

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PUBLIC DISCLOSURE

United Central Bank

Name of Institution

Garland

City

Texas

State

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Examiner-in-Charge

4555 W. Walnut Street

Street

Dallas

County

75046

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 Central Bank, Garland, Texas**, prepared by **Federal Reserve Bank of Dallas, Dallas, Texas**, the institution's supervisory agency, as of September 15, 1997. 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 bank's loan distribution relative to its primary business emphasis, commercial lending, exhibits an excellent dispersion throughout the assessment areas by borrower revenue. Approximately 90% of the sampled loans where gross revenue data was available were made to businesses' with less than \$1 million in gross revenues. Further, almost half of the businesses (45%), had gross revenues less than \$250 thousand. The bank's distribution by census tract also demonstrated a willingness to lend to businesses located in all areas accessible to the bank, including low- and moderate-income areas. Further, the bank's loan-to-deposit ratio exceeds that of similarly situated banks, emphasizing the bank's willingness to lend in its community.

## DESCRIPTION OF INSTITUTION

United Central Bank (United) is a minority-owned bank, with its primary emphasis on serving the needs of the Asian populations within its assessment areas. United is a subsidiary of Central Bancorp, Inc., Garland, Texas. The bank has 4 branches: the head office located at 4555 West Walnut, Garland, the Dallas branch located at 11235 Harry Hines, the Arlington branch located at 1107 East Pioneer Parkway and the Houston branch located at 8585 South Gessner.

As of March 31, 1997, assets totaled \$109 million and the net loan-to-deposit ratio was 76%. The bank experienced rapid growth during 1996; assets grew 53% from the \$72 million reported in March 1996. During the same period, deposits grew by 54%. United's primary lending focus continues to be commercial related. Commercial and commercial real estate loans comprise 86% of the loan portfolio. The distribution of loans by product type as of March 31, 1997, is detailed on the following chart.

LOAN TYPE	DOLLAR AMOUNT (THOUSANDS)	PERCENT OF TOTAL LOANS
<b>REAL ESTATE:</b>		
Construction	\$ 3,731	4.83%
Residential 1-4	1,197	1.55
Multifamily	3,405	4.41
Commercial	41,446	53.71
Agricultural	0	0.00
<b>CONSUMER:</b>		
Open-end credit	0	0.00
All other	2,463	3.19
<b>COMMERCIAL/ INDUSTRIAL:</b>	24,890	32.25
<b>AGRICULTURAL:</b>	0	0.00
<b>STATE/POLITICAL OBLIG:</b>	0	0.00
<b>OTHER:</b>	40	0.06
Total	\$77,172	100.00%

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.

## DESCRIPTION OF ASSESSMENT AREA

The bank has defined two assessment areas. The first area is the Dallas/Fort Worth Consolidated Metropolitan Statistical Area (D/FW - CMSA). The D/FW Area includes Collin, Dallas, Denton, Ellis, Kaufman, and Rockwall Counties out of MSA 1920, and Johnson, Parker, and Tarrant Counties out of MSA 2800. The second assessment area, the Houston Area, is the Houston CMSA which is comprised of Fort Bend, Harris, Liberty, Montgomery, Waller, Chambers, Galveston, and Brazoria Counties out of MSAs 3360, 2920, and 1145.

The D/FW Area is located in North Central Texas and contains 120 incorporated cities. The nucleus of this area includes the cities of Dallas and Fort Worth, which are often referred to as the "Dallas/Fort Worth Metroplex". Dallas is the eighth largest city in the nation and the second largest in Texas. The city of Fort Worth is the twenty-eighth largest city nationwide and the sixth largest in the state. The D/FW CMSA is the ninth largest in the United States. The D/FW Area has approximately 2 million civilian employees and an unemployment rate of 5.7%. The economy is diversified with transportation, electronics manufacturing, and tourism playing significant roles. In addition, the Dallas/Fort Worth International Airport is a foreign-trade zone.

The Houston Area is located in South East Texas on the Gulf Coast. Houston is the largest city in Texas and the fourth largest in the United States. The Houston Ship Channel is home of one of the busiest sea ports in the United States. The Houston labor force topped 1.9 million in 1995, and unemployment currently stands at 6.7%. The four major segments of the Houston economy are the upstream and downstream sectors of the energy industry, the Medical Center, and Johnson Space Center.

CRA references four income categories based on the MSA's median family income. These income categories are defined on the chart below.

INCOME CATEGORY	PERCENT OF MSA'S MEDIAN FAMILY INCOME
Low-income	Less than 50%
Moderate-income	At least 50%, but less than 80%
Middle-income	At least 80%, but less than 120%
Upper-income	More than 120%

For purposes of classifying geographies, the 1990 United States Census data is utilized as the base. In the D/FW Area there are 97 low-income, 204 moderate-income, 291 middle-income, and 248 upper-income census tracts within the assessment area. For the Houston Area there are 111 low-income, 231 moderate-income, 275 middle-income, and 202 upper-income census tracts within the assessment area. However, the bank's performance context indicates that it is not reasonable to expect the bank to service either assessment area in its entirety. Therefore, to more accurately assess the bank's performance, three smaller geographic areas surrounding branch locations were identified. Demographic data for each area is presented under Geographic

Distribution of Loans and was used to draw conclusions about the bank's lending performance under that criteria.

For the analysis of individual borrowers, the Department of Housing and Urban Development's annually adjusted median family income was utilized. The following chart provides information necessary to calculate the income categories used to analyze the borrower distribution.

MSA	1997 MSA MEDIAN FAMILY INCOME
Dallas (1920)	\$52,300
Fort Worth (2800)	\$50,400
Brazoria (1145)	\$50,400
Galveston (2920)	\$47,100
Houston (3360)	\$49,100

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### LOAN-TO-DEPOSIT RATIO

The institution's average loan-to-deposit (LTD) ratio is considered more than 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 areas, demographic and economic factors present in the assessment area, and the lending opportunities available in the institution's assessment areas.

The bank's average LTD ratio since the previous consumer affairs examination is 75.47%. As of March 31, 1997, the bank's net loans represented 75.61% of total deposits. The national peer ratio for the same period was 70.61%. To better understand the bank's performance in relation to its assessment areas, a LTD ratio analysis was conducted of all banks chartered in Dallas, Tarrant, and Harris Counties. Twelve banks were identified as similarly situated to United Central Bank, based on asset size, location, and portfolio mix. As of March 31, 1997, the twelve similarly situated banks had LTD ratios ranging from 33.80% to 87.94%, with an average of 59.59%.

### LENDING IN ASSESSMENT AREA

A review of sampled loans revealed a majority of the loans were located inside the assessment areas; therefore, the institution meets expectations in this criteria. Examiner analysis was comprised of a review of 77 commercial loans, 44 from the D/FW Area, 32 from the Houston Area, and one loan which was outside of the bank's assessment areas. The fact that 99% of the sampled loans were inside the bank's assessment areas is due to the manner in which the sample was chosen. Since the bank could not provide a separate loan list for the D/FW Area and the Houston Area, examiners intentionally sampled loans known to be in one of the two areas in order to perform a thorough analysis of each area.

The bank utilized a third-party vendor to conduct an internal analysis of its lending patterns. The vendor geocoded all loans originated between September 1, 1996, and August 31, 1997, with the analysis demonstrating that approximately 86% of those loans were located inside one of the two assessment areas. Examiner sampling procedures verified the accuracy of the geocoding and the analysis was relied upon in assessing the bank's performance under this criteria.

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

A review of the bank's distribution of loans in its assessment area by business revenues and borrower income was performed on the sampled loans. The loan distribution among the various business revenue levels was satisfactory. The sample was limited to 27 D/FW Area and 24 Houston Area loans where business revenue was used in the credit decision. The analysis indicated that of these loans, 89% and 92%, respectively, were made to businesses with revenues less than \$1 million. It should also be noted that 45% of the sampled loans were originated to businesses with gross revenues less than \$250 thousand, further demonstrating the bank's willingness to lend to small businesses. The following chart provides further detail by borrower gross revenue.

DISTRIBUTION OF COMMERCIAL LOAN SAMPLE BY BUSINESS' GROSS REVENUES 1997 COMMERCIAL LOAN SAMPLE						
GROSS REVENUES OF BUSINESS (THOUSANDS)	D/FW AREA		HOUSTON AREA		TOTAL	
	NUMBER OF LOANS	PERCENT OF TOTAL LOANS	NUMBER OF LOANS	PERCENT OF TOTAL LOANS	NUMBER OF LOANS	PERCENT OF TOTAL LOANS
	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
\$0 - 100	4	15%	4	17%	8	16%
\$100 - 250	8	30%	7	29%	15	29%
\$250 - \$500	7	26%	6	25%	13	25%
\$500 - \$1,000	5	18%	5	21%	10	20%
OVER \$1,000	3	11%	2	8%	5	10%
TOTAL *	27	100%	24	100%	51	100%

\* Total excludes 21 loans where bank used borrower's income, four loans where bank did not collect income data, and one loan outside of bank's assessment area.

The bank also makes commercial loans relying on the borrower's income rather than business revenue. The loan sample included 16 loans from the D/FW Area and five loans from the Houston Area where the bank relied on the borrower's income. For analysis purposes, borrowers are placed into an income category based upon their income as a percentage of the MSA in which the borrower resides. These loans were reviewed by analyzing borrower income as a percentage of the D/FW Area and Houston Area median family incomes. This analysis indicated that three of the 21 loans were to low- or moderate-income individuals in the D/FW Area. Given the limited number of loans, this distribution appears reasonable.

DISTRIBUTION OF COMMERCIAL LOAN SAMPLE BY BORROWER INCOME 1997 COMMERCIAL LOAN SAMPLE						
INCOME CATEGORY OF BORROWER	D/FW AREA		HOUSTON AREA		TOTAL	
	NUMBER OF LOANS	PERCENT OF TOTAL LOANS	NUMBER OF LOANS	PERCENT OF TOTAL LOANS	NUMBER OF LOANS	PERCENT OF TOTAL LOANS
	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
LOW-INCOME	1	6%	0	NA	1	4%
MOD-INCOME	2	13%	0	NA	2	10%
MID-INCOME	1	6%	1	20%	2	10%
UPP-INCOME	12	75%	4	80%	16	76%
TOTAL	16	100%	5	100%	21	100%

### GEOGRAPHIC DISTRIBUTION OF LOANS

As previously noted, United Central Bank provided examiners with a geographical analysis of its loan portfolio. Because sampling procedures adequately verified the accuracy of the data, the bank's analysis was relied upon in assessing the bank's performance under this criteria. The internal analysis divides the bank's lending into three areas: Garland, Arlington, and Houston. Lending in these areas was plotted on a map. Based upon where a substantial majority of the bank's loans were located, smaller geographic areas considered reasonable for the bank to serve were identified for demographic comparative purposes.

The following charts summarize the bank's lending between September 1, 1996, and August 31, 1997. In each instance the bank's mortgage lending volume prohibits a conclusive determination as to the adequacy of lending in various geographic areas. As for the other two

loan products, the geographic distribution of loans among low-, moderate-, middle-, and upper-income geographies is adequate.

DISTRIBUTION OF LOANS BY INCOME OF CENSUS TRACT MODIFIED AREA: GARLAND										
LOAN TYPE	LOW-INC		MOD-INC		MID-INC		UPP-INC		TOTAL	
	#	%	#	%	#	%	#	%	#	%
Real Estate	1	13%	2	25%	3	37%	2	25%	8	100%
Consumer	7	4%	28	17%	75	45%	57	34%	167	100%
Commercial	40	14%	71	25%	90	32%	83	29%	284	100%
<b>Total</b>	<b>48</b>	<b>10%</b>	<b>101</b>	<b>22%</b>	<b>168</b>	<b>37%</b>	<b>142</b>	<b>31%</b>	<b>459</b>	<b>100%</b>
Number of Census Tracts In AA	21	9%	45	18%	92	37%	90	36%	251	100%

DISTRIBUTION OF LOANS BY INCOME OF CENSUS TRACT MODIFIED AREA: ARLINGTON										
LOAN TYPE	LOW-INC		MOD-INC		MID-INC		UPP-INC		TOTAL	
	#	%	#	%	#	%	#	%	#	%
Real Estate	0	NA	0	NA	1	25%	3	75%	4	100%
Consumer	0	NA	11	34%	7	22%	14	44%	32	100%
Commercial	5	11%	11	23%	16	34%	15	32%	47	100%
<b>Total</b>	<b>5</b>	<b>6%</b>	<b>22</b>	<b>26%</b>	<b>24</b>	<b>29%</b>	<b>32</b>	<b>39%</b>	<b>83</b>	<b>100%</b>
Number of Census Tracts In AA	2	3%	11	18%	19	32%	28	47%	60	100%

DISTRIBUTION OF LOANS BY INCOME OF CENSUS TRACT MODIFIED AREA: HOUSTON										
LOAN TYPE	LOW-INC		MOD-INC		MID-INC		UPP-INC		TOTAL	
	#	%	#	%	#	%	#	%	#	%
Real Estate	2	25%	1	12%	5	63%	0	NA	8	100%
Consumer	4	9%	11	23%	20	43%	12	25%	47	100%
Commercial	3	6%	17	33%	22	43%	9	18%	51	100%
<b>Total</b>	<b>9</b>	<b>9%</b>	<b>29</b>	<b>27%</b>	<b>47</b>	<b>44%</b>	<b>21</b>	<b>20%</b>	<b>106</b>	<b>100%</b>
<b>Number of Census Tracts In AA</b>	<b>23</b>	<b>10%</b>	<b>61</b>	<b>26%</b>	<b>64</b>	<b>27%</b>	<b>86</b>	<b>37%</b>	<b>234</b>	<b>100%</b>

The bank uses its small business lending to stimulate revitalization within the community by participating in projects to revitalize specific areas. For example, a vacated building located in a moderate-income census tract was developed into an international bazaar housing various small businesses. The bank funded approximately \$1.5 million in loans to small businesses involved in the project. The bank also assisted with the complete renovation of a retail shopping center located in a low-income census tract. According to bank management, the shopping center renovation contributed indirectly to the creation of 130 new businesses and 500 new jobs by restoring confidence in the area which encouraged businesses to relocate there.

In an effort to offer more flexible loan products to meet certain small business needs, United Central Bank has become a Preferred Small Business Administration (SBA) Lender. The bank primarily uses the 7(a) program and occasionally funds loans through the Low Doc program. The 7(a) loans are generally used to provide working capital, to assist with the purchase of equipment, or to purchase real property. The bank originated 32 loans totalling \$6, 018 thousand since the last examination.

**RESPONSE TO COMPLAINTS**

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

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

No substantive violations involving illegal discrimination or discouragement were noted.