As shown on the following table, 19% of the 38 business loans sampled were made to businesses with revenues of \$250 thousand or less while 42% were made to businesses with revenues greater than \$1 million.

COMMERCIAL/BUSINESS LOAN SAMPLE BY INCOME LEVEL *				
NUMBER OF LOANS		GROSS REVENUES (GR)	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
1	4%	GR under 100M	\$ 15	1%
4	15%	100M to 250M	109	6%
10	39%	250M to 1MM	1,329	71%
11	42%	GR over 1MM	411	22%
26	100%	Totals	\$1,864	100%

* Totals and percentages exclude 8 business loans for which income data was not available, 2 business loans made outside the bank's assessment area, and 2 business loans in which the bank relied upon borrower/guarantor income information instead of business revenue data.

Consumer loans using borrower income information were analyzed as a percentage of the San Antonio MSA MFI. The San Antonio MSA includes the following counties: Bexar, Comal, Guadalupe, and Wilson. A breakdown by income range for each category is detailed below:

SAN ANTONIO METROPOLITAN STATISTICAL AREA MEDIAN FAMILY INCOME \$34,900		
INCOME CATEGORY	INCOME RANGE AS A PERCENT OF MEDIAN	UPPER LIMIT OF RANGE
LOW-INCOME	0 - 50%	\$17,450
MODERATE-INCOME	0 - 80%	\$27,920
MIDDLE-INCOME	80 - 120%	\$41,880
UPPER-INCOME	120% and over	over \$41,880

An analysis of the loan distribution of 65 consumer loans among the various income levels as shown on the following table indicates a reasonable dispersion of consumer loans among the various income levels. The bank's distribution of consumer loans on a number-basis for low- and moderate-income borrowers of 34% closely matched the 33% combined level of low- and moderate-income borrowers residing in Comal County based upon the 1990 United States Census figures.

CONSUMER 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
8	17%	Low-income	\$ 61	13%
8	17%	Mod-income	35	7%
7	15%	Mid-income	58	13%
24	51%	Upper-income	310	67%
47	100%	Totals	\$464	100%

* Totals and percentages exclude 2 loans for which income data was not available and 16 loans outside the bank's assessment area.

Overall, the bank's distribution of credit by borrower income and business revenue appears reasonable.

GEOGRAPHIC DISTRIBUTION OF LOANS

A geographic breakdown for the 11 CTs in Comal County by income level based upon 1990 United States Census data is presented on the following table:

INCOME CATEGORY	NUMBER OF CTs	PERCENT OF TOTAL CTs
MID-INCOME	7	63.6%
UPPER-INCOME	4	36.4%
TOTAL TRACTS	11	100.0%

The bank's distribution of loans among the middle- and upper-income CTs for each loan category is detailed on the following table:

Loan Sample by Census Tract *				
	Commercial/Business Loans		Consumer 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
MID-INCOME	13	36%	31	63%
UPPER-INCOME	23	64%	18	37%
TOTALS *	36	100%	49	100%

* Totals and percentages exclude 16 consumer loans and 2 business loans made outside the bank's assessment area.

An analysis of the bank's geographical lending distribution by CT is somewhat limited due to the absence of low- and moderate-income CTs in the bank's assessment area. However, the bank's geographic lending distribution by CT is considered reasonable based upon a dispersion of loans between middle- and upper-income CTs. On a number-basis, 52% of the sampled loans were made in middle-income CTs and 48% were made in upper-income CTs. On a dollar-basis, 57% were made in middle-income CTs and 43% were made in upper-income CTs. Also, 10.5% of the loans made in the bank's assessment area were made in 2 CTs that were slightly above the 80% San Antonio MSA-MFI threshold of \$41,880 at 84.5% and 86.8%, respectively.

RESPONSE TO COMPLAINTS

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