



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 20, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Unity National Bank
Charter Number: 21008**

**2602 Blodgett
Houston, Texas 77004**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard Street
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 **Unity National Bank** prepared by Comptroller **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 20, 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 “**Satisfactory**”.

Unity National Bank has a satisfactory record of meeting credit needs within the community, as evidenced by the following:

- A reasonable loan-to-deposit ratio.
- A substantial percentage of loan originations within the bank’s assessment area:
- An outstanding distribution of loans to borrowers of different income levels and businesses of different sizes; and
- An above average geographic distribution of lending within its assessment area.

The following table indicates the performance level of Unity National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>UNITY NATIONAL BANK</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 CRA examination.		

DESCRIPTION OF INSTITUTION

Unity National Bank is an independently owned, retail oriented \$30 million bank which operates from one facility located in the heart of a low- and moderate income area. The bank also services customers with one ATM. The bank has recently been approved to open a branch in Missouri City (Fort Bend County, Texas). Unity National Bank bears the distinction of being the only African-American owned and operated bank in the Houston area. The primary mission of Unity National Bank is to fulfill the banking and other financial needs of the under-served communities throughout the greater Houston area. Unity National Bank currently offers traditional banking services and lending products. Lending activity is centered in the following loans: loans to individuals (27%), residential real estate (23%), other real estate related (20%), and commercial and industrial (19%). There are no legal impediments which impair the bank's ability to meet the credit needs of its community.

DESCRIPTION OF ASSESSMENT AREA

Unity National Bank's assessment area consists of 73 census tracts and a population of 281,643 according to 1990 census data within Harris County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate income tracts. The majority of the census tracts are low- to moderate income. The assessment area consists of the following income levels: seventeen low income (24%), thirty-one moderate income (31%), eighteen middle income (25%) and five upper income tracts (7%). All of these census tracts are within the Houston Metropolitan Statistical Area (MSA).

The Houston MSA (#3360) has a population in excess of three million people, with 13% living below the established poverty level. The HUD MSA Median family income in Houston in 1996 is \$46,000. Median housing value for the area is \$41,300 and the median age of the housing stock is 36 years. Owner occupied housing is 45% of the total housing units. Rental occupied housing is 38% of the total housing units. Approximately 80% of the population in the bank's assessment area is minority with 60% being African Americans.

The market for financial services is competitive. There are several other similarly situated financial institutions in the assessment area. Unity National Bank's primary competitors consist mainly of branches of multi-billion dollar financial institutions.

COMMUNITY'S CREDIT NEEDS

The bank has identified general consumer loans and small business loans as the assessment areas' primary credit needs. Over the past five years, a large portion of the bank's loan portfolio and operating base has been from churches in the community. Community contacts with community organizations in the bank's assessment area indicate the need for community development activities. Unity National Bank is involved in meeting this need.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Unity National Bank actively meets the credit needs of its assessment area. Unity National Bank has a reasonable loan to deposit ratio. The bank's loan to deposit ratio averaged 55% for the past four quarters (1995 - 1996). This ratio compares favorably to the other local financial institutions.

LENDING IN ASSESSMENT AREA

An internal analysis indicates that a large proportion of lending is within the assessment area. This analysis reflected that as of June 30, 1996, the bank has originated 537 loans of various types and sizes of which 48% of the number and 48% of the dollar amount were to customers within the bank's assessment area. Furthermore, as indicated in Table 1 a substantial percentage of lending is in low and moderate income census tracts.

Table 1

	12/31/95	06/30/96
TOTAL LOANS	(\$ 11,934 (#) 506	(\$ 12,570 (#) 537
LOANS IN ASSESSMENT AREA	(\$ 6,047 or 51% (#) 253 or 50%	(\$ 6,039 or 48% (#) 257 or 48%
(#) LOANS IN LMI CTS IN THE ASSESSMENT AREA	199/253 or 79%	194/257 or 75%
(\$) LOANS IN LMI CTS IN ASSESSMENT AREA	(\$) 4,150/6,047 or 69%	(\$) 4,259/6,039 or 71%

LENDING TO BORROWERS OF DIFFERENT INCOME AND BUSINESSES OF DIFFERENT SIZES

The distribution of the bank's lending within its assessment area to borrowers of

different income levels and business and farms of different sizes is above average. Table 2 illustrates the bank's lending approvals through June 30, 1996.

Table 2

Households (HHs)	Assessment Area Profile Households	Loan Approval (#)
Low Income	20%	31%
Moderate	43%	45%
Middle	28%	20%
Upper	9%	4%
Totals	100%	100%

Table 2 reflects that loan approvals within the assessment area mirror the profile of Unity National Bank's assessment area with a substantial majority being to low and moderate income households. Furthermore, the majority of the commercial loans are to small businesses with revenues of less than \$1 million. This is mainly attributed to Unity National Bank's status as a Certified Small Business Administration (SBA) Lender.

GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of the bank's outstanding loans within the assessment area concluded that the bank's lending exceeds satisfactory performance requirements when considering the demographic profile of the assessment area. This is further illustrated in Table 3.

Table 3

CENSUS TRACTS	\$ VOLUME (1,000s)	% OUTSTANDING	# OF LOANS	% OUTSTANDING	ASSESSMENT AREA PROFILE
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LOW INCOME	1,680	28%	79	31%	24%
MODERATE INCOME	2,579	43%	115	45%	44%
MIDDLE INCOME	1,458	43%	53	20%	25%
UPPER INCOME	322	5%	10	4%	7%
TOTALS	6,039	100%	257	100%	100%

RESPONSE TO COMPLAINTS

During this evaluation period, the bank did not receive any consumer complaints regarding its CRA performance. Unity National Bank has procedures in place to handle potential complaints.

COMMUNITY DEVELOPMENT ACTIVITIES

Unity National Bank participates in several groups and organizations which help to promote community development and redevelopment projects. Specifically, Unity National Bank in partnership with other banks, businesses and companies in the area participates in the Third Ward Redevelopment Council (TWRC). Unity National Bank serves as a leader in assisting this organization with raising funds to complete comprehensive plans for an orderly revitalization of the Third Ward area. President Larry Hawkins serves on the board of this redevelopment council.

Unity National Bank also participates in the Third Ward/Texas Southern University Community Development Corporation (CDC). President Hawkins serves on the board of this CDC. This CDC has been set up for the planning and redevelopment of affordable housing and community revitalization and is working to create a better environment in the Greater Third Ward area. The bank has assisted the CDC with the acquisition of a grant which allowed the organization to hire the manager to oversee the planning process.

One of the larger community based organizations in the bank's assessment is the Self Help for African People through Education (S.H.A.P.E.) Community Center. SHAPE'S community services and special events focus on ways and means to address community issues, concerns, and needs through the development and maintenance of

partnerships within the community. Unity National Bank is involved in the efforts of this organization by actively participating in various activities as well as by making several loans to this organization.

OTHER SERVICES

In addition to the other types of loans offered, Unity National Bank has several "Low Doc" SBA Loans. As the term indicates loans made under this program require less documentation than normal SBA loans and are for amounts less than \$100,000. Through this program Unity National Bank was able to assist numerous female individuals in the assessment area with the establishment of their own small independent beauty consultant businesses. As of June 30, 1996 the bank had twenty of these types of loans with the average loan amount ranging from \$3,000 to \$4,000.

Also, Unity National Bank participates in a student loan program through another local financial institution in the Houston area. Under this loan program Unity National Bank accepts applications which are then forwarded to the lending institution. Several loans have been made through this special program and all loans are to individuals within the bank's assessment area.

Unity National Bank participates in the Business Consortium Fund. In this program Unity National Bank serve as the lead bank on loans which are participated to other larger financial institutions. These loans are normally to small companies which otherwise would not be able to obtain financing.

Through a marketing study and through comments received from existing customers Unity National Bank determined a need for a branch in Missouri City, Texas. Through the opening of this branch Unity National Bank will be able offer personalized services to under-served individuals in this area. The branch will also serve as a means of convenience for existing customers of Unity National Bank who currently live in the Missouri City area.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

A fair lending examination was performed in conjunction with this examination. Unity National Bank is in compliance with applicable anti-discrimination laws and regulations. We noted no practices intended to discourage potential borrowers from applying for credit at the bank.

