



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**June 1, 2009**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Texas Advantage Community Bank, National Association  
Charter Number 24693

1701 Fairway Plaza, Suite 18  
Alvin, TX 77511

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 RATING:  
This institution is rated Satisfactory.**

The major factors supporting the institution's rating are:

- The loan-to-deposit ratio is more than reasonable and exceeds the bank's peer group.
- The geographic distribution of loans to businesses exceeds the standards for satisfactory performance.
- The borrower distribution of income for loans to businesses reflects a more than reasonable penetration among small businesses and exceeds the standards for satisfactory performance.
- The borrower distribution of loans to consumers is near the characteristics of the assessment area (AA) and meets the standards for satisfactory performance. The geographic distribution of loans to consumers is below the characteristics of the AA.
- Lending in the AA meets the minimum standards for satisfactory performance.

**SCOPE OF EXAMINATION**

We completed a full-scope review of the bank's Community Reinvestment Act (CRA) activities in the AA. Our review was focused on the primary loan product both by number and dollar amount of loans to businesses. This product was assigned the most weight in arriving at our conclusion as to the bank's performance. In addition, we reviewed a secondary loan product of consumer loans that was second to business loans in the number of loans originated. Consumer lending was assigned significantly less weight in arriving at our conclusions.

For the borrower gross revenue distribution of loans to businesses, we selected a statistically valid sample of 30 loans of which 20 loans were originated in the AA. For the borrower income distribution of consumer loans, we sampled 31 loans, 21 of which were originated in the AA. Although not required to collect the information as a small bank, management collected reliable census tract information on all business and consumer loans originated since the bank opened on December 18, 2006. We used this information to determine the geographic distribution of all originated business and consumer loans. As detailed in Table 1 below, this is a total of 213 loans originated in the AA.

## **DESCRIPTION OF INSTITUTION**

Texas Advantage Community Bank, N.A. (TACB) is an independently owned institution located in Alvin, Texas. The bank was chartered on December 18, 2006, and it is not owned by a holding company. TACB has one main location at 1701 Fairway Plaza, Alvin, Texas and one branch at 2530 E. Broadway in Pearland, Texas. This is the bank's first CRA examination since it was chartered.

As of March 31, 2009, the bank had \$40 million in assets and a Tier One Leverage Capital ratio of 15.03 percent. The loan portfolio represents 74 percent of total assets. The primary lending focus is business lending at 62 percent of the loan portfolio by dollar amount. Other loan products by dollar amount include consumer lending at 10 percent, residential real estate at 17 percent and construction and land development at 9 percent. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA.

*Please refer to the bank's Public File for additional information.*

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's AA is all of Brazoria County. Brazoria County is part of the Houston-Sugar Land-Baytown Metropolitan Statistical Area (MSA). Of the 45 census tracts (CTs) in the AA, 7 are designated as moderate-income, 26 as middle-income, and 12 as upper-income. There are no low-income CTs in the AA.

According to the U.S. Census, the AA has a total population of 242 thousand with 9.7 percent having incomes below the poverty level. Approximately 20 percent of the population receives social security benefits. The weighted average of median housing is \$88.5 thousand. Of the approximately 91,000 housing units, about 67 percent are owner-occupied. The weighted average of the Housing & Urban Development (HUD) updated MSA median family income is \$63,800 for 2009, and the weighted average median household income according to the U.S. Census has been \$50,117 for the evaluation period.

Brazoria County, known as the "Cradle of Texas," is comprised of 24 cities, including the bank's primary markets in the cities of Alvin, Pearland, and Manvel. Alvin is located 25 miles southeast of Houston in northeast Brazoria County. Alvin, home to 22,142 residents, has a major highway to Houston a short distance from downtown Alvin. The largest employer is the Dow Chemical Company with 4,570 employees located in southern Brazoria County. Other major employers with more than 500 employees each include: Texas Department of Criminal Justice, Wal-Mart, Pearland Independent School District, Alvin Independent School District, British Petroleum, ConocoPhillips, and Infinity Group.

Pearland, the largest city in Brazoria County, is home to 37,640 residents. In 2007, Forbes Magazine ranked Pearland as the 34th fastest growing suburb in the nation. Manvel is adjacent to and west of Alvin. Manvel's population is estimated at 7,000.

According to the Manvel Economic Development Corporation, it is one of the fastest growing cities in Brazoria County. This growth is at least partially attributable to its close location to the major highway to Houston. Because of the close proximity, Houston has a significant influence on Brazoria County and the cities of Alvin, Pearland, and Manvel.

Banking competition in Brazoria County is intense. Alvin has a total of 11 financial institutions competing for loans and deposits. In addition to a large federally chartered credit union, Alvin has branches of large international banks such as Bank of America, Wells Fargo, and Citibank, all national associations. Pearland has a total of 22 financial institutions, including a large credit union and branches of community banks and large international banks, such as Wells Fargo, Chase and Wachovia. Manvel has 2 banks.

We spoke with a local economic development leader who identified a need for housing and retail small business lending. TACB offers both loan products. The development leader's overall experience with local financial institutions has been positive.

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

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

TACB's loan-to-deposit ratio is more than reasonable and exceeds the standards for satisfactory performance. The bank's quarterly loan-to-deposit ratio since it was chartered is 79.36 percent. We compared the bank's ratio to a peer group of banks with less than \$500 million in assets in Brazoria and Galveston Counties for the same period. The peer group's ratio was 43.88 percent, and most members of the peer group have been chartered as national banks for much longer time periods.

### **Lending in Assessment Area**

As illustrated by the table below, a majority of the bank's loans are within the bank's AA by number of loans originated. We performed an analysis of lending in the AA using internal reports provided by management. The reports detailed every active loan originated since the bank opened in 2006, including the four-digit census tract, origination amount, and current balance. As illustrated by the table below, 56.50 percent of all loans by number and 40.56 percent of loans by dollar amount are located within the AA. The lower dollar percentage is mostly attributable to participations with another recently chartered bank in Southeast Harris County located not far from Alvin. Given the significant opportunities for lending and close proximity to southeast Harris County, management has decided to expand the AA going forward to include at least southeast Harris County. Based on our findings and analysis of lending, the bank's lending performance within the AA meets the minimum standards for satisfactory performance.

<b>Table 1 - Lending in Brazoria County</b>										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	95	51.91	88	48.09	183	10,752	38.01	17,535	61.99	28,287
Consumer	118	60.82	76	39.18	194	2,661	55.62	2,123	44.38	4,784
Totals	213	<b>56.50</b>	164	43.50	377	13,413	<b>40.56</b>	19,658	59.44	33,071

Source: Data collected by the bank.

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

Overall, lending to borrowers of different incomes and to businesses of different sizes reflects reasonable penetration. Given the demographics of the AA, the distribution of loans reflects a more than reasonable penetration among businesses of different sizes. The bank’s lending to small businesses exceeds the standard for satisfactory performance. For this analysis we sampled 20 business loans. As illustrated by the following table, the percentage of loans exceeds the percentage of AA businesses reporting revenue of \$1 million or less by number of loans as well as the dollar amount of loans.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Brazoria County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66.62	3.49	29.89	100%
% of Bank Loans in AA by #	<b>68.42</b>	31.58	0	100%
% of Bank Loans in AA by \$	<b>75.63</b>	24.37	0	100%

Source: Loan sample; Dunn and Bradstreet data.

In addition, we identified two loans in the sample originated to start-up businesses. TACB’s consideration of small business borrowers and willingness to aid in the origination of new businesses reflects positively on their commitment to the credit needs of the community.

Our analysis of loans to consumers indicated that the bank’s record of lending to moderate-income borrowers is near the characteristic of the AA and reflects a reasonable level of penetration to borrowers of all incomes. The bank’s performance is shown in the following table:

<b>Table 2B - Borrower Distribution of Consumer Loans in Brazoria County</b>								
Borrower 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	22.87	<b>14.29</b>	16.88	<b>14.29</b>	19.42	14.29	40.83	57.13

Source: Loan sample; U.S. Census data.

### Geographic Distribution of Loans

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the AA. Our analysis of each loan type is presented in the following tables. As the first table illustrates, the bank is lending to businesses in all census tracts, and lending in moderate-income census tracts significantly exceeds the AA demographics.

Table 3A - Geographic Distribution of Loans to Businesses in Brazoria County								
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	0	7.58	<b>14.74</b>	56.37	74.74	36.05	10.52

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

Lending to consumers in moderate-income tracts is below the characteristics of the AA. However, as illustrated by the table below, TACB’s performance does reflect a willingness to lend in moderate-income tracts, which is further supported by the number of loans originated to businesses in moderate-income tracts as previously shown.

Table 3B - Geographic Distribution of Consumer Loans in Brazoria County								
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	0	13.28	<b>.85</b>	52.87	70.34	33.85	28.81

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

### Responses to Complaints

TACB did not have any complaints during the evaluation period.

### 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.