
Comptroller of the Currency
Administrator of National Banks

Southwestern District
1600 Lincoln Plaza
500 North Akard Street
Dallas, Texas 75201-3394

PUBLIC DISCLOSURE

May 21, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Southern National Bank of Texas
Charter Number 18475
14060 Southwest Freeway
Sugar Land, Texas 77478

Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza
500 North Akard Street
Dallas, Texas 75201-3394

<p>NOTE: 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.</p>

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial institution 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 Southern National Bank of Texas, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of May 21, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR 25.

INSTITUTION'S CRA RATING: The institution is rated "Satisfactory".

Southern National Bank has extended a substantial level of credit, relative to its size and capacity to borrowers within its assessment area. Loans have been made to borrowers of different income levels and businesses of different sizes.

The following table indicates the performance level of Southern National Bank with

respect to each of the five performance criteria.

SOUTHERN NATIONAL BANK 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 the Assessment Area	X		
Loans to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Loan Distribution		X	
Complaint Responses		X	

DESCRIPTION OF INSTITUTION

Southern National Bank is located in the Houston Metropolitan Statistical Area (MSA) and is independently owned. There are a large number of financial institutions located in the MSA and competition for banking services is strong. Several of the bank's competitors are much larger institutions and operate a broad network of branch facilities throughout the city.

The bank's headquarters relocated from 9000 West Bellfort in Houston, Texas, Harris County to 14060 Southwest Freeway in Sugar Land, Texas, Fort Bend County in July 1995. In addition to the main bank, there is one independent drive-in facility off the Southwest Freeway, two branches, and four Automated Teller Machines (ATMs). One branch is located in the Memorial Southwest Hospital and the other at the bank's former headquarters on West Bellfort. One ATM is located in the hospital branch, another at the Stewart Title Insurance Building at Loop 610 and San Felipe, the third at Houston Baptist University, and the fourth at the new headquarters. The bank has total assets of almost \$156 million and a loan portfolio approximating \$105 million as of March 31, 1996. Lending activity is centered in real estate loans 78%, commercial and industrial loans 15%, and consumer loans 7%.

Total real estate loans are comprised of construction and land development loans 27%, residential property loans 43%, multifamily property loans 3%, and commercial property loans 27%. Total deposits are approximately \$134 million and capital accounts \$9.6 million. The

bank offers a variety of deposit and loan products. A mortgage department, formed in November 1992, offers a full line of mortgage related services to the public.

DESCRIPTION OF HOUSTON METROPOLITAN STATISTICAL AREA

Houston is the nation's fourth largest city and is a major cultural center of the southwestern United States. Major employment opportunities are associated with the energy, computer, and manufacturing industries. The Houston Metropolitan Statistical Area (MSA) has a population in excess of 3 million people, with 13 percent living below the established poverty level. The Census MSA Median Family Income level is \$36,886.

Credit needs in the area are diverse and typical of large metropolitan areas. No unique needs are readily apparent. The review of numerous documented contacts with community leaders helps to substantiate this conclusion.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank lends its available funds at a level which demonstrates a commitment to reinvesting its deposits into community loans. The average loan-to-deposit ratio over the past five quarters is 72 percent. Approximately 88 percent of total loans in the portfolio and 84 percent of total dollars in the portfolio are to borrowers within the bank's assessment area. The assessment area includes all of Harris and Fort Bend Counties. Loan applications are solicited from a cross-section of income levels, with a proportionate number and amount from low- and moderate-income level families. The bank enjoys a broad base of customers and there is no evidence that low- and moderate-income census tracts are being excluded from any banking services.

The dispersion of loans throughout the assessment area is satisfactory. Credit is extended to borrowers in census tracts of all income levels -- low, moderate, middle, and high. The composition of the assessment area is as follows:

- ▶ low income census tracts - 12 percent;
- ▶ moderate income census tracts - 29 percent;
- ▶ middle income census tracts - 30 percent;
- ▶ upper income census tracts - 27 percent; and,
- ▶ unidentified census tracts - 2 percent.

Approximately 25 percent of the total number and dollar amount of loans outstanding are to borrowers living in low- and moderate-income census tracts. The remaining loans, about 75%, are to borrowers in higher income level census tracts. Of the total home mortgage credit applications received from low- and moderate-income census tracts in 1995, 57 percent were originated by the bank. Loans to small businesses account for approximately 4 percent, loans for community development purposes 10 percent, and Small Business Administration loans about 1 percent of the dollar amount outstanding in the bank's assessment area.

Two recent complaint letters concerning closure of the drive-in window facility at 9000 West Bellfort are in the bank's Public File. The bank's response was appropriate and timely. Due in part to these complaints, the facility was reopened on January 2, 1996.

No violations of substantive provisions of anti-discrimination laws and regulations were identified during the examination conducted in conjunction with the issuance of this Public Disclosure.