



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 21, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Plaza International Bank, N.A.
Charter Number 22792
400 W. Houston
San Antonio, Texas 78207**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza
500 N. Akard
Dallas, Texas 75201-3394**

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.

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 **Plaza International Bank, N.A.** prepared by **the Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 15, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**.

Plaza International Bank has demonstrated a positive effort in meeting the needs of its community. The following summarizes its activities under each of the performance criteria:

- ▶ The bank's loan-to-deposit ratio of 41.58% is both reasonable and comparable to the bank's peer group and local competition;
- ▶ Both the dollar and number volume of loans inside the bank's assessment area satisfactorily address the credit needs of its community. Seventy-five percent of the number and 64.38% of the dollars lent are inside the bank's assessment area with the substantial majority of outstanding loans extended in the bank's immediate trade area;
- ▶ The bank's loan distribution among borrowers of different income levels reflects a strong emphasis on low- and moderate-income borrowers with 92% of the number of the consumer loan sample made to low- and moderate-income borrowers;
- ▶ The geographic distribution of the bank's loans throughout its assessment area is focused in low- and moderate-income areas. Of the loans we sampled, 87.50% of the number of mortgage loans, 60% of the number of commercial loans and 50% of the number of consumer loans are located in low- and moderate-income areas;
- ▶ The bank actively participates in special lending programs that benefit small businesses in low- and moderate-income areas;
- ▶ There have been no consumer complaints with respect to the bank's CRA performance.

The following table indicates the performance level of Plaza International Bank, N.A. with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>PLAZA INTERNATIONAL BANK, N.A</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

The Plaza International Bank, N.A. is a \$19 million institution located in downtown San Antonio, Texas. The bank was originally chartered as Plaza Bank, N.A. in 1976, but converted to a new charter in 1995 when it was purchased by South Texas Capital Group, Inc., a one bank holding company. The bank's primary business focus is small business and consumer lending. Loans comprise 37.59% of total assets with 82.49% of the portfolio concentrated in commercial loans. The bank is not involved in agricultural lending, which is reasonable given the needs of its community. The bank is a minority-owned institution and a certified Small Business Administration lender. Local competition is strong with the presence of several regional banks, thrifts, and credit unions in the area. No legal impediments exist to prevent the bank from investing in its community; however, the bank's size and resources limit the extent of its involvement. The bank was previously rated "outstanding" for its CRA performance.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank is located in the San Antonio Metropolitan Statistical Area (MSA), which includes the 10th largest city in the nation. The bank has designated 86 census tracts within a seven-mile radius of the bank as its assessment area, which complies with the regulation and does not arbitrarily exclude low- and moderate-income areas. Twenty-one of these tracts are considered as low income, 46 as moderate income, 14 as middle income, and four tracts as upper income. One tract has no income level designation as it is wholly occupied by East Kelly Field Air Force Base.

The population of the assessment area is 428,097, which is approximately one-third of the population of the San Antonio MSA. Thirty percent of the area's population is below the poverty level, which is comparatively much higher than the MSA percentage of 17%. The 1990 Census reports that of the 15 largest cities in the nation, San Antonio's poverty rate was exceeded only by that of the City of Detroit. Twenty percent of the households in the assessment area are considered low income, 55% are considered moderate income, 21% are middle income with upper income households comprising the remaining 4%. The Census MSA Median Family Income is \$29,898.

The economic base of San Antonio is primarily dependent upon three industry segments: service, government, and trade. Three-fourths of the workforce is employed in one of these industries, which pay predominantly low or minimum wages. The service sector has grown in recent years, although tourism remains the biggest driver of the local economy with government having a significant impact also. The local economy is healthy with growth centered in the north side of the city.

Credit needs identified by local nonprofit groups include small business, affordable housing, home improvement, and consumer loans. The south, east, and deep west sides of San Antonio were cited as the areas in most need of credit. Rental vacancy rates have been approximately 4%, while rents have increased by 26% over the last two years. Although several new units have recently been constructed, they are mostly upscale, luxury apartments. Rental rates are comparable to mortgage payments, yet insufficient down payments and/or closing funds prevent renters from becoming first-time home buyers. For fiscal year 1995-1996, the city expects to receive \$28.8 million from various programs of the Department of Housing and Urban Development for affordable housing projects.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank has a satisfactory loan volume. The ratio of net loans and leases to total deposits is 41.58%. Over the last nine quarters, the ratio has ranged from 30.82% to 43.98% with an average ratio of 40.05%. This ratio is reasonable in relation to that of other area institutions. Compared to the seven banks in Bexar County with less than \$150 million in assets, the bank ranks fourth in loan-to-deposit ratios. This group's ratios range from 18.23% to 71.74% with an average of 47.05%. Excluding foreign accounts and public funds, the bank's loan-to-deposit ratio would be 52.38%.

Lending Inside the Bank's Assessment Area

The volume of loans inside the bank's assessment area is satisfactory. Approximately 75% of the number and 65% of the dollar volume of loans are located inside the bank's defined assessment area. Another 7.5% of the loan dollars are outside the bank's assessment area, but are loans to national companies under the Minority Business Enterprise program. Because the bank is minority owned, it may participate in financing companies in this program. Furthermore, the substantial majority of the loans outside the bank's assessment area are located in the bank's immediate trade area of Bexar County, which encompasses the bank's assessment area. Ninety-six percent of the number and 86.5% of the dollar volume of loans are located within Bexar County.

Lending to Borrowers of Different Incomes and Different Size Businesses

We selected a sample of loans to determine the bank's loan distribution by geography and income level of the borrower. Our sample consisted of all loans reported on the 1995 Home Mortgage Disclosure Act Loan Application Register (eight loans), ten commercial loans and eighteen consumer loans originated within the last six months. Our review, summarized in the following table, revealed that a substantial amount of the bank's consumer credits is to low- and moderate-income borrowers:

Table I: Lending to Borrowers of Different Income Levels										
	Low Income Households		Moderate Income Households		Middle Income Households		Upper Income Households		Total	
Area Demographic Characteristics	20%		55%		21%		4%		100%	
Loan Types	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0.00%	2	25.00%	1	12.50%	5	62.50%	8	100.00%
Consumer	7	54.00%	5	38.00%	1	8.00%	0	0.00%	13	100.00%
Revenue Ranges	<\$100,000		\$100,000 - \$500,000		\$500,000 - \$1,000,000		>\$1,000,000			
Commercial	2	20.00%	0	0.00%	2	20.00%	6	60.00%	10	100.00%

Geographic Distribution of Loans

The majority of the bank's loans are extended in low- and moderate-income areas and the distribution of these loans approximates the income characteristics of the area (see Table II). Bank management performs a geographic analysis of the bank's lending activity using zip codes. Their analysis revealed that the distribution of loan originations in 1995 reached every zip code in the bank's assessment area with the exception of those occupied by military installations. Our sample, while smaller in size, also revealed a good dispersion throughout the area with a concentration of loans in low- and moderate-income census tracts.

Although none of the eight mortgage loans granted in 1995 were to low-income borrowers, it should be noted that four of the five loans to upper-income borrowers are to an individual who renovates and rehabilitates housing in low and moderate income areas. Moreover, the bank finances loans through the San Antonio Development Agency for developers of low- and moderate-income areas (Table III). As a result, the bank is indirectly serving the housing needs of these areas by financing such borrowers. The results of our review reflect this in that 87.5% of the mortgage loans extended in 1995 were in low- and moderate-income census tracts. The following table illustrates these results:

Table II: Geographic Distribution of Loans										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	24%		53%		16%		5%		100%*	
Count	21		46		14		4		85*	
Loan Types	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	7	87.50%	1	12.50%	0	0%	8	100%
Consumer	2	11%	7	39.00%	9	50.00%	0	0%	18	100%
Commercial	2	20%	4	40.00%	4	40.00%	0	0%	10	100%

* One census tract has no income designation as it is wholly occupied by East Kelly Field Air Base.

The bank has also demonstrated its commitment to providing small business loans. In 1994, the bank originated 188 commercial loans totaling \$28,421,000 of which 40 (or 21%) were originated at less than \$5,000. In 1995, the bank originated 130 commercial loans totaling \$6,605,000 of which 21 were originated at less than \$5,000. Our sample of commercial loans revealed that the bank is lending to a wide spectrum of businesses ranging in size from less than \$100,000 in annual revenues to more than \$3.5 million. Furthermore, the bank is emphasizing investment in low- and moderate-income census tracts with 60% of the commercial loans sample located in such areas.

Special Loan Programs and Community Development Projects

While the bank has not invested in any community development corporations, it has participated directly with groups that benefit small businesses. The bank financed a \$25,000 line of credit to Accion Texas, a nonprofit organization. This organization lends funds to micro-businesses that cannot obtain financing directly because of poor credit problems and/or low incomes. In addition to providing much needed financing, this organization helps small businesses develop a good credit record from which they can eventually obtain direct financing from banks.

The bank is also a leader in its participation of special lending programs that benefit small businesses in low- and moderate-income areas. For example, the bank has extended loans through the University of Texas in San Antonio's Minority Business Development Center (MBDC). Under this program, the MBDC works with small business owners to develop business plans, establish financial record keeping, provide consultation, and cultivate relationships with financial institutions. The bank has also financed several developers who rehabilitate or build homes in low- and moderate-income areas through the San Antonio Development Agency. The following table summarizes the bank's activities under these special loan programs:

Table III: Lending Under Special Loan Programs				
	1994		1995	
Loan Program	# of Loans	\$ Amount	# of Loans	\$ Amount
Minority Business Development Center	6	\$975,018	1	\$25,000
San Antonio Development Agency	30	\$349,286	10	\$173,631

Although its size and resources prevent extensive involvement, the bank has also invested in community development projects that provide affordable housing in low- and moderate-income areas. Specifically, the bank extended a loan for \$63,750 to purchase an eight-unit apartment complex located in a low- and moderate-income area of San Antonio.