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Comptroller of the Currency  
Administrator of National Banks

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Large Bank Supervision  
250 E Street, SW  
Washington, DC 20219

## **Public Disclosure**

September 30, 1997

# **Community Reinvestment Act Performance Evaluation**

**Bank of America, NT & SA  
Charter Number: 13044**

**555 California Street  
San Francisco, CA 94104**

**Office of the Comptroller of the Currency**

**250 E Street, SW  
Washington, D.C. 20219**

**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.**

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## 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 CRA performance of **Bank of America, NT & SA** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 30, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. 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**.

The major factors supporting the institution's rating are:

- **The strength of Bank of America NT & SA's CRA activities is clearly exhibited in the states of California and Washington and the Portland/Vancouver Multistate MSA, where it generated almost \$26 billion in loans and community development investments or 83% of its total CRA-related activities.**
- **Bank of America NT & SA has provided a substantial level of credit to small businesses, especially those that have annual revenues below \$1 million.**
- **Many of Bank of America NT & SA's \$869 million in community development activities are innovative and/or complex.**
- **Bank of America NT & SA demonstrated leadership in all aspects of its CRA performance throughout the review period.**
- **Bank of America NT & SA's aggregate community development activities represent a substantial commitment to its states and assessment areas.**
- **Bank of America NT & SA is a respected community development leader both at the assessment area, state and national level.**

The following table shows the performance level of **Bank of America, NT & SA** with respect to the lending, investment, and service tests.

Performance Levels	Bank of America, NT & SA Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High satisfactory		X	X
Low satisfactory			
Needs to improve			
Substantial noncompliance			

\* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

## Scope of the Examination

This examination followed the Interagency CRA Examination Procedures for Large Retail Institutions. These procedures evaluated the performance tests prescribed under CRA's implementing regulations. Our analysis of BANTSA's performance included the evaluation of the distribution of credit at four income levels. In addition, our analysis looked at total residential and consumer lending and its individual components. Our evaluation covered transactions BANTSA generated between January 1, 1996 and June 30, 1997. We also reviewed investment transactions the bank generated prior to the review period, but remain on its books.

For insight into the context of BANTSA's performance, we reviewed its previous CRA Public Disclosures as well as those of similarly situated institutions. We used information derived from the 1996 Aggregate HMDA and Small Business data to determine performance of the bank's competitors within its assessment areas. We also considered demographic data from the 1990 Census for each state and assessment area. The listing of assessment areas under Appendix A, identifies the areas that received a comprehensive review bank activities and those areas that we reviewed for consistency of performance.

## Definitions and Common Abbreviations

The following terms and abbreviations are used in this Performance Evaluation. They are intended to provide a general understanding of the terms, not a strict legal definition.

**Community Reinvestment Act (CRA)** - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Metropolitan Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSA's consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Census Tract** - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau to group homogenous populations.

**Home Mortgage Disclosure Act (HMDA)** - The statute that annually requires certain mortgage lenders that do business in a MSA to file summary reports of their mortgage lending activity. The reports includes the race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

**Median Family Income (MFI)** - The United States Census Bureau determines the MFI every ten years and uses it to determine the income level category of census tracts. Also, annually the Department of Housing and Urban Development determines the MFI that is used to calculate the income level category of individuals.

**Low-Income** - Income levels that are less than 50% of the MFI.

**Moderate-Income** - Income levels that are at least 50% and less than 80% of the MFI.

**Middle-Income** - Income levels that are at least 80% and less than 120% of the MFI.

**Upper-Income** - Income levels that are 120% or more of the MFI.

**LMI** - Low- and Moderate-Income levels. This is applied to both the income level of a geography and borrower.

**Small Business Loans** - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

**Tier 1 Capital** - consists of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings, and minority interests in the equity accounts of consolidated subsidiaries.

## Description of Institution

Bank of America, National Trust & Savings Association (BANTSA), is a wholly-owned subsidiary of BankAmerica Corporation (BAC). BAC is a bank holding company headquartered in San Francisco, California, and is the third-largest bank holding company in the United States. BANTSA is the largest bank in the Western United States and has representative offices in thirty-six countries. As of June 30, 1997, it had total assets of \$224 billion. As of the same date, total deposits were \$165 billion, with \$111 billion in domestic deposits and \$53 billion in offshore deposits. Total loans were \$150 billion, with \$114 billion in loans from domestic offices, and \$36 billion from offshore offices. Its Tier 1 capital was almost \$14 billion. BANTSA's primary focus is retail and wholesale banking within seventy-six assessment areas. These areas are in ten states and two multistate MSAs. A listing of the assessment areas is in Appendix A. In addition, demographic information covering each state and multistate MSA is in Appendix C.

On January 1, 1997, BAC began consolidating its subsidiary bank charters into BANTSA's charter. At the end of the review period, Bank of America Illinois (BAI) was an independent charter. However, on July 1, 1997, BAC consolidated BAI's charter into BANTSA. Management asked that we include BAI's CRA performance in our evaluation of BANTSA. As of June 30, 1997, BAI had total assets of almost \$17 billion. Its deposits totaled \$8 billion, with \$6 billion in domestic deposits and \$3 billion in offshore deposits. Total loans were \$13 billion. BAI's primary focus is wholesale banking.

The Global Retail Bank of BANTSA is responsible for delivering products and services to individual consumers and businesses through its branch system. The bank's branch system runs throughout its assessment areas. There are no known legal or financial impediments to the bank's ability to deliver any product or service to its assessment areas. Three bank groups supply its retail lending services:

- National Consumer Assets Group [NCAG]
- Bank America Mortgage Lending Group [BAMG]
- Business Lending Services Division [BLD]

NCAG is responsible for consumer credit delivered through BANTSA's branch system. This includes home equity loans and lines of credit, automobile loans, and other instalment loans and lines of credit. BAMG is responsible for the delivery of first mortgage products (purchase money and refinance) through the wholesale markets that include brokers and developers and the bank's branch system. BLD is responsible for providing credit to small businesses and farms. Loan amounts for these types of credit are less than \$750 thousand.

BANTSA offers loan products that respond to identified credit needs of small business owners and LMI consumers within its assessment areas. These products' underwriting

standards were innovative when first introduced and retain their flexibility. The bank continues to offer three special consumer loan products and three special small business loan products. They offer these products throughout all the bank's assessment areas. BANTSA has enhanced these products over the review period, to help meet the diverse credit needs of its assessment areas better.

## **CONSUMER LOAN PRODUCTS:**

**Neighborhood Advantage (NA)** is an affordable residential mortgage product for both purchase money and refinance transactions. BANTSA has evolved this product as follows:

- In October 1994, BANTSA introduced a "3/2 downpayment" feature. The borrower must provide 3% of the downpayment from their own funds, while 2% of the downpayment may come from outside sources such as gifts, grants, or deferred loans.
- Also in October 1994, BANTSA began to participate in the Home Works program with Freddie Mac and the city of Los Angeles. This program gives eligible applicants downpayment assistance from a grant (up to 2%) and an interest-free second mortgage for rehabilitation of the property.
- In 1994, BANTSA piloted a 3% downpayment program. It combines the lower downpayment requirement with private mortgage insurance and more conservative underwriting standards. Prospective customers can qualify for this product in one of two ways:
  1. The house being purchased or refinanced is in a low- or moderate-income (LMI) census tract or a zip code with predominantly LMI census tracts.
  2. The customer's income is less than 120% of the county's median income.

BANTSA includes a schedule of qualifying incomes for each county in California, with the NA application package. The customer does not have to request the NA product to be considered for the product. They have programmed the mortgage loan underwriting process to evaluate all loans under NA criteria, and, the criteria for the bank's conventional products.

To promote NA better and provide information on buying and financing a home, BANTSA developed a comprehensive home buyer education program. BANTSA loan specialists conducted seminars in their local communities throughout the bank's assessment areas. The seminars and printed materials were presented in both English and Spanish.

**B•A•S•I•C** is BANTSA's consumer loan product that is similar to the NA product. The qualifying income and/or location requirements for home improvement and home equity

loans are the same as NA's. For all other B•A•S•I•C consumer purpose loans, the qualifying income must be less than or equal to 80% of the areas median income. In 1993, BANTSA began automatic identification of all applications for B•A•S•I•C loans. They use a similar system on NA applications.

The **Spanish Loan-by-Phone** program enhances the delivery of consumer loans to California's largest ethnic minority. The program offers an information and application service to Spanish speaking customers. In May 1994, BANTSA launched the program for auto and personal loans and in July expanded the program to home equity products. This service extends beyond the application process through the life of the loan. Loan documentation is also in Spanish.

BANTSA's **Loan for Customers with Disabilities (ADA Loans)** program provides financing for the purchase and/or retrofitting of vehicles, personal property and homes to accommodate the needs of individuals with disabilities. Products offered under the program include auto loans, personal loans, and home equity loans. This program offers borrowers longer terms than standard products. Further, all declined ADA Loans go through a second review process. This product resulted from several meetings with groups who serve the disabled community. To promote this product BANTSA sent letters and brochures to community groups, government agencies, car/van dealers and installers who serve the disabled community.

## **SMALL BUSINESS LOAN PRODUCTS:**

BANTSA designed the **Advantage Business Credit (ABC)** product to give small business applicants loans or lines of credit. In the fourth quarter of 1993, the bank increased the limit for this product to \$100,000. Loans are available in amounts from \$2,500 to \$100,000. Lines of credit are available in amounts from \$10,000 to \$100,000. Loan officers can give applicants a response within three days of receiving a completed application.

BANTSA introduced the **Advantage Business Credit Express Line (ABC Express Line)** in the fourth quarter 1994. This program provides small, unsecured revolving lines of credit, in amounts from \$2,500 to \$10,000. The program accommodates short term working capital needs and can act as an optional overdraft protection service for checking account customers. The product features a simplified application and quick approval process.

BANTSA created the **Minority- and Women-Owned Business Enterprise (MWBE)** loan program for small businesses that are at least 51 percent owned and operated by one or more individuals who are minorities or women. MWBE makes loans in amounts of \$2,500 to \$50,000. Lines of credit are available in amounts of \$10,000 to \$50,000, with terms to five years. Loan officers can give applicants a response in two business days after



receiving a completed application.

### **Products Co-sponsored with Government Agencies:**

BANTSA, with Bank of America Community Development Bank, has provided considerable resources in support of very low- and low-income multi-family housing construction, rehabilitation and permanent financing. Federal, state, and local government programs are integral components in the provision of credit.

BANTSA and the California Housing Finance Agency have developed a program to offer mobile home owners financing to purchase the land underlying their homes. The program is intended to help very low-, low- and moderate-income residents buy spaces in mobile home parks.

Besides BANTSA, other BAC subsidiaries provide lending services in the bank's assessment areas. The affiliates of BANTSA have developed expertise in offering the following credit products in its states and assessment areas:

<b>NAME:</b>	<b>SERVICES PROVIDED:</b>
Bank of America Community Development Bank (BACDB)	Small Business Administration (SBA) loans, other government and leveraged loans, and affordable housing loans.
Bank America, N.A. (BANA)	Credit Cards
Bank of America, Federal Savings Bank (BA-FSB)	Indirect loans for manufactured housing.
Bank of America Community Development Corp. (BACDC)	Domicile for Low-Income Housing Tax Credit Investments

BAC allocated loans and investments from these affiliates for BANTSA's CRA performance. We evaluated only those loans BAC allocated to BANTSA in this assessment.

## **Conclusions with Respect to Performance Tests**

### **Overall CRA Performance**

- ▶ **BANTSA has provided an excellent level of all types of credit to LMI applicants.**
- ▶ **BANTSA continues to demonstrate its commitment to lending, investing and servicing all segments of the states in which it does business.**

### **LENDING TEST**

The following lending tables show that during the review period, BANTSA originated more than 230 thousand loans totaling more than \$3.6 billion in LMI areas. Further, they originated more than 363 thousand loans totaling almost \$3 billion to LMI borrowers. In total, during the review period, BANTSA generated in its assessment areas more than one million loans totaling more than \$30 billion. BANTSA's residential and small business lending in LMI areas accounted for \$2.7 billion or 72% of its total lending in LMI areas. While its credit card accounts made up 64% of the number of loans in LMI areas.

The bank's lending helped borrowers achieve many financial goals including the purchase, refinance or improvement of their home, various consumer purposes including the purchase of automobiles and the support of small businesses. These were the primary credit needs we identified through community contacts. BANTSA's volume of lending showed an excellent responsiveness to the identified credit needs. Further, virtually all of BANTSA's CRA-related lending took place within its assessment areas or assessment areas of its affiliates. The bank's lending that took place in affiliate assessment areas will be analyzed as part of their respective CRA performance evaluations.

BANTSA's overall lending performance is strongly grounded in California, Washington and the Portland/Vancouver Multistate MSA. During the review period, the two states and Multistate MSA accounted for 909 thousand loans totaling more than \$25 billion of the bank's total lending activity. Moreover, they originated \$3 billion or 83% of the bank's loans in LMI geographies and \$2.4 billion or 81% of its loans to LMI borrowers. Further, the two states and Multistate MSA generated \$72 billion or 81% of all the assessment areas' domestic deposits and corresponds to the significant presence the bank has in these markets. Total deposits within the bank's assessment areas account for 80% of its domestic deposits. Community development lending in these areas accounted for 195 transactions totaling \$331 million or 72% of the bank's activity. This lending performance extends the bank's historical commitment to CRA. BANTSA's lending activity in these areas overwhelmingly supports its overall performance and reaffirms its position as a leader in each of the three markets. However, BAC's historical commitment has not been fully exported to the bank's other areas.

The strongest attribute of BANTSA's lending performance is its ability to extend loans to LMI borrowers. This reflects the success of the flexible terms the bank has created in its affordable loan products. While we no longer consider these products innovative, they continue to provide borrowers flexible underwriting standards. Frequently the bank's loan originations to LMI borrowers matched or exceeded its overall market share of loans within an area or the demographics of an area. In 1996, BANTSA's LMI borrower market share of residential loans reported under HMDA created a bankwide parity surplus of more than 2,500 loans. That is, the bank's market share of LMI borrowers exceeded its overall market share. The strongest example of its ability to attract LMI borrowers was in California, which accounted for 86% of the parity surplus. The bank's weakest

performance in attracting LMI borrowers was in New Mexico, where it had a parity shortfall. BANTSA's lending strength was also exhibited in its loans to small businesses with revenues of less than \$1 million. Loans to these smaller businesses accounted for 78% of the bank's small business loans (population of small business loans when they know revenue size).

The weakest attribute of BANTSA's lending performance is its ability to penetrate LMI geographies. In 1996, BANTSA's market share of residential loans in LMI geographies reported under HMDA, created a bankwide parity shortfall of more than 1,100 loans. That is, the bank's market share in LMI geographies fell below its overall market share. However, its strength in its small business lending distribution mitigates BANTSA's weakness in residential lending distribution. In 1996, BANTSA's market share of small business loans in LMI geographies reported under CRA, created a bankwide parity surplus of more than 200 loans. Again, the bank's market share of small business loans in LMI geographies frequently exceeded its overall market share. The strongest example of its small business loan penetration of LMI geographies was in California and the weakest example of its performance was in Washington.

Supplementing BANTSA's residential, consumer and small business lending activity was the bank's creation of 266 community development loans totaling more than \$467 million. BANTSA's community development loans helped finance projects for affordable housing and economic development as defined under CRA. Frequently management took a leadership role in putting together the financial packages for these projects. Often the packages used a variety of sources to make the transaction financially sound. These sources included grants and contributions, soft money, public and private guarantees, and tax advantages, such as the Low-Income Housing Tax Credits. Management also found unique ways to use Small Business Administration programs to supplement higher risk business financing.

## **INVESTMENT TEST**

BANTSA used its financial resources to help LMI areas and individuals through qualified community development investments. Again the bank's strength is exhibited in California, Washington and the Portland/Vancouver Multistate MSA. These activities were also the focal points of the bank's performance in Illinois. BANTSA made more than one thousand qualified investments totaling \$407 million, more than 78% of these transactions were created in the above areas. Moreover, the volume of these activities exceeds 4.4% of the bank's capital (Tier 1 capital allocated to domestic deposits). The bank's investments were productively used for the capitalization of loan pools, community development corporations, syndicated community development participations, government subsidized programs, municipal securities financing affordable housing, tax credits and the support of nonprofit developers, social services, and support groups. Many investments were components of a financing package that included community development lending.

BANTSA is viewed as a leader both locally and nationally in the participation and creation of qualified investments. It has received many awards for its community development achievements. Management has also reinvested its cash awards back into areas that have few qualified developers and need to build capacity.

## **SERVICE TEST**

BANTSA uses an extensive branch and ATM network to help serve the financial needs of its entire service area. Management monitors the hours of operation of these facilities and attempts to adjust access to meet the needs of the customer. During the review period, BANTSA closed 110 branches, 27% were in LMI areas, and opened 81 new branches, 11% were in LMI areas. California and Washington accounted for 71% of the branch closures and 45% of the new offices. The closures in California had a greater impact on middle- and upper-income areas when compared to area demographics. Most of California's activity occurred in the Los Angeles MSA. The closures in Washington slightly affected LMI areas when compared to area demographics, but were partially offset by new offices in LMI areas. Most of Washington's activity occurred in the Seattle MSA. However, the bank maintains a substantial branch network in both states, the distribution of which compares favorably to each state's demographics.

BANTSA has extensive phone-in services that supplement its branch network. Customers can manage their accounts and apply for loans through toll-free phone access. It has also expanded its financial services to personal computer banking. The customer can access and manage their accounts through the Internet. Management is currently pioneering programs to place computers in facilities that can be accessed by LMI customers. Included in these programs will be training on the use of the computer and Internet software.

BANTSA employees have supplemented the bank's traditional and new delivery channels for financial services by participating in community development services. Employees were involved in 361 different services in all states except Alaska. Their activities in Arizona, California, Illinois and Washington accounted for 68% of the services.

BANTSA's CRA Public File contained all required information. This included a list of available deposit accounts, general bank services, and credit products. This list can be accessed through all of the bank's branches and certain alternative delivery systems.

To help illustrate BANTSA's performance and provide consistent demographic data, we have included the following tables: State or Assessment Area Profiles; Bank and State Aggregate Residential, Consumer and Small Business Lending, Investment Test, and Service Test.

## Lending Test

BANTSA LENDING ACTIVITIES								
Loan Type	#	% of Total	\$ (million)	CT	# LMI	\$LMI (million)	LMI % of #	LMI Avg. Loan (000s)
				B				
Residential	146,005	13%	\$16,951	CT	16,988	\$1,195	12%	\$70
				B	30,547	1,552	21	51
Consumer - Automobile	161,592	15%	2,439	CT	27,243	387	17	14
				B	67,213	569	42	8
Consumer - Home Equity	61,939	6%	2,702	CT	5,310	181	9	34
				B	11,618	374	19	32
Consumer - Other	42,648	4%	475	CT	10,365	71	24	7
				B	19,743	100	46	5
Consumer - Credit Card	611,733	55%	2,143	CT	147,411	371	24	3
				B	233,952	395	38	2
Small Business	87,225	8%	5,620	CT	22,986	\$1,463	26	\$64
Community Development	266		467					
Total Lending	1,111,408	100%	\$30,797	CT	230,303	\$3,668	21%	\$16

(CT) Income Level of Census Tracts

(B) Income Level of Borrower

BANTSA AGGREGATE RESIDENTIAL LENDING										
State:	Demographics		Lending Distribution		Market Share*			#	\$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
ALASKA	11%	36%	8%	15%	1.61%	1.03%	1.05%	365	\$29,900	\$82
ARIZONA	23	35	11	23	3.51	3.15	4.01	12,781	920,200	72
CALIFORNIA	17	39	13	21	7.37	6.62	8.81	86,020	12,120,100	141
IDAHO	12	38	8	22	2.10	1.30	1.44	1,280	74,400	58
ILLINOIS	21	43	8	15	0.64	0.24	0.30	1,514	287,000	190
NEVADA	18	37	8	23	7.58	3.51	5.95	2,631	200,600	76
NEW MEXICO	25	39	14	20	3.19	2.50	1.32	2,619	170,400	65
NEW YORK	13	44	9	9	1.67	1.00	1.33	1,468	223,500	152
OREGON	10	38	10	17	5.18	5.78	5.80	4,442	247,200	56
WASHINGTON	13	37	10	22	7.74	6.89	8.50	20,336	1,652,100	81
LAS VEGAS, NV	15	37	5	23	4.12	2.61	3.89	3,660	325,200	89
PORTLAND, OR	14%	36%	14	19	6.91%	6.81%	7.39%	8,889	700,800	79
Total			12%	21%				146,005	\$16,951,400	\$116
LMI Parity**						(1,179)	2,521			
% Of Bank's 1996 Lending						1.2%	2.6%			

(\*) 1996 HMDA Reporter Market Share

(\*\*) A negative means additional loans needed to achieve parity to overall market share.

BANTSA AGGREGATE CONSUMER LENDING							
State:	% LMI CTs	% LMI Families	% Loans in LMI CTs	% Loans to LMI Borrowers	#	\$ (000s)	Avg. Loan (000s)
ALASKA	20%	36%	12%	9%	5,542	\$36,800	\$7
ARIZONA	31	38	20	37	72,177	753,900	10
CALIFORNIA	27	39	26	44	544,970	3,987,470	7
IDAHO	16	38	11	21	7,293	82,300	11
ILLINOIS	45	43	27	10	9,071	67,000	7
NEVADA	26	37	18	37	8,402	116,900	14
NEW MEXICO	33	39	19	44	11,576	152,200	13
NEW YORK	33	44	0	0	0	0	0
OREGON	12	38	11	34	20,901	268,900	13
WASHINGTON	21	37	15	20	147,409	1,657,300	11
LAS VEGAS, NV	29	37	11	38	22,268	231,400	10
PORTLAND, OR	22%	36%	13	34	28,303	403,700	14
Total States			22%	38%	877,912	\$775,787	\$1

BANTSA AGGREGATE SMALL BUSINESS AND COMMUNITY DEVELOPMENT LENDING													
State:	% of Small Businesses in LMI CTs	% of Reporters' Loans in LMI CTs*	Market Share			% of Bank's Loans in LMI CTs	% of Loans less than \$100,000	% of Loans to Small Businesses ♦	Bank Totals		Avg. Loan (000s)	Community Development Loans	
			Overall	LMI CTs	Parity **				#	\$(000s)		#	\$(000s)
ALASKA	25%	21%	1.30%	1.83%	3	25%	88%	74%	118	\$7,700	\$65	3	\$8,181
ARIZONA	29	28	16.24	18.03	47	29	91	81	6,999	374,500	54	7	9,050
CALIFORNIA	29	26	16.33	16.91	298	27	92	77	60,407	3,657,500	61	120	261,510
IDAHO	24	16	1.59	1.32	(6)	21	81	83	383	36,100	94	8	4,540
ILLINOIS	25	22	0.23	0.25	0	27	33	3	114	38,000	333	17	28,086
NEVADA	33	32	15.73	18.49	11	39	86	79	1,618	122,100	75	4	6,535
NEW MEXICO	33	30	3.87	3.82	(15)	26	95	84	984	65,300	66	2	5,300
NEW YORK	24	21	0.01	0.01	0	13	88	50	8	1,000	125	0	0
OREGON	18	15	4.46	5.36	26	20	87	86	976	86,600	89	27	38,506
WASHINGTON	24	25	15.00	13.48	(118)	21	88	80	10,046	684,000	68	53	43,940
LAS VEGAS, NV	13	19	19.19	18.58	(4)	17	83	75	3,071	278,500	91	3	36,350
PORTLAND, OR	25%	23%	6.00%	5.80%	(6)	22	82	80	2,501	269,000	108	22	25,426
Total States					236	26%	90%	78%	87,225	\$5,620,300	\$64	266	\$467,424

(\*) 1996 CRA Small Business Reporters

(\*\*) A negative means additional loans needed in LMI CTs to achieve parity to overall market share.

(♦) Percent of loans to businesses with revenues less than \$1 million when revenue was known.



## Investment Test

BANTSA AGGREGATE QUALIFIED INVESTMENTS									
State:	Affordable Housing and Economic Development			Contributions/ Grants			Total Investments		
	#	% # Bk	\$ (000s)	#	% # Bk	\$ (000s)	#	% # Bk	\$ (000s)
ALASKA	0	0%	\$0	11	1%	\$58	11	1%	\$58.4
ARIZONA	11	3	5,731	49	6	345	60	5	6,076
CALIFORNIA	171	53	181,270	290	33	2,384	461	38	183,654
IDAHO	1	0	45	20	2	108	21	2	153
ILLINOIS	32	10	65,861	155	18	2,970	187	16	68,831
NEVADA	7	2	9,546	20	2	134	27	2	9,680
NEW MEXICO	3	1	389	33	4	230	36	3	619
NEW YORK	24	7	9,145	11	1	173	35	3	9,318
OREGON	10	3	8,943	16	2	150	26	2	9,093
WASHINGTON	26	8	45,480	238	27	1,385	264	22	46,865
LAS VEGAS, NV	2	1	1,622	25	3	181	27	2	1,803
PORTLAND, OR	15	5	69,767	9	1	54	24	2	69,821
National Entities	23	7%	685	0	0%	0	23	2%	685
Total	325		\$398,484	877		\$8,171	1,202		\$406,654

## Service Test

BANTSA AGGREGATE DELIVERY CHANNELS														
State:	#				\$ Deposits (millions) 06/30/97	% of Bank	% # of Offices				% # of ATMs			
	Branch Offices	In-store Offices	ATMs	% of Offices			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
ALASKA	4	7	15	1%	\$110	0.1%	0%	27%	36%	36%	0%	33%	33%	33%
ARIZONA	119	25	440	9%	6,422	7.2%	4	22	37	36	5	22	37	35
CALIFORNIA	906	84	3,631	59%	62,505	70.2%	6	21	46	26	5	20	41	10
IDAHO	21	1	45	1%	187	0.2%	9	23	64	5	4	24	67	13
ILLINOIS	1	0	0	0%	6,160	6.9%	0	0	0	100	0	0	0	0
NEVADA	31	6	88	2%	1,032	1.2%	0	16	57	27	0	26	47	27
NEW MEXICO	29	12	102	2%	577	0.6%	0	15	54	32	0	19	43	38
NEW YORK	1	0	0	0%	0	0.0%	100	0	0	0	0	0	0	0
OREGON	35	4	68	2%	617	0.7%	3	15	74	8	4	21	65	10
WASHINGTON	258	33	839	17%	8,274	9.3%	3	22	59	16	4	23	57	16
LAS VEGAS, NV	45	9	192	3%	2,072	2.3%	6	9	50	35	6	16	51	28
PORTLAND, OR	50	6	145	3%	1,049	1.2%	2%	21%	64%	13%	3%	22%	59%	14%
Total All States	1,500	187	5,565	100%	\$89,005	100%								
% of Total Bank					80%									
Tot. Domestic Dep.					\$111,413									

## Compliance with Antidiscrimination Laws and Regulations

We performed a residential fair lending examination of BANTSA using the OCC's residential fair lending examination procedures. The examination included a sample of residential home purchase, refinance and home improvement loan applications. Our analysis also included a review of fair housing complaints registered against the bank.

To simplify this examination, we used statistical modeling programs developed by the OCC. We obtained data for 1,811 mortgage loan files. BANTSA processed these applications between January 1, 1996 and September 30, 1996. The data included HMDA and other relevant applicant information used in the underwriting process. Our sample from this data included only minority denials and white approvals. We checked the sample files to ensure the accuracy of the data and determined that the data quality was good. We also replicated 99% of the California home improvement files reported credit scores. Our analysis included separate statistical models of BANTSA's underwriting process.

The credit scoring portion of the examination focused on the California home improvement scorecard. BANTSA provided electronic information on home improvement loan applications, including the variables and weights employed in the scoring models, the product policy manual, and applicant HMDA data. The data-set we used included 10,030 loan applications processed during the first half of 1996. Our statistical analysis examined relevant issues to the scoring model.

### Fair Lending Conclusions:

- BANTSA does not process minority applications for residential home purchase, refinance and home improvement transactions in a disparate manner.
- We found no notable differences in BANTSA's application of its credit scoring policies by race of the applicant. Override reasons and policies were equally and consistently applied across racial groups.
- BANTSA's compliance review process, including training, is appropriate to insure compliance with antidiscrimination laws.
- Our analysis of fair lending complaints showed that BANTSA did not treat complainants in a disparate manner.
- BANTSA is in compliance with antidiscrimination laws and regulations.

We did not find any "reason to believe" that disparate treatment exists in BANTSA's underwriting of home purchase and home improvement applications. Our conclusion is based on our modeling and comparison process and evaluation of BANTSA's methods of soliciting residential loan applications.



# **ALASKA**

## ALASKA STATE RATING

**CRA Rating for Alaska:**            Satisfactory

**The lending test is rated:**    Low Satisfactory

**The investment test is rated:** Low Satisfactory

**The service test is rated:**    Low Satisfactory

### Description of Institution's Operations in Alaska

BANTSA has defined the Anchorage MSA, Aleutians West, Juneau, Kenai, Ketchikan, and Matanuska as its assessment areas. BANTSA serves this state with twelve offices and fifteen ATMs. Major competitors include National Bank of Alaska and First National Bank of Anchorage, the largest commercial banks in Alaska. Major competition in mortgage banking comes from City Mortgage Corporation and Norwest Mortgage, Inc. The loans BANTSA originated in this state during the review period, accounted for .5% of its total number and .2% of its total dollar volume. Further, the state accounts for .1% of the bank's domestic deposits. This ranks the state's market size number eleven out of the ten states and two Multistate MSAs evaluated.

The large size and location of Alaska contribute to high transportation expenses. This, combined with an overall weak infrastructure and fragmented population has led to high home construction costs and weak economic conditions, particularly in the remote rural areas. In recent communications with representatives of organizations serving the Alaska community, we learned that affordable housing and small business loans are among Alaska's primary credit needs. Much of Alaska's economy is dependent upon the industries of services (particularly tourism), fishing and timber. In examining the bank's performance in these areas, we focused particular attention on the more populated geographies of Anchorage and Juneau.

ASSESSMENT AREA PROFILE: ALASKA							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	356,880	100%		19%	17%	23%	41%
Median Income(\$)			\$53,737				
Census Tracts	108	100		5	15	50	24
Unemployment Rate - May 31, 1997	4%						
Owner-occupied Housing (#)	72,107	100		2	9	54	36
Median Housing Value (\$)			\$92,929				
Small Businesses	11,000	100%		4%	20%	52%	24%

## **Conclusions with Respect to Performance Tests in Alaska**

- **BANTSA's lending activity in Alaska represents an adequate response to the assessment area's credit needs.**
- **BANTSA's loan distribution to geographies throughout the state's assessment areas is good and its loan distribution to borrowers of different income levels is adequate.**
- **BANTSA made an adequate level of community development loans, grants, and services.**

### **LENDING TEST**

BANTSA's lending activity in Alaska represents an adequate response to the areas' credit needs. Its originations among home loans, small business and consumer loans for 1996 totaled 4,210 or \$56 million. Through the first six months of 1997, the bank's total loan originations, when annualized, are slightly below the 1996 level.

In 1996, the bank's volume of residential loan originations was among the top ten lenders in the state. However, its level of home purchase-related loans, the area's primary credit need, was low. That year, only 14% of its home loan originations were home purchase-related compared with more than 50% by other lenders.

In small business lending, another major credit need within the assessment area, BANTSA made a nominal level of 118 loans.

#### **Geographic Distribution:**

BANTSA's overall loan distribution to geographies throughout its assessment areas is good with lending occurring in most of the 108 census tracts. Its home loan distribution closely corresponds to the levels of owner-occupied housing within these geographies. In 1996, the bank had a 3% market share of residential loans and a comparable share in originations in LMI census tracts. The bank's loan performance in LMI areas for all residential loans, was also comparable to other lenders in the market.

The geographic distribution of BANTSA's small business lending is adequate. The proportion of lending was in reasonable proportion to the geographic location of the small businesses.

BANTSA's consumer lending among the census tracts was adequate. Automobile lending in the LMI areas was excellent, as was other consumer and credit card loans.

#### **Borrower Distribution:**

BANTSA's overall distribution of loans to borrowers of different income levels is adequate. In 1996, the level of home loans to LMI borrowers corresponded to the area's demographics.

The distribution of consumer loans by borrower income is adequate. The proportion of automobile and other consumer loans to borrowers within the four income categories reasonably correspond to the demographic composition of the assessment area.

The distribution of small business loans is good. During the review period, 73% of BANTSA's small business loans went to firms having annual revenues of less than \$1 million. This distribution corresponds reasonably well to the assessment area profile where approximately 75% of such businesses record less than \$1 million in annual revenues.

**Community Development Lending Activities:** BANTSA made an adequate level of community development loans considering the limited opportunities available in the area. During the review period, BANTSA financed three affordable housing-related projects totaling more than \$8 million, that benefited LMI individuals.

## **INVESTMENT TEST**

BANTSA has an adequate level of qualified community development grants, although rarely in a leadership position. Within the state's assessment areas, the bank provided eleven grants totaling \$58 thousand. In each case, the programs went to benefit LMI individuals or geographies, or small businesses.

The bank exhibits an adequate responsiveness to credit and economic development needs of the community. It provided community development loans to affordable housing related programs and financial related services to organizations promoting community development initiatives. The bank also provided grants to various organizations whose goals were to support community development efforts.

## **SERVICE TEST**

BANTSA's delivery systems are accessible to essentially all portions of its assessment areas. The locations of these facilities generally correspond to the heavier populated areas. In addition, the bank offers 24-hour customer service, computer banking, and Loan-By-Phone accessibility through any telephone.

BANTSA's opening and closing of branch locations has not adversely affected the accessibility of its delivery systems, particularly to LMI individuals or geographies. During the review period, the bank opened five branches and consolidated one branch.

The bank's services or business hours do not vary in a way that inconvenience LMI individuals or geographies. Again, the locations of the bank's branches and ATMs are generally consistent with population levels.



**Community Development Services:** BANTSA provides an adequate level of community development services. During the review period, they provided financial related services to six organizations as either a member of the board or project coordinator. The mission of these programs is consistent with community development.

## Anchorage MSA # 0380

### Description of Institution's Operations in the Anchorage MSA

The large size and location of Alaska contribute to high transportation expenses. This, combined with an overall weak infrastructure and fragmented population has led to high home construction costs and weak economic conditions, particularly in the remote rural areas. In recent communications with representatives of organizations serving the Alaska community, we learned that affordable housing and small business loans are among Alaska's primary credit needs. Much of Alaska's economy is dependent upon the industries of services (particularly tourism), fishing and timber. BANTSA serves this MSA with seven offices and nine ATMs.

ASSESSMENT AREA PROFILE: ANCHORAGE MSA # 0380							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	57,519	16%		6%	22%	43%	29%
Median Income(\$)			\$43,946				
Census Tracts	56	52		5	20	45	29
Unemployment Rate - May 31, 1997	5%						
Owner-occupied Housing (#)	43,664	61		2	11	46	41
Median Housing Value (\$)			\$69,800				
Small Businesses	7,184	65%		6%	32%	41%	21%

### Conclusions with Respect to Performance Tests in the Anchorage MSA

- **BANTSA's lending activity in Anchorage is an adequate response to the assessment area's credit needs.**
- **BANTSA has made an adequate level of community development loans and grants.**
- **BANTSA provides an adequate level of community development services.**

### LENDING TEST

The bank's lending activity in Anchorage represents an adequate response to the assessment area's credit needs. Its originations in home loans, small business and consumer loans for 1996 totaled 3,296 or \$45 million. Through the first six months of 1997, the bank's total loan originations, when annualized, are below the 1996 level.

In the category of home loans (loans for home purchase, refinance, or home improvement), for 1996, BANTSA made 210 home loans translating to a 3% market share. However, of this total, only 13% were home purchase-related which is the area's primary credit need. By contrast, 61% of all home loans made by other lenders in the assessment area were home purchase related. In small business lending, another major credit need within the assessment area, the bank had a nominal level of 105 loans during the review evaluation period.

### **Geographic Distribution:**

BANTSA's overall loan distribution to geographies throughout the Anchorage MSA is adequate with lending occurring in most census tracts. There were no significant gaps noted, although the home loan penetration was light in several geographies. The home loan distribution for LMI areas was 8% compared to a 13% owner-occupied housing level for the area. We note, however, that for 1996, the bank's residential loan market share was proportionate to its share of originations in LMI tracts.

BANTSA geographic distribution of small business lending is below demographics. Of 105 small business loans originated, 28% went to LMI areas and the remainder to middle and upper. This is below the location demographics, which show that 38% of the businesses are in LMI areas.

The geographic lending distribution of consumer loans, except automobile loans, is also weak. LMI areas total 25% of the assessment area and comprise 24% of the families in Anchorage. The bank had only 16% of its consumer loans to this segment. The remaining 84% went to middle and upper income geographies where 76% of the families reside.

### **Borrower Distribution:**

BANTSA's overall distribution of loans to borrowers of different income levels is below demographics. During the review period, the percentages of home loans to borrowers by income level were 15% LMI and 85% middle- and upper-income. The corresponding demographic representation is 38% and 62%, respectively. In 1996, the bank's overall market share of home loans was 2.8%, while its share of LMI borrowers was 1.7%. Additionally, the portfolio distribution of home loans to LMI borrowers by the bank was 16%, which was well below the 26% of other lenders' portfolios.

The distribution of consumer loans by borrower income is also below demographics. During the review period, 10% of these loans went to borrowers in the LMI category, yet 38% of the family population is at this income level. Within the consumer loan categories, the bank performed better on automobile and other consumer loans to LMI borrowers. However, it performed below demographics in the home equity and credit card segments.

BANTSA's distribution of small business loans is excellent. In its assessment area, 73% of the businesses have less than \$1 million in annual revenues. Of the bank's business loans of \$1 million and less, 73% were to companies with less than one million in annual revenues (using available data on business revenue size).

The bank exhibits an overall low responsiveness to highly disadvantaged geographies and low-income persons. During the review period, low-income borrowers received 2% of the bank's home loans when their representation is 6% (by family). In 1996, the bank made only five of its 210 home loans to low-income borrowers, or 2%. By contrast, other lenders made 7% of their home loans to low-income individuals. On a geographic basis, BANTSA's percentage home lending to low-income census tracts was well below the percentage of owner-occupied housing within those tracts.

The bank's penetration of consumer loans to low-income individuals was also low at 4%. This was more pronounced in the home equity and credit card segments. The performance was better with automobile and other consumer loans.

BANTSA's lending to very small businesses is adequate. In its assessment area, 73% of the businesses have less than \$1 million in annual revenues. Again, the bank originated 73% of its small business loans, to companies with less than \$1 million in revenues. The geographic distribution, however was less complimentary. The bank made 2% of its small business loans in low-income geographies where 6% of the small businesses are located.

**Community Development Lending Activities:** BANTSA has made an adequate level of community development loans. During the review period, it was a lender for three affordable housing related projects (Jewel Lake 1&2 and Brighton Park) totaling \$8 million, targeted to LMI individuals. As mentioned, affordable housing is identified as a primary credit need in the MSA.

## **INVESTMENT TEST**

BANTSA made an adequate level of qualified community development grants, particularly those that are not routinely provided by private investors. BANTSA made seven grants for the direct benefit of the Anchorage area totaling \$38,600. They used these funds to benefit LMI individuals.

The bank exhibits an adequate responsiveness to credit and community economic development needs. It provided community development loans to affordable housing related programs and financial services to organizations promoting community development initiatives. The bank also provided grants to organizations whose goals were to support various community development efforts.

## **SERVICE TEST**

BANTSA's delivery systems are accessible to essentially all portions of its assessment areas. The geographic locations of its branches, however, do not include a presence in a low-income census tract. This absence is mitigated as only three census tracts are low-income. Additionally, these tracts represent only 6% of the household population. Lastly, the bank's offering of 24-hour customer service, computer banking, and Loan-By-Phone, which is accessible through any telephone, increases the access to its services.

The institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to LMI individuals or geographies. During the review period, BANTSA opened three branches and closed one branch. No LMI census tracts were involved.

The bank's services/business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly LMI individuals or geographies. Again, the bank's offering of 24-hour customer service, computer banking and Loan-By-Phone makes its services more readily accessible to all.

**Community Development Services:** The institution provides an adequate level of community development services. During the review period, financial related services were provided to the following organizations as either a member of the board or project coordinator. The mission of each of these programs is consistent with the community development definition.

- Womens\$ Fund, Anchorage
- Christmas in May, Anchorage
- United Way
- Small Business Development Center, Alaska
- Habitat for Humanity - The Women's House

## JUNEAU ASSESSMENT AREA

### Description of Institution's Operations in the Juneau Assessment Area

The city of Juneau serves as the hub of the Juneau Borough, which is accessible by plane and sea. Tourism and the government sector fuel the economy. Juneau's lack of housing is a major barrier to its economic growth. Its housing vacancies are low and rental rates are high. BANTSA serves this area with one office and one ATM.

ASSESSMENT AREA PROFILE: JUNEAU							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	26,751	8%		12%	13%	23%	52%
Median Income(\$)			\$48,500				
Census Tracts	8	7		0	0	38	38
Unemployment Rate -May 31, 1997	4.7%						
Owner-occupied Housing (#)	5,764	8		0	0	48	60
Median Housing Value (\$)			\$117,579				
Small Businesses	1,212	11%		0%	0%	72%	28%

### Conclusions with Respect to Performance Tests in the Juneau Assessment Area

- **BANTSA's lending activity in Juneau was extremely limited during the review period, consisting mostly of credit cards. Of the home loans originated, its distribution by geography was good, but low by borrower profile.**
- **Investments were also extremely limited.**
- **Services are adequate overall, service accessibility, branch locations, and hours of operation are reasonable.**

### LENDING TEST

The bank's lending volume in the Juneau assessment area was limited and concentrated primarily in credit card activity. In 1996, it originated 399 loans for \$3.3 million of which 363 or \$1.6 million were credit cards. They did not make any small business loans. This trend continued through the first six months of 1997. Overall, this institution is not a major lender in the Juneau area.

### **Geographic Distribution:**

BANTSA's overall loan distribution throughout the Juneau area is good. Its lending penetrated the six tracts that are classified middle and upper income levels. During the review period, 42% of the bank's loans went to middle-income tracts and the remaining 58% went to upper-income tracts. This penetration is nearly identical to the family population percentages of the two tracts and thus represents a strong performance for the limited level of lending conducted.

### **Borrower Distribution:**

Again, BANTSA's overall lending level is low and its distribution to borrowers of different income levels is below demographics. While none of the census tracts are LMI, 12% of the family population is low-income and another 13% is moderate-income. During the review period, the bank's twenty-five home loans went to borrowers with either middle- (12%) or upper-income levels (88%). The distribution of consumer loans appeared better. However, the lack of borrower income data precluded any meaningful analysis.

Of the available information on borrower income profiles, the bank exhibits a low responsiveness to highly disadvantaged individuals. Although as previously discussed, the lending in the Juneau area was low. Low-income borrowers received none of the bank's twenty-five home loans, despite their 12% representation of the family population in Juneau. Consumer loan data was limited and thus precluded any meaningful analysis.

The bank did not have any community development lending activities that directly benefitted the Juneau assessment area. Refer to the Alaska state narrative for statewide benefits.

### **INVESTMENT TEST**

BANTSA provided a \$15,000 grant to the Tlingit-Haida Regional Housing Authority, an organization that helps the development of affordable housing to LMI individuals. Besides this, the bank provided various grants that went to benefit the Alaska state as a whole. Refer to the Alaska state narrative for statewide benefits.

The bank has not participated in any community development activities that directly benefitted the Juneau assessment area, other than those previously mentioned. Refer to the Alaska state narrative for statewide benefits.

### **SERVICE TEST**

BANTSA's overall delivery systems are reasonably accessible to essentially all portions of its assessment area. While the institution has only one in-store branch with an on-site ATM, it is situated in a middle income geography. Moreover, 43% of the families reside in middle income geographies and the remainder in upper income areas. The bank's 24-hour customer service, computer banking, and Loan-By-Phone accessibility through any telephone provides a further vehicle from which they can better access its services.

BANTSA's opening and closing of branches has not adversely affected the accessibility of the bank's services. During the review period, the bank opened one in-store branch with an on-site ATM machine. This branch is in a middle-income area. In the assessment area, nearly half the population resides in middle-income areas, with the remainder in upper income areas. Again, with the 24-hour customer service and Loan-By-Phone program, the accessibility of the bank's services is reasonable.

The bank's services do not vary in a way that inconveniences certain portions of the assessment area. Juneau has no LMI areas.

**Community Development Services:** The institution did not participate in community development services that directly benefit the Juneau assessment area. Refer to the Alaska state narrative for statewide benefits.



## ALASKA AGGREGATE TABLES

AGGREGATE RESIDENTIAL LENDING										
State: ALASKA Assessment Area:	Demographics		Lending Distribution		Market Share*			#	\$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
ANCHORAGE # 0380	13%	38%	8%	32	1.61%	1.36%	.94%	266	\$22,200	\$83
Aleutians West	0	43	0	0	NA	NA	NA	2	200	100
Juneau	0	36	0	0	1.39	NA	0.00	25	2,100	84
Kenai	6	34	0	11	NA	NA	NA	18	1,200	67
Ketchikan Gateway	0	28	0	30	NA	NA	NA	10	700	70
Matanuska-Susitna	13	36	14	25	2.06	1.30	2.30	44	3,200	73
Total State	11%	36%	8%	15%	1.44	1.03	.94%	365	\$29,600	\$81
<b>% of Total Bank</b>						0.0%	0.0%	0%	0%	
Total Bank								146,055	\$16,951,400	\$116
LMI Parity**						(3)	(12)			

(\*) 1996 HMDA Reporter Market Share

(\*\*) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE CONSUMER LENDING							
State: <b>ALASKA</b> Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	\$ (000s)	Avg. Loan (000s)
ANCHORAGE # 0380	38%	25%	10%	16%	4,212	\$29,700	\$7
Juneau	28	0	4	0	541	2,900	5
Kenai	34	10	9	1%	179	1,000	6
Matanuska	36	27	8	10	249	1,700	7
Ketchikan	30	0	6	0	190	1,000	5
Aleutians West	43	33	7	0	171	700	4
Total State	36%	29%	9%	12%	5,542	\$37,000	\$7
% of Total Bank					1%	0%	
Total Bank					877,912	\$7,758,000	\$9

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: <b>ALASKA</b> Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity **	#	\$ (000s)	Avg. Loan (000s)	#	\$ (000s)
ANCHORAGE # 0380	35%	28%	2.93%	3.84%	5	105	\$7,300	\$70	3	\$8,181
Aleutians West	0	0	0.47	0.15	(2)	4	100	25	0	0
Juneau	0	0	0.36	NA	NA	0	0	??	0	0
Kenai	4	0	0.11	NA	NA	2	0	0	0	0
Ketchikan Gateway	0	0	1.03	0.00	0	2	200	100	0	0
Matanuska-Susitna	3	0	2.13	NA	NA	5	100	20	0	0
Total State	25%	25%	4.46%	5.36%	3	118	\$7,700	\$65	3	\$8,181
% of Total Bank					0.0%	0%	0%		1%	2%
Total Bank						87,225	\$5,620,300	\$64	266	\$467,424

(\*) 1996 CRA Reporter Market Share Loans to Businesses with Revenues of less than \$1 million

(\*\*) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST									
State (ST): <b>ALASKA</b> Assessment Areas:	Affordable Housing and Economic Development			Contributions/ Grants			Total Investments		
	#	% # ST	\$ (000)	#	% # ST	\$ (000)	#	% # ST	\$ (000)
ANCHORAGE # 0380	0	0%	\$0	7	64%	\$39	7	64%	\$39
Kenai	0	0	0	0	0	0	0	0	0
Aleutians West	0	0	0	1	9	3	1	9	3
Juneau	0	0	0	1	9	15	1	9	15
Matanuska	0	0	0	0	0	0	0	0	0
Ketchikan	0	0	0	0	0	0	0	0	0
Statewide	0	0	0	2	18%	2	2	18%	\$2
Total State (ST)	0		0	11		\$59	11		\$59
% of Total Bank	0%		0%	1%		1%	1%		0%
Total Bank	325		\$398,484	877		\$8,171	1,202		\$406,655

AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: <b>ALASKA</b> Assessment Areas:	#				\$ Deposits (millions)	% of State					% # of Branches% # of ATMs			
	Branch Offices	In-store Offices	ATMs	Offices % of State			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
ANCHORAGE # 0380	3	4	9	58%	\$90	82%	0%	43%	28%	28%	0%	56%	22%	22%
Kenai	0	1	1	8	2	2	0	0	100	0	0	0	100	0
Juneau	0	1	1	8	3	2	0	0	100	0	0	0	100	0
Aleutians West	1	0	2	8	6	5	0	0	0	100	0	0	0	100
Matanuska	0	1	1	8	5	5	0	0	100	0	0	0	100	0
Ketchikan	0	1	1	8	4	4	0	0	0	100	0	0%	0%	100%
Total State	4	8	15	100%	\$110	100%	0%	25%	42%	33%	0%	33%	33%	33%
% of Total Bank	0.3%	4.3%	2.7%	1.2%	0.1%									
Total Bank	1,500	187	556		\$111,413									

# ARIZONA

## ARIZONA STATE RATING

**CRA Rating for Arizona<sup>1</sup>: Satisfactory**

**The lending test is rated: Low Satisfactory**

**The investment test is rated: High Satisfactory**

**The service test is rated: High Satisfactory**

### **Description of Institution's Operations in Arizona**

BAC entered the retail banking market in Arizona in June 1990, when it purchased assets and liabilities of the former Western Savings and Loan Association from the Resolution Trust Corporation. On January 1, 1997, Bank of America state banking charters in Arizona, Nevada and New Mexico were consolidated into BANTSA's charter. BANTSA is the state's second largest commercial bank, with a 27% share of the state's deposits. It provides retail, commercial, trust and private banking services to more than half-a million customers. The loans BANTSA originated in this state during the review period, accounted for 8.3% of its total number and 6.8% of its total dollar volume. Further, the state accounts for 5.8% of the bank's domestic deposits. This ranks the state's market size number three out of the ten states and two Multistate MSAs evaluated.

A major challenge to the bank in serving its customers is the state's population dispersion and land ownership. Arizona remains one of the ten least populated states in the country. Maricopa County has more than 61% of the state's population. The government owns one-half of the state's land, including the Grand Canyon National Park, while twenty-one Indian reservations own a quarter of the state's land.

BANTSA has identified five assessment areas in Arizona; the Phoenix MSA (Maricopa and Pinal Counties), the Tucson MSA (Pima County), the Flagstaff MSA (Coconino County), the Yuma MSA (Yuma County), and Rural Arizona (Cochise, Gila, Graham, La Paz, Navajo, Santa Cruz, and Yavapai Counties.) The assessment areas reflect either MSA boundaries or contiguous counties, and define where branches are found. BANTSA serves this state with 144 offices and 440 ATMs.

Major competitors include Bank One and Wells Fargo Bank, the largest commercial banks in Arizona. Major competition in mortgage banking comes from Countrywide and Norwest mortgage companies.

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<sup>1</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

Arizona is experiencing sustained economic and employment growth. Phoenix is the metropolitan leader with job growth of 5.7%, while Tucson lags behind, adding jobs at just a 2.2% pace. Arizona's manufacturing industry has a much higher component of high-tech production than the national average. Defense-related activity accounts for 20% of this industry. Arizona's probusiness tax legislation and regulatory environment, combined with a relatively low-cost workforce attracts many firms.

Arizona has experienced a relatively stable real estate market, however, this has not been the case for affordable housing. The increasing number of people moving into the state and the growing economy have resulted in rising housing costs including rents, and reduced vacancy rates. The rapid escalation in home values and rental rates is reducing housing stock available for lower income persons.

We considered information gathered from community contacts. They included the City of Phoenix, Community and Economic Development Division, the Office of Community Development of Maricopa County, the Arizona Multibank, Dynamic Program Planning, Inc., Housing for Mesa, City of Glendale Neighborhood Revitalization Division and Maricopa County Department of Planning and Infrastructure Development.

ASSESSMENT AREA PROFILE: ARIZONA							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	3,502,132	100%		20%	18%	23%	39%
Median Income(\$)			\$43,493				
Census Tracts	757	100		7	24	39	29
Unemployment Rate - May 31, 1997	4.5%						
Owner-occupied Housing (#)	839,247	100		3	20	43	34
Median Housing Value (\$)			\$81,110				
Small Businesses	94,737	100%		5%	24%	39%	32%

### Conclusions with Respect to Performance Tests in Arizona

- **The geographic, borrower and business income distributions of residential, consumer and small business loans show adequate penetration throughout its assessment areas. Further, BANTSA has made a relatively high level of community development loans.**
- **BANTSA has an adequate level of qualified, occasionally complex, investments that are responsive to the credit and economic development needs of the community.**

- **BANTSA's delivery systems are accessible to essentially all portions of its community.**

The lending and service tests performance for the Flagstaff and Yuma MSAs is similar to the Rural Arizona performance. However, the results of the investment test for these two MSAs reflect less than adequate performance. Other than limited grants, no other investments made in these non-targeted MSAs.

Our evaluation focused primarily on BANTSA's performance in the Phoenix-Mesa and Tucson MSA and the Rural Arizona Assessment Area. We also compared for consistency the bank's CRA activities in the Flagstaff and Yuma MSAs.

## **LENDING TEST**

BANTSA's loans are adequately dispersed among individuals of different income levels and excellently distributed to businesses of different size.

The overall geographic distribution of these loans, does not compare favorably to the demographics of the area or its residents.

BANTSA has an adequate record of serving the credit needs of low-income individuals. It also has an excellent record of service to businesses with gross revenues of \$1 million or less.

BANTSA's high level of community development lending has used flexible and complex lending practices to help address the credit needs of LMI individuals or geographies.

BANTSA's loan volume compared to the bank's deposit base is reasonable and depicts an acceptable response to the community's credit needs, particularly that of the highly economically-disadvantaged areas. Further, in 1996, BANTSA's portfolio distribution of loans to LMI borrowers matched or exceeded the distribution of all HMDA reporters and is evident in the Phoenix MSA.

### **Geographic Distribution:**

BANTSA's geographic distribution of the loan activity did not compare favorably with the demographics of the state's assessment areas. However, the small business loans are adequately dispersed when compared to the location of the businesses. Also, almost 91% of the small business loans were for less than \$100,000. This size of the loan helped address one of the state's more pressing business credit needs.

### **Borrower Distribution:**

BANTSA's loan activities show acceptable lending to LMI borrowers in relation to the demographic data. The residential lending table shows that the bank's distribution of



originations is below the state's demographic composition. However, the bank's consumer lending activities reflect an appropriate distribution among individuals of different income levels. More important, the level of auto and other consumer loans to LMI borrowers is good. In addition, BANTSA had an excellent penetration of businesses with revenues less than a million, as 81% of its lending went to these small businesses.

**Community Development Lending Activities:** Supplementing BANTSA's performance in lending to the economically-disadvantaged areas and individuals is its high level of community development loans. Three loans were construction loan projects to provide single family homes to lower-income households. Four were apartment complex transactions for low-income residents. Most of these loans are complex and required flexible lending criteria. In addition, many involved the use of Low Income Housing Tax Credits (LIHTC). One loan made in Phoenix included the bank's own equity investment in an LIHTC. The two loans made in Yuma involved Direct Subsidy Grants from the Federal Home Loan Bank Affordable Housing Program. These types of loans require a significant amount of time to package, review and process. This is because of the documentation and audit requirements either from HUD or other state and federal funding agencies.

BANTSA offers a full range of housing, consumer, and business loan products, which include several very flexible programs. A recent undertaking is the bank's use of the HUD 184 Native American Home Loan Program. Under this program, HUD provides a 100% guarantee on loans to tribal members and designated tribal housing authorities. Most of the Indian Reservations are found in LMI census tracts.

## **INVESTMENT TEST**

BANTSA has an adequate level of qualified investments primarily concentrated in the Phoenix MSA. Other financial institutions routinely provide a majority of these investments. These investments include six Navajo Indian New Public Housing Bonds and participation in a community development corporation. The bank is one of two banks that made a \$3 million commitment to fund the \$10 million total equity goal of the Arizona Multibank Community Development Corporation (Multibank). Through the review period, the bank had funded more than \$2 million of their commitment.

Management provides a leadership role in its involvement with the Multibank. A BANTSA officer currently chairs the Board of the Multibank. The Multibank is a partnership between thirteen investing banks and the community. The Multibank was an initiative of the Arizona Bankers Association and its member banks. It provides financial and technical assistance to small business owners, nonprofit organizations and affordable housing projects throughout the state. BANTSA's investment in the Multibank and the LIHTC transactions represent complex investments benefiting LMI individuals throughout the state.

The bank also used grants to respond to statewide credit and community development needs. Grant beneficiaries that foster affordable housing include the Mercy Housing, Housing for Mesa, United Housing, and Navajo Housing Partnership. Contributions to the Sunnyslope Village

Revitalization, Inc. and Christmas in April - Santa Cruz County, are examples of grants to promote neighborhood revitalization. These activities are reflected in the Investment Test table below.

## **SERVICE TEST**

The distribution of BANTSA's retail branches and ATMs closely approximates the demographics of the state. During the review period, the bank closed nine branches and opened ten offices. The overall change provided more access in the upper-income areas. Nonetheless, these statewide changes have not adversely affected the accessibility of the bank's delivery systems. They remain reasonably accessible to essentially all portions of the institution's assessment areas.

The products provided in each branch are essentially the same. Before the entry of BANTSA's affiliate, Bank America Mortgage Group, into the Arizona market in 1996, home purchase loans were processed through the branch system. Now, home mortgage products are delivered by the retail system, loan-by-phone (a toll-free number), and through the wholesale brokers. Branch business hours do not vary in a way that inconveniences portions of the bank's assessment area, particularly LMI geographies or individuals. The extensive ATM network allows the customers of all income levels and from all geographies, 24-hour access to cash or account information.

## PHOENIX MSA # 6200

### Description of BANTSA's operations in the Phoenix MSA

This MSA includes Maricopa and Pinal Counties. Maricopa County residents make up more than 60% of the state's population. Two of Arizona's Indian Reservations are within this MSA and parts of three are found here. BANTSA serves this MSA with 95 offices and 315 ATMs.

The city of Phoenix evolved from an agrarian community into a large metropolitan center. Phoenix has a diversified economy based on bio-industry, business services, high tech industry, tourism, transportation, and software. Principal employers of the MSA are manufacturing, the government sector and retail trade and service sectors. Throughout the review period, the MSA's unemployment rate declined.

The county's sustained growth has driven residential permit requests to an all-time high and has led to escalating rents. Increasing housing costs are expected to outpace income growth. Median rents have increased 12% since 1990. Community contact information showed that affordable housing, rehabilitation and redevelopment loans are the area's most pressing credit needs. Despite the favorable employment environment, the major factor affecting the availability of affordable housing is the number of service sector jobs and the ability of employees in this category to pay for their housing.

BAC has three operations originating credit within the MSA. Both BANTSA and BA-FSB originate residential credit. BA-FSB is a dominant home purchase lender in LMI areas and supplements BANTSA's lending activity. However, they have not allocated BA-FSB originations to BANTSA and were not included in the MSA's review.

ASSESSMENT AREA PROFILE: PHOENIX MSA #6200							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	2,238,480	61%		20%	18%	23%	39%
Median Income(\$)			\$47,500				
Census Tracts	490	65		6	25	38	30
Unemployment Rate -May 31, 1997	2.8%						
Owner-occupied Housing (#)	539,494	64		3	21	42	34
Median Housing Value (\$)			\$85,627				
Small Businesses	64,170	68%		5%	26%	36%	32%

## **Conclusions with Respect to Performance Tests in the Phoenix MSA**

### **LENDING TEST**

BANTSA's overall distribution of loans to borrowers of different income levels and businesses of different sizes, is acceptable.

BANTSA's distribution of residential loans does not compare favorably to the MSA's demographics, however, its small business lending positively reflects the distribution of the MSA's small businesses.

To supplement its lending activity BANTSA used community development loans and investments to help meet the MSA's critical credit needs.

### **Geographic Distribution:**

BANTSA's geographic distribution of residential lending is only fair. The bank's activity in LMI areas is less than other institutions and its market share is slightly below its overall market share. Further, its level of consumer loans made in LMI areas also does not compare favorably to the distribution of the MSA's areas.

BANTSA's small business loans are adequately distributed throughout the MSA. The bank shows satisfactory distribution of small business loans to businesses of different sizes. The bank extended most of its loans to businesses that have annual revenues of less than \$1 million. Further, 91% of the total number of loans extended during the assessment period were for loans \$100 thousand or less.

### **Borrower Distribution:**

BANTSA's residential and consumer loan activities show reasonable lending to LMI borrowers. When comparing the bank to its peers, its portfolio distribution to these borrowers performed better than the average of all banks in the area. The average distribution of loans to LMI borrowers for all banks in the MSA was 6.2% and 17.2% versus BANTSA's distribution of 7.5% and 17.3%, respectively. Further, the bank's market share of LMI borrowers met or exceeded its overall market share.

**Community Development Lending Activities:** BANTSA provided \$3.75 million in permanent financing for a 183-unit affordable housing apartment complex. This is a flexible community development loan that also used low-income housing tax credits (LIHTC) and was the bank's first LIHTC equity investment in Arizona. Recent bank initiatives are the HUD 184 Native American Home Loan Program and Title 1 Home Improvement Loans through the City of Phoenix. The HUD 184 program provides flexible criteria on housing loans for properties in Native American reservations. The Title 1 program positions the bank as the exclusive lender providing affordable home improvement financing to LMI families residing in the City of Phoenix.

## **INVESTMENT TEST**

BANTSA has a reasonable volume of qualified investments of which two are complex in nature. It has exhibited occasional leadership roles not only in providing grants but also in its involvement with the Arizona Multibank Corporation. The scarcity of investment opportunities in Phoenix magnifies the importance of these activities. The area has less than five nonprofit developers that have the capacity for low income housing tax credit deals. Further, bidding for the deals that come to fruition is extremely competitive. A project receiving little attention from the banking community is the financing of the Phoenix Industrial Authority, a separate entity from the city.

BANTSA has funded 75% of its \$3 million commitment to the Arizona Multibank Corporation (Multibank). Participation in this activity benefits not only this assessment area but the whole state. The Multibank investment and LIHTC, stemming from its \$3.75 million community development loan is complex. While not complex, BANTSA's certificate of deposit investment in another CDC provided funds to promote small business lending.

Through these various investments and many grants, BANTSA shows good response to credit and community development needs. Examples of the grants' beneficiaries were Homeward Bound, National American Indian Enterprise Development, Valley Community Revitalization Project, Carl Hayden Youth Center, and the Glendale Housing Development Organization.

## **SERVICE TEST**

BANTSA has provided a relatively high level of community development services and in several occasions played a leadership role. Its delivery systems are reasonably accessible and services do not vary in a way that inconveniences certain portions of the assessment area, particularly LMI geographies or individuals.

BANTSA's officers and employees have extended significant financial and technical expertise to promote affordable housing, neighborhood revitalization and small business lending to various organizations. Examples of these organizations are the Salt River Pima/Maricopa Indian Tribe, Sunnyslope Village Revitalization, and the Habitat for Humanity. Its leadership role was highly evident in the service it provides to groups like the Phoenix Local Initiatives, Neighborhood Housing Services, the Friendly House, and the Consumer Credit Counseling Services.

During this assessment period, the bank closed six and opened five branches. None of the closed branches were in low income census tracts. However, two were in moderate-income tracts. This did not adversely affect the accessibility of its delivery systems. Based on the demographic data, the current distribution of branches can reasonably service the moderate-income population.

## TUCSON MSA # 8520

### Description of BANTSA's operations in the Tucson MSA.

This MSA includes Pima County. BANTSA has a significant presence offering a full suite of consumer and business banking products. In September 1996, BANTSA opened its first Native American branch within the Tohono O'Odham reservation. Members of the tribe staff it solely. The Pasqua Yaqui and the Salt River Indian Reservations are also in the MSA. BANTSA serves this MSA with 27 offices and 75 ATMs.

The University of Arizona is a major asset both culturally and economically. Along with the federal, state, and local government, it is one of the two largest employers. Manufacturing is also a driving economic force with high technology firms such as AiResearch and Hughes Aircraft. Tourism figures prominently as well, with more than \$2.3 billion produced through hotel and resort-related activities over the past year. While economic conditions have been on the upswing since the early 1990's, housing affordability in the area is below national averages. The average home buyer can afford 55% of the homes in the market. This limited affordability is the result of rising home prices (up 5% in 1996) and stagnating wages. The area has seen a reduction in inexpensive single room occupancy hotels, a critical housing resource for low-income single individuals.

A community contact with the Tucson Urban League noted that more residential loans are required in South Tucson, an LMI area. Additionally, consumers need automobile financing at affordable rates. Public transportation is not viable as it can take two to three transfers to get to most work destinations.

ASSESSMENT AREA PROFILE: TUCSON MSA # 8520							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	666,880	18%		21%	18%	22%	39%
Median Income(\$)			\$40,100				
Census Tracts	115	2		9	30	35	27
Unemployment Rate - May 31, 1997	3.1%						
Owner-occupied Housing (#)	159,467	19		3	20	39	38
Median Housing Value (\$)			\$78,704				
Small Businesses	16,120	17%		9%	27%	34%	31%

## **Conclusions with Respect to Performance Test in the Tucson MSA**

### **LENDING TEST**

Overall lending performance of BANTSA in the lending test is generally adequate. This is based on the issues noted below.

The distribution of loans across all income levels of geographies does not compare favorably to the area's demographics. However, it is satisfactory among individuals of different income levels and businesses of different size.

BANTSA has an adequate level of community development loans, some of which incorporate complex lending practices.

#### **Geographic Distribution:**

BANTSA's response to the credit needs of the Tucson MSA is diverse. Its residential and consumer loan distribution shows weakness in LMI geographies when compared to area demographics. However, the bank's automobile and other consumer loans were more appropriately distributed among different geographies.

BANTSA's lending to small businesses is adequately distributed between geographies and shows leadership in the community. Further, it shows a good response to the credit needs of small businesses as most of the loans are to small business with gross revenues of \$1 million or less. Also, micro loans (\$100,000 or less) represent 92% of its total loans.

#### **Borrower Distribution:**

While the distribution of BANTSA's residential loans among individuals of different income levels remains weak, consumer loans are better distributed across all individual income levels. Again, the bank's distribution of automobile and other consumer loans closely mirrored the demographics of the MSA. BANTSA's portfolio distribution of its residential loans to LMI borrowers made up 21.4% of its activity compared to all banks' distribution of 21.5%.

**Community Development Lending Activities:** BANTSA made an adequate level of community development loans. During the review period, it originated two permanent financing packages for apartment complexes targeting LMI renters. These are considered complex as both involved working with HUD through the 241 (f) program.

### **INVESTMENT TEST**

The only qualified investments BANTSA made in this MSA are contributions to nine organizations that promote affordable housing, economic development and neighborhood revitalization. They made these grants, aggregating \$40 thousand, to the PP Microbusiness and Housing Development, Primavera Builders, Pasqua Yaqui Tribe, and others. While these grants

do not require innovation, they reflect the bank's responsiveness to the community's developmental needs.

## **SERVICE TEST**

BANTSA's branches, in-store offices and ATMs are accessible to essentially all portions of this MSA. The distribution of these delivery systems approximates the demographic distribution by income level and by census tract. Changes in the delivery systems have not inconvenienced any particular group. The bank closed two branches in the moderate-income locations and one branch in an upper income area. It also opened two new branches in LMI census tracts, one each. One of these was the Sells branch in the Tohono O'Odham Reservation.

Products available in each branch are essentially the same and do not vary across income levels. The bank has provided an excellent level of community development services through its contacts with various agencies, promoting affordable homeownership, economic development and neighborhood revitalization. Examples of these groups include the Southern Arizona Housing Center, Haven of Hope, PCC Small Business Class, Pasqua Yaqui Tribe, and the Sunny Side High School.



## RURAL ARIZONA ASSESSMENT AREA

### Description of BANTSA'S operations in the Rural Arizona Assessment Area

This assessment area includes the counties of Cochise, Gila, Graham, La Paz, Santa Cruz and Yavapai. Within this assessment area are eight Indian Reservations. BANTSA serves this area with 18 offices and 35 ATMs.

Manufacturing, mining, tourism, and agriculture continue to drive economic forces in these regions, with high technology firms finding rural Arizona increasingly attractive. About one-quarter of the state's agricultural acreage yields cotton, the state's principal crop. Cattle and mining operations are two major mainstays of the Native American economy.

The Arizona State University Center for Business Research recently noted that the single family housing sector in rural Arizona will continue to grow. This is more evident in the second and/or retirement home markets as these buyers seek housing away from traffic, pollution, crime and other problems of the large cities. Consequently, the pressure of increased demand will affect housing affordability, particularly the LMI population.

ASSESSMENT AREA PROFILE: RURAL ARIZONA							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	393,286	11%		22%	18%	20%	40%
Median Income(\$)			\$31,200				
Census Tracts*	103	14		6	15	50	25
Unemployment Rate -May 31, 1997							
Owner-occupied Housing (#)	98,340	12		4	10	55	31
Median Housing Value (\$)			\$66,125				
Small Businesses	10,002	11		0%	6%	61%	32%

### Conclusions with Respect to Performance Tests in the Rural Arizona Assessment Area

#### LENDING TEST

#### Geographic Distribution:

BANTSA showed weak performance in this assessment area. Its residential, small business and consumer loans in LMI geographies were significantly below the area's demographics. Even automobile and other loans, which have generally been the lending types where the bank has

shown adequate performance, remained inequitably dispersed to the detriment of the LMI areas. Management has identified under performance in four LMI tracts. However, it has not yet improved its performance. The bank's loans to small businesses came the closest to approximating the area's business demographics.

### **Borrower Distribution:**

BANTSA's distribution of residential and consumer loans among individuals of different income levels are better than the distribution among different geographies. However, the overall performance remains below performance levels it achieved in other Arizona areas.

BANTSA has an adequate record of serving the credit needs of highly economically disadvantaged low-income individuals. When compared to the performance of all banks in the area, BANTSA made 5.9% of its residential loans in LMI geographies compared to all other banks' residential lending of 6.5%. BANTSA's residential loan portfolio distribution to LMI borrowers total 17.3% compared to all banks' at 11.4%. The bank's overall market share for residential loans during the period was 5.9%. The bank shows an excellent response to the credit needs of small businesses as 100% of its small business loans were to businesses with gross revenues of \$1 million or less. Also, its micro loans (\$100,000 or less) made up 95% of its total loans.

**Community Development Lending Activities:** The bank has made an adequate level of community development loans. During the review period, it made two loans, one was a construction loan used for the development of a single-family home subdivision targeting LMI households in Nogales. The other loan financed the construction of an apartment complex in Douglas also benefiting LMI individuals. Both projects are complex as they involved LIHTCs and guarantees from other state and federal agencies.

### **INVESTMENT TEST**

BANTSA has an adequate level of qualified investments. It invested in six Navajo Indian Public Housing Bonds, which general investors have routinely provided. This investment did not require use of innovative or complex ideas and activities.

The bank provided \$86 thousand in grants to eight beneficiary agencies to foster economic development, affordable housing, and neighborhood revitalization. Examples of these agencies are Copper Community Research and Development and Christmas in April.

### **SERVICE TEST**

BANTSA's delivery system is accessible to limited portions of the bank's assessment area. The bank has no branches or ATMS in the low-income tracts. The percentage of delivery systems in the moderate-income tracts barely supports the combined population level of this group. The delivery systems are concentrated in the middle-income tracts.

In 1996, the bank opened a branch in a moderate-income area. The change will help provide better access to the LMI geographies and individuals. No branches were closed.

Despite the vast area the assessment area covers, the bank has successfully provided a high level of community development services. Bank officers have provided various organizations not only leadership, but also technical services to promote economic development, affordable home ownership, and neighborhood revitalization. Examples of these organizations are The City of Safford Housing Forum, Cochise Community college, Nogales-Santa Cruz Economic Development Foundation, and the Colorado River Indian Tribes.

## ARIZONA AGGREGATE TABLES

AGGREGATE RESIDENTIAL LENDING										
State: ARIZONA Assessment Area:	Demographics		Lending Distribution		Market Share*			#	\$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
FLAGSTAFF # 2620	17%	39%	4.2%	12%	4.77%	1.45%	5.20%	285	19,600	\$69
PHOENIX # 6200	24	38	11	24	3.59	3.11	4.07	9,507	748,100	79
TUCSON # 8520	23	38	14	20	4.22	3.80	4.06	1,923	101,700	53
YUMA # 9360	29	38	16	20	4.22	2.95	2.97	193	11,100	58
RURAL ARIZONA	14	40	6	16	NA	NA	NA	873	39,800	46
Total State	23	38	11	22	3.51%	3.15%	4.01%	12,781	\$920,300	\$72
<b>% of Total Bank</b>						0.1%	0.1%	9%	5%	
Total Bank								146,055	\$16,951,400	\$116
LMI Parity**						(126)	146			

(\*) 1996 HMDA Reporter Market Share

(\*\*) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE CONSUMER LENDING by Income Level of Borrower							
State: <b>ARIZONA</b> Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	\$ (000s)	Avg. Loan (000s)
FLAGSTAFF # 2620	39%	20%	35%	7%	1,257	\$16,300	\$13
PHOENIX # 6200	38	31	38	20	53,788	558,600	\$10
TUCSON # 8520	38	38	38	24	10,965	110,500	\$10
YUMA # 9360	38	33	34	20	958	10,700	\$11
RURAL ARIZONA	40	21	26	9	5,209	57,800	\$11
Total State	38	31	37	20	72,177	753,900	\$10
% of Total Bank					8%	10%	
Total Bank					877,912	\$7,758,000	\$9

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING											
State: <b>ARIZONA</b> Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development		
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity **	#	\$ (000s)	Avg. Loan (000s)	#	\$ (000s)	
FLAGSTAFF # 2620	20%	6%	16.63%	25.58%	8	195	\$11,100	\$57	0	\$0	
PHOENIX # 6200	31	30	17.54	19.31	43	5,182	279,100	54	1	3,750	
TUCSON # 8520	36	32	15.62	15.46	(1)	1,137	61,200	54	2	2,300	
YUMA # 9360	31	27	6.88	5.41	(1)	60	3,700	62	2	1,000	
RURAL ARIZONA	6	5	9.97	7.23	(2)	425	19,400	46	2	2,000	
Total State	29%	29%	16.24%	18.03%	47	6,999	\$374,500	\$54	7	\$9,050	
% of Total Bank						0.1%	8%	7%		3%	2%
Total Bank							87,225	\$5,620,300	\$64	266	\$467,424

(\*) 1996 CRA Reporter Market Share Loans to Businesses with Revenues of less than \$1 million

(\*\*) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST									
State (ST): <b>ARIZONA</b> Assessment Areas:	Affordable Housing and Economic Development			Contributions/ Grants			Total Investments		
	#	% # ST	\$ (000s)	#	% # ST	\$ (000s)	#	% # ST	\$ (000s)
FLAGSTAFF # 2620	0	0%	\$0	2	4%	\$27	2	3%	\$27
PHOENIX # 6200	4	36	3,061	31	63	198	35	58	3,259
TUCSON # 8520	0	0	0	9	18	40	9	15	40
YUMA # 9360	0	0	0	1	2	24	1	2	24
RURAL ARIZONA	6	55	420	6	12	56	12	20	476
Statewide	1	9%	2,250	0	0%	0	1	2%	2,250
Total State (ST)	11		\$5,731	49		\$345	60		\$6,076
% of Total Bank	3%		1%	6%		4%	5%		1%
Total Bank	325		\$398,484	877		\$8,171	1,202		\$406,655

AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: <b>ARIZONA</b> Assessment Areas:	#				\$ Deposits (millions)	% of State	% # of Branches				% # of ATMs			
	Branches Offices	In-store Offices	ATMs	Offices % of State			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
FLAGSTAFF # 2620	2	0	10	1%	\$66	1%	0%	0%	0%	100%	50%	0%	0%	50%
PHOENIX # 6200	71	24	315	66%	4,594	72	4	21	39	35	5	21	39	33
TUCSON # 8520	25	2	75	19%	1,048	16	7	26	22	44	4	31	24	41
YUMA # 9360	2	0	5	1%	81	1	0	50	50	0	0	40	40	0
RURAL ARIZONA	18	0	35	13%	633	10	0	22	50	28	0	9	56	35
Total State	118	26	440	100%	\$6,422	100%	4%	22%	37%	36%	5%	21%	37%	35%
% of Total Bank	7.9%	13.9%	7.9%	8.5%	5.8%									
Total Bank	1,500	187	5,565		\$111,413									

# **CALIFORNIA**



## CALIFORNIA STATE RATING

**CRA Rating for California: Outstanding**

**The lending test is rated: Outstanding**

**The investment test is rated: High Satisfactory**

**The service test is rated: High Satisfactory**

### **Description of Institution's Operations in California**

A.P. Giannini established the Bank of Italy, now BANTSA, in 1904 after the San Francisco earthquake. He established BANTSA to provide financial products and services that would meet the needs of all residents and shareholders in the state. Through the years BANTSA has been a pioneer in branch banking, consumer lending, a leader in unique and innovative projects. These include the Golden Gate Bridge, Hollywood and the expanding entertainment industry, the aerospace industry and the high technology industry originally centered in the Silicon Valley.

BANTSA is the largest bank in the state offering a variety of services including consumer, corporate and middle market banking, commercial real estate and investment services to customers that span the geography and economy of California. BANTSA is best known for its consumer operations in California. BANTSA serves the state with 990 offices and 3,631 ATMs. The loans BANTSA originated in this state during the review period, accounted for 62.2% of its total number and 65.2% of its total dollar volume. Further, the state accounts for 56% of the bank's domestic deposits. This ranks the state's market size number one out of the ten states and two Multistate MSAs evaluated.

Major competitors include Wells Fargo Bank and Union Bank of California, the second and third largest commercial banks in California. Major competition in mortgage banking comes from Countrywide and Norwest mortgage companies and savings banks such as Great Western and Home Savings.

California, one of the largest states in the U.S., has a population of more than twenty-nine million. It is also the most ethnically diverse state. The business sectors include manufacturing of both durable and nondurable goods, services, retail and government. The state's economic recovery has been slower in Southern California, except Riverside-San Bernardino and Orange counties. All are showing slow but steady growth in all sectors. The Central Valley is showing steady economic improvement also. The Bay area is the region of greatest growth fueled primarily by high technology and its related products and services. The table at the end of this section provides basic demographic information about the assessment areas receiving a comprehensive analysis.

California presents opportunities for growth for consumers and businesses. State strengths include access to the Pacific Rim's growing economies and its position as the capital of the U.S. entertainment industry. The personal computer industry and related networking and software

industries are expanding statewide. State weaknesses include the high costs of doing business in the state and a lack of affordable housing. Local governments also have constraints on their taxing authority.

During the review period, residential prices have declined as have permits for new housing. Mortgage competition continues to be stiff. Since 1990, competition for CRA-related loans has grown with savings banks and mortgage companies making aggressive entrances into the market. Countrywide Mortgage has become a competitor in this market as have several savings banks that previously focused on upper-income borrowers.

Small business credit needs continue to climb throughout the state, both in large and small communities. There continues to be a need for very small loans and borrowers want a simplified application and approval process. The trend is toward demand notes without the need for borrowers to sign new documents each year.

Bank of America Community Development Bank (BACDB) originates most affordable housing and government guaranteed loans. Affordable multifamily housing loans made to nonprofit sponsors is a specialty of BACDB. The focus has been to generate units that meet the needs of low- and very low-income families in both urban and rural parts of the state. BACDB is now the largest lender in California in the affordable housing arena. In addition, BACDB makes government guaranteed small business loans including SBA guaranteed loans, State of California guaranteed loans and Capital Access loans.

Besides its affordable housing and government guaranteed loans, BACDB provides residential home improvement loans through the Property Improvement Programs with municipalities and other public agencies throughout the state. The programs provide an affordable source of funds to LMI communities, using such government funding options as Community Development Block Grants and redevelopment agency funds.

BANTSA offers a wide spectrum of loan products and services to the whole state. Various divisions and affiliates including the NCAG, BAMG, BLD and BACDB have offered products that are helping meet the credit needs of Californians. These include B•A•S•I•C, NA, ABC and SBA loan programs. It also partnered with Pacific Gas and Electric to pioneer an Energy Savings Loan program. The program enhances the use of both B•A•S•I•C and home improvement loan funds for energy efficient upgrades to a borrower's home. These loans are unsecured with an interest rate comparable to residential mortgage financing. PG&E made these loans available throughout its market, but only advertised the program in the San Joaquin Valley.

BANTSA provides deposit and related services through a network of branches, in-store branches, ATMs, telephone banking services (Bankers on Call), direct mail, and computer banking services. They offer these products and services in a variety of languages and often tailor them to meet the needs of special communities, such as the disabled. Many products and services are available around the clock, seven days a week. They have trained and given incentives to sales staffs to promote customer service when and where it is convenient and appropriate.

BANTSA has divided the state of California into thirty assessment areas. These areas include the state's twenty-five MSAs, several of which have populations of one million or more. Areas that were a major focus, based on population, are the Bay area and the greater Los Angeles area, which includes the Los Angeles/Long Beach, Orange and Riverside MSAs. The bank divided the rural areas as follows: The Northern California Rural Area, the Eastern California Rural Area, San Benito County, Kings County and Imperial County. BANTSA defines the whole state as its service area.

We made several community contact calls and used data collected on previous contacts to gain insight to the needs of the assessment areas. We also used the information to learn how they perceive BANTSA at meeting those needs. In general, community groups and the bank have identified affordable housing and small business lending as the most pressing needs in California.

We evaluated BANTSA's performance in the Merced and Redding MSAs and the assessment areas of Eastern California, Kings and San Benito Counties, for consistency with the bank's performance in the other areas. We found that the bank's performance under the three tests in these areas is commensurate to its performance in the other areas.

## **CONCLUSION HIGHLIGHTS**

- **BANTSA's lending performance is very strong and is supported by large volumes of residential mortgages and small business loans; a high volume of community development lending that has resulted in many low- and very low-income housing units; and an exceedingly strong level of loans to LMI residential and consumer borrowers.**
- **Investment performance has been responsive to the community development needs of the state, mostly affordable housing, and some investments reflect innovation and complexity. The volume of investments is very strong based on the size of the bank.**
- **Delivery systems are very accessible throughout the state with good penetration into LMI areas. Community development services in aggregate reflect a good response to community needs.**

ASSESSMENT AREA DEMOGRAPHIC CHARACTERISTICS																	
State: California Assessment Area:	Population (000s)	Census Tracts	Owner Occupied Housing (000s)	Small Businesses	Unemploy- ment Rate 06/30/97	Median Income	Median Housing Value	Distribution of Census Tracts (CT) & Families (F)					Distribution of Owner-occupied Housing (OO) & Small Businesses (SB)				
								CT	Low %#	Mod %#	Mid %#	Upper %#	OO	Low %#	Mod %#	Mid %#	Upper %#
								F					SB				
Bakersfield # 680	543	109	108	13,444	11.4%	\$37,700	\$82,756	CT	4%	29%	34%	32%	OO	1%	24%	33%	42%
								F	22	17	20	40	SB	10	27	26	36
Chico #1620	182	37	44	5,400	8.1	\$34,200	95,332	CT	0	22	60	19	OO	0	15	67	18
								F	20	19	22	29	SB	0	25	55	20
Fresno #2840	756	148	138	16,764	12.5	35,600	85,538	CT	4	25	43	24	OO	2	17	48	33
								F	23	17	20	40	SB	6	24	45	24
Los Angeles/Long Beach # 4480	8,863	1,652	1,441	305,624	6.9	47,800	246,158	CT	9	23	33	34	OO	2	14	35	49
								F	23	17	20	41	SB	10	20	33	37
Modesto #5170	371	98	76	8,307	13.5	41,000	124,127	CT	1	15	42	15	OO	0	14	58	28
								F	21	17	21	40	SB	1	22	57	19
Oakland #5775	2,083	482	458	59,009	4.5	60,100	219,631	CT	11	20	39	25	OO	4	13	47	36
								F	20	17	24	39	SB	13	17	43	27
Orange County # 5945	2,411	484	497	104,148	3.3	63,200	257,224	CT	3	24	44	28	OO	1	17	45	37
								F	19	19	24	39	SB	5	20	41	22
Riverside/San Bernardino # 6780	2,589	298	565	59,278	7.0	44,800	133,026	CT	4	28	46	22	OO	1	17	51	31
								F	21	17	23	40	SB	2	27	45	26
Sacramento #6920	1,340	275	302	42,157	5.6	\$48,400	\$138,312	CT	6	21	48	24	OO	2	13	53	32
								F	20	18	23	39	SB	6	22	49	24

ASSESSMENT AREA DEMOGRAPHIC CHARACTERISTICS																	
State: California Assessment Area:	Population (000s)	Census Tracts	Owner Occupied Housing (000s)	Small Businesses	Unemploy- ment Rate 06/30/97	Median Income	Median Housing Value	Distribution of Census Tracts (CT) & Families (F)					Distribution of Owner-occupied Housing (OO) & Small Businesses (SB)				
								CT	Low %#	Mod %#	Mid %#	Upper %#	OO	Low %#	Mod %#	Mid %#	Upper %#
								F					SB				
Salinas #7120	356	72	57	12,423	7.2	\$45,600	\$206,912	CT	3	19	47	26	OO	0	12	45	42
								F	19	18	24	39	SB	8	19	39	34
San Diego # 7320	2,498	445	478	68,734	4.4	48,600	198,212	CT	6	22	43	26	OO	2	13	49	36
								F	20	19	22	39	SB	4	25	45	27
San Francisco #7360	1,604	361	310	65,713	3.5	64,400	324,200	CT	7	18	40	32	OO	1	12	47	40
								F	20	18	23	39	SB	15	19	38	27
San Jose #7400	1,498	385	307	40,002	3.1	70,200	295,613	CT	3	15	41	18	OO	1	14	57	28
								F	19	19	24	39	SB	6	24	50	20
San Luis Obispo # 7460	217	34	48	8,309	5.0	43,800	219,600	CT	0	12	68	12	OO	0	7	82	11
								F	18	19	25	39	SB	0	11	80	9
Santa Barbara # 7480	370	82	71	12,057	4.1	49,300	256,263	CT	1	28	35	33	OO	0	16	41	43
								F	20	18	23	40	SB	1	44	28	28
Santa Cruz #7485	230	80	50	7,895	9.2	55,200	256,716	CT	0	13	29	15	OO	0	13	56	32
								F	0	23	53	24	SB	0	21	56	23
Santa Rosa #7500	388	60	94	14,075	3.8	51,300	205,922	CT	0	13	70	15	OO	0	7	73	20
								F	17	19	25	38	SB	0	15	71	14
Stockton #8120	481	114	91	10,385	10.8	42,600	124,043	CT	4	25	40	26	OO	1	21	48	31
								F	22	17	21	40	SB	8	23	43	26

ASSESSMENT AREA DEMOGRAPHIC CHARACTERISTICS																	
State: California Assessment Area:	Population (000s)	Census Tracts	Owner Occupied Housing (000s)	Small Businesses	Unemploy- ment Rate 06/30/97	Median Income	Median Housing Value	Distribution of Census Tracts (CT) & Families (F)					Distribution of Owner-occupied Housing (OO) & Small Businesses (SB)				
								CT	Low %#	Mod %#	Mid %#	Upper %#	OO	Low %#	Mod %#	Mid %#	Upper %#
								F					SB				
Vallejo #8720	451	94	98	11,200	6.1	51,800	160,847	CT	2	19	55	20	OO	1	10	62	28
								F	18	18	26	38	SB	4	17	62	17
Ventura # 8735	669	130	142	17,784	5.9	\$61,100	253,753	CT	3	30	45	22	OO	1	21	48	31
								F	18	19	25	38	SB	4	31	46	19
Visalia #8780	312	54	59	7,626	16.0	32,100	75,935	CT	0	26	48	24	OO	0	20	48	32
								F	22	18	20	41	SB	0	19	52	29
Yolo #9270	141	31	26	3,274	6.9	48,200	146,171	CT	7	26	36	32	OO	0	24	39	38
								F	4	27	35	34	SB	1	35	44	20
Yuba #9340	123	26	24	2,758	15.2	34,100	79,492	CT	0	23	54	23	OO	0	20	51	29
								F	0	30	49	21	SB	0	26	55	20
Northern California	560	131	141	22,370	4.0	25,315	97,073	CT	1	19	62	15	OO	0	15	67	18
								F	0	17	67	16	SB	0	21	64	15
Imperial County	109	29	19	2,151	24.5	35,400	71,265	CT	3	52	17	28	OO	4	54	14	28
								F	29	18	19	33	SB	2	54	16	28
Total State	29,760	5,858	5,775	942,455	6.2	51,328	210,075	CT	6	22	41	27	OO	2	15	47	37
								F	21	18	22	40	SB	7	22	42	28

## **Conclusions with Respect to Performance Tests in California:**

### **LENDING TEST**

BANTSA was the top residential originator in the State with a market share exceeding 7%, almost double its nearest competitor. In 1996, this includes all residential loan originators reporting under HMDA. For this period the bank was the number three small business lender with a 16% market share. During the review period, BANTSA's total originations of more than 691 thousand loans exceeded \$19 billion. In addition, the bank made 120 community development loans for more than \$261 million. They made loans in essentially all geographies and to retail customers of different income levels and business customers of different sizes.

#### **Geographic Distribution:**

Residential lending: BANTSA's geographic distribution of loan originations reflects reasonable penetration throughout the assessment area, slightly below both market and demographic patterns. Overall distribution during the review period, is consistent with the bank's performance in 1996. The bank has done an adequate job of making loans in LMI geographies. Geographically, the bank has a slightly lower concentration of loans in LMI areas though it ranks as the number one LMI lender by the total number of loans made. It has a 6% market share for both LMI geographies versus its overall market share of 7%. Looking at the bank's total residential originations, they made 13% in LMI geographies. This compares favorably to the market average of 14%. Statewide 17% of all owner-occupied units are in LMI geographies.

Small Business Lending: BANTSA's distribution of the number of its small business loans is consistent with the market demographics. In 1996, the bank made 27% of its loans in LMI areas compared with the state's small business demographics of 29% in LMI areas. However, the bank performed better than the market lenders. The market distribution of small business loans for 1996, was at 26%. The bank's year-to-date 1997 performance approximates the level it achieved in 1996.

Consumer Lending: Consumer originations reflect reasonable penetration throughout the assessment area. The bank has done an adequate job of making loans in LMI census tracts. It made 26% of its consumer loans in these geographies. This is slightly below the state's demographics where 28% of all tracts are LMI.

#### **Borrower Distribution:**

Residential lending: BANTSA has done an excellent job in making loans to LMI borrowers. Overall distribution during the review period, is consistent with the bank's performance in 1996. The bank's market share of loans to low-income borrowers at 12% market share for

low-income applicants is significantly higher than its overall market share. Loans to moderate-income borrowers are also higher than its market share at 8% versus its overall rate of 7%. As a percentage of total residential loans, BANTSA made more than 7% and 14% of its loans to LMI borrowers, respectively. This significantly exceeds the market's average of 4% to low-income borrowers and matches the market's average of 14% to moderate-income borrowers. This analysis and the accompanying tables demonstrate how effectively the bank has responded toward meeting the needs of the most economically disadvantaged individuals in this assessment area.

**Small Business Lending:** BANTSA has done a very good job of helping meet the needs of the market in providing small loans to businesses and has done a good job of making loans to different size businesses. Almost 92% of all business loans were less than \$100 thousand in size. In addition, 77% of all small business originations have gone to businesses with less than \$1 million in annual revenues.

**Consumer Lending:** BANTSA has done an excellent job of making loans to LMI individuals. As a percentage of total consumer originations, more than 44% have been made to LMI borrowers. This exceeds the 39% of total LMI families in the MSA. Overall the bank has performed exceptionally well in responding to the needs of the low-income borrowers in that 27% of all consumer loans have gone to this group versus the market demographics of 21%.

**Community Development Lending Activities:** BANTSA's community development activities are very strong as the bank originated 120 loans totaling \$261 million, mostly for affordable housing. The ninety-two affordable housing projects provided 4,839 low-income and another 768 moderate-income housing units, helping to meet one of the more critical needs within the State. In addition, BANTSA has made twenty-eight economic development loans through the federal government's SBA program.

### **Special Programs:**

Bank of America Community Development Bank (BACDB) has been a national leader in the creation of innovative, flexible and complex solutions to the housing needs of low-income individuals and families. BACDB has used various lending strategies including construction and permanent loans, lines of credit and bond issues to meet the needs of low-and moderate-income individuals. BACDB has also been a leader in providing preservation loans for the refinancing of HUD properties to for profit and nonprofit owners that maintain the affordability of the projects.

BACDB strives to insure that \$2 of every \$3 in a project is targeted toward low-income beneficiaries. During the last two years that goal has been difficult to achieve as public support, in the form of low income housing tax credits, has declined. BACDB has created an innovative, complex and flexible financing tool in the utilization of tax-free bonds that



incorporate loans, guarantees and investments utilizing the bank's community development corporation (CDC).

BACDB works with municipalities, redevelopment agencies and other public entities to provide improvement loans for homes. Loans are often targeted at low-income census tracts and low-income census borrowers. BACDB is the leading bank provider of this service in the State. During the review period, it made 159 loans under this program. The program offers flexible financing tailored to fit each community's needs. Examples of flexibility include the program associated with the Los Angeles Housing Department for repair of damage created by the Northridge earthquake; the State Water Resource Board's loan program for the elimination of pollution in the Santa Cruz and Lake Tahoe areas; and the State Department of Insurance's earthquake retrofit program for Los Angeles and Humboldt counties. Each of these programs is unique and structured to meet and solve separate issues and problems. The programs utilize loans, guaranties and subsidies as a means of providing loans to homeowners who are unlikely to obtain financing without these unique products.

The mainstay of the Home Improvement Loan Programs is the FHA Title I Home Improvement Loans. BANTSA offers the Title I loans to borrowers at reduced fees and rates based on subsidies provided by public agencies, often utilizing community development block grant funds or redevelopment agency funds. BACDB has instituted a pilot with six Neighborhood Housing Services Programs (NHS) in California, New Mexico and Arizona. The NHS programs are marketing and generating the loan applicants and then provide inspection services during the construction and improvement portions of the loans. Public agencies often complain of an inability to market loans and of a lack of staff to provide inspections. This new partnership provides an innovative means of meeting these needs.

## **INVESTMENT TEST**

BANTSA's level of investments is very strong and it demonstrates good responsiveness to community needs. Investments totaled \$181 million. In addition to the grants and contributions made by BANTSA and through the BankAmerica Foundation, investments are made through the Bank of America Community Development Corporation (CDC). The CDC focuses on investments in the areas of affordable housing and economic development. The economic development investments are primarily targeted at venture capital firms that invest in women and minority owned businesses. The CDC also houses the tax-free bond guarantees and investments. BAC books Transactions with a risk factor that is greater than that acceptable to the bank, but with community benefit associated with them in the CDC.

BACDB also made more than \$1 million in loan concessions including interest, loan fees and other fees during the review period. The concessions resulted in the loan sponsors

being able to offer properties to low- and very low-income families. Several of the loans on single family projects were extended for the express purpose of reaching low-income borrowers versus moderate- or middle-income borrowers. While these funds are not added to the bank's investments, they add to the complexity of the transactions and make the projects affordable to these borrowers.

BANTSA views grants and contributions to community groups as another means to support community development. Grants have been made to groups that have a statewide presence to improve the community development infrastructure in areas that do not have nonprofit or governmental support. This is especially the case in the rural areas of California where few on-site community-based affordable housing or economic development organizations exist. Ethnic trade organizations and chambers are economic development organizations that support the small businesses within these communities.

In 1989, as part of a legal settlement, BANTSA established the Bank of America Consumer Education Fund. The Fund is administered by the San Francisco Foundation and annually provides grants for consumer education to nonprofits statewide, on a competitive basis. The fund, totaling \$2.5 million was committed for nine years. An outside advisory committee reviews the requests, selects the grantees and monitors the progress of the nonprofits.

BankAmerica Foundation has provided statewide support to a number of nonprofit community development advocates and service providers. A partial list includes Local Initiatives Support Corporation (LISC) for urban and rural programs, Habitats for Humanity Programs, Neighborhood Housing Services Programs (Neighborworks), Rural California Housing Corporation, California Business Incubation Network, California Community Economic Development Corporation, Housing California, Rural Community Assistance Corporation, Greenlining Institute, California Reinvestment Committee, Corporation for Supportive Housing, CAMEO, National Center for American Indian Enterprise Development, Global Green, National Housing and Community Development Law Project, California Coalition for Rural Housing, Townspeople, National Center for Youth Law and the California Housing Partnership.

Regionally, BankAmerica Foundation has supported several other nonprofits including the Nonprofit Housing Association of Northern California, the Northern California Community Loan Fund, the Southern California Association of Nonprofit Housing and the Nonprofit Federation (San Diego). All of the groups, with the exception of the Northern California Community Loan Fund are membership organizations for affordable housing groups throughout the state.

BANTSA funded a grant to the National Trust for Historic Preservation to support the Community Partners Program. This is an initiative that provides technical assistance and loans to community-based organizations in LMI areas that have historical significance.

The Trust also operates in several of other states where BANTSA has a retail bank presence.

## **SERVICE TEST**

BANTSA's statewide performance is strong. Of note is the outstanding level of community development services provided by senior management in the State. The bank's branches are reasonably distributed among census tracts of various income levels. We found no evidence that bank management avoids LMI census tracts in the branch system. Please see the table entitled "Aggregate Assessment Areas - Service Test" for actual branch distribution statistics.

From January 1, 1995 to June 30, 1997, BANTSA closed 63 branches in California. During the same period, the bank opened 31 branches. Only five branch closures were located in a low-income census tracts while ten branch closures were in moderate-income census tracts. The bank does a thorough job evaluating prospective branch closures. Bank management considers the volume of a branch's traffic/transactions, distance to another branch and profitability. They may also seek community input, but this input is only sought after the closure is announced. All of the branches closed in LMI geographies were reasonably close (less than a mile) to another branch. In some cases, the receiving branch was also in a moderate-income tract. During the review period, only one of the 31 branches opened was in a LMI census tract. The bank's distribution of branches was not adversely impacted by the branch closures.

Bank management has established branch hours which are competitive and allow reasonable access. We found no evidence that branches in LMI areas have comparably fewer hours or services. Hours of branch operation vary according to location. Most traditional branches are open between 9:00 A.M. and 6:00 P.M., Monday through Thursday, 9:00 A.M. to 7:00 P.M. on Fridays, and 9:00 A.M. to 2:00 P.M. on Saturdays. Some rural and urban branches close earlier or are not open on Saturdays. These deviations are based on customer demand and competitive factors. Staffed branches in Lucky's stores are generally open between 9:00 A.M. to 7:00 P.M. Monday through Friday, 9:00 A.M. to 4:00 P.M. on Saturdays, and 10:00 A.M. to 4:00 P.M. on Sunday.

BANTSA has established a sizable network of alternative delivery systems available throughout the assessment areas. The bank has several alternative delivery systems for retail banking services including: an extensive network of ATMs, PC Banking, a 24 hour Help line, Loan-by-Phone, and Bank-by-Mail. In addition, the bank provides services for the hearing impaired. The network of ATMs and other alternative delivery systems is as prevalent and generally accessible to customers living in LMI tracts as those living in middle- and upper-income census tracts. Management has some ATMs open shorter hours due to public safety concerns. The bank purports that 70% of its customer's transactions are completed outside a branch, using an alternative delivery system.

BANTSA has provided a wide range of services addressing community development needs including affordable housing, education, and economic development. Numerous employees are involved in community service activities at the local, regional and state levels. Listed below are the bank's community development services that cover multiple assessment areas in California:

- Executive Vice President Donald Mullane is a Board Member for the Enterprise Social Investment Corporation. The corporation invests in community development projects and tax credit projects throughout the country. In California, the corporation has a project in East Palo Alto.
- Senior Vice President Jim Wagele is Chairman of the Rural Advisory Committee of the Local Initiatives Support Corporation. This national committee of LISC focuses on the planning and implementation of community development activities that will benefit rural low-income communities.
- California CRA Officer Susan Howard is a Trustee and member of the "Community Partners and Preservation Committee for the National Trust for Historic Preservation." This organization works to preserve historic communities throughout the country. The committee focuses on the preservation of inner-city low-income communities. Furthermore, it is responsible for the Trust's Main Street Program and the Inner-City Ventures Loan Fund. The committee has worked on several projects in low-income neighborhoods throughout California. **This is an innovative program.**
- California CRA Officer Susan Howard is a Board Member for the California Community Economic Development Association (CCEDA). CCEDA is a statewide membership organization for economic development community development corporations and community banking organizations. It provides training and technical assistance and serves as an advocate on legislative issues relating to community economic development.

BANTSA has a number of innovative programs and relationships in the state. Examples include:

The Bank of America Community Access Initiative. BANTSA, in an effort to address the concerns of community groups and residents of low- and moderate-income areas has established an initiative in partnership with MCI and Netscape, to provide hardware, software and grants to six non-profits throughout the state as a means of moving the affected communities into the twenty-first century age of technology. A consultant was hired to assist in the process. The non-profits will have access to Bank of America home banking technology and the Internet.

Building on Neighborhood Strategies Program (BONS). BACDB has begun a new initiative to provide measurable and physical impact on targeted communities in several states. The communities in California are Escondido, Sacramento, Los Angeles and Oakland. The program will coordinate BankAmerica programs and products with public and private sector partners to execute comprehensive community development in the targeted neighborhoods.

Several innovative housing developments have been financed by BACDB throughout the state including Nueva Vista in Mecca, sponsored by the Coachella Valley Housing Coalition; the Park Village Apartments in Stockton, sponsored by the Rural California Housing Corporation; the Mercado Apartments in San Diego, sponsored by the MAAC Project; and Washington Court in Mar Vista, sponsored by the Venice Community Housing Corporation. All of these projects are innovative and incorporate housing with other components such as child care, health care or other community services.

## **Bakersfield MSA #680**

### **Description of Institution's Operations in Bakersfield:**

The Bakersfield MSA is comprised of Kern County. It is a primarily rural MSA with the City of Bakersfield representing the largest urban area.

BANTSA is the largest commercial bank in Kern County. Its branches have operated since 1922 serving the businesses and consumers of the area. The bank has 18 offices and 20 ATMs in twelve communities in the MSA.

The need for affordable housing is a major issue in the MSA. However, there are also barriers to new construction of affordable housing. One major barrier is the lack of affordable housing developers in the area. Most new construction is for market projects. One of the few affordable projects in the Bakersfield area is a development sponsored by Catholic Charities in the unincorporated area of Southeast Bakersfield. Small business loans, both guaranteed and unguaranteed, also present opportunities for banks.

### **Conclusions with Respect to Performance Tests in Bakersfield**

BANTSA demonstrated strong lending patterns addressing community needs, excellent geographical distribution, and good community development activities supporting low-income housing.

The high volume of residential lending to low-income borrowers' reflects excellent responsiveness and penetration.

Investment activities adequately support the assessment area.

BANTSA's delivery systems are very accessible to all portions of the assessment area but community development services are weak.

### **LENDING TEST**

BANTSA is a major residential lender in the Bakersfield MSA with a 6% market share, ranking near the top of all loan originators for all HMDA reporters in 1996. The bank made 1,133 residential loans for more than \$59 million during the review period. In addition, the bank was the number three small business loan originator in 1996 with a 15% market share. Total originations for the review period exceeded \$174 million. Loans have been made in essentially all geographies and to retail customers of different income levels and business customers of different sizes. Community development loan activities have provided low-income affordable housing units that support one of the areas major needs.

## **Geographic Distribution:**

Residential lending: BANTSA's geographic distribution of loan originations reflects good penetration throughout the Bakersfield MSA, consistent with the demographic patterns. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has done an excellent job in making loans in LMI geographies. On a geographic basis, the bank has a higher concentration of loans in LMI geographies. Its low-income market share is 6% and its moderate-income market share is 9%. The bank made more than 33% of its loans in LMI geographies. This significantly exceeds the market average of 20%. It also exceeds the 25% of owner-occupied units located in LMI geographies.

Small Business Lending: BANTSA's distribution of small business loans is fairly consistent with the market demographics and it has exceeded other lenders performance. In addition, its overall market share of loans in LMI geographies at 16.6% exceeds its overall market share of 15.3%. The bank made 6% of its loans in low-income census tracts and 28% of its loans in moderate-income geographies. This compares to small business demographics where 10% and 27% of small businesses are in LMI areas, respectively. In addition, the market's distribution of small business loans for 1996, were at 8% and 22%, respectively. BANTSA's year-to-date 1997 performance matches its 1996 levels.

Consumer Lending: Consumer originations reflect strong penetration throughout the assessment area. The bank has done an excellent job in making loans in LMI census tracts and has a high concentration of loans in LMI geographies. As a percentage of total consumer loans, over 39% have been made in LMI geographies. This significantly exceeds the 33% total of LMI census tracts.

## **Borrower Distribution:**

Residential lending: BANTSA has done an excellent job in making loans to LMI borrowers. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank's market share of loans to low-income borrowers at 12% is more than double its overall market share. Its lending to moderate-income borrowers is slightly higher than its market share at 6%. The bank made 12% and 18% to LMI individuals, respectively. This significantly exceeds the market averages of 5% and 17%, respectively. The bank has performed particularly well at helping meet the needs of the low-income borrowers.

Small Business Lending: BANTSA made 82% of its small business originations to businesses with less than \$1 million in annual revenues. In addition, 88% of the loans were less than \$100 thousand in size.

Consumer Lending: The bank has done a good job of making loans to LMI individuals. As a percentage of total consumer originations, over 38% have been made to LMI borrowers. This compares to 39% of total LMI families in the MSA. Except for home equity lending, all consumer products have a similar distribution. For home equity originations only 19% were made to LMI individuals.

**Community Development Lending Activities:** BANTSA made four loans totaling \$6.3 million for affordable housing. The projects provided 352 LMI units, helping to meet one of the more critical needs within the assessment area.

## **INVESTMENT TEST**

Investments total \$6 million and consist of four community development grants totaling \$35 thousand and three affordable housing tax credits for almost \$7 million. The bank's level of investment provides a strong responsiveness to community economic development needs. The investments are part of complex transactions that have multiple layers of financing and involve significant efforts by the bank.

## **SERVICE TEST**

BANTSA's performance in the Bakersfield assessment area is strong. Delivery systems are readily accessible to all portions of this MSA. The percentage of branches in low-income census tracts is three times greater than market demographics. In moderate-income census tracts, branches match market demographics.

Changes in branch locations generally have not adversely affected the accessibility of its delivery systems. BANTSA closed two branches. One of these was in a moderate-income census tract and the other was in a middle-income census tract.

BANTSA has participated in a limited level of community development services in this MSA. The bank needs to improve in this area. Branch manager of the Shafter branch serves as vice-chairperson of the Shafter Community Development Agency.



## **Chico MSA #1620**

### **Description of Institution's Operations in Chico:**

This MSA is in the northern Sacramento Valley and consists of Butte, Glenn and Tehama Counties. The area is primarily rural and virtually surrounded by national parks. Chico, in Butte County, is the largest city in the MSA.

BANTSA is one of the largest banks in the Chico MSA. It has 6 offices, 22 ATMs and a regional commercial banking office in eight cities throughout the three counties. The bank has operated in the area since 1922.

The Chico MSA presents lending opportunities in all consumer categories. However, the most pressing needs are for affordable housing and home improvement loans in the city of Chico. More than 67% of the housing units in Chico are rentals. This phenomenon is a result of student housing needs at Chico State University. The median price of a single family dwelling is too high for low-income households to afford. But, the need to update public infrastructure is a barrier to the development of new affordable housing in the city.

### **Conclusions with Respect to Performance Tests in Chico:**

The geographic distribution of BANTSA's loans is reasonable.

BANTSA did a good job responding to the overall credit needs of LMI people in the assessment area.

Investment activities adequately support the needs of the assessment area.

BANTSA's delivery systems provide good access to all portions of the assessment area, but the bank has provided limited community development services.

### **LENDING TEST**

In 1996, BANTSA was the leading originator of residential loans in this MSA with a 15% overall market share. In addition, the bank was the number four small business lender with a 13% market share. During the entire review period the bank made 840 residential loans totaling \$45 million. Total originations for the review period exceeded \$96 million.

### **Geographic Distribution:**

Residential Lending: BANTSA's geographic distribution of loan originations within this MSA is reasonable. Our analysis is based on 1996 market share data. In that year, BANTSA was the leading residential lender to LMI census tracts with a 13% market share.

However, the bank's proportional lending to LMI census tracts was lower than the market average. Specifically, the bank made 12% of residential loans in LMI census tracts compared to the market average of 14%. Both of these figures do not compare favorably to the 15% of owner-occupied houses which are located in LMI census tracts. As a point of clarification, the Chico MSA does not contain any low-income census tracts. All LMI statistics reflect lending in moderate-income census tracts.

**Small Business Lending:** BANTSA's geographic distribution of small business loans is reasonable and consistent with market demographics. During the review period, the bank made 25% of small business loans within LMI census tracts. This exactly matches demographic information which shows 25% of small business are located in LMI census tracts. In contrast, the market average for small business loans in LMI census tracts was only 18% in 1996.

**Consumer Lending:** The geographic distribution of consumer loans is reasonable. During the review period, the bank made 22% of consumer loans in LMI census tracts. Comparatively, 22% of census tracts were designated LMI.

### **Borrower Distribution:**

**Residential Lending:** BANTSA has done a good job making loans to LMI borrowers. In 1996, the bank was the market leader with a 27% market share of loans to low-income borrowers. The bank also was the leading lender to moderate-income borrowers with a 19% market share. Furthermore, the bank out performed the market by lending 23% of its residential loans to LMI borrowers. The market average was only 15%. However, these figures do not compare favorably to the 39% of the population designated LMI.

**Small Business Lending:** BANTSA has done a good job lending to a variety of small businesses. During the review period, 86% of the bank's small business loans were less than \$100 thousand. In addition, the bank's average small business loan was only \$77 thousand.

**Consumer Lending:** The bank's consumer lending to LMI borrowers is reasonable. During the review period, 36% of the bank's consumer loans were made to LMI borrowers. Comparatively, 39% of the population is designated LMI.

**Community Development Lending Activities:** BANTSA's community development lending is reasonable. The bank made two community development loans totaling \$2 million. The proceeds from both of these loans were used to provide fifty-six units of affordable housing within the assessment area.

## **INVESTMENT TEST**

BANTSA's investment activities demonstrate adequate responsiveness to community needs. The bank provided \$20 thousand in qualifying grants within the assessment area during the review period. These grants were provided to two community groups to support affordable housing initiatives. In addition, the bank had a \$1.4 million qualifying investment in the California Equity Fund. The funds were targeted to finance an affordable housing project in Chico. The investments are not complex or innovative. However, they were targeted to meet a pressing need within the community.

## **SERVICE TEST**

BANTSA's performance in the MSA is good. Delivery systems are readily accessible to all portions of this MSA. The MSA only contains six branches. However, two of them are located in moderate-income census tracts. This exceeds the proportion of LMI census tracts located in the MSA. The other two branches are located in middle-income census tracts. No branches were opened or closed in the Chico MSA during the review period.

BANTSA has performed limited community development services in this MSA. A Branch Manager serves on the formation committee to establish the Gridley Business Improvement District. Another Branch Manager serves on the City of Clovis's Economic Development Committee to develop a plan to provide affordable housing.

## **Fresno MSA #2840**

### **Description of Institution's Operations in Fresno:**

This MSA is located in central San Joaquin Valley. The surrounding cities and unincorporated areas are heavily involved in agriculture, and rely on the collection of services provided by the City of Fresno. The City is the county's demographic and economic development center. It serves as a regional hub for retail, government, medical and many other services provided to its residents.

BANTSA has had a presence in the Fresno MSA since 1916. It has 27 offices and 56 ATMs in the MSA.

The MSA's unemployment rate and cost of housing have risen, while the economy that has not risen. A recent housing boom in the outskirts of the City of Fresno has increased the number of units in the housing market, but the need for affordable housing persists.

### **Conclusions with Respect to Performance Tests in Fresno:**

BANTSA's lending activity exhibits good responsiveness to the assessment areas credit needs, in particular to low-income individuals seeking residential loans.

Overall loan distribution, both geographically and to borrowers of different income levels, has been good.

Investment volumes are moderate-but have been responsive to community development needs.

BANTSA's delivery systems are very accessible to all portions of the assessment area and are supported by strong community development services.

### **LENDING TEST**

BANTSA is a top residential lender in this MSA with an 8% market share, ranking near the top of all loan originators for all HMDA reporters in 1996. During the review period, it made 1,984 residential loans for more than \$126 million. The bank is also a major small business lender, ranking number two in 1996 with a 18.6% market share. Its total originations for the review period exceeded \$379 million. BANTSA made loans in essentially all geographies and to consumers of different income levels and businesses of different sizes.

### **Geographic Distribution:**

Residential lending: BANTSA's geographic distribution of loan originations reflects good penetration throughout this MSA and consistent with the demographic patterns. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has done a good job of making loans in LMI geographies. Geographically, the bank has a strong concentration of loans in LMI areas. Its low-income market share is 7% and its moderate-income market share is 8%. BANTSA made 17% of its residential loans in LMI geographies. This is comparable to the market average. However, it is slightly less than the 19% of owner-occupied units located in LMI census tracts.

Small Business Lending: BANTSA's distribution of its small business loans is reasonable as it is slightly below market demographics but even with the market average. For 1996, the bank and the market average had 26% of its loans located in LMI census tracts. Market demographics show that 31% of all small businesses are in LMI geographies.

Consumer Lending: Consumer originations reflect reasonable penetration throughout the assessment area. The bank has under performed market demographics in making loans in LMI census tracts. As a percentage of total consumer loans, 20% have been made in LMI geographies. This is below market demographics of the 29% LMI census tracts.

### **Borrower Distribution:**

Residential lending: BANTSA has done an excellent job making loans to LMI borrowers. In 1996, the bank's market share of loans to low-income borrowers was 14%, significantly exceeds its overall market share of 8%. Its market share of loans to moderate-income borrowers at 9% was also much higher than its overall market share. The bank made 8% and 16% of its loans to LMI individuals, respectively. This significantly exceeds the market average of loans to low-income borrowers of 4% and is comparable with the market average of loans to moderate-income borrowers. As seen from these numbers the bank has performed particularly well at meeting the needs of low-income borrowers.

Small Business Lending: During the review period, 73% of the bank's small business originations went to businesses with less than \$1 million in annual revenues. In addition, 83% of its loans were less than \$100 thousand in size.

Consumer Lending: The bank did a good job making loans to LMI individuals. It made 43% of its consumer originations to LMI borrowers. This compares favorably with the 40% of total LMI families in the MSA.

**Community Development Lending Activities:** BANTSA made one loan totaling \$4 million for affordable housing. This project provided 248 low-income housing units, helping to meet one of the more critical needs within the assessment area.

## **INVESTMENT TEST**

BANTSA's investments total \$3.9 million, all but \$47 thousand were made prior to 1996. The investments consist of seven community development grants and three housing investment tax credits totaling \$47 thousand and \$3.8 million, respectively. The level of investment is adequate as they provide an appropriate responsiveness to community economic development needs. These investments are neither complex nor innovative.

## **SERVICE TEST**

BANTSA's performance in the Fresno assessment area is very strong. Delivery systems are readily accessible to all portions of this MSA. The percentage of branches in moderate-income tracts slightly exceeds census tract distribution. Low-income census tract distribution approximates market demographics. Changes in branch locations have not adversely affected the accessibility of the bank's delivery systems. The one branch closure was in a middle-income census tract.

The bank provides community development services at a reasonably high performance level. Managers in four branches (West Fresno, Sanger, Cedar & Shields and Shawn Westgate) are actively involved in community development services. These managers are supporting small business expansion through serving on the boards of the Valley Small Business Association and the Sanger Chamber of Commerce. These managers also provide financial education in several schools throughout the MSA and serve on the Commission on the Future of Education in Fresno County. Bank staff also conduct targeted weekly training for moderate-income employees of Zacky Farms.

## **Los Angeles/Long Beach MSA #4480**

### **Description of Institution's Operations in Los Angeles/Long Beach:**

The Los Angeles/Long Beach MSA comprises the County of Los Angeles. The area includes the city of Los Angeles which is the largest city in the state. The estimated total population of the county represents almost one half of the state's population. The county's geography encompasses the coastline, the desert and urban areas to the east and south.

BANTSA is the largest bank in the area. It employs in excess of 15 thousand people in the county on a full and part time basis. Its presence in the area, which began in 1913, includes a tele-servicing center, major administrative buildings, a proof center, residential loan centers, regional commercial banking offices, and retail bank district and regional administrative offices. In addition, it has 249 traditional branches, 10 in-store offices and 1,104 ATMs in locations throughout the MSA.

Los Angeles was a high growth area until the late 1980's when defense spending cuts and other federal decisions caused a reduction in aerospace and defense manufacturing resulting in major reductions in jobs. The loss of jobs led to property defaults and foreclosures and the subsequent loss in value of real estate county wide. More than 300 firms employing 53 thousand people have left the Los Angeles area since 1990. Overall, an estimated 300 thousand jobs have been lost. Many of the businesses cited the high costs of operating in the state, coupled with other states concessions, as reasons for relocation.

Los Angeles then experienced several major disasters during the 1990's. The Civil Disturbances of 1992 resulted in loss of businesses serving the lower income areas of the city, of which 50% have yet to reopen, thus resulting in the permanent loss of jobs for many residents. The federal government announced the closure of several military bases and facilities, once again affecting jobs and property values. However, by far the most destructive disaster was the 1994 Northridge earthquake in which more than 4,700 homes were damaged. Many residents and businesses have not yet recovered from the quake. Real estate values in parts of Los Angeles County have declined an average of 30%.

Despite the disasters, Los Angeles is slowly on the rise. The area is a major industrial center, and despite a decline during the last three years, remains a base for the aerospace and defense industries. It also has the most profitable port in the country followed closely by the adjacent port of Long Beach. The MSA remains the capital of the motion picture and television industries, and has added telecommunications equipment, software production and women's apparel to the list of industries providing jobs for residents.

Affordable housing is a critical need in Los Angeles County. Rents increased 132% between 1980 and 1990. Many low-income families have been reduced to living in

garages often at exorbitant rates. The County Community Development Commission operates the Housing Authority. Almost three thousand units of public housing and other units are under its management. There is a waiting list of more than 19 thousand households for public housing. The CDC has also issued 17 thousand HUD vouchers. A voucher waiting list is maintained for another 123 thousand households.

### **Conclusions with Respect to Performance Tests in Los Angeles:**

- **BANTSA's lending activity exhibits good responsiveness to the MSA's credit needs, in particular to LMI individuals seeking residential and consumer loans.**
- **Strong community development loan activities have provided numerous affordable housing units that support one of the MSA's major needs.**
- **Overall loan distribution, both geographically and to borrowers of different income levels, has been good.**
- **Investment volumes are very good and have been responsive to community development needs.**
- **BANTSA's delivery systems are accessible to all portions of the MSA and are supported by extremely strong community development services.**

### **LENDING TEST**

BANTSA was the top residential lender in the Los Angeles-Long Beach MSA with more than a 6% market share. It is also a major small business lender with an 18% market share. This includes all loan originators for HMDA and Small Business CRA reportable loans in 1996. The bank is a strong community development lender with 37 loans totaling almost \$43 million. Total originations for the review period exceeded \$4.4 billion. Loans have been made in essentially all geographies and to retail customers of different income levels and business customers of different sizes.

### **Geographic Distribution:**

Residential lending: BANTSA geographic distribution of loan originations reflects reasonable penetration throughout the assessment area, slightly below both market and demographic patterns. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has done an adequate job of making loans in LMI geographies. Geographically in 1996, the bank had a slightly lower concentration of loans in LMI census tracts even though it was the number three lender in low-income tracts and the number one lender in moderate-income tracts. Its low-income market share was 4% and its moderate-income market share was 5%. This compares to the bank's overall



market share of more than 6%. BANTSA made 13% of its residential loans in LMI geographies. This does not compare favorably to the market average of 17% which is also the same level of owner-occupied units in LMI census tracts.

**Small Business Lending:** BANTSA's small business lending distribution is good. The distribution of the number of the bank's small business loans is above both the market demographics and the market average. In 1996 the bank had 29% of its loans located in LMI census tracts versus market small business demographics of 28% while the market average, excluding BANTSA was 26%. The bank's performance in 1997 approximates its level for 1996.

**Consumer Lending:** Consumer originations reflect reasonable penetration throughout the assessment area. The bank has done an adequate job of making loans in LMI census tracts. As a percentage of total consumer loans, 25% were made in LMI geographies. This is below market demographics wherein 32% of all census tracts are LMI.

### **Borrower Distribution:**

**Residential lending:** BANTSA has done an excellent job in making loans to LMI borrowers. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank's market share of loans to low-income borrowers at 11% is significantly higher than its overall market share. Loans to moderate-income borrowers are also higher than its market share at 7%. The bank made 6% and 13% of its loans to LMI individuals, respectively. This significantly exceeds the market average of loans to low-income borrowers of 3% and slightly exceeds the market average of loans to moderate-income borrowers of 12%. This analysis and the loan tables at the end of the state section show how effectively the bank has responded in helping meet the needs of the most economically disadvantaged individuals in this MSA.

**Small Business Lending:** BANTSA has done a good job in making small loans to small businesses. Eighty-two percent of all small business originations have gone to businesses with less than \$1 million in annual revenues. In addition, 75% of the loans were less than \$100 thousand in size.

**Consumer Lending:** The bank has done a very good job of making loans to LMI individuals. As a percentage of total consumer originations, more than 47% have been made to LMI borrowers. This exceeds the 40% of total LMI families in the MSA. Again the bank has performed exceptionally well in responding to the needs of the low-income borrowers in that 27% of all consumer loans have gone to this group versus the market demographics of 23%.

**Community Development Lending Activities:** BANTSA's community development activities are strong as it made thirty-seven loans exceeding \$32 million, mostly for

affordable housing. The affordable housing projects provided 1,047 low-income housing units, helping to meet one of the more critical needs within the assessment area. In addition, the bank made six economic development loans through the SBA program for \$10.4 million.

## **INVESTMENT TEST**

Investments total \$64.4 million. Approximately \$56 million of the total investments were made prior to 1996. The investments consist of 58 community development grants totaling \$526 thousand and 62 affordable housing tax credits for almost \$64 million. BANTSA's level of investment is very strong and demonstrates a good responsiveness to community economic development needs. The nature of several affordable housing investments is complex since they are a part of multiple financing layers and involve significant efforts by the bank.

## **SERVICE TEST**

BANTSA's overall performance in the Los Angeles assessment area is very strong. Of note is the outstanding level of community development services provided by senior management in this assessment area.

The bank's delivery systems are reasonably accessible to all portions of the assessment area. While the percentage of branches in low-income areas approximates census tract distribution, there is a disparity in the percentage of branches in moderate-income tracts. Changes in branch locations have not improved this disparity but generally have not adversely impacted the overall accessibility of the bank's delivery systems. There have been five closures in low-income tracts and two closures in moderate-income tracts. Two in-store branches are located in moderate-income tracts. BANTSA has no in-store branches in low-income areas.

Bank personnel provided an outstanding level of community development services in this MSA. Examples of these services include: Branch managers and staff in San Pedro have provided technical assistance to the Chamber of Commerce in planning the annual small business expo and worked with the YMCA to assist with a capital campaign to increase daycare and elderly services. The manager of Highland Park branch serves on the board of Esperanza Community Housing Corporation. Staff at the Inland Valley branch is on an organizing committee helping to form a development bank to provide loans to unbankable and startup businesses. Managers in the Norwalk, Santa Fe Springs and San Pedro branches provided financial education to students, seniors and social security recipients. The manager of the Van Nuys branch works with a network of Hispanic small business owners in LMI areas. The manager from the Wilshire Center branch serves on the Board of Directors of the Korean Youth Community Center, a leading nonprofit organization that provides extensive services to the surrounding community.

Donald Mullane serves on several boards in the Los Angeles MSA covering a range of needs. Mr. Mullane serves as chairman of the Southern California Business Development Corporation. The group is a small business development loan fund formed by a consortium of banks in Los Angeles for loans to small businesses in a low-income area bounded by downtown and South Central Los Angeles. He also serves as Vice Chairman of the Los Angeles Blue Ribbon Committee on Slum Housing. This committee was formed to assess the needs and solutions for blighted properties in low-income areas of Los Angeles. He serves as a board member for Skid Row Housing Trust and the Associated Property Management Company.

Susan Howard, CRA Officer - California Region, also serves on a variety of boards in the Los Angeles region. She is Board Chair for the Coalition for Women's Economic Development, a microloan fund and technical assistance program. She also serves as a member of the Loan Committee of the Los Angeles Local Development Corporation. The committee approves loans to businesses that do not qualify for standard bank financing. In addition, she is a member of the Funders Committee of the Los Angeles Collaborative for Community Development. The Collaborative is a committee of private funds administered by the Los Angeles office of LISC to provide operating support to community development corporations developing affordable housing in Los Angeles. She also addresses affordable housing needs as a Board Advisor for Pasadena Neighborhood Housing Services.

Especially noteworthy is BANTSA's participation in the Academy of Finance in Los Angeles. Ruth Hannan, Vice President and Danielle Campos, Corporate Education Officer serves on the Academy of Finance Advisory Board in the Los Angeles School District. The Academy provides work-based training for LMI students in the LA school district. The bank is a long-time supporter of the Fochet Learning Center, one of the training programs sponsored by the Academy. Fochet is located in South Central Los Angeles, a low-income community.

## **Modesto MSA #5170**

### **Description of Institution's Operations in Modesto:**

The Modesto MSA is comprised of Stanislaus County. It is located in the northern San Joaquin Valley area of the state.

BANTSA is one of the largest banks in the area. The bank has nine branches and 29 ATMs in the cities of Ceres, Modesto, Oakdale and Turlock. The Bank has had a presence in the MSA since 1917.

The need for small business loans, home improvement loans, and residential loans present the major lending opportunities in the county. The improvement of the older single family housing stock is a countywide priority.

### **Conclusions with Respect to Performance Tests in Modesto:**

BANTSA's geographic lending pattern and responsiveness to community development needs is reasonable.

BANTSA's response to the credit needs of low-and moderate-income people is good.

Investment activities in the MSA were nominal.

BANTSA's delivery systems are readily accessible to all portions of the assessment area, but community development services are limited.

### **LENDING TEST**

BANTSA was the fourth ranked residential and small business lender in the Modesto MSA during the review period. The bank's origination of residential loans corresponded to a 4.7% overall market share. Their small business market share amounted to 10%. Total originations for the review period exceeded \$118 million.

### **Geographic Distribution:**

Residential Lending: BANTSA geographic distribution of loan originations within the Modesto MSA is reasonable. Our analysis is based on 1996 market share data. In that year, 13% of the bank's residential loans were made in LMI census tracts. This lending pattern exactly matches the market average, but falls slightly below the 16% of assessment area census tracts which are designated LMI. The bank's residential lending pattern more closely matches the 14% of owner-occupied homes which are located in LMI census tracts.

Small Business Lending: BANTSA's geographic distribution of small business loans is reasonable. In 1996, the bank made 18% of its small business loans in LMI census tracts. The bank's lending pattern falls below demographic information which shows 23% of small business are located in LMI census tracts. At the same time, the market average for small business loans in LMI census tracts was 20%.

Consumer Lending: The bank's geographic distribution of consumer loans is reasonable. During the review period, it made 16% of its consumer loans in LMI census tracts. Comparatively, this matches the 16% of the census tracts that are designated LMI. The average consumer loan in the assessment area was slightly over \$6 thousand.

### **Borrower Distribution:**

Residential Lending: BANTSA has done a good job making loans to LMI borrowers. The bank was the market leader in 1996 with an 11% market share of residential loans to low-income borrowers. It ranked second in residential loans to moderate-income borrowers with a market share of 6%. The bank also out performed the market average for residential lending to LMI borrowers. BANTSA made 9% of residential loans to low-income borrowers and 23% were made to moderate-income borrowers. The market average figures were 4% and 17%, respectively. However, these figures do not compare favorably to the 38% of the population designated LMI.

Small Business Lending: BANTSA has done a good job lending to a variety of small businesses. During the review period, 91% of the bank's small business loans were less than \$100 thousand.

Consumer Lending: The bank's consumer lending to LMI borrowers is good. During the review period, 42% of the consumer loans were made to LMI borrowers. Comparatively, 38% of the population is designated LMI.

**Community Development Lending Activities:** BANTSA's community development lending is reasonable. The bank made three community development loans exceeding \$4 million. The proceeds from these loans were used to provide 48 low-income housing units, a major need within the assessment area.

### **INVESTMENT TEST**

BANTSA's investment activities in the Modesto MSA were nominal. The bank made two grants totaling \$6 thousand during the review period. They were provided to community groups which promote economic development. This is an identified need in the area.

## **SERVICE TEST**

BANTSA's performance in the Modesto assessment area is reasonable. Delivery systems are readily accessible to all portions of the MSA. The MSA contains nine branches, four of which are located in moderate-income census tracts. This substantially exceeds the 16% of all census tracts which are located in LMI census tracts. No branches were opened or closed in the Modesto MSA during the review period.

The bank has performed only one community development service in the Modesto MSA. A Branch Manager serves on the Economic Development Committee for the City of Modesto. This committee reviews business loan applications for applicants in low-income census tracts.

## **Oakland MSA #5775**

### **Description of Institution's Operations in Oakland:**

The Oakland MSA is comprised of Alameda and Contra Costa counties. It is located across the bay from San Francisco and is known as the East Bay area. The area is diverse and is comprised of both urban and suburban geographies.

BANTSA is one of the largest banks in the MSA. It has 77 branches and 292 ATMs in over thirty cities.

Opportunities in single family housing, consumer loans and small business loans abound in the area. Affordable housing needs are a major issue in Alameda County and is critical in Oakland. Only 42% of the population of the MSA can afford to own a home. In addition, a lack of viable affordable housing projects has produced fierce competition between financial institutions and nonprofit groups.

### **Conclusions with Respect to Performance Tests in Oakland:**

The geographic distribution of BANTSA's residential loans was good.

BANTSA did a good job lending to LMI people, but community development lending was nominal due to activities conducted by BACDB.

BANTSA made a significant level of community development investments.

BANTSA's delivery systems are readily accessible to all portions of the MSA, and the level of community development services is reasonable.

### **LENDING TEST**

In 1996, BANTSA was the leading residential lender in the MSA with an overall market share of 10%. For this same period the bank was the number two small loan originator. Over the entire review period the bank made 10,121 residential loans totaling \$1.4 billion. Its total originations for the review period exceeded \$2 billion.

### **Geographic Distribution:**

Residential Lending: BANTSA's geographic distribution of loan originations in the MSA is good. Our market analysis is based on 1996 data. In that year, the bank ranked first in residential lending to LMI census tracts. BANTSA made 12% of its residential loans in LMI census tracts. This lending pattern was close to the market average, but falls below the 31% of census tracts which are designated LMI. The bank's residential lending pattern

more closely matches the 17% of owner-occupied homes which are located in LMI census tracts.

**Small Business Lending:** BANTSA's geographic distribution of small business loans is reasonable. During the review period, the bank made 23% of small business loans within LMI census tracts. The bank's lending statistics fall below demographic information which shows 30% of small businesses are located in LMI census tracts. However, their performance approximates the market average which was 24% in 1996.

**Consumer Lending:** The geographic distribution of consumer loans is reasonable. During the review period, the bank made 26% of consumer loans in LMI census tracts. Comparatively, 31% of census tracts were designated LMI. The average consumer loan in the assessment area was slightly over \$8 thousand.

### **Borrower Distribution:**

**Residential Lending:** BANTSA has done a good job making home loans to LMI borrowers. The bank was the market leader in 1996 with a 12% market share of residential loans to low-income borrowers and a 9% market share to moderate-income borrowers. The bank also outperformed the market average for residential lending to LMI borrowers. Low-income borrowers received 7% of the bank's residential loans. An additional 14% of residential loans were made to moderate-income borrowers. The market average figures were 5% and 15%, respectively. However, these figures do not compare favorably to the 38% of the population designated LMI.

**Small Business Lending:** BANTSA has done a good job lending to a variety of small businesses. During the review period, 91% of the bank's small business loans were less than \$100 thousand. In addition, the bank's average small business loan was only \$64 thousand.

**Consumer Lending:** The bank's consumer lending to LMI borrowers is good. During the review period, 42% of the consumer loans were made to LMI borrowers. Comparatively, 38% of the population is designated LMI.

**Community Development Lending Activities:** BANTSA did not make any community development loans in this assessment area as these activities are provided through the bank's affiliate BACDB.

### **INVESTMENT TEST**

BANTSA made a significant level of qualified community development grants and investments in the Oakland MSA. Furthermore, the targeting of investments towards affordable housing demonstrates a strong response to a community problem. The bank



made forty grants to community groups which totaled \$298 thousand. The grants were made to promote both affordable housing and economic development in mostly low-income census tracts. In addition, the bank had qualifying low income housing tax credits with outstanding balances of more than \$15 million. These tax credits are associated with nineteen different affordable housing projects in mostly low-income census tracts. In addition, the bank purchased a \$2 million bond as part of the Merrill Community Capital Fund. This is part of a complex multi-layer affordable housing project. Lastly, the bank owned a qualifying Public Housing Authority Bond with a book value of \$319 thousand.

## **SERVICE TEST**

BANTSA's performance in the Oakland assessment area is reasonable. Delivery systems are readily accessible to all portions of the MSA. The distribution of the bank's seventy-seven branches is slightly under demographic census tract statistics. Specifically, 8% of the branches are in low-income census tracts and 18% are in moderate-income census tracts. Comparatively, demographic information revealed that 11% and 21% of the census tracts were designated LMI, respectively.

The bank closed four branches in the Oakland MSA during the review period. Although three of these branches were located in moderate-income census tracts, the overall accessibility to branch services was not significantly affected. In each case, the branches were consolidated into another branch less than one mile away. Two of the branches were consolidated into branches which were also in moderate-income census tracts. Bank management conducted an analysis of each branch and based the closures on business concerns. The other branch which closed was located in an upper-income census tract.

The level of community development services is reasonable. A bank officer serves as Board Chairman of the Alameda County Private Industry Council. The council funds job training for low-income and hard to serve county residents. Another officer is Treasurer of the Downtown Berkeley Association. This organization helps to redevelop downtown Berkeley, which includes LMI areas. The bank's CRA Officer serves on the Board for the Easy Bay Asian Local Development Corporation and Oakland Sharing the Vision. Both of these groups promote economic development and affordable housing in LMI census tracts in Oakland. The CRA Officer also serves on a steering committee for the Community Economic Development Support Collaborative. This group provides funding and technical assistance for nonprofit CDC's that provide job training and employment for low-income residents in communities throughout San Francisco and the East Bay.

## **Orange County MSA #5945**

### **Description of Institution's Operations in Orange County:**

Orange County is the second most populated county in Southern California and the fifth most populated county in the country. It is located east of Los Angeles County, northeast of San Diego County and west of Riverside and San Bernardino Counties. The county is primarily suburban in nature with several large cities and limited rural areas in its eastern portion. The El Toro (Camp Pendleton) Marine Base makes up most of the southern part of the county.

BANTSA is the largest bank in the county. It has 91 branch offices and 338 ATMs in thirty-four cities. The BANTSA has had a presence in Orange County since 1925.

Orange County achieved notoriety by filing for bankruptcy in December 1994. The bankruptcy has resulted in the loss and elimination of many services to low-income residents. Many county residents work in nearby Los Angeles County. The MSA is a center for retail and service industries. Housing is still a viable industry within the MSA with more than ten thousand building permits issued during 1996, 47% were for multi-family projects. The county wide affordability factor for home ownership is 42%. In 1995, the MSA was the third most expensive housing market in the country.

LMI households have a high housing cost burden as they pay more than 30% of their household income to cover their primary housing expense. In fact, 51% of the households within the county are experiencing some type of housing problem. The need for home improvement is an issue in 50% of the very low- and low-income owner-occupied households.

Orange County does not have a public housing program. Rental assistance is provided by the county's Housing and Redevelopment Function. Approximately 6,600 households are assisted by this program. There are substantial barriers to the construction or preservation of affordable housing. Barriers include land use and design restrictions, zoning regulations and opposition by local officials or residents. The county seeks to counter the barriers by educating residents about affordable housing and through incentives, such as density bonuses in developments.

### **Conclusions with Respect to Performance Tests in Orange County:**

- **BANTSA's lending activity exhibits adequate responsiveness to the MSA's credit needs, in particular to LMI individuals seeking residential and consumer loans.**
- **BANTSA's community development lending has provided low-income affordable housing units that support one of the MSA's major needs.**

- **BANTSA's geographic loan distributions for all products reflect weak penetration in LMI geographies.**
- **BANTSA's investment volumes are very weak.**
- **BANTSA's delivery systems are reasonably accessible to all portions of the MSA, but the bank has not provided any community development services.**

## **LENDING TEST**

BANTSA is the top residential lender in the MSA with an 8% market share, of all loan originators for all HMDA reporters in 1996. For this same period the bank was the number four small business lender with a 16% market share. During the review period, the bank made 7,628 residential loans for more than \$1.2 billion and total originations period exceeded \$2 billion. The bank has made loans throughout the entire market area.

### **Geographic Distribution:**

Residential lending: BANTSA's geographic distribution of loan originations reflects weak penetration in the MSA's LMI census tracts. The bank's overall distribution during the review period is consistent with its performance in 1996. Geographically, the bank has a low concentration of loans in LMI geographies. In 1996, its market share in low-income tracts is 3% and its market share in moderate-income tracts is 5%. The bank made only 8% of its residential loans in LMI geographies. This is significantly below the market average of 14%. It is also less than the 18% of owner-occupied units located in LMI census tracts.

Small Business Lending: BANTSA's distribution of its small business loans is slightly below market statistics but is considered reasonable. In 1996, the bank had 28% of its loans in LMI census tracts while the market was at 30%. In addition, 33% of small businesses are in LMI geographies. The bank's 1997 year-to-date performance decreased slightly with its LMI lending now at 26%.

Consumer Lending: Consumer originations reflect reasonable penetration throughout the assessment area. The bank has under performed market demographics in making loans in LMI census tracts. It made 18% of its consumer loans in LMI geographies. This is below market demographics of the 27% LMI census tracts.

### **Borrower Distribution:**

Residential Lending: BANTSA has done a good job making loans to LMI individuals. Its overall distribution during the review period is consistent with the bank's performance in

1996. The bank's market share of loans to low-income borrowers at 10% significantly exceeds its overall market share of 8%. Further, its lending to moderate-income borrowers is comparable to its overall market share. The bank made more than 7% and 14% of its residential loans to LMI individuals, respectively. This exceeds the market average distribution to low-income borrowers of 5%, but falls below the market average distribution to moderate-income borrowers of 17%. As seen from these numbers, the bank has performed particularly well at responding to the credit needs of the low-income individuals.

**Small Business Lending:** BANTSA made 77% of its small business originations went to businesses with less than \$1 million in annual revenues. In addition, 93% of the loans were less than \$100 thousand in size.

**Consumer Lending:** The bank has done a very good job of making loans to LMI borrowers. It made 48% of its consumer originations to LMI borrowers. This compares favorably with the 38% LMI families in the MSA. Again the bank performed exceptionally well in responding to the credit needs of low-income individuals as 33% of its consumer loans went to this group versus the market demographics of 19%.

**Community Development Lending Activities:** BANTSA made four loans totaling \$5.4 million for affordable housing. These projects provided 184 low-income and 25 moderate-income housing units, helping to meet one of the more critical needs within the MSA. In addition the bank made five economic development loans through the SBA 504 program for \$8 million.

## **INVESTMENT TEST**

BANTSA's investments total \$9,500 and consist of five community development grants. This level of investment reflects nominal responsiveness to community economic development needs.

## **SERVICE TEST**

BANTSA's service performance in the MSA is weak. Delivery systems are reasonably accessible to essentially all portions of this MSA. Branches in low-income census tracts slightly exceed market demographics. However, the bank is 25% below the market demographics in moderate-income census tracts, 18% versus 24%. Changes in branch locations have generally not adversely affected the accessibility of the bank's delivery systems. BANTSA closed one branch in a middle-income tract serving a moderate-income client base. The bank did not provide any community development services in this MSA.

## **Riverside/San Bernardino MSA #6780**

### **Description of Institution's Operations in Riverside/San Bernardino:**

The Riverside MSA consists of Riverside and San Bernardino Counties. It is surrounded by the Los Angeles, Orange and San Diego MSAs, the Eastern California Rural Area, Imperial County and the state of Arizona. The Riverside and San Bernardino urban areas dominate the MSA. San Bernardino County has the largest land area of any county in the continental U.S. with an area of 20,000 square miles. The area includes inland valleys, the San Gabriel Mountains and the Mojave Desert.

BANTSA has had a presence in the area since 1923. It operates 69 branches, 296 ATMs and other offices and employment centers in forty-five cities throughout the MSA.

The MSA was seriously impacted by the recession of the early 1990's. The area, once a popular location for people seeking to escape Los Angeles County, has been slow to recover. The MSA has a 57% affordability factor for home ownership. As with other parts of the State base closures and restructuring have adversely impacted the MSA's economy.

San Bernardino's low-income population faces serious housing challenges. Even with the decline in house prices and an 18% vacancy factor in the county, many low-income households are unable to afford housing. The county's Housing Authority owns and manages two thousand units on 12 sites. There are more than 1,800 applicants on the waiting list for public housing, a two to three year wait. More than 2,400 low-income households receive assistance through the Section 8 Rental Assistance Program.

### **Conclusions with Respect to Performance Tests in Riverside/San Bernardino:**

- **BANTSA's lending activity exhibits good responsiveness to the MSA's credit needs, in particular to low-income individuals seeking residential loans.**
- **The bank's good level of community development lending has produced a number of low-income affordable housing units that support one of the MSA's major needs.**
- **BANTSA's loan distribution, both geographically and to borrowers of different income levels, has been good.**
- **The bank's volume of investments is good and has been responsive to community housing development needs.**
- **BANTSA's delivery systems are reasonably accessible to all portions of the MSA but community development services have been provided on a limited basis.**

## **LENDING TEST**

BANTSA is one of the top residential lenders in the MSA with a 4% market share. This includes all loan originators for HMDA reportable loans in 1996. For this same period the bank was a major small business lender with a 12% market share. During the review period, the bank made 4,777 residential loans for more than \$362 million while total originations exceeded \$858 million.

### **Geographic Distribution:**

Residential lending: BANTSA's geographic distribution of loan originations reflects a reasonable penetration throughout the MSA. The bank's overall distribution during the review period is consistent with its performance in 1996. It has done a good job of making loans in LMI geographies. Geographically, the bank lending distribution in low-income areas is slightly lower than market demographics which is offset by its higher concentration of loans in moderate-income areas. The bank's market share in low-income tracts was 2% and its market share in moderate-income tracts was 6%. Its combined market share to LMI areas of 5% compares favorably to its total market share of 4%.

Small Business Lending: In 1996, BANTSA was generally in line with the market distribution of small business loans in LMI census tracts. Both the market and the bank had 23% of their loans in LMI census tracts. However, the distribution was below the market demographics as 29% of small businesses were in LMI census tracts. The bank's year-to-date 1997 performance matched the levels it achieved in 1996.

Consumer Lending: Consumer originations reflect reasonable penetration throughout the MSA. The bank has done an adequate job of making loans in LMI census tracts. It made 18% of its consumer loans in LMI geographies. This is below market demographics as 32% are LMI census tracts.

### **Borrower Distribution:**

Residential lending: BANTSA has done an excellent job in making loans to LMI borrowers. The bank's overall distribution during the review period is consistent with its performance in 1996. The bank's market share of loans to low-income borrowers at 9% is significantly higher than its overall market share of 4%. Its market share of loans to moderate-income borrowers of 5% is also higher than its overall market share. As a percentage of total residential loans, more than 12% and 17% have been made to LMI individuals, respectively. This significantly exceeds the market average to low-income borrowers of 5% and slightly exceeds the market average to moderate-income borrowers of 16%. This shows how effectively the bank has responded toward meeting the credit needs of the most economically disadvantaged individuals in this assessment area.

Small Business Lending: BANTSA made 80% of its small business loans to businesses with less than \$1 million in annual revenues. In addition, 89% of the loans were less than \$100 thousand in size.

Consumer Lending: The bank has done a good job of making loans to LMI individuals. It made 41% of its total consumer originations to LMI borrowers. This exceeds the 38% of LMI families in the MSA.

**Community Development Lending Activities:** BANTSA made six loans totaling \$14.8 million for affordable housing and another three community development loans for \$5 million through SBA programs. The affordable housing projects provided 502 low-income housing units, helping to meet one of the more critical needs within the assessment area. In addition, the projects produced ninety-five moderate-income units.

## **INVESTMENT TEST**

BANTSA's investments total \$17.6 million, of which \$6.7 million were made prior to 1996. They consist of nine community development grants for \$58 thousand, five investment tax credits totaling \$7.6 million and two complex/innovative bond financing transactions for \$10 million. These last two transactions involve affordable housing and are parts of multi-layer financing projects that took several years and the bank's initiative to pull together. The level of investments is very strong and provides a good response to community economic development needs.

## **SERVICE TEST**

BANTSA's performance in this MSA is adequate. Bank branches in LMI census tracts are slightly below market demographics. Changes in branch locations have generally not adversely affected the accessibility of the bank's delivery systems. A total of ten branches were closed in this MSA, two of which were in moderate-income census tracts.

Community development services bank personnel participate in are very limited. The manager of the Indio branch serves as co-chair of the organizing committee for the Inland Empire Lender's CDC.

## **Sacramento MSA #6920**

### **Description of Institution's Operations in Sacramento:**

This MSA is located in the northern Central Valley. It is comprised of Sacramento, Placer and El Dorado Counties stretching to the Nevada border. The area is a balance between small cities and the city of Sacramento.

BANTSA is one of the largest banks in the area. It has operated in the area since 1921. It has 47 branch offices and 181 ATMS in twenty-two communities. The bank also operates regional facilities in the MSA including a consumer loan center, a check processing center and a commercial banking office.

The need for affordable housing and home improvement loans are important issues in the MSA. This is especially true in Sacramento, where an abundance of existing housing stock could be converted into affordable units. Lending opportunities also exist in all consumer and small business categories.

### **Conclusions with Respect to Performance Tests in Sacramento:**

- **BANTSA's geographic distribution of loans is reasonable.**
- **BANTSA did a good job responding to community development needs and to the specific credit needs of LMI people.**
- **BANTSA provided a significant level of community development grants and investments.**
- **Delivery systems are readily accessible and bank management actively provided community development services.**

### **LENDING TEST**

BANTSA was a leading residential originator in the Sacramento MSA during 1996, which corresponded to a 5.4% overall market share. In addition, the bank was a major small business lender over this same period with a 14% market share. For the entire review period the bank made 3,662 residential loans totaling \$284 million. Total originations for the review period exceeded \$600 million.

### **Geographic Distribution:**

Residential Lending: BANTSA geographic distribution of loan originations within the MSA is reasonable. Our analysis is based on 1996 market data. In that year, the bank ranked



fifth and third in residential lending to LMI census tracts, respectively. BANTSA made 12% of its residential loans in LMI census tracts. This lending pattern matches the market average, but falls below the 27% LMI designated census tracts. The bank's residential lending pattern more closely matches the 15% of owner-occupied homes, which are in LMI census tracts.

**Small Business Lending:** BANTSA's geographic distribution of small business loans is reasonable. During the review period, the bank made 22% of small business loans within LMI census tracts. This lending statistic compares closely to the market average for small business loans in LMI census tracts which was 24% in 1996. Market demographics reflect that 28% of small businesses were located in LMI census tracts.

**Consumer Lending:** The geographic distribution of consumer loans is reasonable. During the review period, the bank made 17% of consumer loans in LMI census tracts. Comparatively, 27% of census tracts were designated LMI. The average consumer loan in the assessment area was slightly over \$8 thousand.

### **Borrower Distribution:**

**Residential Lending:** BANTSA has done a good job making loans to LMI borrowers. In 1996, the bank was the market leader with a 10% market share of residential loans to low-income borrowers. The bank ranked third in residential loans to moderate-income borrowers with a 6% market share. It also outperformed the market average for residential lending to LMI borrowers. BANTSA made 10% of its residential loans to low-income borrowers and 19% of its loans to moderate-income borrowers. The market average figures were 5% and 16%, respectively. The bank's production figures compare relatively favorably to the population designated LMI.

**Small Business Lending:** BANTSA has done a good job lending to a variety of small businesses. During the review period, the bank made 91% of its small business loans less than \$100 thousand. In addition, the bank's average small business loan was only \$65 thousand.

**Consumer Lending:** The bank's record of consumer lending to LMI borrowers is good. During the review period, 41% of the consumer loans were made to LMI borrowers. Comparatively, 38% of the population is designated LMI.

**Community Development Lending Activities:** BANTSA did not make any community development loans in this assessment area as these activities are provided through the bank's affiliate BACDB.

## **INVESTMENT TEST**

BANTSA made a significant level of qualified community development grants and investments in the MSA. Furthermore, the targeting of investments towards affordable housing demonstrates a strong response to a pressing community problem. The bank made twenty-three grants to community groups which totaled \$203 thousand. The grants were made to promote both affordable housing and economic development in LMI census tracts. In addition, the bank had two qualifying low-income housing tax credits with outstanding balances of over \$7 million. The tax credits support affordable housing in Sacramento and Lincoln. The project in Lincoln is part of a very complex multi-layer financing deal. Lastly, the bank owned six qualifying Public Housing Authority bonds with a book value of \$841 thousand.

## **SERVICE TEST**

BANTSA's performance in the Sacramento assessment area is good. Delivery systems are readily accessible to all portions of the MSA. The MSA contains forty-seven branches, with 4% in low-income census tracts. An additional 15% of the branches are in moderate-income census tracts. These percentages fall slightly below the demographic statistics of 6% and 21%, respectively.

Branch openings and closings did not have a negative impact on LMI census tracts. During the review period, the bank closed six branches in the MSA, five were in middle-income census tracts and one was in an upper-income census tract. The bank opened two branches in upper-income census tracts and one in a middle-income census tract.

BANTSA has actively provided community development services in the Sacramento MSA. These services have promoted education, economic redevelopment and affordable housing. For example, a bank officer serves on an advisory committee to the City of Folsom's Redevelopment Agency to promote affordable housing. Another officer serves on the Greater Sacramento Round table which promotes redevelopment issues. The same officer works with the Sacramento Housing and Redevelopment Agency to promote affordable housing. Other officers have made presentations at the Vencil Brown School and at Natomas School to help educate youth about money and banking. Both schools are located in an LMI area. Other bank officers serve on neighborhood groups in Sacramento's LMI areas to promote affordable housing and economic revitalization.

## **Salinas MSA #7120**

### **Description of Institution's Operations in Salinas:**

The Salinas MSA is comprised of Monterey County. The area contains scenic coastline and expands into agricultural areas. It contains the small cities of Salinas, Monterey and Carmel.

BANTSA is the largest commercial bank in Monterey County. It has ten branches and 33 ATMs in nine cities. The bank has operated in Monterey County since 1921.

The need for affordable housing is a problem throughout the county. This includes rehabilitation of existing housing stock. A lack of land is cited as the foremost barrier to affordable housing as preservation of agricultural land is a priority. However, the cities of Monterey and Salinas are exploring alternatives that will eliminate or mitigate the barriers.

### **Conclusions with Respect to Performance Tests in Salinas:**

- **BANTSA's geographic lending distribution and responsiveness to LMI borrowers are good.**
- **BANTSA made a significant level of community development grants and investments.**
- **Delivery systems are reasonable, however, BANTSA did not provide any community development services.**

### **LENDING TEST**

BANTSA was the leading residential lender in the Salinas MSA during 1996 with a 13% overall market share. The bank is also a major small business lender with an 8% market share for this same time period. During the entire review period the bank made 1,518 residential loans totaling \$194 million. Total originations for the review period exceeded \$272 million.

### **Geographic Distribution:**

Residential Lending: BANTSA geographic distribution of loan originations within the Salinas MSA is good. Our analysis is based on 1996 market share data. In that year, the bank ranked first in residential lending to moderate-income census tracts with 18% of the market. The bank also made 18% of the residential loans in moderate-income census tracts. This lending pattern exceeds the 13% market average of lending in moderate-income census tracts. However, the bank falls slightly below the 22% of census tracts

which are designated LMI. The bank's residential lending pattern exceeds the 12% of owner-occupied homes which are located in LMI census tracts. Only two of the MSA's census tracts are low-income. No loans were made in these two tracts by residential reporting institutions.

**Small Business Lending:** The geographic distribution of BANTSA's small business loans is good. During the review period, the bank made 26% of small business loans within LMI census tracts. This lending statistic compares favorably to demographics which showed 27% of small businesses were located in LMI census tracts. The market average for small business loans in LMI census tracts was also 27% for 1996.

**Consumer Lending:** The geographic distribution of consumer loans is good. During the review period, the bank made 27% of consumer loans in LMI census tracts. Comparatively, 22% of census tracts were designated LMI. The average consumer loan in the assessment area was \$9 thousand.

### **Borrower Distribution:**

**Residential Lending:** BANTSA has done a good job making loans to LMI borrowers. The bank was the market leader in 1996 with an 18% market share of residential loans to low-income borrowers. The bank also ranked first in residential loans to moderate-income borrowers with a 17% market share. The bank outperformed the market average for residential lending to LMI borrowers. BANTSA made 4% of its residential loans to low-income borrower census tracts and 13% were made to moderate-income borrowers. The market average figures were 3% and 9%, respectively. The bank's production figures do not compare favorably to the 37% of the population designated LMI.

**Small Business Lending:** BANTSA has done a good job lending to a variety of small businesses. During the review period, 88% of the bank's small business loans were under \$100 thousand. In addition, the bank's average small business loan was only \$74 thousand.

**Consumer Lending:** The bank's consumer lending to LMI borrowers is good. During the review period, 42% of the consumer loans were made to LMI borrowers. Comparatively, 37% of the population is designated LMI.

**Community Development Lending Activities:** BANTSA did not make any community development loans in the Salinas MSA during the review period.

### **INVESTMENT TEST**

BANTSA made a significant level of investments in the MSA. Specifically, the bank owned two low income housing tax credits totaling \$3.7 million. This is a large investment in

relation to the demographic make-up of the assessment area. In addition to the tax credits, the bank made three grants to two groups in Salinas. The grants totaled \$2 thousand and promoted affordable housing and economic development. The level of investment provides reasonable responsiveness to community economic development needs.

## **SERVICE TEST**

BANTSA's performance in the Salinas assessment area is reasonable. Delivery systems are readily accessible to all portions of the MSA. The bank has ten branches in the assessment area. One branch is located in a low-income census tract and four are in moderate-income census tracts. This is double the demographic breakdown of census tract income levels within the MSA. The bank closed one branch in the MSA during the review period. This branch was located in an upper-income census tract. The bank did not provide or participate in any community development services in the MSA.

## **San Diego MSA #7320**

### **Description of Institution's Operations in San Diego:**

This MSA consists of San Diego County. The county is primarily urban and suburban, but has some rural areas in its northern sections. The major urban area of the county is the city of San Diego. There are several other smaller cities including La Mesa, Escondido, Oceanside, Chula Vista, National City, La Jolla, Ramona, and El Cajon.

San Diego is the sixth largest city in the country. The area has one eighth of the population of the state. It is a center for education and research with both public and private colleges and universities within the city. San Diego's economic base previously relied on defense and military spending. The area now has a more diverse economic base including a growing biotechnology industry, international trade, high tech manufacturing, professional services and tourism.

The city of San Diego has provided public funding for home ownership programs targeted toward low-income homebuyers. Also, the establishment of the San Diego Housing Trust Fund made support available for several low-income housing developers in the area. The affordable housing industry in the area experienced a "mini-boom" during the mid 1990's. Rents in the city are actually affordable and have not kept pace with either inflation or the increases in housing prices.

There are opportunities for loans in all of the consumer and small business areas. Competition is especially stiff for affordable housing loans and SBA Guaranteed loans.

BANTSA is the largest bank in the area. It has had a presence in San Diego since 1922. It serves the MSA with 76 branches and 274 ATMs.

### **Conclusions with Respect to Performance Tests in San Diego:**

- **BANTSA's lending activity exhibits good responsiveness to the MSA's credit needs, in particular to LMI individuals seeking residential loans.**
- **Strong community development loan activities have produced a number of LMI affordable housing units that support one of the MSA's major needs.**
- **Investment volumes are good and have been responsive to community housing development needs.**
- **BANTSA's delivery systems are reasonably accessible to all portions of the MSA but community development services have been provided on a limited basis.**

## **LENDING TEST**

In 1996, BANTSA was the top residential lender in the MSA with a 6% market share. This includes all loan originators reporting under HMDA. During this same time, the bank was the number two small business lender with an 18% market share. Its total originations for the review period exceeded \$1.4 billion.

### **Geographic Distribution:**

Residential lending: BANTSA geographic distribution of loan originations reflects good penetration throughout the MSA, consistent with the demographic patterns. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has done a good job of making loans in LMI geographies. Geographically, the bank has a good representation of loans in LMI geographies. In 1996, its market share of loans in low-income areas was 8% and its market share of loans in moderate-income areas was 6%. The bank made 13% of its residential loans in LMI geographies which is the same as the market average. However, it is slightly less than the 15% of owner-occupied units in LMI census tracts.

Small Business Lending: BANTSA's distribution of its small business loans is good and consistent with the market demographics and market originations. The bank made 25% of its loans in LMI census tracts. This compares favorably to the MSA's small business demographics of 29% in LMI areas. In addition, in 1996, the market distribution of small business loans in LMI areas was at 24%.

### **Borrower Distribution:**

Residential Lending: BANTSA has done an excellent job making loans to LMI borrowers. The bank's overall distribution during the review period is consistent with its performance in 1996. During that time, the bank's market share of loans to low-income borrowers was 13%, significantly higher than its overall market share of 6%. Its market share of loans to moderate-income borrowers at 8% was also higher than its overall market share. The bank made 8% and 13% of its residential loans to LMI individuals, respectively. This significantly exceeds the market average to low-income borrowers of 3% and slightly exceeds the market average to moderate-income borrowers of 12%. This shows how effectively the bank has responded toward helping meet the credit needs of the most economically disadvantaged individuals in this MSA.

Small Business Lending: BANTSA has been effective in making loans to small businesses and in particular making small loans. During the review period, the bank made 82% of its all small business loans to businesses with less than \$1 million in annual revenues. In addition, 95% of its loans were less than \$100 thousand in size.

Consumer Lending: The bank has done a good job of making loans to LMI individuals. As a percentage of total consumer originations, 43% have been made to LMI borrowers. This exceeds the 39% of total LMI families in the MSA. Again the bank has performed exceptionally well in responding to the needs of the low-income borrowers in that 27% of all consumer loans have gone to this group versus the market demographics of 20%.

**Community Development Lending Activities:** BANTSA made eleven loans totaling \$19 million for affordable housing. The projects provided 638 low-income and another 30 moderate-income housing units, helping to meet one of the more critical needs within the assessment area. In addition, the bank made two economic development loans for \$3.2 million through the federal government's SBA program.

## **INVESTMENT TEST**

BANTSA's investments total almost \$14 million, of which \$12.8 million were made prior to 1996. They include 19 community development grants for \$159 thousand and ten investment tax credits for \$13 million. In addition, the bank has an \$800 thousand investment in an affordable housing project that is part of a large and complex multi-financing deal. The level of investment provides good responsiveness to community economic development needs.

## **SERVICE TEST**

BANTSA's performance in the MSA is very strong. The bank has an excellent distribution of branches throughout the assessment area. Branches in LMI areas exceed market demographics by more than 15%. Changes in branch locations have not adversely affected accessibility. A total of six branches were closed, one was in a moderate-income census tract and five were in middle-income census tracts. The bank also opened a new branch in a moderate-income census tract, ten branches in middle-income census tracts and one branch in an upper-income census tract.

The MSA is considered the Retail Bank's "incubator." It is the area where various products and services are piloted first. The in-store bank model was first marketed in the MSA.

The bank provides an adequate level of community development services in the MSA. The manager of the Sorrento Valley branch serves on the Financial Budgeting committee of a local church. Staff from the branch at 42nd and El Cajon provide services to the San Diego Home Loan Counseling Service. Staff from the 2nd and Peach Street branches serve on the San Diego County Economic Development Council.

BANTSA has attempted to improve access for welfare recipients by running a pilot program. It launched a partnership with the County of San Diego to make Versatel checking accounts available to AFDC recipients. There is no charge for the accounts and



new customers receive training at the branch where they elect to open the account. The intent of the pilot is to encourage low-income people to use banks rather than check cashing services and to reduce non-customer traffic in branches.

## **San Francisco MSA #7360**

### **Description of Institution's Operations in San Francisco:**

This MSA is comprised of Marin, San Francisco and San Mateo counties. It is located in the north central part of the state. Much of the MSA is located along the California coastline. The area is primarily urban and suburban in nature. The largest city in the area is San Francisco.

BANTSA is headquartered in San Francisco and is the dominant financial institution in the MSA. In addition to branches, the bank has several administrative offices and divisions located in all three counties. The bank has operated in San Francisco since its inception in 1904 as the Bank of Italy. It serves the MSA with 81 branch offices and 307 ATMs.

The MSA presents lending opportunities to meet consumer, small business, and housing needs. The San Francisco MSA is the most expensive area in the country to live. In addition, only 9.3% of the population can afford to own homes. As most of the MSA is built out, new housing developments are primarily in-fill projects. This presents a particular challenge to financial institutions, governmental and nonprofit groups operating in the MSA.

### **Conclusions with Respect to Performance Tests in San Francisco:**

- **BANTSA's geographic lending distribution is good.**
- **BANTSA has a good record of lending to LMI people and addressing community development needs.**
- **BANTSA made a significant level of qualified community development grants and investments.**
- **Delivery systems are readily accessible, but BANTSA has provided a nominal level of community development services.**

### **LENDING TEST**

In 1996, BANTSA was the leading residential lender in the MSA with a 17% overall market share. For this same time period the bank was the number two small business lender with an 18% market share. During the review period, the bank made 10,689 residential loans totaling \$2.2 billion. Total originations for the review period approximated \$3 billion.

### **Geographic Distribution:**

Residential Lending: BANTSA's geographic distribution of loan originations within the MSA is good. In 1996, the bank was the number one residential lender in the market and in LMI census tracts with a 15% and 13% market share, respectively. The bank made 1% of its residential loans in low-income census tracts and 11% in moderate-income census tracts. This is close to market averages of 1% and 12%, respectively. The bank's residential lending pattern approximates the 13% of owner-occupied homes which are in LMI census tracts.

Small Business Lending: BANTSA's geographic distribution of small business loans is good. During the review period, the bank made 36% of small business loans within LMI census tracts. This lending statistic exceeds market demographics which showed 29% of small businesses were located in LMI census tracts. In addition, the market average for small business loans in LMI census tracts was 33% in 1996.

Consumer Lending: The geographic distribution of consumer loans is good. During the review period, the bank made 25% of its consumer loans in LMI census tracts. Comparatively, 25% of census tracts were designated LMI. The average consumer loan in the assessment area was \$9 thousand.

#### **Borrower Distribution:**

Residential Lending: BANTSA has done a good job making loans to LMI borrowers. The bank was the market leader in 1996 with a 21% market share of residential loans to low-income borrowers. The bank also ranked first in residential loans to moderate-income borrowers with a 18% market share. The bank outperformed the market average for residential lending to LMI borrowers. It made 5% of its residential loans to low-income borrowers and 12% were made to moderate-income borrowers. The market average figures were 4% and 11%, respectively. The bank's production figures do not compare favorably to the 38% of the population designated LMI.

Small Business Lending: BANTSA has done a good job lending to a variety of small businesses. During the review period, 88% of the bank's small business loans were under \$100 thousand. In addition, the bank's average small business loan was only \$79 thousand.

Consumer Lending: The bank's consumer lending to LMI borrowers is good. During the review period, 44% of the bank's consumer loans were made to LMI borrowers. Comparatively, 38% of the population is designated LMI.

**Community Development Lending Activities:** BANTSA made seven community development loans in the San Francisco MSA during the review period. These seven loans totaled \$12 million and provided funding for affordable housing projects and economic development. A total of 150 LMI affordable housing units were produced,

providing one of the more critical needs within the assessment area.

### **INVESTMENT TEST**

BANTSA made a significant level of qualified community development grants and investments in the MSA. Furthermore, the targeting of investments towards affordable housing demonstrates a strong response to a significant community problem. The bank made sixty-five grants to community groups totaling \$618 thousand. The grants were made to promote both affordable housing and economic development in many LMI census tracts. In addition, the bank had fifteen qualifying low income housing tax credits with outstanding balances of nearly \$19 million. These tax credits are associated with different affordable housing projects throughout the MSA. Lastly, the bank owned eleven qualifying Public Housing Authority bonds with an aggregate book value of \$1.8 million.

### **SERVICE TEST**

BANTSA's performance in the MSA is good. Its delivery systems are readily accessible to all portions of the MSA. The bank has eighty-one branches in this MSA, 10% are in low-income census tracts and 20% are in a moderate-income census tracts. Both figures exceed the MSA's demographic profile for LMI census tracts of 6% and 18%, respectively.

Branch closures did not have a negative impact on LMI census tracts. During the review period, the bank closed four branches in the MSA. Two were in middle-income census tracts and two were in upper-income census tracts.

BANTSA performed only one community development service in the MSA. A bank officer participates as Treasurer and board member of the Downtown San Mateo Association. This organization promotes economic redevelopment in downtown San Mateo. In addition, to this community development service, bank officers also participate in some regional and national community development programs which benefit parts of this MSA. These programs were mentioned under the California Service Test performance.

## **San Jose MSA #7400**

### **Description of Institution's Operations in San Jose:**

The San Jose MSA is comprised of Santa Clara County, which is located fifty miles south of San Francisco. It is home of Silicon Valley and is one of the highest income areas in the country. The city of San Jose is the largest urban area in the MSA.

BANTSA is the largest commercial bank in the MSA. In addition to a widespread branch network, the bank has a residential loan center and other offices in the county. The bank has been in the county since 1909. It serves the MSA with 52 branch offices and 204 ATMs.

Loans for housing and small businesses are the most pressing needs in the community. The lack of affordable housing has forced many individuals employed in Silicon Valley to move to adjoining counties. The county has several developers active in building affordable housing.

### **Conclusions with Respect to Performance Tests in San Jose:**

- **BANTSA's geographic lending distribution is reasonable.**
- **BANTSA has done an excellent job lending to LMI individuals and providing community development loans.**
- **BANTSA made a reasonable level of qualified community development grants and investments.**
- **Delivery systems are accessible to all portions of the MSA, and bank management has provided a high level of community development services.**

### **LENDING TEST**

BANTSA was the leading residential lender in the San Jose MSA during 1996, with a 12% overall market share. In addition, the bank was a major small business lender with a 16% market share over the same time period. The bank made 8,962 residential loans totaling \$1.6 billion during the entire review period. Total originations for the review period exceeded \$2.2 billion.

### **Geographic Distribution:**

Residential Lending: BANTSA geographic distribution of loan originations within the San Jose MSA is reasonable. Our analysis is based on 1996 market share data. In that year,

the bank ranked first in residential lending to both LMI census tracts with 13% and 10% of the market, respectively. The bank made 1% of residential loans in low-income census tracts and 10% in moderate-income census tracts. This is close to market averages. LMI census tracts comprise 3% and 15% of the MSA, respectively. The bank's residential lending pattern falls below the 15% of owner-occupied homes which are located in LMI census tracts.

**Small Business Lending:** BANTSA's geographic distribution of small business loans is reasonable. During the review period, the bank made 26% of small business loans within LMI census tracts. This lending statistic is slightly under demographic information which showed 29% of small businesses were located in LMI census tracts. The market average for small business loans in LMI census tracts was 32% in 1996.

**Consumer Lending:** The geographic distribution of consumer loans is good. During the review period, the bank made 24% of consumer loans in LMI census tracts. Comparatively, 18% of census tracts were designated LMI. The average consumer loan in the assessment area was \$10 thousand.

### **Borrower Distribution:**

**Residential Lending:** BANTSA has done a good job making loans to LMI borrowers. The bank was the market leader in 1996 with a 13% market share of residential loans to low-income borrowers. The bank also ranked first in residential loans to moderate-income borrowers with a 10% market share. The bank outperformed the market average for residential lending to LMI borrowers. It made 6% of its residential loans to low-income borrowers and 14% to moderate-income borrowers. The market average figures were 4% and 15%, respectively.

**Small Business Lending:** BANTSA has done a good job lending to a variety of small businesses. During the review period, it made 90% of its small business loans under \$100 thousand. In addition, the bank's average small business loan was only \$71 thousand.

**Consumer Lending:** The bank's consumer lending to LMI borrowers is good. During the review period, 43% of the consumer loans were made to LMI borrowers. Comparatively, 38% of the population is designated LMI.

**Community Development Lending Activities:** BANTSA made ten community development loans in the MSA during the review period. These loans totaled \$26 million and promoted affordable housing projects and economic development. These projects produced 260 LMI affordable housing units, helping meet one of this MSA's critical needs.

## **INVESTMENT TEST**

BANTSA made a reasonable level of qualified community development grants and investments in the MSA. Furthermore, the targeting of investments toward affordable housing demonstrates a focused response to a significant community problem. The bank made eleven grants to community groups which totaled \$87,500. The grants were made to promote both affordable housing and economic development throughout the assessment area. In addition, it has three investments with outstanding balances of \$5.3 million. Two of the three projects are part of multi-layer financing deals that took several years and initiative on the part of the bank to pull together. All three projects support LMI affordable housing, a key need in this area.

## **SERVICE TEST**

BANTSA's performance in the MSA is excellent. Its delivery systems are readily accessible to all portions of the MSA. The bank has fifty-three branches in the MSA, with 8% in low-income census tracts and 15% in middle-income census tracts. These figures exceed MSA demographic statistics which list low-income census tracts at 3% and moderate-income census tracts at 15%.

Branch closures did not have a significant negative impact on LMI census tracts. The bank closed two branches in the MSA during the review period. One branch was located in a middle-income census tract and the other was in a moderate-income census tract. The closed branch in the moderate-income tract was located in Campbell. It was consolidated into an existing branch less than a mile away.

Bank officers provided a high level of community development services within the MSA. These services promoted economic development, affordable housing, and financial education to LMI people throughout the MSA. For example, a bank officer is Treasurer of the East Side Hispanic Chamber of Commerce. This group promotes economic development in East San Jose, which is a LMI area. Another officer serves on the board of Growth and Opportunities, Inc. This organization promotes affordable housing and other loans to low-income people. Two other officers worked with the Hispanic Chamber of Commerce's "Bridge 97 conference" which educated LMI people regarding financial planning and lending. Lastly, an officer provides ongoing technical assistance to the Center to Develop Women Entrepreneurs. Many of Center's clients are LMI.

## **San Luis Obispo-Atascadero-Paso Robles (SLO) MSA #7460**

### **Description of Institution's Operations in SLO:**

This MSA is comprised of San Luis Obispo County. The area's two largest cities are San Luis Obispo and Paso Robles. There are several smaller cities including Atascadero, Grover Beach and Pismo Beach. The county has experienced steady growth. It is dominated by the state university and agriculture in the surrounding cities and rural areas.

BANTSA has a moderate presence in San Luis Obispo County. It has eight branches and 28 ATMs in nine cities. The bank has operated in the county since 1921.

The area is unique in that it has few low-income census tracts. Many of the low-income county residents are farm workers. Housing costs are an issue here as in other parts of the state. The population has grown steadily since 1980, and housing costs have increased accordingly. However, the recession of the early 1990's has had a profound impact on housing prices in the area. Development in the area continues with market rate projects, as well as low-income projects sponsored by a large local nonprofit developer. Despite the reduction in housing prices, home ownership still remains beyond the reach of most low-income county residents. The county has targeted downpayment assistance as one of its major areas of usage for HUD funds.

Housing opportunities for renters are available primarily through the Section 8 Rental Assistance Program. More than 1,600 residences are covered by Section 8 certificates with a waiting list of over 1,400 names. In contrast, the county has only 169 public housing units, with an extremely low vacancy factor. Impact fees on new developments remain the greatest impediments to new affordable housing development in the county.

BANTSA while having a moderate presence in the area, has found that lending opportunities exist in all consumer, business, and housing related loan categories.

### **Conclusions with Respect to Performance Tests in SLO:**

- **BANTSA's lending activity exhibits adequate responsiveness to the MSA's credit needs, in particular to low-income individuals seeking residential and consumer loans.**
- **Overall loan distribution, while weak geographically, has been strong to borrowers of different income levels.**
- **BANTSA has not provided any investments in this area, but demand is nominal.**



- **BANTSA's delivery systems are accessible to all portions of the MSA but community development services have been weak.**

## **LENDING TEST**

BANTSA is a major residential lender in the MSA with a 5% market share, ranking near the top of all loan originators for all HMDA reporters in 1996. For this same time period the bank had a 9% market share of all small business loan originations. The bank made 488 residential loans for more than \$43 million during the review period. Total originations for the review period almost totaled \$92 million.

### **Geographic Distribution:**

Residential lending: BANTSA's geographic distribution of loan originations reflects reasonable penetration throughout the MSA, consistent with the demographic patterns. As shown in the state demographic profile this MSA has no low-income census tracts. Overall distribution during the review period, is consistent with the bank's performance in 1996. The bank has done an adequate job in making loans in moderate-income geographies achieving a market share of 4% versus their overall share of 5%. As a percentage of total residential loans, 5% have been made in moderate-income geographies. This is below the market average of 7%. It also is below the 7% of owner-occupied units located in moderate-income census tracts.

Small Business Lending: BANTSA's distribution of its small business loans is below both the market demographics and average market performance. The bank had 6% of its loans originated in moderate-income geographies. This compares to small business demographics of 11%. In addition, the market distribution of small business loans in moderate-income census tracts for 1996, excluding BANTSA, was 10%.

Consumer Lending: Consumer originations also reflect weak penetration in the moderate-income geographies in this assessment area. Only 7% of all consumer loans have been originated in moderate-income geographies versus the 12% total of moderate-income census tracts.

### **Borrower Distribution:**

Residential lending: BANTSA has done a good job in making loans to LMI individuals. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank's market share of loans to low-income borrowers at 10% is double its overall market share. Loans to moderate-income borrowers is slightly higher than its market share at 8%. As a percentage of total residential loans, 5% and 17% have been made to LMI individuals, respectively. This significantly exceeds the market averages, excluding BANTSA, of 3% and 11%, respectively. The bank has performed particularly well at meeting the needs of the low-income borrowers.

Small Business Lending: BANTSA has been effective in making loans to small businesses and in particular making loans of small dollar amounts. The bank made 89% of its small business loans to businesses with less than \$1 million in annual revenues. In addition, 93% of the small business loans were less than \$100 thousand in size.

Consumer Lending: The bank has done a very good job of making loans to LMI individuals. As a percentage of total consumer originations, 46% have been made to LMI borrowers. This compares to the 37% of total LMI families in the MSA.

**Community Development Lending Activities:** BANTSA made four loans totaling \$6.3 million for affordable housing. The projects provided 352 low-income housing units, helping to meet one of the more critical needs within the assessment area.

### **INVESTMENT TEST**

BANTSA did not make any investments in this assessment area. This level of investment appears weak and indicates a weak response to community economic development needs.

### **SERVICE TEST**

BANTSA has provided service at an adequate level in this assessment area. The bank's delivery systems are reasonably distributed throughout the assessment area. This MSA does not contain any low-income census tracts and only 12% of the tracts are moderate. The bank slightly exceeds market with 13% of its branches located in moderate-income census tracts. The one branch closure occurred in a middle income census tract. There have been no community development services reported in this MSA.

## **Santa Barbara MSA #7480**

### **Description of Institution's Operations in Santa Barbara:**

The Santa Barbara MSA is located along the central coast of California. Land use is widely diverse, ranging from scenic seaports to rich agricultural soil to parcels of arid land. The City of Santa Barbara is the commercial, financial, and governmental center of the County.

BANTSA has a strong presence in the MSA. It has been operating the MSA since 1921. It serves the MSA with ten branch offices and 46 ATMs.

Due to the declining industries of aerospace and defense, the MSA has lost several thousand jobs. Economic conditions have resulted in the cut back of various levels of government services. These cutbacks in employment have led to a decline in property values, foreclosures and forced sales of homes. The households tend to be concentrated in certain areas of Santa Barbara, primarily the downtown area, and the Eastside and Westside areas. Since 1995, there has been a rise in business volume and property values are beginning to stabilize.

The City of Santa Barbara is one of the most expensive places to live in the United States. While home ownership costs have decreased, they continue to be out of reach for most households. Thus, affordable housing is a key MSA need.

### **Conclusions with Respect to Performance Tests in Santa Barbara:**

- **BANTSA's lending activity exhibits adequate responsiveness to the MSA's credit needs.**
- **The bank's overall loan distribution, while weak geographically, has been good to borrowers and businesses.**
- **BANTSA has had no investment activity in this MSA.**
- **BANTSA's delivery systems are very accessible to all portions of the MSA but community development services have been weak.**

### **LENDING TEST**

BANTSA is a major residential lender in the Santa Barbara MSA with an 8% market share, ranking near the top of all loan originators for all HMDA reporters in 1996. The bank is also a major small business lender with a 10% market share over this same period. The

bank made 957 residential loans for more than \$176 million during the review period. Total originations for the review period totaled more than \$241 million.

### **Geographic Distribution:**

Residential lending: BANTSA geographic distribution of loan originations reflects reasonable penetration throughout the assessment area, consistent with the demographic patterns. As shown in the state demographic profile this MSA has only one low-income census tract. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has done an adequate job in making loans in LMI geographies. LMI market share is 7% versus their overall share of 8%. As a percentage of total residential loans, 14% have been made in LMI geographies. This is below the market average, excluding BANTSA, of 16%, which is also the same percent of owner-occupied units located in LMI census tracts.

Small Business Lending: BANTSA's distribution of its small business loans is below both the market demographics and average market performance. The bank has 38% of its loans in LMI geographies. This compares to small business demographics of 44%. In addition, the market distribution of small business loans in LMI census tracts for 1996, excluding BANTSA, was 42%.

Consumer Lending: Consumer originations reflect strong penetration in LMI geographies in this assessment area. Almost 24% of all consumer loans have been originated in LMI geographies versus the 16% total of LMI census tracts.

### **Borrower Distribution:**

Residential lending: BANTSA has done a good job in making loans to LMI individuals. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has performed particularly well at meeting the needs of the low-income borrowers. The bank's market share of loans to low-income borrowers at 13% is significantly more than its overall market share of 8%. Loans to moderate-income borrowers is the same as its market share at 8%. As a percentage of total residential loans, 7% and 14% have been made to LMI individuals, respectively. This compares to the market averages, excluding BANTSA, of 5% and 14%, respectively.

Small Business Lending: BANTSA has been effective in making loans to small businesses and in particular making loans of small dollar amounts. The bank made 84% of its small business originations to businesses with less than \$1 million in annual revenues. In addition, 93% of the loans were less than \$100 thousand in size.

Consumer Lending: The bank has done an excellent job of making loans to LMI individuals. As a percentage of total consumer originations, 54% have been made to LMI

individuals. This compares to the 38% of total LMI families in the MSA. In particular, the bank has performed exceptionally well in responding to the needs of the low-income borrowers in that 39% of all consumer loans have gone to this group versus the market demographics of 20%.

**Community Development Lending Activities:** BANTSA did not make any community development loans during the review period.

## **INVESTMENT TEST**

BANTSA's made one community development grant for \$5 thousand. The level of investment appears weak and indicates weak responsiveness to community economic development needs.

## **SERVICE TEST**

BANTSA's performance in the Santa Barbara assessment area is good. The bank's delivery systems are accessible to essentially all portions the assessment area. Although BANTSA does not have any branches in low-income census tracts (only 1% of the total tracts are identified as low-income) 40% of its branches are in moderate-income areas while only 28% of the census tracts are moderate-income. There have been no branch closures.

Community development services are provided on a limited basis. The manager in the Goleta branch serves on the Board of Directors of a low-income housing organization.

## **Stockton MSA # 7500**

### **Description of Institution's Operations in Stockton:**

This MSA is located in the central San Joaquin Valley. The area is rural, but is rapidly urbanizing as growth continues. Stockton is the largest population center in the county. BANTSA is one of the largest banks in the area, operating there since 1917. It serves the MSA with thirteen branch offices and 43 ATMs.

Affordable housing is a pressing need in the county. Wages and salaries have not kept pace with population growth resulting in a large population of residents unable to afford a home. However, several barriers exist which exacerbate the problem. These include zoning laws, low-growth ordinances and insufficient infrastructure.

### **Conclusions with Respect to Performance Tests in Stockton:**

- **BANTSA's overall geographic lending distribution is good.**
- **BANTSA did a good job lending to LMI borrowers and addressing community development lending needs.**
- **BANTSA made a significant level of qualified community development investments.**
- **Delivery systems are readily accessible to all portions of the MSA, but BANTSA did not provide any community development services.**

### **LENDING TEST**

BANTSA ranked sixth in residential lender in the MSA during 1996, with a 3.71% overall market share. In addition, the bank is a major small business lender with a 14% market share over this same time period. During the review period, the bank made 642 residential loans totaling \$48 million. Of significance were the seven community development loans for \$11 million. Total originations for the review period exceeded \$131 million.

### **Geographic Distribution:**

Residential Lending: BANTSA's geographic distribution of loan originations in the MSA is good. In 1996, the bank ranked fifth in residential lending to low-income census tracts with 7% of the market. Additionally, the bank ranked sixth in residential lending to moderate-income census tracts with 5% of the market. The bank exceeded the market by making 2% of its residential loans in low-income census tracts and 24% in moderate-income census tracts. Comparatively, market information showed lenders made 1% of

their loans in low-income census tracts and 19% in moderate-income census tracts. The bank's residential lending pattern also exceeded demographic information regarding the distribution of owner-occupied housing. MSA statistics indicate that 1% of owner-occupied housing is located in low-income census tracts and 21% is located in moderate-income census tracts.

**Small Business Lending:** BANTSA's geographic distribution of small business loans is good. During the review period, the bank made 31% of its small business loans in LMI census tracts. This lending statistic matches both market demographics and aggregate market originations.

**Consumer Lending:** BANTSA's geographic distribution of consumer loans is good. During the review period, the bank made 32% of its consumer loans in LMI census tracts. Comparatively, 30% of census tracts were designated LMI.

### **Borrower Distribution:**

**Residential Lending:** BANTSA has done a good job making loans to LMI borrowers. The bank was a leader in 1996 with a 7% market share of residential loans to low-income borrowers. The bank ranked third in residential loans to moderate-income borrowers with a 5% market share. The bank outperformed the market average for residential lending to LMI borrowers. BANTSA made 8% of its residential loans to low-income borrowers and 21% to moderate-income borrowers. The comparative market average figures were 4% and 14%, respectively. Comparatively the demographic data shows that 39% of the population is LMI.

**Small Business Lending:** BANTSA has done a good job lending to a variety of small businesses. During the review period, 92% of the bank's small business loans were under \$100 thousand. In addition, the bank's average small business loan was only \$56 thousand.

**Consumer Lending:** The bank's consumer lending to LMI borrowers is good. During the review period, 47% of the bank's consumer loans were made to LMI borrowers. Comparatively, 39% of the population is designated LMI.

**Community Development Lending Activities:** BANTSA made seven community development loans totaling \$11 million in the MSA during the review period. These loans benefited affordable housing projects, producing 493 affordable housing units and meeting a critical need of the area.

### **INVESTMENT TEST**

BANTSA made a significant level of qualified community development grants and investments in the MSA. It made seven grants to community groups totaling \$58 thousand. The grants helped promote both affordable housing and economic development. The bank also has a qualifying low income housing tax credit with a balance of \$2 million. This tax credit is associated with an LMI affordable housing project in Stockton.

## **SERVICE TEST**

BANTSA's performance in the MSA area is reasonable. Delivery systems are readily accessible to all portions of the MSA. The bank has thirteen branches with 15% in low-income census tracts. This compares favorably with the MSA demographics which shows that 4% of census tracts are low-income. However, the demographics also show 25% of census tracts are moderate-income. Comparatively, only 8% of the bank's branches are in moderate-income census tracts. The bank did not close any branches in the MSA during the review period. In addition, the bank did not perform any community development services within the MSA.



## **Vallejo-Fairfield MSA #8720**

### **Description of Institution's Operations in Vallejo-Fairfield:**

This MSA is comprised of the counties of Solano and Napa. Located 50 miles northeast of San Francisco, the area is both suburban and rural. It is also home of the largest wine growing area in the state. The MSA contains three major cities: Vallejo, Fairfield and Napa.

BANTSA is the largest bank in the area. It operates sixteen branches and 56 ATMs in seven communities in Solano county and in three communities in Napa County. The bank has had a presence in the area since 1917.

Residential housing and small business sectors represent lending opportunities for banks in the MSA. The need for affordable housing is also a major issue in both counties. This includes multi-family construction and home improvement. Several nonprofit housing developers operate in the area. However, projects have been restricted by slow growth ordinances in the city of Napa. In addition, the city of Vallejo has been hard hit by the closure of the Mare Island Naval Shipyard. The negative economic impact has strained the ability of local government to assist in affordable housing projects.

### **Conclusions with Respect to Performance Tests in Vallejo:**

- **BANTSA's geographic lending distribution is reasonable.**
- **BANTSA has done a good job lending to LMI individuals.**
- **BANTSA provided a significant level of qualifying community development grants and investments.**
- **The bank's delivery systems are readily accessible to all portions of the MSA, but it provided limited community development services.**

### **LENDING TEST**

BANTSA ranked second in residential lending in the MSA during 1996, with a 6% overall market share. The bank is also a major small business lender with a 14% market share of all originations for this same time period. During the review period, the bank made 1,180 residential loans totaling \$105 million. Total originations for the review period exceeded \$203 million.

### **Geographic Distribution:**

Residential Lending: BANTSA geographic distribution of loan originations within the MSA is reasonable. In 1996, the bank ranked second in residential lending to moderate-income census tracts with 6% of the market. The bank made 8% of residential loans in moderate-income census tracts, which matches the market average. However, this figure is below the 19% of MSA census tracts designated moderate-income. The bank's distribution more closely matches the 11% of owner-occupied homes located in LMI census tracts. Only 2% of the MSA's census tracts are low-income. Lending by the bank and its peers in these tracts is nominal.

Small Business Lending: BANTSA's geographic distribution of small business loans is reasonable. In 1996 the bank made 15% of small business loans within LMI census tracts. This lending statistic falls below demographic information which showed that 21% of small businesses were located in LMI census tracts. However, the bank compares favorably with the overall market average in 1996 of 17%.

Consumer Lending: The geographic distribution of consumer loans is reasonable. During the review period, the bank made 13% of consumer loans in LMI census tracts. Comparatively, 21% of census tracts were designated LMI. The average consumer loan in the assessment area was \$8 thousand.

### **Borrower Distribution:**

Residential Lending: BANTSA has done a good job making loans to LMI borrowers. In 1996, the bank ranked first with a 13% market share of residential loans to low-income borrowers. The bank ranked second in residential loans to moderate-income borrowers with a 6% market share. The bank also outperformed the market average for residential lending to LMI borrowers. BANTSA made 8% of its residential loans to low-income borrowers and 15% were made to moderate-income borrowers. The comparative market average figures were 4% and 15%, respectively. The bank's production figures do not compare favorably to the 36% of the population designated LMI.

Small Business Lending: BANTSA did a good job lending to a variety of small businesses. During the review period, 88% of the bank's small business loans were under \$100 thousand. In addition, the bank's average small business loan was only \$69 thousand.

Consumer Lending: The bank's consumer lending to LMI borrowers is good. During the review period, 42% of the consumer loans were made to LMI borrowers. Comparatively, 36% of the population is designated LMI.

**Community Development Lending Activities:** BANTSA made one community development loan in the MSA during the review period. This loan for \$140 thousand was used to fund an affordable housing project.

## **INVESTMENT TEST**

BANTSA made a significant level of qualified community development grants and investments. The bank made five grants to community groups totaling \$23 thousand. The grants were made to promote both affordable housing and economic development. In addition, the bank had a qualifying low income housing tax credit with a balance of \$6.5 million. This tax credit is associated with an affordable housing project in St. Helena, helping to meet a major need in the area.

## **SERVICE TEST**

BANTSA's performance in the MSA is reasonable. Delivery systems are readily accessible to all portions of the MSA. The bank has fifteen branches with 13% located in low-income census tracts and 19% in moderate-income census tracts. This distribution compares favorably to demographic statistics which list low-income census tracts at 2% and moderate-income census tracts at 19% of MSA totals. Only one branch was closed in the MSA during the review period. This branch was located in a middle-income census tract.

The bank provided limited community development services in this MSA. However, a bank officer serves on the Napa Valley Economic Development Corporation's loan committee. This organization makes small business loans to "non-bankable" individuals.

## Ventura MSA #8735

### Description of Institution's Operations in Ventura:

This MSA is comprised of Ventura County and is located north of Los Angeles along the coast. It has two major cities, Ventura and Oxnard and several small cities and suburban areas. The MSA also has fertile farmland located inland that is the home of many of the state's major citrus groves.

BANTSA is one of the largest banks in the area. It has operated there since 1918. The bank has 26 branches and 76 ATMs in twelve cities throughout the county.

Oxnard is the largest city in the MSA. The area has become one of the preferred locations to relocate from Los Angeles County, especially in the southern communities of Westlake Village and Thousand Oaks. The economy has experienced a decline as the result of the recession that affected the state in the early 1990's. Employment is centered in wholesale and retail trade, manufacturing, government and agriculture.

In 1996, the county issued 2,350 housing permits. None of the permits were for multi-family projects. More than 50% of the county's housing are single family units. Affordable housing is a need throughout the area. The county's two main cities have different approaches to meeting the needs of low-income renters. Ventura does not offer any public housing, while Oxnard provides support through its Housing Authority. Oxnard manages 780 units of public housing, 150 of which are for seniors. It also subsidizes 58 mobile home spaces through the Section 8 Rental Assistance Program. Both cities include housing rehabilitation in their HUD strategies.

Opportunities exist in all lending categories, especially small business loans and affordable housing. Affordable multi-family opportunities are limited by the number of nonprofits developers and local government support in the area.

### Conclusions with Respect to Performance Tests in Ventura:

- **BANTSA's lending activity exhibits adequate responsiveness to the MSA's credit needs, in particular LMI individuals seeking residential and consumer loans.**
- **BANTSA has provided a reasonable level of investments in this area.**
- **BANTSA's delivery systems are accessible to all portions of the assessment area but community development services have been weak.**

## **LENDING TEST**

BANTSA is a top residential lender in the MSA with a 6% market share, ranking near the top of all HMDA reporters in 1996. In addition, the bank is a major small business lender with a 17% market share for the same time period. During the review period, the bank made 1,659 residential loans for more than \$253 million and total originations exceeded \$400 million.

### **Geographic Distribution:**

Residential lending: BANTSA's geographic distribution of loan originations shows a good penetration throughout the MSA and is consistent with the demographic patterns. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has done a reasonable job of making loans in LMI geographies. Its low-income market share is 4% and its moderate-income share is 5%. As a percentage of total residential loans, 17% were made in LMI geographies. This is slightly below the market average of 18%. It is also below the 21% of owner-occupied units located in LMI census tracts.

Small Business Lending: BANTSA's small business lending distribution is reasonable. The distribution of the number of the bank's small business loans in LMI census tracts at 26% approximates market origination statistics but is slightly below market demographics.

Consumer Lending: Consumer originations reflect reasonable penetration throughout the MSA, and slightly exceeds the market demographics for LMI census tracts. As a percentage of total consumer loans, 23% were made in LMI geographies versus the market demographics of 22%.

### **Borrower Distribution:**

Residential lending: BANTSA did an excellent job of making loans to LMI borrowers. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank's 11% market share of loans to low-income borrowers significantly exceeds its overall market share of 6%. Its share of moderate-income borrowers matches its overall market share. As a percentage of residential loans, more than 10% and 16% were made to LMI individuals, respectively. This significantly exceeds the market average of 5% to low-income borrowers and compares favorably with the market average of 17% to moderate-income borrowers. As seen from these numbers the bank has performed particularly well at meeting the needs of low-income borrowers.

Small Business Lending: BANTSA has been effective in making loans to small businesses and in particular, making loans of small dollar amounts. The bank made 80% of its small

business loans to businesses with less than \$1 million in annual revenues. In addition, 95% of the loans were less than \$100 thousand in size.

Consumer Lending: The bank has done a good job of making loans to LMI individuals. As a percentage of total consumer originations, 45% have been made to LMI borrowers. This compares very favorably with the 37% of total LMI families in the MSA.

**Community Development Lending Activities:** During the review period, BANTSA did not make any community development loans in the MSA.

### **INVESTMENT TEST**

BANTSA's investments total \$807 thousand and consist of three community development grants and one investment tax credit. The level of investment is adequate and is responsive to community economic development needs. The nature of the investments do not appear to be complex or innovative.

### **SERVICE TEST**

Service test performance in this assessment area is weak. No significant disparities exist between the percentage of branches to census tracts in this MSA. There was one branch closure, located in an upper-income census tract. There have been no community development services delivered in this MSA.

## **Visalia-Tulare-Porterville MSA #8780**

### **Description of Institution's Operations in Visalia-Tulare-Porterville:**

This MSA is located in the heart of the San Joaquin Valley, midway between Los Angeles and San Francisco. Visalia is the county seat of Tulare County and is clearly the most populous city in the MSA.

BANTSA has had a presence in the MSA since 1921. It serves the MSA with ten branch offices and 20 ATMs.

Most of the small towns and cities in this MSA survive on the low tax-base of the residents. Many of them fall in the very low-, low-, and moderate-income levels. The primary cities in the MSA, Visalia, Tulare and Porterville, have diversified their labor markets to fuel the local economies. Many cities in the MSA are experiencing growth due to the conversion of agricultural land for housing. Population in this MSA is expected to double by 2010.

Housing affordability and the diversified economy have lured many people to various parts of the San Joaquin Valley. This has correspondingly increased the population, demand for housing and subsequently priced-out the local residents. Unemployment levels and the level of persons on welfare have remained well above the national and state averages.

It is difficult for most families to afford a home as a large part of the population is well below the median family income. The housing stock in the MSA emulates the changes that have occurred statewide as the number of single family homes has decreased. However, multi-family units and mobile homes have increased 11% and 18%, respectively.

### **Conclusions with Respect to Performance Tests in Visalia-Tulare-Porterville:**

- **BANTSA's lending activity exhibits good responsiveness to the MSA's credit needs, in particular to LMI individuals seeking residential loans.**
- **Overall loan distribution, both geographically and to borrowers of different income levels, has been good and in some cases excellent.**
- **Investment volumes are good and have been responsive to community development needs.**
- **BANTSA's delivery systems are accessible to all portions of the MSA but community development services have been provided on a limited basis.**

## **LENDING TEST**

BANTSA is a major residential lender in this MSA with a 6% market share, ranking near the top of all HMDA reporters in 1996. Also, the bank is a major small business lender with an 11% market share over this same period. During the review period, the bank made 668 residential loans for more than \$33 million and total originations of almost \$120 million.

### **Geographic Distribution:**

Residential lending: BANTSA's geographic distribution of loan originations reflects reasonable penetration throughout the MSA and is consistent with the demographic patterns. As shown in the state demographic profile this MSA has no low-income census tracts. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has done a good job in making loans in moderate-income geographies. Its moderate-income market share is 7% versus its overall share of 6%. As a percentage of total residential loans, 22% were made in moderate-income geographies. This exceeds the market average of 20%. The bank's performance also exceeds the 20% of owner-occupied units located in moderate-income census tracts.

Small Business Lending: BANTSA's small business lending distribution is very good. Its distribution of small business loans exceeds both the market demographics and the 1996 average market performance. The bank originated 21% of its loans in moderate-income geographies. This compares to small business demographics of 19%. In addition, the market distribution of small business loans in moderate-income census tracts for 1996, was only 16%.

Consumer Lending: Consumer originations reflect weak penetration in the moderate-income geographies in this assessment area. Only 7% of all consumer loans have been originated in moderate-income geographies versus the 12% total of moderate-income census tracts.

### **Borrower Distribution:**

Residential lending: BANTSA has done an excellent job in making loans to LMI individuals. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank's market share of loans to low-income borrowers at 17% is more than double its overall market share. Loans to moderate-income borrowers is slightly higher than its market share at 7%. As a percentage of total residential loans, 9% and 16% have been made to LMI individuals, respectively. This significantly exceeds the market averages, excluding BANTSA, of 3% and 13%, respectively. The bank has performed particularly well at meeting the needs of low-income individuals.



Small Business Lending: BANTSA has performed reasonably well in making loans to small businesses and in making loans of small dollar amounts. It made 64% of all small business originations to businesses with less than \$1 million in annual revenues. In addition, 75% of the loans were less than \$100 thousand in size.

Consumer Lending: The bank has done a reasonable job of making loans to LMI individuals. As a percentage of total consumer originations, 39% have been made to LMI individuals. This compares to the 40% of total LMI families in the MSA.

**Community Development Lending Activities:** BANTSA made one loan totaling \$59 thousand for affordable housing. The project provided ten low-income housing units, helping to meet one of the more critical needs within the assessment area. In addition, the bank made one economic development loan for \$1.4 million through the federal government's SBA program. Overall community development efforts enhance the bank's lending performance.

## **INVESTMENT TEST**

BANTSA's investments total \$2.9 million, of which \$2.8 million were made prior to 1996. They consist of seven community development grants and two investment tax credits totaling \$79 thousand and \$2.8 million respectively. The level of investment appears reasonable and provides an adequate response to community economic development needs. The nature of the investments does not appear to be complex or innovative.

## **SERVICE TEST**

BANTSA's performance in this assessment area is strong. This MSA does not contain any low-income census tracts. Moderate-income tracts make up 26% of all tracts. BANTSA has 44% of its branches in moderate-income areas. There were no changes in branch locations and thus the accessibility of delivery systems has not been adversely affected.

Community contacts revealed that BANTSA has been increasing its visibility and looking for opportunities. Community development services are provided at an adequate level. The manager of the Tulare branch serves on the Tulare Community Housing Resources Board. Board members are responsible for implementing a down payment assistance program for affordable single family housing with the city of Tulare.

## Northern California Assessment Area

### Description of Institution's Operations in Northern California:

This Assessment Area stretches up the coast from north of the Santa Rosa MSA to the Oregon border. The area is rural and sparsely populated. Twenty-five cities are located in the assessment area including Mount Shasta, Grass Valley, Ukiah, Arcata, Willits and Susanville. BANTSA has branches in the counties of Mendocino, Lassen, Lake, Del Norte, Plumas, Modoc, Humboldt, Trinity, Shasta, Colusa and Nevada. The bank has operated in the area since 1925. It serves the area with 31 branch offices and 47 ATMs.

Many parts of the assessment area are economically depressed and present lending opportunities in all categories. The area has few low-income housing developers and local governments do not have sufficient resources to support projects.

### Conclusions with Respect to Performance Tests in Northern California:

- **BANTSA's geographic lending pattern and responsiveness to community development needs are reasonable.**
- **BANTSA has done a good job meeting the residential and consumer lending needs of LMI people.**
- **Investment activities were reasonable.**
- **Delivery systems are readily accessible to all portions of the assessment area, and BANTSA has provided a high level of community development services.**

### LENDING TEST

During the review period, BANTSA made 2,385 residential loans totaling \$131 million. The bank had a 23% market share of all residential loans originated in 1996. Total originations for the review period exceeded \$223 million.

### Geographic Distribution:

Residential Lending: BANTSA's geographic distribution of loan originations within the assessment area is reasonable. The bank made 11% of all its residential loans in LMI Block Numbering Areas (BNA). While this is well below the 20% of the area BNAs designated as LMI, it more closely matches the 15% of owner-occupied homes that are in LMI BNAs.

Small Business Lending: BANTSA's geographic distribution of small business loans is reasonable. During the review period, the bank made 12% of small business loans within LMI BNA's. In comparison, demographic information showed that 21% of small businesses were located in LMI BNA's.

Consumer Lending: The geographic distribution of consumer loans is reasonable. During the review period, the bank made 11% of consumer loans in LMI BNA's. Comparatively, 20% of BNA's were designated LMI.

### **Borrower Distribution:**

Residential Lending: BANTSA has done a good job making loans to LMI borrowers. The bank made 19% of its residential loans to low-income borrowers during the review period. An additional 13% of these loans were made to moderate-income borrowers. Demographic information revealed that LMI individuals make up only 17% of the entire area's population.

Small Business Lending: BANTSA has done a reasonable job lending to a variety of small businesses. During the review period, 65% of the bank's small business loans were under \$100 thousand. The bank's average loan size of \$155 thousand was effected by 19% of its loans.

Consumer Lending: The bank's consumer lending to LMI borrowers is excellent. During the review period, 30% of the bank's consumer loans were made to LMI borrowers. Comparatively, 17% of the population was designated LMI.

**Community Development Lending Activities:** BANTSA made one community development loan in the assessment area during the review period. This loan totaled \$252 thousand and benefited LMI affordable housing.

### **INVESTMENT TEST**

BANTSA's investment activities in the area were adequate. The bank made grants totaling \$28 thousand during the review period. The grants were to seven different community groups that operate in different parts of the area. The funds were designated for both economic development and affordable housing initiatives. These rural areas are often served by the larger statewide community groups and initiatives.

### **SERVICE TEST**

BANTSA's performance in the assessment area is good. Delivery systems are readily accessible to all portions of the assessment area. Of the bank's thirty-one branches in the area, none are in low-income BNA's and 26% are in moderate-income BNA's. In

comparison, demographic information shows that 1% of the BNA's are low-income and 19% are moderate-income. No branches were opened or closed during the review period.

BANTSA conducted a solid level of community development services in this area. These services promoted affordable housing, economic development, and education. For example, a branch manager serves on the Glenn County Community Development Block Grant Loan Committee. The committee funds loans to low-income individuals for housing rehabilitation. Another officer conducted training classes in money and banking for disadvantaged youth through the Humboldt County Department of Social Services. The youths were from LMI areas. To further promote education, an officer provides technical assistance to Healthy Start. This organization is a job referral center for LMI people. Lastly, a branch manager is a board member for the City of Eureka's Economic Development Department. This organization focuses on LMI areas.

## **Imperial County Assessment Area**

### **Description of Institution's Operations in Imperial County:**

The county is located in the southeastern portion of the state. It borders on the state of Arizona, Riverside and San Diego Counties and the country of Mexico. The area is primarily rural, and has some of the most fertile farmland in the country. Agriculture is the major industry.

BANTSA has a limited presence in the area when compared to its presence in other parts of the state. It has two branches and six ATMs in Calexico and El Centro. The bank has had a presence in the county since 1925.

The overall population is limited as it is in the other non-MSA areas of the state. There is a substantial low-income population resulting from the farm workers, many of whom travel and work between the U.S. and Mexico. Opportunities exist in all lending categories, with an emphasis on small business and small and large farm loans.

### **Conclusions with Respect to Performance Tests in Imperial County:**

- **BANTSA's lending activity exhibits good responsiveness to the assessment areas credit needs, in particular to LMI individuals seeking residential.**
- **Investment activity has been weak in this assessment area, but demand nor availability is very strong.**
- **BANTSA's delivery systems are reasonably accessible to all portions of the assessment area but community development services have been provided on a limited basis.**

### **LENDING TEST**

BANTSA is one of the top ten residential lenders in this assessment area, with a 4% market share, for all HMDA reporters in 1996. The bank made 85 residential loans for more than \$4 million during the review period. However, the bank is a limited participant in the small business market having only made 36 small business loans totaling almost \$17 million. It made 1,348 consumer loans totaling over \$6 million. All originations for the review period almost totaled \$27 million.

### **Geographic Distribution:**

Residential lending: BANTSA geographic distribution of loan originations reflects reasonable penetration throughout the Imperial County assessment area, consistent with

the demographic patterns. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has done a good job in making loans in LMI geographies. Its low-income market share is 3% while its moderate-income market share is 5%. As a percentage of total residential loans, 45% were made in LMI geographies. This exceeds the market average of 39%. However, the performance is below the percent of owner-occupied units located in LMI BNAs.

**Small Business Lending:** BANTSA's small business lending distribution while appearing weak is largely impacted by the very small number of loans made. The distribution of the number of the bank's small business loans is significantly below the market demographics and average market performance. The bank originated 19% of its loans in LMI geographies. This compares to small business demographics of 56%. In addition, the market distribution of small business loans in LMI BNAs for 1996, was 58%.

**Consumer Lending:** Consumer originations reflect strong penetration in the assessment area's LMI geographies. The bank made more than 59% of its consumer loans in LMI BNAs versus the 55% total of LMI BNAs.

### **Borrower Distribution:**

**Residential lending:** BANTSA has done an excellent job in making loans to LMI individuals. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank's market share of loans to low-income borrowers at 13% is more than triple its overall market share. Loans to moderate-income borrowers is slightly higher than its market share at 5%. As a percentage of total residential loans, 10% have been made to low-income individuals which significantly exceeds the market average, excluding BANTSA, of 2%. The bank is in line with the market in lending to moderate-income individuals. As seen from these numbers, the bank has performed particularly well at meeting the needs of the low-income borrowers.

**Small Business Lending:** BANTSA has not been effective in making loans to small businesses or in making loans of small dollar amounts but as noted above is impacted by the low volume of lending. It made less than 50% of its small business originations to businesses with less than \$1 million in annual revenues. In addition, only 11% of the loans were less than \$100 thousand in size.

**Consumer Lending:** BANTSA has done a good job of making loans to LMI individuals. As a percentage of total consumer originations, 51% have been made to LMI individuals. This compares to the 48% of total LMI families in the MSA.

**Community Development Lending Activities:** BANTSA made one loan for \$264 thousand for affordable housing. The project provided fifty-two low-income housing units, helping to meet one of the more critical needs within the assessment area.

## **INVESTMENT TEST**

BANTSA's made one community development grant for \$5 thousand. This level of investment is minimal and indicates a weak response to community economic development needs.

## **SERVICE TEST**

BANTSA's performance in this assessment area is reasonable. While branches are positioned to serve LMI individuals, the bank has not participated in any additional community development services in the area. Both of the bank's branches are located in moderate-income BNAs. It closed one branch located in a middle-income BNA. Changes in branch locations have not adversely affected accessibility.

AGGREGATE RESIDENTIAL LENDING										
State: <b>CALIFORNIA</b> Assessment Area:	Demographics		Lending Distribution		Market Share*			#	\$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
Bakersfield # 680	25%	40%	34%	29%	5.39%	9.10%	7.31%	1,133	59,200	\$52
Chico #1620	15	15	11	21	14.61	13.09	20.79	840	45,100	54
Fresno #2840	19	40	17	22	7.83	7.97	10.43	1,984	126,500	64
Los Angeles/LB # 4480	17	40	13	19	6.31	4.94	7.92	15,194	2,435,100	160
Merced #4940	12	18	17	27	7.81	16.89	11.96	393	21,900	56
Modesto #5170	15	38	14	31	4.73	5.41	7.27	672	47,200	70
Oakland #5775	17	38	12	20	9.93	8.57	9.92	10,121	1,417,300	140
Orange County # 5945	18	38	8	21	7.81	4.42	7.74	7,628	1,272,100	167
Redding #6690	9	3	8	22	13.87	12.66	19.08	703	42,400	60
Riverside/SB # 6780	18	38	17	30	4.15	5.31	5.97	4,777	362,000	76
Sacramento #6920	15	38	11	28	5.40	5.15	7.10	3,662	284,300	78
Salinas #7120	13	37	18	16	13.37	17.70	17.44	1,518	193,900	128
San Diego # 7320	15	39	12	23	5.84	5.99	9.00	5,844	859,200	147
San Francisco #7360	13	38	12	17	16.70	14.36	18.26	10,689	2,179,900	204
San Jose #7400	15	37	11	19	11.88	10.02	12.10	8,962	1,626,400	181
San Luis Obispo # 7460	7	37	5	21	5.39	3.70	71.00	488	43,300	89
Santa Barbara # 7480	16	38	14	21	8.23	6.86	9.28	957	176,000	184
Santa Cruz #7485	13	23	11	16	10.17	11.42	11.50	1,062	144,000	136



AGGREGATE RESIDENTIAL LENDING										
State: <b>CALIFORNIA</b> Assessment Area:	Demographics		Lending Distribution		Market Share*			#	\$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
Santa Rosa #7500	7	36	5	19	6.13	3.54	7.65	1,167	120,800	104
Stockton #8120	22	39	25	30	3.71	4.69	5.76	642	47,800	74
Vallejo #8720	10	36	8	24	6.19	5.88	7.62	1,180	105,000	89
Ventura # 8735	22	37	16	26	5.86	5.17	7.08	1,659	253,500	153
Visalia #8780	20	40	24	24	5.98	6.56	8.96	668	33,100	50
Yolo #9270	24	31	16	26	6.16	4.95	8.14	325	22,000	68
Yuba #9340	20	30	19	19	12.92	14.41	15.70	428	20,500	48
Eastern California	3	34	2	16	18.34	15.87	25.57	664	35,700	54
Northern California	15	17	11	19	23.40	23.41	32.63	2,385	131,000	55
Imperial County	58	48	43	22	3.87	5.06	6.63	85	4,000	47
Kings County	27	43	26	32	4.30	9.29	8.59	111	5,000	45
San Benito County	0	0	0	10	4.67	NA	11.63	79	5,900	75
Total	17%	39%	13%	21%	7.37%	6.62%	8.81%	86,020	12,120,100	\$141
LMI Parity**						-672	2,167			
% Of Total Bank Lending						0.8%	2.5%	59%	71%	
Total Bank Lending								146,005	\$16,951,400	\$116

(\*) 1996 HMDA Reporter Market Share

(\*\*) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE CONSUMER LENDING							
State: <b>CALIFORNIA</b> Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	\$ (000s)	Avg. Loan (000s)
Bakersfield # 680	40%	33%	38%	39%	7,037	\$44,310	\$6
Chico #1620	39	22	36	15	3,047	24,420	8
Fresno #2840	40	29	43	24	14,247	84,170	6
Los Angeles/LB # 4480	40	32	47	30	166,740	963,790	6
Merced #4940	18	10	48	16	2,438	14,620	6
Modesto #5170	38	16	42	21	5,498	35,330	6
Oakland #5775	38	31	42	26	44,948	377,930	8
Orange County # 5945	38	27	48	26	51,935	399,450	8
Redding #6690	13	14	31	9	2,388	21,990	9
Riverside/SB # 6780	38	32	41	18	39,907	270,580	7
Sacramento #6920	38	27	41	17	21,624	180,470	8
Salinas #7120	37	22	42	27	6,116	54,360	9
San Diego # 7320	39	27	43	25	37,027	289,860	8
San Francisco #7360	38	24	44	25	42,049	391,690	9
San Jose #7400	37	18	43	24	33,110	318,760	10
San Luis Obispo # 7460	37	12	46	8	4,041	32,710	8
Santa Barbara # 7480	38	29	53	35	6,179	41,560	7
Santa Cruz #7485	23	13	43	25	4,385	36,150	8
Santa Rosa #7500	36	13	37	7	5,538	58,350	11
Stockton #8120	39	30	47	32	7,025	41,450	6
Vallejo #8720	36	21	42	13	7,443	56,220	8
Ventura # 8735	37	33	45	29	11,567	85,370	7
Visalia #8780	40	26	39	26	3,848	23,590	6
Yolo #9270	31	32	59	20	3,043	17,760	6
Yuba #9340	30	23	33	24	1,610	12,200	8
Eastern California	48	5	25	6	1,880	19,820	11
Northern California	17	20	30	11	7,387	73,750	10

AGGREGATE CONSUMER LENDING							
State: <b>CALIFORNIA</b> Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	\$ (000s)	Avg. Loan (000s)
Imperial County	34	55	51	69	1,348	6,340	5
Kings County	43	39	38	22	1,012	6,130	6
San Benito County	25	0	30	0	553	4,340	8
Total State	21%	27%	44%	26%	544,970	\$3,987,470	\$7
% of Total Bank					62%	51%	
Total Bank					877,912	\$7,758,000	\$9

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: <b>CALIFORNIA</b> Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity**	#	\$(000s)	Avg. Loan (000s)	#	\$(000s)
Bakersfield # 680	39%	37%	15.03	16.62	16	795	\$64,680	\$81	4	\$6,300
Chico #1620	25	25	13.45	20.87	19	310	23,760	77	2	1,500
Fresno #2840	31	26	18.56	18.16	(6)	1,726	164,320	95	1	4,100
Los Angeles # 4480	31	30	18.01	20.56	497	19,987	1,056,820	53	37	42,800
Merced #4940	26	23	16.74	17.63	2	370	33,400	90	0	0
Modesto #5170	23	18	10.07	9.19	(5)	509	32,040	63	3	4,300
Oakland #5775	30	23	18.62	17.81	(33)	4,687	264,920	57	0	0
Orange # 5945	36	28	16.30	15.16	(91)	6,390	358,070	56	9	13,500
Redding #6690	18	12	12.19	13.02	2	235	15,150	64	1	1,200
Riverside/SB # 6780	29	23	16.05	15.97	(3)	3,798	210,090	55	9	19,800
Sacramento #6920	28	22	14.04	11.79	(56)	2,394	143,450	60	0	0
Salinas #7120	27	26	8.35	7.98	(3)	330	24,350	74	0	0
San Diego # 7320	31	27	18.09	18.81	33	5,264	240,650	46	13	22,510
San Francisco #7360	29	36	18.17	19.42	82	5,222	410,090	79	7	11,900
San Jose #7400	29	26	15.50	12.92	(112)	3,297	232,080	70	10	26,300
San Luis Obispo # 7460	12	5	8.95	6.06	(6)	295	15,760	53	0	0
Santa Barbara # 7480	50	38	10.41	10.05	(5)	466	24,150	52	0	0
Santa Cruz #7485	21	17	14.09	14.13	0	376	21,890	58	1	3,200
Santa Rosa #7500	15	10	9.01	5.84	(18)	525	38,920	74	1	1,400
Stockton #8120	31	31	7.68	7.90	3	534	30,060	56	7	11,000
Vallejo #8720	21	14	13.55	12.58	(5)	599	41,630	69	1	100
Ventura # 8735	38	27	17.13	16.42	(10)	1,301	61,300	47	2	2,400
Visalia #8780	17	21	11.01	13.91	11	447	63,340	142	2	1,500
Yolo #9270	36	35	14.18	14.72	2	188	19,530	104	2	4,200
Yuba #9340	26	14	9.84	7.65	(4)	145	10,930	75	0	0
Eastern California	56	4	NA	NA	NA	26	2,180	84	1	200
Northern California	21	12	NA	NA	NA	113	17,550	155	1	300

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: <b>CALIFORNIA</b> Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity**	#	\$(000s)	Avg. Loan (000s)	#	\$ (000s)
Imperial County	6	19	14.68	11.79	(7)	36	16,700	464	0	0
Kings County	37	8	11.78	8.44	(5)	39	18,110	464	1	2,700
San Benito County	0	0	11.52	NA	NA	3	1,600	533	0	0
Statewide									5	80,300
Total State	29	27	16.33	16.91	298	60,407	\$3,657,520	\$61	120	\$261,510
% of Total Bank					0.3%	69%	65%		45%	56%
Total Bank						87,225	\$5,620,300	\$64	266	\$467,424

(\*) 1996 CRA Reporter Market Share

(\*\*) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST									
State (ST): <b>CALIFORNIA</b> Assessment Areas:	Affordable Housing and Economic Development			Contributions and Grants			Total Investments		
	#	% # ST	\$ (000)	#	% # ST	\$ (000)	#	% # ST	\$ (000s)
Bakersfield # 680	3	2%	\$6,973	4	1%	\$35	7	2%	\$7,008
Chico #1620	1	1	1,395	2	1	20	3	1	1,415
Fresno #2840	3	2	3,849	7	2	47	10	2	3,896
Los Angeles # 4480	62	36	63,880	58	20	526	120	26	64,406
Merced #4940	11	6	209	4	1	20	15	3	229
Modesto #5170	0	0	0	2	1	6	2	0	6
Oakland #5775	21	12	15,239	35	12	313	56	12	15,552
Orange County # 5945	0	0	0	5	2	10	5	1	10
Redding #6690	0	0	0	0	0	0	0	0	0
Riverside/SB # 6780	7	4	17,600	9	3	58	16	3	17,658
Sacramento #6920	8	5	7,917	17	6	159	25	5	8,076
Salinas #7120	2	1	3,658	3	1	2	5	1	3,660
San Diego # 7320	11	6	13,884	19	7	159	30	7	14,043
San Francisco #7360	26	15	20,622	65	22	618	91	20	21,240
San Jose #7400	3	2	5,272	11	4	88	14	3	5,360
San Luis Obispo # 7460	0	0	0	0	0	0	0	0	0
Santa Barbara # 7480	0	0	0	0	0	0	0	0	0
Santa Cruz #7485	1	1	40	5	2	23	6	1	63
Santa Rosa #7500	5	3	4,757	8	3	55	13	3	4,812
Stockton #8120	1	1	1,907	7	2	58	8	2	1,965
Vallejo #8720	1	1	6,477	5	2	23	6	1	6,500
Ventura # 8735	1	1	786	3	1	21	4	1	807
Visalia #8780	2	1	2,805	7	2	79	9	2	2,884
Yolo #9270	0	0	0	4	1	27	4	1	27
Yuba #9340	0	0	0	2	1	9	2	0	9
Eastern California	0	0	0	0	0	0	0	0	0

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST									
State (ST): <b>CALIFORNIA</b> Assessment Areas:	Affordable Housing and Economic Development			Contributions and Grants			Total Investments		
	#	% # ST	\$ (000)	#	% # ST	\$ (000)	#	% # ST	\$ (000s)
Northern California	0	0	0	7	2	28	7	2	28
Imperial County	0	0	0	1	0	1	1	0	1
Kings County	0	0	0	0	0	0	0	0	0
San Benito County	0	0	0	0	0	0	0	0	0
Statewide	2	1%	4,000	0	0%	0	2	0%	4,000
Total State (ST)	171		181,270	290		2,384	461		\$183,654
% of Total Bank	53%		45%	33%		29%	38%		45%
Total Bank	325		\$398,484	877		\$8,171	1,202		\$406,655

AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: <b>CALIFORNIA</b> Assessment Areas:	#				\$ Deposits (millions) 06/30/97	% ST	% # of Branches				% # of ATMs			
	Branch Offices	In store Offices	ATMs	Offices % ST			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
Bakersfield # 680	16	2	20	2%	\$726	1%	11%	33%	33%	22%	0%	16%	21%	63%
Chico # 1620	6	0	22	1%	341	1	0	33	67	0	0	46	27	27
Fresno #2840	26	1	56	3%	1,440	2	4	30	48	19	4	28	26	32
Los Angeles # 4480	249	10	1,104	26%	20,119	32	8	18	32	41	6	18	34	37
Merced #4940	5	2	13	1%	260	0	0	29	71	0	0	27	46	0
Modesto # 5170	8	1	29	1%	412	1	0	44	33	22	0	38	41	21
Oakland # 5775	68	9	292	8%	4,781	8	8	18	51	23	7	22	49	21
Orange County # 5945	82	9	338	9%	5,043	8	3	18	52	25	2	22	41	18
Redding # 6690	4	0	17	0%	272	0	0	25	75	0	0	35	41	0
Riverside/SB # 6780	61	8	296	7%	3,643	6	1	23	55	20	3	23	47	16
Sacramento # 6920	41	6	181	5%	2,347	4	4	15	55	26	4	16	54	21
Salinas # 7120	9	1	33	1%	475	1	10	40	30	20	9	30	30	21
San Diego # 7320	62	14	274	8%	3,908	6	4	25	49	22	4	27	45	15
San Francisco # 7360	79	2	307	8%	7,083	11	10	20	43	26	12	23	35	21
San Jose # 7400	45	7	204	5%	4,222	7	8	15	56	21	10	13	56	16
San Luis Obispo # 7460	8	0	28	1%	440	1	0	13	75	13	0	14	64	14
Santa Barbara # 7480	10	0	46	1%	580	1	0	40	40	20	0	35	33	20
Santa Cruz # 7485	7	1	30	1%	378	1	0	25	50	25	0	30	50	20
Santa Rosa #7500	10	2	39	1%	624	1	0	8	92	0	0	10	82	0
Stockton # 8120	11	2	43	1%	623	1	15	8	54	23	12	9	37	42
Vallejo # 8720	13	3	56	2%	720	1	13	19	63	6	14	13	36	11



AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: <b>CALIFORNIA</b> Assessment Areas:	#				\$ Deposits (millions) 06/30/97	% ST	% # of Branches				% # of ATMs			
	Branch Offices	In store Offices	ATMs	Offices % ST			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
Ventura # 8735	25	1	76	3%	1,192	2	4	27	46	23	3	21	51	16
Visalia #8780	9	1	20	1%	494	1	0	40	40	20	0	25	45	25
Yolo # 9270	4	1	18	1%	288	0	0	20	60	20	0	17	28	50
Yuba City # 9340	2	0	10	0%	187	0	0	0	100	0	0	10	90	0
Eastern California	10	0	17	1%	384	1	0	10	80	10	0	12	53	6
Northern California	31	0	47	3%	1,120	2	0	26	68	7	0	26	62	6
Imperial County	2	0	6	0%	258	0	0	100	0	0	0	12	53	6
Kings County	2	0	5	0%	97	0	0	50	0	50	0	60	40	0
San Benito County	1	1	4	0%	48	0	0	0	50	50	0	50	50	0
Total State (ST)	906	84	3,631	100%	\$62,505	100%	6%	21%	46%	26%	5	20	41	10
% of Total Bank	60%	45%	65%	14%	56%									
Total Bank	1,500	187	5,565		\$111,413									

# IDAHO

## IDAHO STATE RATING

**CRA Rating for Idaho: Satisfactory**

**The lending test is rated: Low Satisfactory**

**The investment test is rated: High Satisfactory**

**The service test is rated: High Satisfactory**

### **Description of Institution's Operations in Idaho**

In 1990, BAC entered Idaho's retail banking market when it purchased assets and liabilities of the former Benjamin Franklin Savings and Loan. BANTSA is a full service bank and ranks as the fifth largest commercial bank in the state. It serves the state with 22 branch offices and 45 ATMs. The loans BANTSA originated in this state during the review period, accounted for .8% of its total number and .6% of its total dollar volume. Further, the state accounts for .2% of the bank's domestic deposits. This ranks the state's market size number ten out of the ten states and two Multistate MSAs evaluated.

Primary competitors include U.S. Bank, First Security Bank, Key Bank, Wells Fargo Bank, Washington Federal Savings and Loan, and Home Federal Savings and Loan. The Idaho Housing and Finance Association is a quasi-state agency that competes with private lenders by funding most affordable housing projects in the state.

Historically the Idaho economy has been centered in natural resources and agriculture. The economy is becoming more diverse with rapid growth in technology, retail, services, and tourism industries. Idaho's population has grown 18% between 1990 and 1996.

Affordable housing creation and rehabilitation financing are the primary credit needs in the state. Flexible financing for first-time homebuyers and LMI borrowers is also a key credit need for Idaho. Relative to other states, there is less state funding and as a result less community development organizations to mitigate affordability issues.

Community groups contacted in Idaho areas have confirmed that there are limited investment opportunities. This need for affordable housing in Idaho and the limited presence of community development organizations was corroborated by five community organizations contacted in the Boise MSA area. The 1995 Consolidated Plan for Idaho published by HUD says affordable housing is a key concern statewide.

ASSESSMENT AREA PROFILE: IDAHO							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	808,117	100%		18%	19%	24%	39%
Median Income(\$)			\$40,600				
Census Tracts	208	100		1	14	63	21
Unemployment Rate -May 31, 1997	4.7%						
Owner-occupied Housing (#)	203,298	100		0	12	64	24
Median Housing Value (\$)			\$62,637				
Small Businesses	20,711	100%		4%	20%	57%	19%

### Conclusions with Respect to Performance Tests in Idaho

- Overall lending performance is reasonable.
- The performance in community development lending is adequate.
- BANTSA made significant grants to promote affordable housing and small businesses and showed a good responsiveness to the credit and community development needs of affordable housing.
- BANTSA also provides a high level of community development services.

### LENDING TEST

#### Geographic Distribution:

BANTSA has adequate geographic distribution of credit, with loan penetration in all but a few census tracts. The distributions among census tracts by income were generally lower at the LMI level for residential and consumer lending. In 1996, its residential market share was 2.7%, yet it had only a 1.9% LMI share. Also, its proportion of residential LMI lending at 8% was below the market's 11% average. The distribution of its small business loans was better, although slightly below the population demographics in the LMI tracts.

Although overall BANTSA has shown a good geographic penetration of credit, the distribution to low-income census tracts is only adequate. The Boise MSA is the only assessment area that includes low-income geographies.

## **Borrower Distribution:**

BANTSA's lending patterns shows a generally weak distribution to borrowers of different incomes and businesses of different sizes. For 1996, 22% of the bank's residential lending went to LMI persons, their population representation was 37%. The market average was 27%. A disproportionate performance also occurred in consumer lending. These trends continued in the six months of 1997.

In 1996, the bank made 2.3% of its residential loans to low-income borrowers, as opposed to aggregate market of 5.8%. During the review period, this performance doubled, but was well below the respective population representation.

**Community Development Lending Activities:** During the assessment period, BANTSA funded eight affordable housing loans totaling \$4.5 million. It also funded fifty-five loans totaling \$49 thousand through the Pocatello Neighborhood Housing Services. These loans went to individuals for downpayment assistance and housing rehabilitation

The institution uses flexible lending practices in helping serve its assessment area's credit needs. It developed lending programs for affordable housing rehabilitation and for assistance to LMI homebuyers. These programs offer below market rates, downpayment assistance, and in some cases, no origination fees. Statewide, they have offered these programs through the Idaho Mortgage Revenue Bond Program, the BA Homebuyers Assistance Grant Program and the Home of Your Own organization. In the Boise MSA area, they have offered these programs through the Boise and Nampa Neighborhood Housing Services, the Boise City and Ada County Housing Authority, and the Idaho Migrant Council Housing Preservation Program. In the Pocatello MSA, they offered these programs through the Pocatello Neighborhood Service's Single Family Home Ownership, Rehabilitation, and Downpayment Assistance programs and the City of Pocatello Neighborhood Improvement Program. In the North Idaho area, they offer a flexible lending program through the Silver Valley Economic Development Corporation's Low Income Home Ownership Rehab Program. The bank also promotes small business lending by providing a much simplified application process for credit less than \$50 thousand.

The bank's lending performance in Pocatello, Lemhi County, and North Idaho assessment areas are consistent with the bank's performance in the Boise and the South Idaho assessment area.

## **INVESTMENT TEST**

BANTSA made an affordable housing investment totaling \$45 thousand and twenty grants totaling \$108 thousand. This level is adequate given the limited availability of community development opportunities. They made a \$50 thousand grant to a nonprofit organization

as seed money to develop a downpayment assistance program. Other grants supported various nonprofit organizations that promote affordable housing and small businesses.

Investment performance in the Pocatello MSA, Lemhi County, and North Idaho areas is consistent with the institution's performance in the Boise MSA and the South Idaho assessment area. Performance in Lemhi County is below the bank's performance for the state; however, does not have a material impact the bank's performance in the state.

## **SERVICE TEST**

BANTSA provides a good level of community development services to the area. Through our contacts with community development organizations, we found the bank is well regarded and considered responsive to these groups. Among the organizations assisted statewide are the Idaho Community Reinvestment Corporation, the Idaho Housing & Finance Association, the Idaho Housing Coalition, the Idaho State Council on Developmental Disabilities (Home of Your Own Program), Mercy Housing Idaho and the Idaho Small Business Development Center. These organizations promote affordable housing construction/financing, and loans to small businesses. Additionally, in the Boise and Pocatello MSA areas, the bank assisted the Boise, Nampa, and Pocatello Neighborhood Housing Services, The Turning Point, Cities of Boise and Pocatello, Hays Shelter Home, and Idaho-Oregon Planning and Development Association. In the South Idaho area, the bank donated financial expertise to the Ketchum Affordable Housing Commission. In the North Idaho area, the bank has assisted Consumer Credit Counseling, Continuum of Care, Habitat for Humanity, Post Falls Urban Renewal Agency, and the Silver Valley Economic Development Corporation.

Delivery systems are reasonably accessible within the area, and services offered do not vary in a way that inconveniences portions of the area, particularly LMI geographies or individuals. The bank offers alternative delivery systems to increase the accessibility of banking products. These include Loan-by-Phone for consumer and home loans statewide, computer banking, 24-hour customer service, offsite ATM's, and in-store branches.

The bank's service performance in the North Idaho area is consistent with the institution's overall state performance. Performance in the Pocatello MSA and Lemhi County areas is below the bank's performance for the state; however, they do not have a material impact the bank's performance in the state.

## Boise MSA # 1080

### Description of Institution's Operations in Boise

This MSA consists of Ada and Canyon counties, in the southwestern part of the state. BANTSA has four branches in Boise and one in Nampa. The MSA has one of the strongest economies in the nation with virtually full employment. Population growth from 1990 to 1996 was 26%. In Ada County, the primary industries are services, manufacturing, and retail. In Canyon County, agriculture still dominates 84% of the available land. As with the rest of the state, the more rural areas of Canyon County have higher unemployment and lower per capita income than the more urban areas. The Boise MSA is consistent with the state as a whole regarding credit needs.

ASSESSMENT AREA PROFILE: BOISE MSA #1080							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	295,851	37%		17%	20%	24%	39%
Median Income(\$)			\$43,000				
Census Tracts	66	32		5	18	55	20
Unemployment Rate -May 31, 1997	3.1%						
Owner-occupied Housing (#)	75,031	37		1	15	56	28
Median Housing Value (\$)			\$64,709				
Small Businesses	8,224	40%		11%	16%	55%	18%

### Conclusions with Respect to Performance Tests in Boise

#### LENDING TEST

- BANTSA's lending performance is adequate overall.
- The geographic distribution of loans by income was generally low for residential and consumer loans, particularly in LMI areas.
- Penetration among retail customers of different income levels both in residential and consumer lending was adequate.
- The response to highly disadvantaged income persons/geographies was low.

- BANTSA shows a good performance with community development lending and the use of flexible lending practices.

### **Geographic Distribution:**

BANTSA's geographic distribution of credit in the Boise MSA occurred in all but a few census tracts. During the review period, the geographic dispersion of residential and consumer lending is generally below area demographic data for LMI areas, and consequently higher in the middle and upper geographies. In 1996, its residential lending to LMI tracts to total residential loans was 9% versus the market of 13%. The bank's overall market share was the same as its share of the LMI market. The distribution of its small business loans however, was very good.

### **Borrower Distribution:**

BANTSA's lending patterns show a reasonable distribution to borrowers of different incomes and businesses of different sizes. During the review period, the percentage of loans to LMI borrowers was 27% for residential loans and 23% for consumer loans versus their population representation of 37%. In small business lending, 28% went to LMI areas versus its 27% respective population in that area (data was not available on distribution by revenue size).

The bank's lending level is low in addressing low-income persons. In its 1996 residential lending, only 5% went to low-income persons versus its 17% population. During the review period, BANTSA's business loan originations showed excellent penetration in low-income tracts as its percentage nearly doubled the percentage of small businesses in those areas. However, consumer lending to low-income persons is low as it represented 9% against a population representation of 17% in these areas.

**Community Development Lending Activities:** BANTSA funded two affordable housing projects totaling \$162,000 in the Boise MSA.

The institution uses flexible lending practices in serving its assessment area's credit needs. It has developed lending programs for affordable housing rehabilitation and for assistance to LMI homebuyers. These programs offer below market rates, downpayment assistance, and in some cases no origination fees. In the Boise MSA area, they have offered these programs through the Boise and Nampa Neighborhood Housing Services, the Boise City and Ada County Housing Authority, and the Idaho Migrant Council Housing Preservation Program. The bank also promotes small business lending by providing a simplified application process for credit less than \$50,000.



## **INVESTMENT TEST**

BANTSA's performance under the investment test is adequate. Its level of community development grants and investments reflect a reasonable degree of responsiveness to the community's needs of affordable housing. This conclusion takes into account the limited community development groups and opportunities available in Idaho, as previously discussed. Idaho in general, has relatively few nonprofit partners, state funding, and local bond issuances available as bank investments. The bank has been responsive in using grants promoting affordable housing instead of investments in the area. It made three statewide grants totaling \$58 thousand. A \$50 thousand grant exhibited responsiveness and initiative in helping meet the credit needs of the community. They made this grant to a nonprofit organization as seed money to develop a downpayment assistance program.

## **SERVICE TEST**

Performance under the service test is good. This is based on the high level of community development services provided and reasonably assessable delivery systems to essentially all areas. The services offered do not vary in a way that inconveniences portions of the area, particularly LMI geographies or individuals. Also, its opening and closing of branches have not adversely affected the accessibility of its delivery systems.

In the Boise area, the bank donated financial expertise to several organizations to promote affordable housing construction and financing and small business lending. Among these are the Boise and Nampa Neighborhood Housing Services, The Turning Point, City of Boise, Hays Shelter Home, and Idaho-Oregon Planning and Development Association. Among the organizations assisted statewide are the Idaho Community Reinvestment Corporation, Idaho Housing & Finance Association, the Idaho Housing Coalition, and the Idaho Small Business Development Center.

## SOUTH IDAHO ASSESSMENT AREA

### Description of Institution's Operations in South Idaho

This assessment area is comprised of Payette, Gem, Boise (separate from Boise MSA), Elmore, Gooding, Twin Falls, Jerome, Blaine, Bingham, and Bonneville counties. The bank has six traditional branches and one in-store office. Two branches each in Twin Falls and Blaine counties. Five counties do not have a branch office, but are included in the assessment area based on lending patterns. This assessment area covers a geographically and economically diverse region. The area is experiencing population growth and has a strong economy with low unemployment.

The retail, services, and manufacturing industries are strong throughout the area, with agriculture driving the economy in Gooding, Jerome, and Twin Falls counties. Construction, real estate, and finance industries are dominant in Blaine County and the military is the primary employer in Elmore County. Agriculture has seen a diminishing role, even in those counties where it is the primary industry. Blaine is the only county in the area with per capita income that exceeds the national average. The South Idaho assessment area is consistent with the state as a whole regarding credit needs.

ASSESSMENT AREA PROFILE: SOUTH IDAHO							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	256,685	32%		17%	19%	23%	40%
Median Income(\$)			\$37,300				
Census Tracts	63	30		0	14	65	21
Unemployment Rate -May 31, 1997	3.8%						
Owner-occupied Housing (#)	62,565	30		0	9	68	23
Median Housing Value (\$)			\$65,761				
Small Businesses	6,046	29%		0%	16%	58%	27%

### Conclusions with Respect to Performance Tests in South Idaho

#### LENDING TEST

#### Geographic Distribution:

BANTSA has shown a good geographic distribution of credit in the South Idaho area, with loans in all but a few census tracts. The bank's residential and consumer loans were

reasonably dispersed between census tracts and they were consistent with the income demographics for those areas. Both home equity and small business loans were only about a third of the demographic profile for moderate-income geographies. In 1996, the bank's overall residential market share 2.2% and with a 2.5% share of loans to LMI areas. Its residential portfolio distribution of loans in LMI areas was 11% exceeding the distribution of owner-occupied housing in LMI areas of 9%.

### **Borrower Distribution:**

BANTSA's lending patterns show a weak distribution to borrowers of different incomes. For residential and consumer loans, the bank's percentage to LMI persons was 21%, while the population representation was 37%. Accordingly, the lending to middle- and upper-income persons was disproportionately higher.

The bank shows a weak record of serving the credit needs of low-income individuals. In 1996, it originated 2.2% of its residential loans to low-income borrowers' versus a 5% aggregate market average.

**Community Development Lending Activities:** During the assessment period, BANTSA funded three affordable housing projects totaling \$1.2 million in this area, two projects included construction and permanent financing components. This is a significant level given the limited number of projects and the competition between institutions to fund them.

The institution uses flexible lending practices to serve the assessment area's credit needs. It has developed lending programs for affordable housing rehabilitation and assistance to LMI homebuyers. These programs offer below market rates, downpayment assistance, and in some cases, no origination fees. Statewide, they have offered these programs through the Idaho Mortgage Revenue Bond Program, the BA Homebuyers Assistance Grant Program and the Home of Your Own organizations. The bank also promotes small business lending by providing a simplified application process for credit less than \$50,000.

### **INVESTMENT TEST**

BANTSA's performance is adequate. This conclusion is based on the absence of targeted investments to the South Idaho assessment area. However, the bank has shown involvement in community development initiatives statewide.

### **SERVICE TEST**

BANTSA's performance under the service test is adequate:

- BANTSA provides adequate community development services to the area.

- Delivery systems are reasonably accessible and services offered do not vary in a way that inconveniences portions of the area, particularly LMI geographies or individuals.
- The opening and closing of branches have not adversely affected the accessibility of its delivery systems.

In the South Idaho area, the bank donated financial expertise to the Ketchum Affordable Housing Commission to promote affordable housing construction and financing which is the primary credit need. Among the organizations assisted statewide, are the Idaho Community Reinvestment Corporation, Idaho Housing & Finance Association, the Idaho Housing Coalition, and the Idaho Small Business Development Center.

## IDAHO AGGREGATE TABLES

AGGREGATE RESIDENTIAL LENDING										
State: IDAHO Assessment Area:	Demographics		Lending Distribution		Market Share*			#	\$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
BOISE # 1080	16%	37%	8%	27%	.71%	.56%	.60%	394	\$26,400	\$67
POCATELLO # 6340	15	37	2	13	1.94	1.09	1.67	61	2,800	46
LEMHI COUNTY	39	48	19	22	7.58	5.71	3.13	32	2,100	66
NORTH IDAHO AREA	8	37	5	19	6.30	4.67	6.66	526	26,000	49
SOUTH IDAHO AREA	9	37	11	21	2.23	2.52	1.67	267	17,200	64
Total State	12%	37%	8%	22%	2.10%	1.30%	1.44%	1,280	\$74,500	\$58
<b>% of Total Bank</b>						0.0%	0.0%	1%	0%	
Total Bank								146,055	\$16,951,400	\$116
LMI Parity**						(10)	(12)			

(\*) 1996 HMDA Reporter Market Share

(\*\*) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE CONSUMER LENDING by Income Level of Borrower							
State: IDAHO Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	\$ (000s)	Avg. Loan (000s)
BOISE # 1080	37%	23%	23%	12%	3,000	\$35,700	\$11
POCATELLO # 6340	37	5	5	8	281	1,300	\$4
LEMHI COUNTY	48	33	10	18	63	600	10
NORTH IDAHO AREA	37	9	19	8	2,660	27,100	10
SOUTH IDAHO AREA	37	15	22	14	1,289	18,200	\$14
Total State	37%	17%	21%	11%	7,293	\$82,900	\$11
% of Total Bank					1%	1%	
Total Bank					877,912	\$7,758,000	\$9

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: IDAHO Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity **	#	\$ (000s)	Avg. Loan (000s)	#	\$ (000s)
BOISE #1080	27%	28%	2.01%	1.78%	(4)	157	\$19,600	\$125	2	\$162
POCATELLO #6340	39	20	1.74	0.00	(2)	10	300	30	0	0
LEMHI COUNTY	78	20	NA	NA	NA	5	300	60	0	0
NORTH IDAHO AREA	24	20	NA	NA	NA	142	10,900	77	3	3,208
SOUTH IDAHO AREA	16	6	NA	NA	NA	69	4,900	71	3	1,170
Total State	24%	21%	1.59%	1.32%	(6)	383	\$36,000	\$94	8	\$4,540
% of Total Bank					0.0%	0%	1%		3%	1%
Total Bank						87,225	\$5,620,300	\$64	266	\$467,424

(\*) 1996 CRA Reporter Market Share Loans to Businesses with Revenues of less than \$1 million

(\*\*) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST.									
State (ST): IDAHO Assessment Areas:	Affordable Housing and Economic Development			Contributions/ Grants			Total Investments		
	#	% # ST	\$ (000s)	#	% # ST	\$ (000)	#	% # ST	\$ (000)
BOISE # 1080	1	0%	\$45	10	50%	\$20	11	43%	\$65
POCATELLO # 6340	0	0	0	3	0	8	3	0	8
LEMHI COUNTY	0	0	0	0	0	0	0	0	0
NORTH IDAHO	0	0	0	4	20	23	4	0	23
SOUTH IDAHO	0	0	0	0	0	0	0	0	0
STATEWIDE	0	100	0	3	15%	58	3	29%	58
Total State (ST)	1		\$45	20		\$108	21		\$153
% of Total Bank	0%		0%	2%		1%	2%		0%
Total Bank	325		\$398,484	877		\$8,171	1,202		\$406,655

AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: <b>IDAHO</b> Assessment Areas:	#				\$ Deposits (millions)	% of State	% # of Branches				% # of ATMs			
	Branch Offices	In-store Offices	ATMs	Offices % of State			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
BOISE # 1080	5	0	8	20%	\$38	20%	40	0	60	0	25	0	63	13
POCATELLO # 6340	1	0	5	3%	8	4	0	0	100	0	0	20	80	0
LEMHI COUNTY	1	0	1	4%	10	5	0	100	0	0	0	100	0	0
NORTH IDAHO	8	0	19	43%	75	40	0	38	62	0	0	26	68	5
SOUTH IDAHO	6	1	12	30%	56	30	0	14	71	14	0	8	50	42
Total State	21	1	45	100%	\$187	100%	9%	23%	64%	5%	4%	20%	62%	13%
% of Total Bank	1.4%	0.5%	0.8%	1.3%	0.2%									
Total Bank	1,500	187	5,565		\$111,413									



# ILLINOIS

## ILLINOIS STATE RATING

**CRA Rating for Illinois: Satisfactory**

**The lending test is rated: Low Satisfactory**

**The investment test is rated: High Satisfactory**

**The service test is rated: Low Satisfactory**

### **Description of Institution's Operations in Illinois**

In 1994, BAC entered the Cook County market through its acquisition of Continental Bank and operates under the name Bank of America Illinois (BAI). BAI was the fifth largest bank in Cook County. BAI's four largest competitors are supported by larger branch networks. On July 1, 1997, BAC consolidated BAI's charter into BANTSA's charter. BANTSA management requested that we included BAI in our assessment of its performance.

BAI operates from one location in Chicago. Its business strategy is to focus on middle-market businesses (mid-sized businesses with revenues between \$10 million and \$250 million) and wholesale funding. BAI's affiliate, BA-FSB, is the bank's originator of residential mortgages. Before October 1996, the BAMG of BA-FSB did not have an office in Cook County, instead soliciting mortgage loan clients through local realtors. BAI Community Development Corporation (BAICDC), a subsidiary of BAI, purchases community development investments for the bank. BAICDC also provides financial services and technical assistance to small, women- and minority-owned businesses, developers of affordable housing, and nonprofit organizations throughout Cook County.

The bank's assessment area includes all of Cook County, including the City of Chicago where its only office is located. This is the only assessment area it identified in the state. Cook County is home to more than five million people. The City of Chicago is the nation's third largest city. Close to 50% of the population lives in middle-income census tracts. The assessment area does not arbitrarily exclude any LMI areas or reflect illegal discrimination. Approximately 45% of the housing stock within the area is of rental property.

Most residents work in the services industry (30%), retail trade (17%), and manufacturing (17%). Major employers are in commercial air transportation, communications, electronics, health care, insurance, petroleum, and retailing.

### **Conclusions with Respect to Performance Tests in Illinois**

BANTSA's overall CRA performance in Illinois is satisfactory. The bank's residential and consumer lending distribution patterns were disproportionate and below market averages

compared to the area's demographics. It provides retail services as an accommodation to its wholesale clients. However, BAI performed well with its volume of community development loans, investments, and services. These activities sufficiently supplement BAI's nominal residential and consumer lending performance and limited delivery channel.

## **LENDING TEST**

- **BAI's residential and consumer lending levels reflect weak responsiveness to the assessment area's credit needs, particularly in LMI census tracts and to LMI borrowers.**
- **BAI's geographic distribution of small business lending compares favorably to the area's distribution of businesses.**
- **During the review period, BAI demonstrated a strong commitment to community development lending.**

BAI's residential and consumer loans are a nominal component of the bank's lending. It only originates consumer credit products through BAC's Midwest Retail Division or BankAmerica Mortgage. Further, the bank's lending volumes and distribution are generally consistent with its business strategy, and limitations imposed by the absence of a retail delivery system.

### **Geographic Distribution:**

The bank's lending data for 1996 and the first half of 1997 show a disproportionate low number of residential mortgage loans to borrowers residing in LMI census tracts when compared with the population distribution of the assessment area. Also, the distribution of residential loans among borrowers of different income levels is disproportionately low when compared with the population demographics. Residential loans were concentrated in middle- and upper-income census tracts and to middle- and upper-income borrowers. Other consumer loan products show favorable distribution among borrowers of different incomes and different census tract levels. We did not analyze BANTSA geographic distribution of small business loans since the volume of small business lending is insignificant.

**Residential Lending:** BAI's residential lending levels reflect weak responsiveness to assessment area credit needs, particularly in low-income census tracts and to low-income borrowers when compared with other lenders. BAI's 1996 lending data reported under the Home Mortgage Disclosure Act (HMDA), shows an unfavorable distribution of home purchase and refinance loans to low-income borrowers and areas when compared with other lenders. BAI is not a major mortgage lender in the assessment area as its residential lending activity represented less than 1% of all reported loans.

During the review period, BAMG originated 1,514 residential loans. Its residential loans distribution in LMI census tracts did not compare favorably with the performance of the market as a whole or to area demographics. Low-income census tracts only contain 4% of the area's owner-occupied housing units and thus helps to explain the low distribution of residential loans in those areas.

BAI's small business lending is provided through BANTSA. While its volume of small business loans was too small to provide meaningful analysis, its lending activity did provide a reasonable portion of its loans to businesses in LMI areas. Generally, BAI does not target small businesses for loans. Rather, it focuses on middle-market businesses consistent with its strategy.

### **Borrower Distribution:**

Residential loans to LMI borrowers represented 2% and 11% of total loans, respectively, compared with 10% and 23% for all lenders. The majority of BANTSA's residential mortgages were made to upper-income borrowers and borrowers residing in upper-income census tracts. However, the distribution of these loans to low-income census tracts and low-income people improved slightly in 1997.

The volume of BANTSA's consumer loans is nominal and consistent with the bank's limited delivery systems. Therefore, consumer loan lending data did not provide for a meaningful analysis.

**Community Development Lending Activities:** BAI's strong community development efforts helped compensate for its weak residential and consumer loan distribution to LMI areas. The Chicago area has many community development lending opportunities. During the review period, BAI provided more than \$28 million in community development loans for affordable housing (\$11 million for 493 housing units), community services (\$5 million), and local businesses that have created employment for a significant number of LMI individuals (\$12 million). In addition, BANTSA originated two community development loans under the SBA 504 Program totaling more than \$4 million. The SBA 504 Program promotes economic development through job creation and retention.

BAI has been responsive to the community development needs of the assessment area, particularly in northern Chicago. In supplementing the bank's lack of branches, it maintains relationships with other community development financial institutions in the area to deliver retail and community development credit and services to the community. Other significant relationships BAI has created that support LMI neighborhoods include Woodlawn Preservation and Investment Corp., Illinois Facilities Fund (IFF), Neighborhood Housing Services of Chicago (NHS), Shorebank Corp., West Humboldt Park/Orr School Network Initiative, and leading Chicago's \$100 million Empowerment Zone Initiative.

Since 1987, BAICDC has provided a \$40 million revolving loan fund to NHS for the Chicago Home Improvement Program (CHIP) that provides low interest-rate home improvement loans from \$2,500 to \$50,000 to homeowners. The program originates an average of 500 loans aggregating over \$6 million annually.

## **INVESTMENT TEST**

- **BAI has maintained an excellent level of qualified community development investments and grants and occasionally takes a leadership position with facilities that private investors have not routinely provided.**
- **The number and dollar amount of qualified investments is reasonable given BAI's size and investment opportunities available in the assessment area.**

BAI has exhibited excellent responsiveness to credit and community economic development needs through investments and grants. It has 38 investments totaling \$65.37 million. While these investments were not innovative or complex, the bank has accomplished innovative lending and investments through grants and/or loans to the Chicago Home Improvement Program, Homebuyer's Assistance Grant Program, and other community development financial institutions. Those institutions provide loans or products that are generally innovative and help meet the credit needs within the community.

BAI community development investments are purchased through BAICDC. Most of those eligible investments benefit the assessment area and target LMI individuals or areas. As of June 19, 1997, BAI had over \$5 million invested in 15 Chicago Public Housing bonds and over \$1 million invested in seven Cook County Public Housing bonds. The bank's equity investments include \$49 million in 12 affordable housing securities and almost \$10 million in three other community development investments, including \$8 million in commitments created during the review period. Of the \$49 million in affordable housing securities, BAICDC maintains a \$40 million revolving commitment to the Community Investment Corporation (CIC) by purchasing mortgage-collateralized trust notes. CIC provides below-market rate financing to acquire and rehabilitate affordable multi-family housing. BAICDC has purchased more than \$32 million in notes and has approximately \$17 million outstanding. BAI is the second largest bank investor in CIC.

The bank's 155 qualified grants totaled almost \$3 million. BAI distributed an additional \$390,000 in grants to organizations from the \$515,000 Bank Enterprise Award it received from the U.S. Department of Treasury.

## **SERVICE TEST**

- **BANTSA has been responsive to community development service opportunities in the assessment area and often takes a leadership role.**

The bank is accessible to only limited portions of the assessment area due to its single location. BAI provided limited retail services through its private banking division. BAI's limited delivery systems are consistent with its business strategy to target middle-market businesses and acquire funding through wholesale means. However, BA-FSB and its subsidiaries provide retail banking products and alternative delivery systems. During the review period, BAI did not open or close any branches in the assessment area.

BANTSA provides a high level of community development service through board affiliations (financial oversight, strategic planning, or project fund raising). During the review period, management logged more than five thousand hours with 46 community development affiliations and has provided more than eleven hundred hours of technical assistance to other organizations. BANTSA has provided technical assistance to the Orr School Network, West Humboldt Park Family and Community Development Council, Illinois Facilities Fund, Neighborhood Housing Services, and Social Compact. Its innovative community development services include its ongoing commitment to the comprehensive West Humboldt Park Initiative (Orr School Network).

ASSESSMENT AREA PROFILE: COOK COUNTY							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	5,105	100%		25%	19%	23%	34%
Median Income(\$)			\$55,800				
Census Tracts	1,352	100		20	25	36	18
Unemployment Rate - May 31, 1997	4.7%						
Owner-occupied Housing (#)	1,042,793	100		4	17	50	28
Median Housing Value (\$)			\$123,735				
Small Businesses	107,182	100%		7%	18%	40%	34%

LENDING TEST: COOK COUNTY								
Loan Type	#	% of Bank	\$ (million)	CT	Low % of #	Moderate % of #	Middle % of #	Upper % of #
				B				
Residential	1,514	1%	\$287	CT	1%	6%	33%	60%
				B	3	13	21	64
Consumer - Automobile	330	0	5	CT	8	19	49	24
				B	25	39	21	15
Consumer - Home Equity	252	0	10	CT	1	8	41	50
				B	7	16	25	52
Consumer - Other	207	1	1	CT	6	30	49	15
				B	35	37	12	16
Consumer - Credit Card	8,282	1	50	CT	5	22	49	24
				B*	4	3	2	2
Small Business	114	1	38	CT	9%	18%	33%	36%
Community Development	17	7%	28					
Total Lending	10,716		\$420					

(CT) Income Level of Census Tracts

(B) Income Level of Borrower

\* Distribution does not add to 100% due to unclassified or unavailable data.

INVESTMENT TEST: COOK COUNTY							
Investment Type	#	% of Bank	\$ (000s)	Low %	Moderate %	Middle %	Upper %
Affordable Housing & Economic Dev.	32	10%	\$65,861				
Contributions/Grants	155	18	2,970				
Total Investments	187	16%	\$68,831				

SERVICE TEST: COOK COUNTY							
Service Type	#	% of Bank	\$ (million)	Low % #	Moderate % #	Middle % #	Upper % #
Branch Offices	1	0%		0	0	0	100%
Deposits			\$6,160				
In-Store Offices	0	0		0	0	0	0
ATMs	0	0%		0	0	0	0



# NEVADA

## NEVADA STATE RATING

**CRA Rating for Nevada <sup>2</sup>:**        **Satisfactory**

**The lending test is rated:**        **Low Satisfactory**

**The investment test is rated:** **High Satisfactory**

**The service test is rated:**        **Low Satisfactory**

### Description of Institution's Operations in Nevada

The Nevada assessment areas include the Reno MSA and the state's non-metropolitan statewide area referred to as Rural Nevada. Rural Nevada consists of eleven rural counties: Carson City, Churchill, Douglas, Elko, Humboldt, Lander, Lincoln, Lyon, Mineral, Storey, and White Pine. The combined area is dominated by mountain ranges, deserts, and a large proportion of Federal land. Both areas have experienced strong population growth since 1990, which is expected to continue.

BANTSA entered the retail banking market in these assessment areas with the acquisition of Nevada First Thrift (in the Reno MSA) in 1989 and Valley Bank of Nevada (statewide) in 1992. Further expansion occurred in the Reno MSA with the acquisition of Frontier Savings in 1990. These branches were divested after the completion of the merger with Security Pacific Bank in 1992. BANTSA's main competitors are Wells Fargo Bank, US Bank, and Norwest Bank. In residential lending, it also competes with mortgage companies such as Norwest Mortgage, Weyerhaeuser Mortgage, and InterWest Mortgage. It serves the state with 35 branch offices and 85 ATMs. The loans BANTSA originated in this state during the review period, accounted for 1.1% of its total number and 1.4% of its total dollar volume. Further, the state accounts for .9% of the bank's domestic deposits. This ranks the state's market size number seven out of the ten states and two Multistate MSAs evaluated.

Employment opportunities are strong. HUD reports jobs are growing more quickly than the population. The major industries are hotels and gaming, government, retail trade, construction, transportation and utilities, finance and real estate, manufacturing, mining, and agriculture. The strength of the economy is driven by the growth of tourism, as well as by the migration and creation of businesses of many types.

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<sup>2</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

The significant increase in population compounds the need for additional affordable housing. The supply of housing units consists of 62% single family structures (versus 41% in LMI census tracts and BNAs), 19% in multifamily structures (33% in LMI), and 19% in manufactured homes (26% in LMI). HUD reports that median home purchase prices and median contract rental rates have been increasing more rapidly than median income, while vacancy rates have declined. The type of housing unit varies in each county, although manufactured home occupancy is higher in the rural counties. The majority of new housing units developed in the rural counties since 1980 were manufactured homes, which are more affordable for the large influx of retirees and more flexible for the mining industry. HUD reports other rural housing needs include the reduction of overcrowded households, improvement of plumbing and other structural inadequacies, and improved weatherization. In both assessment areas, there are also a wide variety of homeless needs based on income and health considerations. Continued growth of small business loans is another identified credit need and opportunity.

STATE PROFILE: NEVADA							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	435,366	100%		18%	19%	25%	38%
Median Income(\$)			\$50,779				
Census Tracts	136	100		2	25	40	15
Unemployment Rate	N/A						
Owner-occupied Housing (#)	100,050	100		0	18	57	25
Median Housing Value (\$)			\$107,302				
Small Businesses	14,171	100%		0%	33%	53%	14%

## Conclusions with Respect to Performance Tests in Nevada

### LENDING TEST

- **BANTSA has an adequate market position in residential lending, but a weak penetration of LMI geographies and an adequate penetration of LMI borrowers.**
- **BANTSA showed a good responsiveness to the need for small business borrowers.**
- **Finally, BANTSA is responsive to community development lending, but has certain geographic and legislative constraints.**

**Residential Lending:** BANTSA's level of residential lending reflects adequate responsiveness to Nevada's credit needs. However, the bank's distribution of these loans in the review period is heavily concentrated among middle and upper income geographies (92%) and borrowers (77%). BANTSA geographic distribution reflects weak penetration of LMI geographies in Nevada. The bank made no loans in low-income census tracts and BNAs, however, there is limited opportunity because of the small number of owner-occupied units. BANTSA's loans in moderate-income census tracts and BNAs is well below the proportion of owner-occupied units. However, the distribution of borrowers reflects adequate penetration among borrowers of different income levels.

In addition to its broadly used array of products, BANTSA makes loans under the "Hope 3 Mortgage Loan" program in conjunction with the Reno Housing Authority. These loans are extended to low-income borrowers. Also, the bank's "Enhanced Neighborhood Advantage" loan program has flexible characteristics and is used for LMI borrowers in Reno.

**Consumer Lending:** Consumer lending levels indicate good responsiveness to Nevada's credit needs. The ratio of the total number of loans to the number of families is 7%. The geographic distribution of loans reflects weak penetration of LMI geographies in the assessment area. The bank made no home equity loans in low-income census tracts and BNAs, however, there is limited opportunity based on the low number of owner-occupied units in these areas. BANTSA's home equity loans in moderate-income census tracts and BNAs is well below the proportion of owner-occupied units. The bank also made no automobile or other consumer loans in low-income census tracts and BNAs. However, the distribution of borrowers reflects good penetration among retail customers of different income levels. The bank's distribution of loans for automobile and other consumer needs to LMI borrowers substantially exceeded the proportion of LMI families in the state. Its home equity loans are concentrated in middle- and upper-income areas, where property appreciation has been the greatest.

**Small Business Lending:** BANTSA's level of small business lending shows good responsiveness to Nevada's business credit needs. The bank originated loans to approximately 9% of the small businesses in the state. The geographic distribution of these loans reflects excellent penetration in the combined assessment areas. BANTSA's small business loans in LMI areas substantially exceed the distribution of businesses in those areas. While 50% of the bank's small business loans were extended to businesses of unknown revenue level, 39% were made to businesses with revenues less than \$1 million. BANTSA exhibited an excellent responsiveness to micro-lending needs in the market area, with 85% of its small business loans in amounts of \$100 thousand or less.

**Community Development Lending Activities:** BANTSA's community development lending levels reflect a good responsiveness to the state's credit needs. Community

development lending in the rural marketplace is limited by the small number of developers of affordable housing, as well as legislative constraints limiting access to public land for the development of affordable housing. The bank provided a \$2 million construction loan and a \$2 million permanent loan on a 48-unit affordable housing apartment complex. It also provided a \$1 million construction loan on a 30-unit affordable housing complex, and a \$2 million development and construction loan on a 32-unit affordable housing apartment complex. The bank supplemented these flexible community development loans with low-income housing tax credits as part of the permanent financing package. It also provided leadership in committing to the construction financing and enlisting and coordinating the facilities of government and nonprofit parties to the total financing package.

## **INVESTMENT TEST**

BANTSA has a significant level of qualified community development investments, two of which are complex. The bank is the sole investor in \$2 million of low-income housing tax credits for two projects described in the Lending Test. In addition, the bank has invested \$8 million in general obligation bonds issued by two housing and redevelopment agencies with jurisdiction limited to the Reno MSA.

Through these investments and various qualified grants, BANTSA showed a good response to credit and community development needs for an assessment area of this size. In addition to the grants targeted for the Reno MSA and Rural Nevada, BANTSA made \$15 thousand in grants to groups with statewide constituencies, 89% of which were for economic development. Of BANTSA's total grants for the state, 51% was used to promote and facilitate affordable housing, and 34% was extended for community services. Examples of beneficiaries of these grants include the Neil Road Family Services Consortium, the Glenn Duncan Family Focus Center, Truckee Meadows Habitat for Humanity, the Affordable Housing Resource Council, the Rural Nevada Development Corporation, Citizens for Affordable Housing, the Community Services Agency, and the Economic Development Authority of Western Nevada.

## **SERVICE TEST**

BANTSA has provided a good level of community development services for a state this large. Its delivery systems are reasonably accessible, considering the geographic limits in the rural counties. Services do not vary in a way that inconvenience certain portions of the assessment area, particularly LMI geographies or individuals. Management sets Saturday hours using an analysis of demand.

Through its officers and employees, the bank has extended significant financial and technical expertise to promote affordable housing, neighborhood revitalization, and small business lending to and through various organizations. Examples of these organizations are Children's Cabinet, Reno Housing Authority, Rural Nevada Development Corporation,

Churchill Economic Development Agency, and the Tri-County Development Authority. Its leadership role was highly evident in the service it provides to groups like the Community Services Agency & Development Corporation and the Affordable Housing Resource Council.

During the review period, the bank opened seven and closed seven branches. Of the new offices, four are in upper-income areas, and three are in middle-income areas. Two closed branches were in moderate-income areas. None of the bank's branches are in low-income census tracts. These branch actions did not have an adverse impact on LMI areas.

## RENO MSA # 6720

### Description of Institution's Operation in the Reno MSA

This MSA contains Washoe County in the northwest corner of Nevada. Its principal cities are Reno, Sparks, and Virginia City. This MSA and Las Vegas Multistate MSA are the only MSAs in Nevada, and contain the primary concentrations of population. BANTSA serves the MSA with 18 branch offices and 54 ATMs.

According to HUD, job growth is exceeding the population growth. The major industries are hotels and gaming, government, retail trade, construction, transportation and utilities, finance and real estate, manufacturing, mining, and agriculture. The strength of the economy is driven by the growth of tourism, as well as by the migration and creation of businesses of many types.

The significant increase in population compounds the need for additional affordable housing. According to HUD, median home purchase prices and median contract rental rates have been increasing more rapidly than median income, while vacancy rates have declined. Continued growth of small business loans is another identified credit need and opportunity.

ASSESSMENT AREA PROFILE: RENO MSA # 6720							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	254,667	58%		17%	19%	25%	38%
Median Income(\$)			\$52,500				
Census Tracts	58	43		2	22	36	22
Unemployment Rate- May 31, 1997	3.7%						
Owner-occupied Housing (#)	55,421	55		0	18	47	35
Median Housing Value (\$)			\$117,350				
Small Businesses	8,470	60%		0%	45%	38%	17%

### Conclusions with Respect to Performance Tests in the Reno MSA

#### LENDING TEST

- **BANTSA has a good market position in residential lending, but a weak penetration of LMI geographies.**

- **BANTSA has shown an excellent responsiveness to the need for small businesses.**
- **BANTSA is responsive to community development lending needs, and provides leadership.**

### **Geographic Distribution:**

BANTSA's level of residential lending reflects adequate responsiveness to assessment area credit needs. However, the bank's distribution of these loans in the review period is heavily concentrated among middle and upper income geographies (93%) and borrowers (77%). BANTSA geographic distribution reflects weak penetration of LMI geographies in the assessment area. While the bank made 7% of its residential loans in these areas, 18% of the owner-occupied housing stock is in these areas.

BANTSA's level of small business lending shows excellent responsiveness to assessment area's credit needs. The geographic distribution of these loans reflects good penetration throughout the assessment area, closely matching the distribution of the businesses.

### **Borrower Distribution:**

BANTSA's distribution of residential borrowers reflects a less favorable penetration of LMI borrowers. Its 1996 overall residential market share substantially exceeded its share of loans to LMI borrowers.

Consumer lending levels indicate good responsiveness to assessment area credit needs. BANTSA's distribution of borrowers reflects good penetration among retail customers of different income levels. The bank's distribution of loans to LMI borrowers substantially exceeded the proportions of LMI families for automobile and other consumer loans, and was slightly below the family proportion for credit cards.

Over 50% of BANTSA's small business loans were extended to businesses of unknown revenue level, and 38% were made to businesses with revenues less than \$1 million. The bank showed an excellent responsiveness to micro-lending needs in the market area, with 86% of its small business loans in amounts of \$100 thousand or less. The bank makes extensive use of innovative and flexible lending practices to serve assessment area credit needs. The main product is the ABC Business Banking Loan, which uses a streamlined application process with credit scoring.

**Community Development Lending Activities:** BANTSA's community development lending levels reflect good responsiveness to assessment area credit needs. Its community development activities were conducted in a marketplace with a limited number of developers of affordable housing, as well as legislative constraints that limit the access



to public land for the development of affordable housing. The bank provided a \$2 million construction loan and a \$2 million permanent loan on a 48-unit affordable housing apartment complex. It also provided a \$1 million construction loan on a 30-unit affordable housing complex. These are flexible community development loans with the bank's use of low-income housing tax credits as part of the permanent financing package. The bank provided leadership in committing to the construction financing and enlisting and coordinating the facilities of government and nonprofit parties to the total financing.

## **INVESTMENT TEST**

BANTSA has a significant level of qualified community development investments, two of which are complex. The bank is the sole investor in \$2 million of low-income housing tax credits for two projects described under the Lending Test. In addition, the bank has invested \$8 million in general obligation bonds issued by two housing and redevelopment agencies with jurisdiction limited to this MSA.

Through these investments and various qualified grants, BANTSA showed a good response to credit and community development needs for the MSA. Of BANTSA's \$60 thousand in grants, 60% was extended for community services and 34% was used to promote and facilitate affordable housing. Examples of grant beneficiaries include the Neil Road Family Services Consortium, the Glenn Duncan Family Focus Center, Truckee Meadows Habitat for Humanity, and the Affordable Housing Resource Council.

## **SERVICE TEST**

BANTSA has provided a relatively high level of community development services and in several occasions played a leadership role. Its delivery systems are reasonably accessible. Services do not vary in a way that inconveniences certain portions of the MSA, particularly LMI geographies or individuals. Management sets Saturday hours based on their analysis of demand.

Through its officers and employees, BANTSA has extended significant financial and technical expertise to promote affordable housing, neighborhood revitalization, and small business lending to and through various organizations. Examples of these organizations are Children's Cabinet and the Reno Housing Authority. Its leadership role was highly evident in the service it provides to groups like the Community Services Agency & Development Corporation.

During the review period, the bank opened four and closed four branches. Of the new offices, three are in upper-income areas, and one is in a middle-income area. One closed branch was in a moderate-income area. These actions did not have an adverse impact on LMI geographies.

## RURAL NEVADA ASSESSMENT AREA

### Description of Institution’s Operation in Rural Nevada

This assessment area consists of eleven rural counties: Carson City, Churchill, Douglas, Elko, Humboldt, Lander, Lincoln, Lyon, Mineral, Storey, and White Pine. The assessment area includes most of the northern, central, and eastern portions of the state, and is dominated by mountain ranges, deserts, and a large proportion of Federal land. Its principal cities are Carson City in the west, Winnemucca, Battle Mountain, and Elko in the north, and Ely in the east. BANTSA serves the area with 17 branch offices and 31 ATMs.

A combined unemployment rate for the assessment area is not available. The primary industries are mining and agriculture, government, construction, transportation and utilities, and some manufacturing.

Affordable housing for the elderly and temporary housing for the mining industry are the primary lending needs and opportunities. The highest concentration of renters is in Carson City, Esmeralda, and Pershing Counties. The highest concentration of owner-occupied units is in Lincoln, Lyon, Storey, and White Pine Counties. The type of housing unit varies in each county, although manufactured home occupancy is higher in the rural counties. The majority of new housing units developed since 1980 were manufactured homes, which are more affordable for the large influx of retirees and more flexible for the mining industry. According to HUD, other housing needs include the reduction of overcrowded households, improvement of plumbing and other structural inadequacies, and improved weatherization.

ASSESSMENT AREA PROFILE: RURAL NEVADA							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	180,699	42%		19%	19%	26%	37%
Median Income(\$)			\$49,500				
Census Tracts	78	57		1	27	42	10
Unemployment Rate	NRA						
Owner-occupied Housing (#)	44,629	45		1	17	70	13
Median Housing Value (\$)			\$92,796				
Small Businesses	5,701	40%		0%	15%	74%	11%

## Conclusions with Respect to the Performance Tests in Rural Nevada

### LENDING TEST

- **BANTSA has a good market position in residential lending, and an adequate penetration of LMI geographies and borrowers.**
- **BANTSA's volume and geographic distribution of small business loans is good, and its level of micro-lending is excellent.**
- **BANTSA is responsive to community development lending needs, and provides leadership.**

Residential Lending: BANTSA's level of residential lending reflects an adequate responsiveness to area's credit needs when the bank's overall 1996 market share of 10% and the total market's 13% penetration of owner-occupied units are considered. Its geographic distribution of these loans is marginally below the distribution of LMI geographies. Similarly, the distribution of borrowers reflects the same slight shortfall when the bank's loans to LMI borrowers are compared to the area's demographics.

In comparison to other lenders in 1996, BANTSA market share in LMI geographies marginally exceeded its overall residential lending market share. Conversely, its share of loans to LMI borrowers marginally trailed its overall residential lending market share. The bank uses innovative and flexible lending practices to help meet the area's credit needs. These practices use a variety of residential lending programs with flexible underwriting, down payment, and pricing characteristics.

Consumer Lending: BANTSA's consumer lending levels reflect a good responsiveness to the area's credit needs. The geographic distribution of loans reflects weak penetration of LMI geographies in the assessment area. However, the distribution of borrowers reflects adequate penetration among retail customers of different income levels. The bank's distribution of consumer loans to LMI borrowers nearly matched the proportion of LMI families in the area. BANTSA has a few products with reduced credit guidelines for low-income and disabled individuals. The bank uses these products in many of its assessment areas.

Small Business Lending: BANTSA's level of small business lending shows an adequate response to area's credit needs. The geographic distribution of these loans nearly matches the distribution of small businesses in LMI areas. Further, a substantial majority of the loans were made to businesses with less than \$1 million in annual revenues, when the revenue of the company was known. BANTSA has also been responsive to small business micro-lending needs, with 84% of its small business loans in amounts of \$100 thousand or less. The bank makes extensive use of innovative and flexible lending

practices to help serve the area's small business credit needs. The main product is the ABC Business Banking Loan, which uses a streamlined application process with credit scoring.

**Community Development Lending Activities:** Community development lending levels reflect good responsiveness to area credit needs. The bank provided a \$2 million development and construction loan on a 32-unit affordable housing apartment complex. Management provided leadership in committing to the construction financing while enlisting and coordinating the facilities of government and nonprofit parties to the total financing. This loan was made in a rural market, that is supported by a limited number of developers of affordable housing, as well as legislative constraints which limit the access to public land for the development of affordable housing.

## **INVESTMENT TEST**

BANTSA's qualified grants provide an adequate response to community development needs, when geographical constraints are considered. While, BANTSA has no direct community investments in this area, because of the wide dispersion of the population over a large geographic area, it used grants to promote and facilitate affordable housing. Examples of the beneficiaries include the Rural Nevada Development Corporation, Citizens for Affordable Housing, and the Community Services Agency.

## **SERVICE TEST**

BANTSA has provided a good level of community development services for an assessment area this large. On several occasions, the bank played a leadership role. Its delivery systems are reasonably accessible, although the geographic size is more limiting to access than in an urban area. Services do not vary in a way that inconveniences certain portions of the assessment area, particularly LMI geographies or individuals. Saturday hours are based on an analysis of demand.

During the review period, the bank opened three and closed three branches. Of the new offices, one is in an upper-income area, and two are in middle-income areas. One closed branch was in a moderate-income area.

Through its officers and employees, BANTSA has extended significant financial and technical expertise to promote affordable housing, neighborhood revitalization, and small business lending to and through various organizations. Examples of these organizations are the Rural Nevada Development Corporation, Churchill Economic Development Agency, and the Tri-County Development Authority. Its leadership role was highly evident in the service it provides to groups like the Affordable Housing Resource Council, and the Community Services Agency & Development Corporation.

## NEVADA AGGREGATE TABLES

AGGREGATE RESIDENTIAL LENDING										
State: NEVADA Assessment Area:	Demographics		Lending Distribution		Market Share*			#	\$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
RENO # 6720	18%	36 %	7%	23%	10.06%	4.40%	8.15%	1,770	\$149,000	\$84
Rural Nevada	18	37	10	23	12.97	14.63	11.41	861	51,600	60
Total State	25%	37	8%	23%	11.06%	6.74%	9.11%	2,631	\$200,600	\$76
<b>% of Total Bank</b>						0.0%	0.0%	2%	1%	
Total Bank								146,055	\$16,951,400	\$116
LMI Parity**						(62)	(26)			

(\*) 1996 HMDA Reporter Market Share

(\*\*) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE CONSUMER LENDING							
State: NEVADA Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	\$ (000s)	Avg. Loan (000s)
RENO # 6720	36%	24%	38%	22%	5,532	\$77,900	\$14
Rural Nevada	37	28	34	11	2,870	39,000	14
Total State	37%	27%	37%	18%	8,402	\$116,900	14
% of Total Bank					1%	2%	
Total Bank					877,912	7,758,000	\$9

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: NEVADA Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity **	#	\$ (000s)	Avg. Loan (000s)	#	\$ (000s)
RENO # 6720	45%	47%	20.06%	22.90%	19	1,226	\$96,900	\$79	3	\$4,973
Rural Nevada	15	13	9.06	5.60	(8)	392	25,200	64	1	1,562
Total State	33%	39%	15.73%	18.49%	11	1,618	\$122,100	\$75	4	\$6,535
% of Total Bank			0.0%			2%	2%		2%	1%
Total Bank						87,225	\$5,620,300	\$64	266	\$467,424

(\*) 1996 CRA Reporter Market Share Loans to Businesses with Revenues of less than \$1 million

(\*\*) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST									
State (ST): NEVADA Assessment Areas:	Affordable Housing and Economic Development			Contributions/ Grants			Total Investments		
	#	% # ST	\$ (000s)	#	% # ST	\$ (000s)	#	% # ST	\$ (000s)
RENO # 6720	7	100%	\$9,546	10	50%	\$60	17	63%	\$9,606
Rural Nevada	0	0	0	4	20	33	4	15	33
State-wide	0	0%	0	6	30%	42	6	22%	42
Total State	7		\$9,546	20		\$134	27		\$9,680
% of Total Bank	2%		2%	2%		2%	2%		2%
Total Bank	325		\$398,484	877		\$8,171	1,202		\$406,759

AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: <b>NEVADA</b> Assessment Areas:	#				\$ Deposits (millions)	% of State	% # of Branches				% # of ATMs			
	Branch Offices	In-store Offices	ATMs	Offices % of State			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
RENO # 6720	15	3	54	49%	\$645	63%	0%	27%	40%	33%	0%	28%	39%	33%
Rural Nevada	15	2	31	49	387	38	0	12	71	18	0	26	55	19
Total State	30	5	85	100%	\$1,032	100%	0%	17%	54%	29%	0%	27%	45%	28%
% of Total Bank	2.0%	2.7%	1.5%	2.1%	0.9%									
Total Bank	1,500	187	5,565		\$111,413									

# **NEW MEXICO**



## NEW MEXICO STATE RATING

**CRA Rating for New Mexico: Satisfactory**

**The lending test is rated: Low Satisfactory**

**The investment test is rated: Low Satisfactory**

**The service test is rated: High Satisfactory**

### **Description of Institution's Operations in New Mexico**

Bank of America New Mexico was formed in 1991, when BAC purchased deposits and assets of ABQ Federal Savings Bank and Sandia Federal Savings Association from the Resolution Trust Corporation. BANTSA is now the fourth largest commercial bank in the state. On January 1, 1997, the state charters of Arizona, Nevada and New Mexico were consolidated into BANTSA's charter. BANTSA serves the state with 41 branch offices and 102 ATMs. The loans BANTSA originated in this state during the review period, accounted for 1.4% of its total number and 1.3% of its total dollar volume. Further, the state accounts for .2% of the bank's domestic deposits. This ranks the state's market size number eight out of the ten states and two Multistate MSAs evaluated.

The state economy, which experienced boom-like conditions during 1993-1995, has stabilized. Reflecting the slower pace of economic growth, the state's unemployment rate rose from 6.3% in 1995 to 6.9% in 1996 and showed improvement in the first quarter of 1997 at 6.2%. Government offices are the leading employer in the state. New Mexico ranks 47th in the nation in per capita income. In spite the state's economic growth over the past five years, high poverty rates and low per capita income remains a major problem. High-tech manufacturing plants continue to expand and create more jobs in the local economy. The state continues to attract new industry, such as Internet and computer firms, credit card processing and a manufactured housing plant.

There are twenty-eight Native American reservations entirely or partially in the state boundaries the majority are designated LMI areas. The population living on these lands is 6% of the state total.

BANTSA offers a full range of credit products which include several very flexible programs for housing, business, and consumer loans. In 1997, the bank began to offer the HUD 184 Native American Home Loan Program. Under this program, HUD will provide a 100% guarantee on loans to tribal members and designated tribal housing authorities.

In early 1997, BANTSA developed its Small State Initiative to address specific needs of the lesser populated states, including New Mexico. The bank recognizes its low market share in these states. This initiative is dedicated to consider the needs and opportunities in these states when developing products/programs and allocating resources.

BANTSA has designated five assessment areas that include the most densely populated areas of the state. The areas are based on the MSAs and the rural counties in which the bank has branches. The areas include: the Albuquerque MSA, Las Cruces MSA, Santa Fe MSA, the Southern Region assessment area, and the Northwestern Region assessment area. We focused primarily on the bank's performance in the Albuquerque MSA, Northwestern and Southern Assessment Areas based on their population level. We assessed the bank's CRA activities in the Las Cruces and Santa Fe MSAs for consistency.

We performed three community contact calls in New Mexico, two housing related and one small business loan related, during the examination to gain further insight to the needs of the community and how the bank was perceived in meeting those needs. The contacts and the New Mexico BANTSA Community Redevelopment Advisory Committee have identified affordable housing and small business lending as the most pressing needs in the state.

ASSESSMENT AREA PROFILE: NEW MEXICO							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	1,239,421	100%		22 %	17%	21%	41%
Median Income(\$)			\$44,400				
Census Tracts	290	100		5	28	40	26
Unemployment Rate -May 31, 1997	6.2%						
Owner-occupied Housing (#)	294,570	59		3	22	44	31
Median Housing Value (\$)			\$73,039				
Small Businesses	32,152	100%		2%	31%	41%	26%

### Conclusions with Respect to Performance Tests in New Mexico

- **BANTSA's lending performance during the review period is an adequate response to the credit needs of the state with the following results:**
  - **Residential lending performance showed low distribution levels to LMI census tracts and families.**
  - **BANTSA's small business lending performance showed a good geographic distribution of loans, of which a vast majority are small loans made to businesses with \$1 million or less in annual revenues.**

- **Consumer lending performance showed distribution of loans exceeding the demographics of LMI families.**
- **BANTSA's volume of investments are a good response to the community development needs of the state.**
- **BANTSA's delivery systems are accessible to limited portions of the state, however, the bank's level of community development services showed a good response to community needs and local employee participation in their communities.**

## **LENDING TEST**

The demographic distributions and community contacts showed that LMI applicants are scattered among the census tracts, therefore, the applicant distribution analysis better illustrated BANTSA's performance in the state.

**Residential Lending:** The geographic and applicant distribution of lending is below the demographic distribution of LMI census tracts and families. Distribution in LMI census tracts and lending to LMI applicants is below the average for peer banks' lending activity.

**Small Business Lending:** BANTSA showed a good geographic distribution of loans when compared to the demographics of businesses within LMI census tracts. The percentage of lending was well below the opportunities in the MSA (2.3% of the small business reported in the MSA receiving a loan from BANTSA). The bank showed an excellent distribution of lending to businesses of different sizes by making a majority (84.3%) of its loans to businesses with annual revenues of \$1 million or less. They also showed an excellent concentration of loans for \$100,000 or less at 91% of business loans made in New Mexico.

**Consumer Lending:** The percent of lending exceeds the percent of families at LMI levels showing a good response to consumer applicants in the state.

**Community Development Lending Activities:** During the review period, BANTSA made two community development loans in the Southern New Mexico assessment area. It also originated loans with Small Business Administration guarantees, which are included in the small business loan numbers above. This shows an adequate response to the communities need for affordable housing and small business loans to start-up and low-income businesses. Although there are several Indian reservations entirely or partially within the state boundaries, community development lending in these areas has not been addressed by the bank during this review period.

## **INVESTMENT TEST**

During the review period, BANTSA participated in the community through three Public Housing bond investments in Santa Fe and 33 grants and contributions. The grants and contributions supported various nonprofit organizations providing a variety of services (e.g., home ownership counseling, small business technical assistance, and economic development programs). While only less than 1% of the bank's deposits came from New Mexico, more than 1% of the loans, .1% of investments, and almost 3% of grants and contributions (by dollar volume) were made to organizations within the state.

## **SERVICE TEST**

BANTSA serves the state with:

- 29 full service standalone branches,
- 12 in-store branches which are open seven days a week,
- 102 bilingual automatic teller machines, and
- 24-hour telephone bilingual customer service and telemarketing.

The bank's branches are adequately distributed throughout different income levels of geography. Business hours are normal for local full service branches. The "in-store" branches are open seven days a week with extended hours, none of which are in LMI census tracts.

The bank has a comprehensive opening and closing policy. Of the nine branches closed during the review period only one was in a moderate-income area.

During the review period, bank employees were involved and supported their communities in 31 different qualified community development services. These activities were in support of various programs which include home owner counseling, financial services education, small business technical financial education and providing financial advice to nonprofit organizations.

## **Assessment Area's Evaluated for Consistency of Performance**

The Santa Fe MSA has the highest median income and median housing value in the state and the lowest portion of the population. There are no low-income census tracts identified in the MSA. Approximately 50% of the total employment base is in the wholesale, retail and service sectors, mainly based upon tourism. The government employs 36% of the labor force.

The Lending Test, Investment Test and Service Test performance is consistent with the overall state performance:

Mortgage and consumer lending is low compared to the demographics of LMI census tracts and families. Small business lending meets the demographics of small businesses in the MSA.

BANTSA's investments show a good response to community development needs with affordable housing bonds and grants and contributions totaling 80% of the dollars invested by the bank in New Mexico.

BANTSA shows an adequate level of service to the area with 12% of the states delivery systems and 16% of the qualified Community development services.

The Las Cruces MSA has 11% of the state's population. Retail trade and the service sector employ more than 40% of the labor force and the government employing another 38%. The MSA has the state's highest unemployment rate in a metropolitan area.

The Lending Test, Investment Test and Service Test performance is consistent with the overall state performance:

Mortgage and consumer lending is low compared to the demographics of LMI census tracts and families. Small business lending is slightly below the demographics of small businesses located in the MSA.

BANTSA's investments show an adequate response to community development needs considering there is little opportunity in the MSA.

BANTSA shows an adequate level of service to the area with 5% of the states delivery systems and 6% of the qualified community development services.

## **ALBUQUERQUE MSA # 0200**

### **Description of Institution's Operations in Albuquerque**

This MSA encompasses Bernalillo, Sandoval and Valencia Counties and is the largest MSA in the state. The City of Albuquerque is the financial and industrial hub of the state. It is the state's center for commerce, finance, communications, transportation and medical facilities. Further, its diverse economic base includes education, research and development, and government.

The 1997 outlook for the economy is moderate at best, with employment and income growth significantly below the rates recently enjoyed the last few years. The 1996 unemployment rate is 5.3% and in the first half of 1997 fell to 4.1%. The fastest growing sectors of the economy are business services and construction with manufacturing and trade also exhibiting strong growth.

The top major employers include Albuquerque Public Schools, Sandia National Laboratories, Kirtland Air Force Base and the University of New Mexico. The MSA has attracted new businesses such as Intel, Motorola and Sumitomo. Several companies have moved their telemarketing services and customer services operations to the MSA.

The City of Albuquerque has a pro-business climate; it offers several sophisticated industrial parks. New Mexico and the City of Albuquerque have various incentives programs that provide financial assistance to the private business sector for new business development, business expansion and business relocation.

There are eight Native American reservations in the MSA and a part of six more reservations are in the MSA's boundaries. The majority are designated LMI census tracts.

BANTSA serves the MSA with fifteen full service standalone branches, eleven in-store branches in major supermarkets that are open seven days a week and 68 ATMs. The bank offers a full range of credit products which include several very flexible programs for housing, business and consumer loans. In the first half of 1997, the bank offered the HUD 184 Native American Home Loan Program. Under this program, HUD will provide a 100% guarantee on loans to tribal members and designated tribal housing authorities. Most of the Indian Reservations are located in LMI census tracts.

Community nonprofit leaders and the New Mexico BANTSA Community Redevelopment Advisory Committee have identified affordable housing and small business lending as the most pressing needs in the MSA.

ASSESSMENT AREA PROFILE: ALBUQUERQUE MSA # 0200							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	589,131	48%		21%	17%	22%	40%
Median Income(\$)			\$41,400				
Census Tracts	138	48		4	25	40	28
Unemployment Rate -May 31, 1997	4.1%						
Owner-occupied Housing (#)	142,641	39		2	21	45	33
Median Housing Value (\$)			\$82,643				
Small Businesses	18,006	56%		3%	33%	38%	26%

### Conclusions with Respect to Performance Tests in Albuquerque

- **BANTSA's lending performance during the review period is an adequate response to the credit needs of the MSA.**
- **BANTSA's investments in the MSA are limited.**
- **BANTSA's community development services show a good participation by the local employees in their communities.**

### LENDING TEST

BANTSA's overall lending performance in the MSA has been an adequate response to the area's credit needs considering the following specific performance records:

Residential lending performance is considered to be an adequate response to housing needs with low distribution levels to LMI census tracts or families.

BANTSA's small business lending performance is an adequate geographic distribution of loans, of which a majority are small loans made to businesses with \$1 million or less in annual revenue.

Consumer lending performance is a good response to the credit needs of the community with distribution of loans meeting or exceeding the demographics of LMI families.

Residential Lending: BANTSA's geographic and applicant distribution of lending is well below the demographic distribution of LMI census tracts and families. The bank ranks third in market share overall, but again is below the average market distribution in LMI census tracts and lending to LMI families.

Small Business Lending: BANTSA showed an adequate geographic distribution of loans when compared to the demographics of businesses within LMI census tracts. The bank showed an excellent distribution of lending to businesses of different sizes by making 87% of its loans to businesses with annual revenues of \$1 million or less. They also showed an excellent response to the need for small loans (\$100,000 or less) as 92% of the bank's small business loans were this size.

Consumer Lending: The percent of lending meets or exceeds the percent of families in LMI levels showing a good response to consumer applicants in the MSA. The volume of lending showed a reasonable level by comparison.

**Community Development Lending Activities:** BANTSA did not make any community development loans within this MSA during this review period except Small Business Administration guaranteed lending which are included in the aggregate small business loan numbers. While management has worked on financial packages for several projects, the bank has not been successful in consummating the transactions.

## **INVESTMENT TEST**

BANTSA participated in the community through 14 contributions and grants totaling over \$86 thousand. These have been to support various nonprofit organizations providing a variety of services (e.g. home ownership counseling, small business technical assistance, and economic development programs).

## **SERVICE TEST**

BANTSA's branches are adequately distributed throughout the area. Local full service branches maintain regular business hours. The "in-store" branches are open seven days a week with extended hours, none of which are located in LMI census tracts.

The bank has a comprehensive opening and closing policy. Of the nine branches closed during the review period only one was in a moderate-income area.

Bank employees are involved and support their communities in fifteen different qualified community development services during the review period. They participated in various programs which include home owner counseling, financial services education, small business technical financial education and providing financial advice to nonprofit organizations.





## NORTHWESTERN NEW MEXICO ASSESSMENT AREA

### Description of Institution's Operations in Northwestern New Mexico

This area includes Cibola, McKinley, Rio Arriba, San Juan, and Socorro counties in the northwestern portion of New Mexico. The largest city in the assessment area is Farmington. There are four Indian reservations entirely within and five partially within the assessment area, the Navajo Nation is the largest.

The types of industry in this area include ranching, farming and petroleum refineries. Small business opportunities are mainly in the service sector.

The majority of the housing stock are older homes and many people reside in mobile homes. There is a limited supply of affordable housing in the Northwest Region. This is due to a lack of infrastructure, public funds and a capacity to develop affordable housing.

BANTSA offers a full range of credit products which include several very flexible programs for housing, business and consumer loans. Its six branches maintain regular business hours and the twelve ATMs are open twenty-four hours a day.

The New Mexico BANTSA Community Redevelopment Advisory Committee has identified affordable housing and small business lending as the most pressing needs in the area. There were no community contacts available in this assessment area.

ASSESSMENT AREA PROFILE: NORTHWESTERN NEW MEXICO							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	225,214	18%		28%	16%	17%	39%
Median Income(\$)			\$30,600				
Census Tracts	55	19		13	33	36	16
Unemployment Rate - May 31, 1997	NRA						
Owner-occupied Housing (#)	50,477	15		15	20	42	23
Median Housing Value (\$)			\$47,036				
Small Businesses	3,484	11%		1%	8%	60%	31%

NRA Not readily available

## **Conclusions with Respect to Performance Tests in Northwestern New Mexico**

- **Lending performance during the review period is an adequate response to the credit needs of the area.**
- **Investments are an adequate response to the community development needs of the area.**
- **Delivery systems are accessible to limited portions of the area. Community Development service show a good participation by the local employees in their communities.**

### **LENDING TEST**

BANTSA's overall lending performance in this assessment area over the review period has been an adequate response to the areas credit needs considering the following specific performance records:

BANTSA's residential lending performance has not kept pace with local lenders, nor does it compare favorably to the assessment area's demographics.

BANTSA's small business lending performance is a good response to the needs of the area.

**Residential Lending:** The bank's geographic and applicant distribution of residential lending is well below the demographic distribution of LMI census tracts and families. The bank has a nominal share of the mortgage market in this area.

**Small Business Lending:** BANTSA showed a good geographic distribution of loans in moderate-income census tracts. The percentage of lending was well below the opportunities in the area. The bank showed a good distribution of lending to businesses of different sizes by making a substantial majority of its loans to businesses with annual revenues of \$1 million or less. They also showed an excellent response to the need for small loans (\$100,000 or less) as 96% of the bank's small business loans were this size.

**Community Development Lending Activities:** BANTSA did not make any community development loans in the area.

### **INVESTMENT TEST**

During the review period, BANTSA made three qualified community development investments totaling \$10 thousand in the area. This was a minimal response to the area's

need for community development, however, it is mitigated by the limited opportunities available in the area.

### **SERVICE TEST**

BANTSA serves the area with six full service branches in middle and upper - income census tracts and 12 automatic teller machines located in moderate, middle and upper - income census tracts. The branches maintain regular business hours and the ATMs are open 24 hours a day. The bank has a comprehensive opening and closing policy. No branches were closed or opened during the review period.

Bank employees show reasonable involvement with their community with eight qualified community development service activity during the review period, which is 24% of the state's total qualified services.

## SOUTHERN NEW MEXICO ASSESSMENT AREA

### Description of Institution's Operations in Southern New Mexico

This assessment area encompasses Chaves, Curry, Lea, and Roosevelt Counties in the southeastern corner of the state. There are eight Native American reservations in the assessment area. The majority are designated LMI census tracts. The major industries in the assessment area are petroleum, service and government.

BANTSA offers a full range of credit products which include several very flexible programs for housing, business and consumer loans. It serves the area with three branch offices and four ATMs. The New Mexico BANTSA Community Redevelopment Advisory Committee has identified affordable housing and small business lending as the most pressing needs in area. There were no community contacts available in this area.

ASSESSMENT AREA PROFILE: SOUTHERN NEW MEXICO							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	172,523	14%		20%	15%	20%	45%
Median Income(\$)			\$30,600				
Census Tracts	43	15		2	26	49	23
Unemployment Rate - May 31, 1997	NRA						
Owner-occupied Housing (#)	41,380	11		0	19	44	37
Median Housing Value (\$)			\$43,487				
Small Businesses	4,134	13%		6%	32%	36%	26%

NRA Not readily available

### Conclusions with Respect to Performance Tests in Southern New Mexico

- **BANTSA's lending performance during the review period is an adequate response to the credit needs of the assessment area.**
- **BANTSA's lack of investments in the area is a reflection of limited community development opportunity.**
- **BANTSA's delivery systems are accessible to limited portions of the area.**
- **BANTSA employees have had limited participation in community development services.**

## **LENDING TEST**

BANTSA's residential lending performance does not compare favorably to area demographics. However, the distribution of its small business lending in LMI areas substantially exceeds area demographics.

**Residential Lending:** The bank's geographic and applicant distribution of lending is well below the demographics of LMI census tracts and families. There were no loans made in low-income census tracts and low levels to low-income families. Lending levels to moderate-income census tracts and borrowers were well below the demographics of the area. The bank has only a nominal share of the residential lending market in this area.

**Small Business Lending:** BANTSA showed a good geographic distribution of loans in moderate-income census tracts. Further, the bank showed a good distribution of lending to businesses of different sizes by making a substantial majority of its loans to businesses with annual revenues of \$1 million or less when the revenue size of the business was known. They also made a significant portion of loans for \$100,000 or less.

**Community Development Lending Activities:** BANTSA made two qualifying loans in the area. This accounted for all of the bank's community development lending in the state. The bank's loans provided an excellent response to the communities need for affordable housing.

## **INVESTMENT TEST**

BANTSA did not make any qualified community development investment in this area. Management has made limited attempts to identify investment opportunity. However, the bank's lack of investment is somewhat mitigated by its community development lending.

## **SERVICE TEST**

BANTSA's delivery system is a reasonable distribution considering the demographics of the area. The branches maintain regular business hours and the ATMs are open 24 hours a day. The bank did not open or close any branches during the review period.

Bank employees show little CRA-related involvement in their community with only one qualified community development service activity identified during the review period.

## NEW MEXICO AGGREGATE TABLES

AGGREGATE RESIDENTIAL LENDING										
State: NEW MEXICO Assessment Area:	Demographics		Lending Distribution		Market Share*			#	\$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
Albuquerque # 0200	23%	38%	14%	22%	4.83%	3.72%	4.21%	1,869	\$116,300	\$62
Las Cruces # 4100	32	40	14	12	1.57	0.81	0.58	93	4,800	52
Santa Fe # 7490	26	39	16	20	2.70	1.99	1.94	275	29,900	109
Northwestern New Mexico	35	44	10	12	6.83	3.72	2.70	276	14,200	51
Southern New Mexico	19	35	14	18	4.56	4.58	4.01	106	5,200	49
Total State	25%	39%	14%	20%	3.77%	2.93%	3.16%	2,619	\$170,400	\$65
<b>% of Total Bank</b>						0.1%	0.1%	2%	1%	
Total Bank								146,055	\$16,951,400	\$116
LMI Parity**						(82)	(123)			

(\*) 1996 HMDA Reporter Market Share

(\*\*) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE CONSUMER LENDING							
State: NEW MEXICO Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	\$ (000s)	Avg. Loan (000s)
ALBUQUERQUE # 0200	38%	30%	46%	19%	8,400	\$112,700	\$13
LAS CRUCES # 4100	40	35	44	14	488	4,700	10
SANTA FE # 7490	39	29	54	21	1,207	16,800	14
Northwestern New Mexico	44	46	23	14	970	12,000	12
Southern New Mexico	35	28	30	17	511	6,000	12
Total State	39%	33%	43%	19%	11,576	\$152,200	\$13
% of Total Bank					1%	2%	
Total Bank					877,912	\$7,758,000	\$9

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: NEW MEXICO Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity **	#	\$ (000s)	Avg. Loan (000s)	#	\$ (000s)
ALBUQUERQUE # 0200	36%	25%	7.67%	6.58%	(14)	697	\$40,800	\$59	0	\$0
LAS CRUCES # 4100	39	32	3.32	2.88	(1)	50	3,700	74	0	0
SANTA FE # 7490	45	38	4.37	5.01	2	88	3,000	34	0	0
Northwestern New Mexico	9	0	NA	NA	NA	88	4,600	52	0	0
Southern New Mexico	38	48	NA	NA	(2)	61	13,200	216	2	5,300
Total State	34%	26%	3.87%	3.82%	(15)	984	\$65,300	\$66	2	\$5,300
% of Total Bank					0.0%	1%	12%		1%	1%
Total Bank						87,225	\$562,030	\$6	266	\$467,424

(\*) 1996 CRA Reporter Market Share Loans to Businesses with Revenues of less than \$1 million

(\*\*) A negative means additional loans needed to achieve parity to overall market share.



AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST									
State: <b>NEW MEXICO</b> Assessment Areas:	Affordable Housing & Economic Development			Contributions/ Grants			Total Investments		
	#	% # State	\$ (000)	#	% # State	\$ (000)	#	% # State	\$ (000s)
ALBUQUERQUE # 0200	0	0%	\$0	14	42%	\$86	14	39%	\$86
LAS CRUCES # 4100	0	0	0	1	3	10	1	3	10
SANTA FE # 7490	3	100	389	3	9	45	6	17	434
Northwestern NM	0	0	0	3	9	10	3	8	10
Southern NM	0	0	0	0	0	0	0	0	0
State-wide	0	0%	0	12	36%	79	12	33%	79
Total State	3		\$389	33		\$230	36		\$619
% of Total Bank	1%		0%	4%		3%	3%		0%
Total Bank	325		\$398,484	877		\$8,171	1,202		\$406,655

AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: <b>NEW MEXICO</b> Assessment Areas:	#				\$ Deposits (millions)	% of State	% # of Branches				% # of ATMs			
	Branch Offices	In-store Offices	Full Service ATMs	Offices % of State			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
ALBUQUERQUE # 0200	15	11	68	63%	\$367	64%	0%	20%	53%	27%	0%	19%	41%	40%
LAS CRUCES # 4100	2	0	5	5	24	4	0	50	0	50	0	40	20	40
SANTA FE # 7490	3	1	13	10	49	8	0	33	33	33	0	15	46	38
Northwestern NM	6	0	12	15	91	16	0	0	83	17	0	8	75	17
Southern NM	3	0	4	7	46	8	0	33	0	67	0	25	0	75
Total State	29	12	102	100%	\$577	100%	0%	15%	54%	32%	0%	19%	43%	38%
% of Total Bank	1.9%	6.4%	1.8%	2.4%	0.5%									
Total Bank	1,500	187	5,565		\$111,413									

**NEW YORK**

## NEW YORK STATE RATING

**CRA Rating for New York: Satisfactory**

**The lending test is rated: Low Satisfactory**

**The investment test is rated: High Satisfactory**

**The service test is rated: Low Satisfactory**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS:**

The New York area is BANTSA's only designated assessment area in the state. The area is comprised of the five-boroughs of Manhattan, Bronx, Queens, Brooklyn, and Staten Island. The area is mostly urban with a population of over seven million. The economy is largely driven by the financial and government sectors.

BANTSA has historically had a limited, non-retail presence in New York. The bank only has one office located in Manhattan's World Trade Center. From that office, the bank operates a global payments center. This office became part of BANTSA on September 1, 1996. Although the bank does not conduct retail transactions in New York, it receives CRA credit for the residential loans originated by affiliate BA-FSB. The bank has also provided community development investments and services.

The cost of housing in the New York MSA is prohibitive to a large percentage of the population. Therefore, the need for affordable housing is a major issue. Lending opportunities exist for the construction of more multi-family dwellings and manufactured housings. Many nonprofit developers and community groups operate in New York. This provides financial institutions the opportunity to provide community development investments and services. Lastly, the downsizing of major industries may provide more opportunities for small business lending.

### **Conclusions with Respect to Performance Tests in New York**

- **BANTSA demonstrated a reasonable effort to address community credit needs.**
- **Investment activities strongly support community needs.**
- **BANTSA made a reasonable effort to provide community development services.**

### **LENDING TEST**

**Conclusions:**

BANTSA is credited with originating 1,468 new residential loans during the review period. These loans totaled \$224 million. In addition, the bank originated eight small business loans totaling \$1 million. The bank did not report any consumer or community development loans.

### **Geographic Distribution:**

BANTSA geographic distribution of residential loans reflects a fair penetration throughout the assessment area. During the review period, the bank made 2% of its residential loans in low-income census tracts and 8% in moderate-income census tracts. These figures do not compare favorably to demographic statistics which show that 14% of census tracts are low-income and 19% are moderate-income. However, the bank's lending pattern compares more favorably with the geographic distribution of owner-occupied housing. Specifically, demographic information revealed that 3% of owner-occupied housing is located in low-income census tracts and 10% is in moderate-income census tracts.

### **Borrower Distribution:**

The bank has done a fair job making loans to LMI borrowers. The bank made 9% of residential loans to low-income borrowers and 13% to moderate-income borrowers. This lending pattern falls short of demographic statistics which reveal 17% of the population is low-income and an additional 22% is moderate-income.

### **INVESTMENT TEST**

BANTSA's investment activities strongly support community needs. The bank provided \$173 thousand in qualifying grants within the New York assessment area during the review period. These grants were provided to various community groups to support affordable housing and education programs. In addition, the bank had qualifying low-income housing tax credits with outstanding balances of \$4.7 million. Lastly, the bank owned qualifying Public Housing Authority Bonds with a book value of \$4.5 million. Overall investments totaled \$9.3 million and demonstrate a responsiveness to community economic development needs. The investments are not complex or innovative.

### **SERVICE TEST**

BANTSA's performance in the New York assessment area is fair. Delivery systems are limited, as the bank does not offer traditional retail banking services. However, customers seeking such services are referred to an affiliate or another unit of the bank.

BANTSA has provided limited direct community development services in the New York assessment area. Specifically, the BA Mortgage Group has participated in home buyers seminars and credit counseling in partnership with Neighborhood Housing Services of NY. In addition, several of the bank's officers periodically participate in NHS's home buyer and credit education programs. Bank employees also provide mentoring to low-income youth.

The youth spend time in the bank to learn about basis finance and banking operations. Instruction is provided by bank employees who work with Big Brothers and Sisters of NY.

ASSESSMENT AREA PROFILE: NEW YORK CITY							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	7,322,564	100%		17%	22%	32%	28%
Median Income(\$)			\$37,541				
Census Tracts	2,216	100		14	19	35	29
Unemployment Rate - May 31, 1997	6.2%						
Owner-occupied Housing (#)	808,901	100		3	10	37	51
Median Housing Value (\$)			\$186,350				
Small Businesses	174,759	100%		7%	17%	25%	51%

LENDING TEST: NEW YORK CITY								
Loan Type	#	% of Bank	\$ (million)	CT	Low % of #	Moderate % of #	Middle % of #	Upper % of #
				B				
Residential	1,468	1%	\$224	CT	2%	8%	33%	57%
				B	9	13	17	61
Small Business	8	0	1	CT	0%	13%	13%	75%
Community Development	0	0%	0					
Total Lending	1,476		\$225					

(CT) Income level of census tract

(B) Income level of borrower

INVESTMENT TEST: NEW YORK CITY							
Investment Type	#	% of Bank	\$ (000s)	Low %	Moderate %	Middle %	Upper %
Affordable Housing & Economic Dev.	24	7%	\$9,145				
Contributions/Grants	11	1	173				
Total Investments	35	3%	\$9,318				

SERVICE TEST: NEW YORK CITY							
Service Type	#	% of Bank	\$ (million)	Low % #	Moderate % #	Middle % #	Upper % #
Branch Offices	1	100%		100%	0%	0%	0%
Deposits			\$0				
In-Store Offices	0						
ATMs	0						



# OREGON

## OREGON STATE RATING

CRA Rating for Oregon<sup>3</sup>: Satisfactory

The lending test is rated: High Satisfactory

The investment test is rated: High Satisfactory

The service test is rated: Low Satisfactory

### Description of Institution's Operations in Oregon

The State economy is performing well, although some of its rural parts are still suffering from the downsizing of the timber industry. The economy is in transition away from timber and agriculture to manufacturing, technology, services, and retail. Unemployment has been a significant problem due to the transition, but has been declining as the State has been able to attract businesses and diversify its economy. The State still has many areas listed as 'distressed' based on unemployment data.

BANTSA's primary competitors include U.S. Bank, Key Bank, Washington Mutual, Pacific Continental, and Wells Fargo Bank. The bank serves the state with 39 branch offices and 106 ATMs. The loans BANTSA originated in this state during the review period, accounted for 2.4% of its total number and 2% of its total dollar volume. Further, the state accounts for .6% of the bank's domestic deposits. This ranks the state's market size number six out of the ten states and two Multistate MSAs evaluated.

Affordable rental housing is generally scarce throughout the State. This, along with a rising economy have led to housing affordability concerns. In many areas where students and migrant workers are prevalent, there is a scarcity of affordable rental housing as well. Our community contacts in this area confirm that the financing of affordable housing and rental property is a primary credit need. Financing for small businesses to economically stimulate the area is also a need.

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<sup>3</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

ASSESSMENT AREA PROFILE: OREGON							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	1,497,004	100%		19%	19%	24%	39%
Median Income(\$)			\$36,059				
Census Tracts	408	100		1	11	62	15
Unemployment Rate -May 31, 1997	4.1%						
Owner-occupied Housing (#)	370,663	100		0	10	71	19
Median Housing Value (\$)			\$62,788				
Small Businesses	49,668	100%		3%	15%	69%	13%

### Conclusions with Respect to Performance Tests in Oregon

- **BANTSA's performance under the lending test in Oregon is adequate although certain elements of the bank's performance are stronger. This rating is based on:**
  - a good level of credit originations and strong geographic distribution of credit;
  - adequate distribution to borrowers of different incomes;
  - good record of meeting credit needs in the most economically disadvantaged areas;
  - the origination of community development loans and use of flexible lending practices; and
  - a reasonable amount of qualified investments to promote affordable housing and small businesses, although rarely in a leadership position.

### LENDING TEST

BANTSA's lending activity is good. During the review period, its loan originations totaled \$604 million.

### Geographic Distribution:

BANTSA's distribution of loans throughout the state is strong. Its distribution of residential loans closely mirrors the proportion of owner-occupied housing in LMI areas. In 1996, it had a residential market share of 5.18% and a corresponding 5.78% share of loans in LMI tracts. Its portfolio distribution of LMI area loans was 11% compared to the market's distribution at 10%.

The bank's consumer lending distribution is also strong. During the review period, 11% of its loans went to LMI areas which is in proportion to the percentage of LMI areas.

BANTSA's distribution in small business lending was also strong and actually exceeded the demographics for the LMI area.

### **Borrower Distribution:**

BANTSA's lending patterns show a reasonable distribution to borrowers of different incomes and businesses of different sizes. In 1996, the bank held a market share of residential loans to LMI borrowers that was comparable to its overall share of residential loans in the state. And, its dispersion of residential loans to LMI borrowers closely mirrored the market average distribution of 17%.

In consumer lending, the bank made 34% of its loans to LMI persons, a good performance since their population is 38%. However, credit cards and automobile loans were primary factors in the higher levels. In contrast, home equity lending to LMI persons was weak at 11%.

For small business lending, BANTSA shows penetration to businesses of all sizes. Of the business loans under \$1 million granted (with revenue data), 84% went to businesses with annual revenues under \$1 million. They represent 73% of the small businesses.

BANTSA exhibited an adequate record of serving the credit needs of the most economically disadvantaged persons/areas. The Eugene and Medford MSA areas are the only areas with low-income geographies. In both areas, the bank originated more residential loans than average for the aggregate market, excluding this bank. Their distribution percentage here in residential loans was comparable to the level of owner-occupied housing. In small business lending, the bank booked 4.5% of such loans to low-income tracts when their population percentage is only 2.6%. Consumer lending in these areas was reasonable and in line with area demographics.

The bank's residential lending to LMI persons is weak. In 1996, only 17% of its residential loans went to these borrowers. LMI families makeup 38% of the state's population. Consumer lending to LMI borrowers was adequate at 30%.

**Community Development Lending Activities:** During the assessment period, BANTSA made a significant level of community development loans. It funded 27 community development related loan facilities totaling \$39 million in the state of Oregon. These loans went to benefit LMI individuals or geographies through either affordable housing, or area stabilization/revitalization initiatives.

BANTSA's Neighborhood Advantage program offers flexible underwriting standards to qualifying applicants. The bank also works through the Oregon First Time Homebuyer Program in providing grants for closing costs. It has also funded loans through an

organization that provides permanent affordable housing loans. The bank offers small businesses a simplified application process for credit requests under \$50,000. Additionally, in the Salem MSA area, BANTSA offers flexible affordable housing construction financing through its participation in a lending consortium.

Lending performance in the Medford MSA and Southwest Oregon assessment areas is consistent with the institution's overall state performance. Performance in the Central Oregon and Northeast Oregon assessment areas is below that of the state of Oregon; however, it does not affect the rating overall.

## **INVESTMENT TEST**

BANTSA's performance under the investment test in Oregon is adequate. It has made a reasonable amount of grants and investments to promote affordable housing and small businesses, although rarely in a leadership position. It has also shown an adequate responsiveness to credit and community economic development needs through their investment and grant activities. The bank has only occasionally used complex investments to support community development initiatives.

The bank has been responsive, although rarely in a leadership position, by making grants and through tax credit investments that promote affordable housing in Oregon. On a statewide basis, the bank made two grants that funded operating costs to an organization that promotes affordable housing projects. Through our contact with community groups, we learned that the bank is regarded as responsive to the credit needs of their community.

Investment activity exceeded performance in Oregon overall in the Medford MSA and Central Oregon assessment area. In the Medford MSA, it invested \$1,580,000 in bonds and \$1,062,000 in tax credits to finance affordable housing construction. In the Central Oregon assessment area, it invested \$3,635,000 in bonds and \$998,582 in tax credits to finance affordable housing construction.

The bank's investment performance in the Northeast Oregon and Southwest Oregon assessment areas is consistent with the institution's overall state performance.

## **SERVICE TEST**

BANTSA's delivery systems are reasonably accessible to essentially all areas. The bank has a good distribution of branches. Additionally, it offers alternative delivery systems to increase the accessibility of banking products. These include Loan by Phone for consumer and home loans statewide, computer banking, 24-hour phone customer service, offsite ATM's, and in-store branches. There is no differentiation in bank hours or the availability of services. Branch openings and closures has not adversely affected the accessibility of its delivery systems. One traditional branch was added in the Central assessment area in a middle-income tract.

BANTSA provided a reasonable level of community development services. In the Eugene MSA, it donated financial expertise to the Eugene-Springfield Metropolitan Partnership, an economic development organization that benefits LMI individuals. In the Salem MSA, it gave financial expertise to CONSALL, a bank consortium which finances affordable housing construction, and has conducted seminars for first time home buyers through the Down Payment Assistance Program. In the Northwest assessment area, it gave financial counseling to Clatsop County Housing which provides grants and financing for affordable housing. The bank also gave financial advice to Habitat for Humanity. Counseling has also been provided through a community organization for first time home-buyers.

Service performance in the Medford MSA, Central Oregon, Northeast Oregon, and Southwest Oregon assessment areas is consistent with the institution's overall state performance.

## Eugene MSA # 2400

### Description of Institution's Operations in Eugene

This MSA consists of Lane County and is located south of Portland in the Center of Oregon. BANTSA serves the MSA with five branches and 20 ATMs. In addition to the bank's branches, it operates a commercial and private banking office in Eugene. The bank's presence in the MSA is limited in comparison with other areas in Oregon and in comparison with other lenders in the Eugene Area.

Overall, the local economy is performing well, although some rural parts of the county are still suffering from the downsizing of the timber industry. The county has secured two major high-tech investments in recent years, which helped with the transition from a timber-dependant economy. As the home to the University of Oregon, Eugene has a large student population. It also has one of the lowest rental housing vacancy rates of any city in the state. Affordable rental housing is particularly scarce. Along with students, the large number of service industry employees working for the University or its subcontractors drive a great part of the demand for affordable housing. Rental housing for all incomes is needed, with a particular need for housing targeting low-income households. Our community contacts in this area agree that affordable housing is a primary credit need.

ASSESSMENT AREA PROFILE: EUGENE MSA #2400							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	282,912	19%		19%	19%	24%	38%
Median Income(\$)			\$36,400				
Census Tracts	82	20		2	15	52	15
Unemployment Rate -May 31, 1997	4.5%						
Owner-occupied Housing (#)	67,387	18		1	14	66	20
Median Housing Value (\$)			\$61,300				
Small Businesses	9,208	19%		8%	28%	49%	16%

### Conclusions with Respect to Performance Tests in Eugene

- **BANTSA has a good level of credit originations and geographic distribution of loans.**
- **BANTSA's lending among consumers of different income levels and businesses of different sizes has been adequate.**

- **BANTSA's investment and grant activity has been adequate, although rarely in a leadership capacity.**
- **BANTSA has provided a reasonable level of community development services.**

## **LENDING TEST**

BANTSA's overall level of lending is strong at \$98 million during the review period. The bank's deposit base in the area totaled \$78 million. Based on HMDA reporting entities, the bank ranks among the top ten lenders in market share.

### **Geographic Distribution:**

BANTSA's geographic distribution of credit in the MSA was good with loan penetration occurring in all census tracts. By product, the residential loan distribution was proportionate to the level of owner-occupied housing in these tracts. In 1996, the bank's overall market share of residential loans was close to its share of LMI loans. It also slightly outperformed the market average of LMI lending to total lending. Consumer lending was good. Small business loans were in proportion to the areas where such businesses resided.

The bank's record of lending in low-income census tracts is good. In 1996, the aggregate residential market and the bank made comparable portions of their loans in low-income areas. Also BANTSA's overall consumer lending in low-income tracts at 3% exceeded the area's demographics of 2%. The small business loans it made to entities with less than \$1 million in revenues was reasonable at 7% in low-income tracts while their population was 8%.

### **Borrower Distribution:**

BANTSA's lending patterns reflect an adequate distribution to borrowers of different incomes. Its lending patterns generally reflect demographic data. There was also a reasonable distribution of lending to businesses of different sizes. Of the business loans extended under \$1 million, 81% were made to firms with revenues under \$1 million. This was comparable to the population of such businesses in the area.

BANTSA's distribution of all types of lending reflects an adequate responsiveness to the credit needs of low-income borrowers. For residential lending, 1996 aggregate market performance, excluding the bank, to low-income borrowers averaged 3% compared to the bank's 2%. The bank's consumer lending to low-income borrowers is good at 21% compared to the demographic level of 19%. BANTSA's loans to businesses with revenue less than \$1 million was good at 81% compared to their population of 77% in the area.



**Community Development Lending Activities:** BANTSA made a reasonable amount of community development loans by funding three affordable housing projects totaling \$168 thousand in the Eugene MSA. The institution used flexible lending practices in order to serve the assessment area's credit needs.

### **INVESTMENT TEST**

BANTSA has been responsive, although not in a leadership position, by making grants through tax credit investments that promote affordable housing in this MSA. The bank made three grants and helped finance two affordable housing projects through tax credit investments.

### **SERVICE TEST**

BANTSA's delivery systems are reasonably accessible to essentially all areas, particularly LMI geographies. It has a good distribution of branches in moderate-income tracts. Additionally, it offers alternative delivery systems to increase access to its products. These include Loan-by-Phone for consumer and home loans statewide, computer banking, 24-hour phone customer service, offsite ATM's, and in-store branches. The bank has not opened or closed any branches.

The bank provided financial expertise to the Eugene-Springfield Metropolitan Partnership, an economic development organization that benefits LMI individuals.

## Salem MSA # 7080

### Description of Institution's Operations in Salem

This MSA is made up of Marion and Polk counties and is located just south of Portland in the northwestern portion of Oregon. BANTSA serves the MSA with five branches, and eighteen ATMs. It operates full service branches in Dallas, Salem, Willamina, and Woodburn. It also has an in-store branch in Kaiser.

Salem is the state capital and, thus has a high population of state workers. Because of budget reductions, the state has trimmed some of its workforce. The area has seen growing investment in light manufacturing, distribution, and food processing. Home and land prices have risen substantially in the past five years. Marion and Polk counties have a strong agricultural economy. Farmworker housing is still in great demand, although the trend is toward building year-round, rather than seasonal worker housing, as many migrant workers try to settle in the area. As land within the urban growth boundary becomes more scarce in the Portland area, builders and homebuyers are looking to Salem to find affordable properties. Business growth in the Salem area has been strong the past five years. Easy access to Interstate 5 has made it a prime location for distributor facilities. In addition, as in Portland, small businesses are expanding or being created to take advantage of international trade opportunities. Secondary wood products manufacturing businesses are also being created as the primary wood products jobs continue to diminish.

ASSESSMENT AREA PROFILE: SALEM MSA #7080							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	278,024	19%		18%	20%	24%	38%
Median Income(\$)			\$37,800				
Census Tracts	54	13		0	15	50	20
Unemployment Rate -May 31, 1997	4.8%						
Owner-occupied Housing (#)	64,574	17		0	7	71	22
Median Housing Value (\$)			\$53,700				
Small Businesses	7,760	16%		0%	18%	68%	14%

### Conclusions with Respect to Performance Tests in Salem

- **BANTSA's overall lending performance was adequate.**
- **BANTSA's performance in the investment test was weak.**

- **BANTSA's performance in the service test was adequate.**

## **LENDING TEST**

In 1996, BANTSA's residential lending as reported under HMDA, ranked third in market share. Its overall level of lending with residential, consumer and small business loans during the review period was significant at \$103 million.

### **Geographic Distribution:**

BANTSA showed an adequate geographic distribution of credit overall in the MSA with loan penetration occurring in most census tracts. Its residential lending percentages among the census tracts was in close proportion to the level of owner-occupied housing of these areas. In 1996, its market share of LMI lending of 3.9% was below its overall 5.2% market share. In addition, its LMI percentage to total lending was a low 5.3% versus the market average of 7.09%. With the exception of home equity loans, the performance was strong in consumer and small business lending.

### **Borrower Distribution:**

BANTSA's loan distribution to borrowers of different incomes was adequate, although residential loans to LMI persons was weak. The percentage of residential loans to this group was only about half of the group's population percentage. Otherwise, lending patterns generally reflect demographic data. Home equity lending was light to LMI borrowers. The penetration of credit card lending to LMI borrowers was high, slightly exceeding their population percentage representation. The distribution of small business lending to firms of different sizes was also good. Of the business loans made under \$1 million, 80% went to businesses with annual revenues under \$1 million which was comparable to the respective demographics.

The MSA does not contain any low-income geographies. BANTSA's loan distribution reflects a good overall responsiveness to the credit needs of low-income borrowers. In 1996, its residential lending to low-income borrowers was good at 3% compared to aggregate market lending of 2%. During the review period, the bank's consumer lending to LMI borrowers was also reasonable at 34% versus the demographic level of 37%. During the review period, the bank's lending to businesses with revenue less than \$1 million was good as it was comparable to their population representation.

**Community Development Lending Activities:** BANTSA's community development lending is adequate. It funded three affordable housing projects totaling \$1.6 million in the Salem MSA. The institution has used flexible lending practices in serving its assessment area's credit needs. In the Salem MSA area, the bank provided flexible affordable housing construction financing through participation in a lending consortium.

## **INVESTMENT TEST**

BANTSA's investment performance is weak in this MSA. It made no direct investments targeted to Salem community development activities. Part of this is attributable to the scarcity of such opportunities. There were however, two statewide grants totaling \$49 thousand which indirectly benefited the area.

## **SERVICE TEST**

BANTSA's performance is adequate. Its delivery systems are reasonably accessible to essentially all areas. During the review period, the bank did not open or close any branches and the services it offers did not vary in a way that inconveniences portions of the area, particularly LMI geographies or individuals. Alternative delivery systems are offered to increase the accessibility of banking products which include Loan-by-Phone for consumer and home loans, computer banking, 24-hour phone customer service, offsite ATM's, and in-store branches.

BANTSA provided a few community development services. This included the donation of financial expertise to CONSALL, a bank consortium which finances affordable housing construction, and conducted seminars for first time home buyers through the Down Payment Assistance Program.

## NORTHWEST OREGON ASSESSMENT AREA

### Description of Institution's Operations in Northwest Oregon

This area is comprised of Clatsop, Tillamook, Lincoln, Linn and Benton counties. BANTSA serves the area with six branch offices and eleven ATMs. Many of the area's cities have strong community banks in addition to larger bank branches such as Wells Fargo, U.S. Bank, Key Bank and Washington Mutual.

On the coast, the once dominant commercial and sport fishing industries have shrunk considerably as salmon and other fish species have grown scarce from over fishing, habitat damage and climatic changes. However, the tourism industry continues to grow in most coastal cities, and increasing property values are creating a surge in residential and commercial construction. While this assessment area is home to several large timber, pulp, and paper manufacturing concerns, employment within the forest products industry continues to shrink. The coast is home to a large senior population, while Albany and Corvallis, home of Oregon State University, has a sizeable student and young family population. Hewlett-Packard has a major facility in Corvallis. The flourishing tourism industry on the coast is fueling creation and expansion of retail trade businesses. There is an active construction industry along the coast, boosted by the tourism industry and increasing residential property values. In the Corvallis and Albany areas, the University and several large manufacturers are spinning off new small business ventures. There is also a growing secondary wood products manufacturing industry throughout the assessment area.

As in most of Oregon, housing prices continue to rise in all these markets, but particularly along the coast. Affordable rental housing is very much in demand by the many service sector workers that are part of the University and tourism. In Corvallis, because of the large student population, rental housing is particularly scarce.

ASSESSMENT AREA PROFILE: NORTHWEST OREGON							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	255,798	17%		17%	17%	22%	43%
Median Income(\$)			\$33,100				
Census Tracts	79	19		0	5	70	19
Unemployment Rate -May 31, 1997	4.5%						
Owner-occupied Housing (#)	62,778	17		0	2	74	24
Median Housing Value (\$)			\$60,000				
Small Businesses	9,055	18%		0%	9%	78%	13%



## **Conclusions with Respect to Performance Tests in Northwest Oregon**

- **BANTSA's overall level of lending is adequate with a good geographic distribution.**
- **BANTSA's loan distribution to borrowers of different incomes, particularly LMI persons is below demographics.**
- **BANTSA made a significant amount of community development loans.**
- **BANTSA's investment and service activities are adequate.**

### **LENDING TEST**

BANTSA's level of lending is adequate at \$85 million for the review period. In 1996, the bank ranked highly among residential loan reporting entities under HMDA.

#### **Geographic Distribution:**

BANTSA shows a good geographic distribution of credit in the area. The bank's residential lending proportion to area demographics was nearly identical to the percentage of owner-occupied housing levels within LMI tracts. In 1996, its residential market share of LMI lending was better than its overall market share. It also had the same proportion of lending to LMI areas as did the market average. During the review period, the bank's consumer loan dispersion was also well proportioned to LMI areas. BANTSA's small business loans were reasonably dispersed when compared to small business demographics.

#### **Borrower Distribution:**

BANTSA's lending patterns show a low distribution to borrowers of different incomes. During the review period, residential lending to LMI persons was a mere 2% when the population representation was 34%. Overall consumer lending was much better, with the exception of home equity loans where 8% of this population were recipients. The distribution of lending to businesses of different sizes is reasonable. Of the small business loans extended, 78% went to firms with annual revenues under \$1 million.

The Northwest MSA area does not contain any low-income geographies. The bank's loan distribution to low-income borrowers is marginally adequate. For residential lending in 1996, the market average to low-income borrowers was 3.4% compared to the bank's 2.3% with a similar trend by the bank in 1997. During the review period, certain consumer loan categories did much better. Credit card lending and other consumer loans were nearly proportionate with the population to low-income persons. Automobile and home equity lending to low-income persons was low. Small business lending was good. Of the loans

made, 90% were to businesses with annual revenues under \$1 million versus their 79% population.

**Community Development Lending Activities:** BANTSA made a significant amount of community development loans. It funded six affordable housing related projects totaling \$4 million in the area.

### **INVESTMENT TEST**

The bank's performance under the investment test is only adequate. Its responsiveness through investments and grants consisted of four grants totaling \$7,500.

### **SERVICE TEST**

BANTSA's performance under the service test is adequate. Its delivery systems are reasonably accessible to essentially all areas, including LMI areas. There have been no opening and closing of branches. And, its services offered do not vary in a way that inconveniences portions of the area, particularly LMI geographies or individuals. The bank offers alternative delivery systems to increase the accessibility of banking products. These include Loan by Phone for consumer and home loans statewide, computer banking, 24-hour telephone service, and offsite ATM's.

BANTSA has given financial expertise to the Clatsop County Housing which provides grants and financing for affordable housing. The bank also provided financial advice to the Habitat for Humanity which develops affordable housing. Counseling has also been provided through a community organization for first time home-buyers.



## OREGON AGGREGATE TABLES

AGGREGATE RESIDENTIAL LENDING										
State: OREGON Assessment Area:	Demographics		Lending Distribution		Market Share*			#	\$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
EUGENE # 2400	14%	38%	13%	17%	2.57%	2.70%	2.22%	455	\$30,100	\$66
MEDFORD # 4890	11	38	9	19	4.46	5.76	4.17	387	23,700	61
SALEM # 7080	7	37	5	19	5.17	3.97	5.02	879	46,400	53
Central Oregon	9	35	4	15	39.16	29.85	31.38	654	36,000	55
Northeast Oregon	9	41	17	14	30.63	28.38	24.23	718	38,600	54
Northwest Oregon	2	34	2	12	9.65	10.34	9.22	608	37,900	62
Southwest Oregon	18	42	19	21	20.68	24.28	30.55	741	34,500	47
Total State	10%	38%	10%	17%	5.18%	5.78%	5.80%	4,442	\$247,200	\$56
% of Total Bank						0.0%	0.0%	3%	1%	
Total Bank								146,055	\$16,951,400	\$116
LMI Parity**						7	(38)			

(\*) 1996 HMDA Reporter Market Share

(\*\*) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE CONSUMER LENDING							
State: <b>OREGON</b> Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	\$ (000s)	Avg. Loan (000s)
EUGENE # 2400	38%	17%	41%	18%	3,680	\$47,400	\$13
MEDFORD # 4890	38	13	35	10	3,294	40,000	12
SALEM # 7080	37	15	34	7	2,725	37,200	14
Central Oregon	35	12	29	7	3,441	45,200	13
Northeast Oregon	41	8	32	13	1,891	24,000	13
Northwest Oregon	34	5	30	5	2,227	28,900	13
Southwest Oregon	42	14	33	13	3,643	46,200	13
Total State	38%	12%	30%	14%	20,901	\$268,900	\$13
% of Total Bank					2%	3%	
Total Bank					877,912	\$7,758,000	\$9

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: <b>OREGON</b> Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity **	#	\$ (000s)	Avg. Loan (000s)	#	\$ (000s)
EUGENE # 2400	35%	31%	2.05%	3.09%	6	149	\$20,300	\$136	3	\$168
MEDFORD # 4890	24	33	6.59	11.46	8	104	2,500	24	0	0
SALEM # 7080	18	20	2.44	2.47	0	174	18,200	105	3	1,600
Central Oregon	8	3	NA	NA	NA	128	26,000	203	3	2,305
Northeast Oregon	13	31	3.72	6.70	12	121	9,600	79	4	3,672
Northwest Oregon	9	14	NA	NA	NA	133	4,600	35	6	4,019
Southwest Oregon	15	13	NA	NA	NA	167	5,400	32	8	26,742
Total State	18%	20%	4.46%	5.36%	26	976	\$86,600	\$89	27	\$38,506
% of Total Bank					0.0%	1%	2%		10%	8%
Total Bank						87,225	\$5,620,300	\$64	266	\$467,424

(\*) 1996 CRA Reporter Market Share Loans to Businesses with Revenues of less than \$1 million

(\*\*) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST									
State: <b>OREGON</b> Assessment Areas:	Affordable Housing and Economic Development			Contributions & Grants			Total Investments		
	#	% # ST	\$ (000s)	#	% # ST	\$ (000s)	#	% # ST	\$ (000s)
EUGENE # 2400	2	0%	\$441	3	23	\$30	5	5	\$471
MEDFORD # 4890	2	30	2,642	1	1	1	3	29	2,643
SALEM # 7080	0	0	0	0	0	0	0	0	0
Central Oregon	3	52	4,634	1	11	15	4	51	4,649
Northeast Oregon	3	14	1,226	1	19	25	4	0	1,251
Northwest Oregon	0	0	0	4	6	8	4	0	8
Southwest Oregon	0	0	0	1	2	3	1	0	3
STATEWIDE	0	0	0	2	37	49	2	1	49
Total State (ST)	10		8,943	13		131	23		\$9,074
% of Total Bank	3%		2%	1%		2%	2%		2%
Total Bank	325		\$398,484	877		\$8,171	1,202		\$406,655

AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: <b>OREGON</b> Assessment Areas:	#				\$ Deposits (millions) 06/30/97	% of State	% # of Branches				% # of ATMs			
	Branch Offices	In-store Offices	ATMs	Offices % of State			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
EUGENE # 2400	2	3	20	13%	\$59	10%	0%	40%	40%	20%	10%	30%	45%	15%
MEDFORD # 4890	3	0	8	8	65	11	33	0	67	0	13	13	75	0
SALEM # 7080	4	1	18	13	74	12	0	20	80	0	0	11	78	11
Central Oregon	7	0	14	18	82	13	0	0	100	0	0	0	86	14
Northeast Oregon	6	0	11	15	90	15	0	17	83	0	0	9	91	0
Northwest Oregon	6	0	20	15	103	17	0	17	67	17	0	15	80	5
Southwest Oregon	7	0	15	18	144	23	0	14	71	14	0	13	67	20
Total State	35	4	106	100%	\$617	100%	3%	15%	74%	8%	3%	14%	73%	10%
% of Total Bank	2.3%	2.1%	1.9%	2.3%	0.6%									
Total Bank	1,500	187	5,565		\$111,413									

# WASHINGTON

## WASHINGTON STATE RATING

**CRA Rating for Washington <sup>4</sup>: Outstanding**

**The lending test is rated: High Satisfactory**

**The investment test is rated: Outstanding**

**The service test is rated: Outstanding**

### **Description of Institution's Operations in Washington**

BANTSA, doing business as Seafirst, is the largest commercial bank in the state. Its major competitors include U.S. Bank and Key Bank. There are more than 200 national, state and community banks in the state. Many community banks are formidable competitors in local markets. Seafirst also competes with thrifts and credit unions. Washington Mutual leads all financial institutions in residential lending. Seafirst as a mortgage lender, ranks fourth behind Washington Mutual, Norwest, and Countrywide. Seafirst serves the state with 258 branch offices and 850 ATMs. The loans Seafirst originated in this state during the review period, accounted for 16% of the bank's total number and 13.2% of its total dollar volume. Further, the state accounts for 7.4% of the bank's domestic deposits. This ranks the state's market size number two out of the ten states and two Multistate MSAs evaluated.

Washington is listed as the tenth most expensive housing market in the nation. The Seattle and Tacoma MSAs include the state's major population centers and largest number of ethnic minorities. The Tacoma MSA includes "The Hilltop," one of the state's most impoverished neighborhoods. The Yakima MSA is home to the greatest concentration of Spanish-speaking people in Washington. Seafirst has also directed special attention to timber dependent rural communities and Native American reservations.

The state has three federally-designated Enterprise Communities: Seattle and Tacoma, both urban, and lower Yakima County, rural. Many counties became eligible for federal disaster relief funds in 1997, as a result of severe winter storms and flooding. In addition, several counties in Western Washington have been designated as timber-dependent by the state.

Historically the State's economy has been concentrated in aerospace, wood products, and defense. As the economy and population have grown, the predominance of these industries has diminished. But the state has experienced a significant gain in other high wage industries such as software, telecommunications and biomedical research. The state's proximity to the Pacific Rim positions it well for international trade.

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<sup>4</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

Boeing, Microsoft and other smaller manufacturers are major contributors to the expanding economy. Economic forecasts predict rising employment, increasing personal income and an improving housing market. In spite of statewide predictions of a strong economy, certain timber-dependent communities still experience high unemployment and low wages. Most of these communities are located in Seafirst's Western Rural Assessment Area.

Identified credit needs are for residential loans, consumer loans, affordable housing, and small business loans.

ASSESSMENT AREA PROFILE: WASHINGTON							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	4,628,639	100%		18%	19%	25%	38%
Median Income(\$)			\$36,520				
Census Tracts	1,097	100		3	18	59	17
Unemployment Rate -May 31, 1997	4.5%						
Owner-occupied Housing (#)	1,114,842	100		1	12	65	22
Median Housing Value (\$)			\$102,526				
Small Businesses	127,757	100%		4%	22%	56%	18%

### Conclusions with Respect to Performance Tests in Washington

- Seafirst's lending activity is good as it is the largest volume lender in the state.
- Seafirst's loans have penetrated virtually every census tract in the state, however, its residential and small business lending to LMI census tracts was generally below market performance and the demographics of the community.
- Seafirst's lending to LMI borrowers was generally above market performance.
- Seafirst's investment activity was more than 8% of its community development activity, moreover, because of its underwriting services it was instrumental in placing a large volume of community development investments into the market.
- Seafirst has many innovative community development services which affect all of Washington.

### LENDING TEST

In assessing lending performance, we focused on Seafirst's lending volume, assessment area concentration, geographic distribution, borrower profile, responsiveness to highly economically disadvantaged geographies and low-income persons and small businesses, community development lending, and product innovation.

Seafirst was the top residential lender statewide in 1996. The majority of their home loans have been for home improvement and refinancing while the rest of the market has been making the majority of such loans for home purchase related activities.

Seafirst's level in consumer lending is good. In 1996, consumer loans totaled 36% of its deposit base with comparable trends noted for the six months of 1997.

For the past four years, Seafirst has been ranked as the state's top small business lender by the Small Business Administration.

### **Geographic Distribution:**

In 1996 the statewide geographic distribution of Seafirst's loans was reasonable. The bank penetrated virtually all census tracts throughout the state. It was one of the top residential lenders in the state. Its share of lending in LMI tracts was below its overall market share. The percent of originations in the LMI tracts to total loans was several percentage points below the industry average statewide. Although the lending performance in some MSAs was very good, in the majority of the MSAs, particularly in Seattle where the bank has the bulk of its loans, the performance was only reasonable.

The bank's distribution of consumer loans showed similar patterns where the bank's percentage of loans in LMI tracts was generally low, and in some MSA's, well below the percentage of the population residing in those tracts.

Small business lending showed similar patterns where the percentage of Seafirst's small business loans in LMI tracts was consistently below its respective population proportion of the census tracts. Overall, trends tended to show a decline in 1997.

### **Borrower Distribution:**

Seafirst's distribution of loans to borrowers of different income levels is good. In 1996, statewide the bank's market share of residential loans to LMI individuals was better than its overall market share. Also, the bank's percent of total loans to LMI borrowers was above the market average. Residential lending levels through 1997, particularly in the Seattle MSA indicate a declining trend toward lending to LMI borrowers, while loans to upper-income borrowers increased. This is mitigated by the rising housing costs and the housing shortage in the Seattle MSA which would affect the availability of houses to the LMI borrowers. The bank's responsiveness in this category is good. Its market share of residential loans to low-income borrowers is several percentage points above its overall market share to all residential borrowers.



The bank's overall record of consumer lending is good. The levels of consumer loans particularly in the Seattle MSA mirror the population at large. Trends indicate lending levels continued through the first half of 1997.

Seafirst's distribution of small business loans is generally good throughout the state. The level of small business loans generally meets or exceeds the demographics of the business population.

**Community Development Lending Activities:** Seafirst level of community development loans is adequate. It extended 53 loans totaling \$44 million throughout the state. Many of these loans involved multiple layers of financing and many different participants at all stages of development. The bank's expertise in complicated financing arrangements and experience in affordable housing was instrumental in completing many of these projects. During the review period, the bank financed projects that brought several hundred new affordable housing units into use. The dollar volume alone does not adequately represent the involvement of time in these projects, many of which require several years from the original proposal to actual funding. This activity represents a substantial commitment of resources to the state's community development needs.

## **INVESTMENT TEST**

Seafirst made twenty-six investments totaling over \$45 million throughout the state. Further, it was a major contributor to many studies, programs and organizations that promote affordable housing, economic revitalization or provide needed assistance to LMI persons or geographies. Although its level of grants and contributions is limited in the rural areas, the bank supports many statewide programs that in turn, support these areas. The bank made contributions or grants to 231 organizations totaling \$1.2 million dollars. These grants and investments represent a continuing investment in the community both before and during the review period.

The bank showed good responsiveness to the community's development needs. The majority of their related investments are for affordable housing related initiatives, one of the most frequently cited needs throughout the state. In addition to direct investment in community development instruments, the bank also underwrites and packages affordable housing and community development investments for development commissions and housing authorities throughout the state. Although not a qualifying investment, the bank purchased \$26 million in Washington State Housing finance Commission Bonds to fund a first time home buyers program. The program was not specifically targeted to LMI persons, however, it provided interest subsidies to first time home buyers many of whom are LMI families. Also, the bank guarantees several bonds that it underwrites although it does not hold them in its portfolio.

The size and type of projects Seafirst underwrites and invests in involve complex financing and development efforts that are not generally encountered in multifamily housing projects.

Usually the bank's investment was coupled with other means of financing provided by the bank.

## **SERVICE TEST**

Seafirst's delivery systems are accessible to essentially all portions of its assessment areas. It has an expansive branch and Automated Teller Machine (ATM) presence. Branches located in grocery stores and certain retail locations provide banking services on Saturday and Sunday. Online banking and telephone banking also serve an increasing share of the market.

Changes in branch locations have not adversely affected the accessibility of its delivery systems. The bank closed fifteen branches and opened six during the review period. The bank received complaints regarding the branch closings in two middle-income census tracts. The bank could not justify operating a full service facility in these areas.

The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI individuals or geographies. The location of the bank's branches and ATMs correlate with the distribution of census tracts income within the assessment area. In addition, the bank offers 24-hour customer service, computer banking, and Loan-by-Phone accessibility through any telephone to further increase the accessibility of its services.

**Community Development Services:** Seafirst has many innovative community development services which affect the entire state. Although it is helping to establish innovative community development programs and services statewide, the level of service is generally lower in the rural areas than in the large metropolitan areas. Listed are some of the bank departments that serve to assist its communities in various ways, many of which benefit LMI individuals or geographies.

Seafirst's Environmental Services Department is a support group involved in many aspects of financing including assessing environmental risks, the cost of cleanup, and the impact of liability. The environment team is also involved in efforts to redevelop brown field areas such as the Duwamish River region, an area that has seen years of industrial contamination.

The Language Bank offers interpretive service to serve non-English speaking customers. The customer can access employees who speak fifty-five different languages

Neighborhood Development Officers provide state certified first-time home buyer classes. They also develop partnerships with nonprofit housing organizations and housing authorities.

The BA Northwest Community Service Corporation is a joint effort of Seafirst Bank and Bank of America Community Development Bank, FSB. Together the two affiliates provide

the most comprehensive array of affordable housing and community development products and services in the state. These include construction and permanent financing, bridge financing, tax exempt bond financing, low income housing tax credit investments, Federal Home Loan Bank affordable housing programs and self help single family construction.

**Innovative Programs:** In addition to many local initiatives and partnerships throughout the state, the following represent a few statewide or special targeted efforts:

- Seafirst's Native American Initiative which is a program that helps build self-sufficiency among Washington state's Native American tribes through financing, credit education, employment and grants. The bank was a founder of the Northwest Regional Native American Chamber of Commerce.
- Minority and Women's Small Business Conference (with SBA). The bank served as a sponsor, and has provided speakers and workshops, for eleven years
- Washington State University NxLevel Training. The bank provided the funding for and exclusively offers these small business classes for business start-ups and entrepreneurs. Classes are offered in English and Spanish.
- Washington Community Reinvestment Association. The bank served as a founder (5 years ago) of this statewide consortium which provides permanent financing for multi-family rental housing. Since contributions are based on deposits, the bank provides about 40% of the funds as well as organizational leadership.
- Seafirst's Youth Job Program (YJP). The bank's own program which has been replicated statewide and provides employment, mentoring and scholarship assistance to more than 100 young people. The YJP received a U.S. Labor Department EVE Award.
- Other Statewide Partnerships:
  - o Washington Association of Community Economic Development (WACED) (economic development)
  - o Habitat for Humanity (first-time homeowners)
  - o Northwest Minority Supplier Development Council (small business)
  - o Washington Housing Trust Fund (affordable housing)
  - o Washington Lenders Network (small business)
  - o Washington Alliance for Manufacturing (small manufacturers)
  - o Washington Low Income Housing Network (affordable housing)
  - o Evergreen Community Development (SBA 504 lending)

The bank provides ongoing technical assistance to the community through a variety of seminars and workshops including Financial Management for the Closely Held Business, Agricultural Finance, Investment Seminars, Small Business Summits (with Microsoft), and

the Advanced Technology Trade Forum. The bank also offers its own credit education classes in conjunction with Consumer Credit Counseling in several languages.

In the Yakima MSA, the bank provides major assistance in technical expertise to the Yakima Office of Housing and Community Development. The bank participates in rehabilitation loans (203k and CHIML) with the city's housing office. The bank worked with the city's housing office to offer the "People of Dreams," program which were intensive credit and home ownership classes (in English and Spanish) lasting several weeks; 25% of participants became homeowners.

The bank also serves as an active partner with the City of Yakima (economic development), Hispanic Academic Achievers Program (HAAP) (education/job training), and Hispanic Chamber of Greater Yakima (economic development/small business).

## Bellingham MSA # 0860

### Description of Institution's Operations in Bellingham

This MSA is comprised of the western Washington county of Whatcom. Bellingham, home of Western Washington University, is the largest city in the region followed by Lynden and Ferndale. Seafirst is among the market leaders in the extension of all banking services within the region. Its major competitors include large commercial banks, such as U.S. Bank, Key Bank and Wells Fargo, as well as a number of thrifts, community banks, and credit unions. Seafirst serves the MSA with eight branch offices and 21 ATMs.

The economy of Whatcom County was historically based on agriculture, fishing, and timber. Over two-thirds of the land is still classified as wilderness or agricultural areas. Farming and timber production still represent relatively strong and stable industries. However, the trade, services and manufacturing sectors dominate the local economy.

The strength and attractiveness of the county have resulted in a commensurate increase in population, presently concentrated in the northwest corner of the county. Wages and income in Whatcom County are about the mid-point range when ranked with other counties in Washington. In 1995, personal income ranked it sixteenth among the state's 39 counties. Identified credit needs are for affordable housing and consumer loans.

ASSESSMENT AREA PROFILE: BELLINGHAM MSA # 0860							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	127780	3		18%	19%	25%	38%
Median Income(\$)			\$43,500				
Census Tracts	27	2		0	22	59	7
Unemployment Rate -May 31, 1997	5.3%						
Owner-occupied Housing (#)	31,237	3		0	11	77	12
Median Housing Value (\$)			\$85,000				
Small Businesses	4,421	0		0%	27%	67%	7%

## **Conclusions with Respect to Performance Tests in Bellingham**

### **LENDING TEST**

In assessing lending performance, we focused on Seafirst's lending volume, assessment area concentration, geographic distribution, borrower profile, responsiveness to highly economically disadvantaged geographies and low-income persons and small businesses, community development lending, and product innovation.

The bank's lending activity in the Bellingham MSA indicates a reasonable responsiveness to the needs of the community. The bank is one of the largest volume residential lenders in the assessment area and is the largest SBA lender statewide. The majority of the bank's home loans are for refinancing and home improvement, however the majority of loans made by other lenders was for home purchase.

#### **Geographic Distribution:**

The bank has loans throughout the all the census tracts in the MSA. There are five census tracts with low penetration due in part to its sparse population and/or proximity to the airport. There are no low-income geographies within the MSA.

The bank's distribution of loans by income of the census tracts is reasonable. Its market share of residential loans in LMI census tracts is several percentage points below its overall market share. Its percentage of residential loans in moderate-income census tracts is about 7%, below the industry average of 11%. The percentage of loans in LMI tracts is several percentage points below the percent of owner-occupied housing in those tracts while the penetration into the middle- and upper-income census tracts is at, and above the percent of owner-occupied housing stock in these areas. The index of housing affordability is even with the rest of the state and the poverty and unemployment levels are slightly above.

The overall distribution of consumer loans by income of the census tract is good. Automobile and credit card loans in LMI census tracts are close to or above the actual percent of the population in these tracts while consumer other and home equity were slightly below.

The distribution of the bank's small business loans is below demographics. The bank made small business loans throughout 27 census tracts in the MSA. The geographic distribution of small business lending indicates a percentage volume in low-income census tracts that is well below the percent of small businesses located in these tracts. Although three of the six total moderate-income census tracts are islands or an isolated peninsula with few small businesses, the remaining moderate-income tracts still have 26% of the small business in the MSA.

## **Borrower Distribution:**

The bank's overall distribution of loans to borrowers of different income levels is reasonable. In 1996, the bank's market share of residential loans to LMI borrowers was higher than its overall market share. Loans to LMI borrowers as a percent of the total is several percentage points above industry average. Loans to LMI borrowers as a percent of total loans is above the percent of that population in the MSA. This is in spite of slightly above average poverty and unemployment levels and a low overall affordability index. However, trends in lending to LMI borrowers do not continue through 1997 and negatively affect the assessment of lending.

In 1996, consumer lending patterns indicate a good responsiveness to the needs of LMI borrowers particularly in the automobile and other consumer loan categories. These trends continue through 1997.

The distribution of small business loans is good. Of the loans of \$1 million or less, 89% of these loans were made to business with less than \$1 million in annual revenues while these businesses represented only 75% of total businesses.

The bank exhibits a good responsiveness to low-income persons and small businesses. Its lending to low-income residential borrowers in 1996 is above the percentage of low-income borrowers in the population at large and well above the industry average. The trend through 1997 is down, but still higher than industry average. Lending levels in other categories still show a good responsiveness to low-income borrowers, but not at the levels shown in residential lending.

**Community development Lending Activities:** The bank made a reasonable level of community development loans. During the review period, it financed a \$900,000 project for the Bellingham housing authority to provide housing for people with incomes of less than 50% of the median income.

## **INVESTMENT TEST**

The bank made an adequate level of community development investments during the review period. One tax credit investment for \$288,292 was purchased to provide special needs housing for people with incomes 50% and below the median income. It also made significant tax credit investments of almost \$2 million prior to the review period. The current investment represents a continuing commitment to affordable housing in the Bellingham MSA. The level of grants in the MSA is nominal.

The bank's investments in affordable housing indicate a reasonable responsiveness to the affordable housing needs of the MSA. The bank makes good use of tax credit investments to support community development in the Bellingham MSA.

## **SERVICE TEST**

The bank's delivery systems are accessible to all portions of the assessment area except for the sparsely populated Cascade National forest in the eastern part of the MSA and the Lummi Indian reservation in the west. The bank offers 24-hour customer service, computer banking, and Loan-by-Phone accessibility. The institution has not opened, closed or changed location of any branch or ATM during the review period.

The bank's service/business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI individuals or geographies. Again, the locations of the bank's branches and ATMs are generally consistent with the level of census tracts and or populations of that area(s).

**Community Development Services:** The bank's level of community development service in the MSA is limited to seminars on student loans and financial management for closely held businesses. The bank supports the Bellingham Revolving Loan Fund and the Womencare Shelter (transitional housing). Additionally, the bank supports many statewide organizations that affect the MSA directly.



## **Richland - Kennewick - Pasco MSA # 6740**

### **Description of Institution's Operations in Richland - Kennewick- Pasco**

This MSA is comprised of the eastern Washington counties of Franklin and Benton. Kennewick is the largest city in the region followed by Richland and Pasco. Seafirst serves the MSA with five branch offices and 16 ATMs. In general, the bank is among the market leaders in the extension of banking services within the region. Its main competitors include large commercial banks, such as U.S. Bank, Key Bank and Wells Fargo, as well as a number of thrifts, community banks, and credit unions.

Historically, the Hanford nuclear project has been the driving force behind the region's economic development. The rise and fall of the local economy over the years can be related to Hanford, in particular to its construction projects. This influence continues today. Approximately one quarter of the present workforce is employed by the Department of Energy and its contractors. Companies like Westinghouse-Boeing, Battelle, Lamb Weston and ICF Kaiser are major contributors to the area's economy. Related job gains/losses have had an inordinate impact on the area's economy, due to the higher wages paid to these workers compared to those employed in the agricultural, trade and service sectors.

Agriculture and related industries (i.e. food processing) represent the other major sectors of the economy, again employing over 25% of the workforce. Trade, service, construction, and government sectors are also important and growing sectors of the economy. Along with a good infrastructure of plants and irrigation, the area has ports on the Columbia River with access to the Pacific, as well as an excellent rail system.

The Tri-Cities workforce and its unemployment rates varied considerably over the past two decades, but are now relatively low and stable. Economists predict that the Tri-Cities economy should perform moderately well in the foreseeable future. Agriculture, trade and service sectors constitute a strong and growing presence in the area.

Identified credit needs are for commercial construction loans, small business loans, consumer loans, and affordable housing.

ASSESSMENT AREA PROFILE: RICHLAND-KENNEWICK-PASCO MSA # 6740							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	150,033	3%		21%	17%	23%	38%
Median Income(\$)			\$45,600				
Census Tracts	35	3		0	29	46	23
Unemployment Rate -May 31, 1997	6.4%						
Owner-occupied Housing (#)	33,940	3		0	21	48	31
Median Housing Value (\$)			\$58,200				
Small Businesses	3,830			0%	33%	48%	19%

## Conclusions with Respect to Performance Tests in Richland-Kennewick-Pasco

### LENDING TEST

In assessing lending performance, we focused on the bank's lending volume, assessment area concentration, geographic distribution, borrower profile, responsiveness to highly economically disadvantaged geographies and low-income persons and small businesses, community development lending, and product innovation.

Seafirst's lending activity in the MSA represents an adequate response to the MSA's credit needs. The bank is one of the major residential lenders in the area and the number one SBA lender statewide in 1996.

### Geographic Distribution:

The bank's overall loan distribution to geographies throughout the MSA is good. The MSA has no low-income geographies and 27% of the population resides in moderate-income census tracts. Bank lending has penetrated all census tracts in the area.

The bank's distribution of residential loans is good. It made 19% of its residential loans in moderate-income tracts. Although a greater percent of the population lives in moderate-income tracts, only 21% of owner-occupied housing is located there. Additionally, the bank's market share percentage of loans to moderate-income tracts is greater than their market share percentage of all tracts. Its percentage of moderate-income area originations to total originations is greater than the industry average. The levels decline slightly in 1997, however still indicate a good responsiveness.

The bank's geographic distribution of consumer loans to moderate-income census tracts is lower than the percentage of population in that area. The bank's distribution of automobile and credit card loans come close to the actual distribution of the population in moderate-income tracts. In other loan categories, the percentages are below the population in the MSA. The 1997 levels are higher and reflect a reasonable distribution.

Seafirst's small business loan distribution is weak as the majority of the loans are in middle-income tracts. Of these loans, 23% went to moderate-income tracts where 33% of the businesses are.

### **Borrower Distribution:**

The distribution of loans to borrowers of different income levels is good. In 1996, the bank's market share of residential loans to LMI borrowers was greater than its overall market share of residential loans. Also, the bank's percentage of home loans to LMI was several points above the industry average of 24%. However, the percentage of home loans to LMI borrowers was 25% while the actual LMI population was 38%. This is mitigated by a higher than average poverty level of 12% and unemployment level of 6.4%.

Consumer lending distribution is reasonable. All such consumer loan categories are below the actual LMI population, but the level is reasonable given the high poverty and unemployment.

Small business lending is good. 73% of the businesses in the MSA have revenues of less than \$1 million. In 1996, the bank made 76% of its business loans to such establishments with annual revenues of less than \$1 million with a comparable performance in 1997.

The bank exhibits a good responsiveness to credit and community economic development needs. In 1996, the bank's market share percentage of loans to low-income borrowers was greater than its overall market share. The bank's loans to LMI borrowers as a percent of the total was above the industry average. However, in all bank loan categories including residential, the bank's proportion of total loans to low-income borrowers was less than half of the total low-income population. This is mitigated somewhat by the high poverty level and unemployment levels.

The bank's responsiveness to small businesses is good given the percentage of total loans to businesses with revenues of less than \$1 million.

**Community Development Lending Activities:** The bank's level of community development lending is good. During the review period, the bank extended a loan to an affordable housing project for \$946,049. The project provided 120 rental units for persons with income below 50% of the median.

## **INVESTMENT TEST**

During the review period, Seafirst made four grants for \$43,500 to fund economic development studies, small business education, and a low-income support network.

The bank's contribution to the economic revitalization studies indicate a responsiveness to the needs of the community. However, no investments addressing affordable housing have materialized to date.

## **SERVICE TEST**

Seafirst has four of its five branches centered in the principal cities of Richland, Kennewick, and Pasco with one remaining branch in Connell. Although clustered in the center, the bank's delivery systems are accessible to essentially all portions of the MSA. These branches and ATM's are generally in correlation with the higher level of census tracts and/or population. During the review period, the bank did not open or close any branches.

The bank's service and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI individuals or geographies. Again, the locations of the bank's branches and ATMs are generally consistent with the level of census tracts and/or populations of that area(s).

**Community Development Services:** The bank's level of community development service is limited. It works with La Clinica, a Hispanic self-help housing program and serves as an active partner with the Tri-Cities Enterprise Association (small business).

## Seattle MSA # 7600

### Description of Institution's Operations in Seattle

This MSA is comprised of King, Snohomish, and Island Counties. Seattle is the largest city in the region followed by Bellevue, Everett, and Federal Way. Seafirst is among the market leaders in the extension of banking services within the MSA. Its major competitors include Washington Mutual, U.S. Bank, Key Bank and Wells Fargo, and a number of thrifts, community banks, and credit unions. Seafirst serves the MSA with 133 branch offices and 533 ATMs.

The MSA has the largest economy in the state with 40% of the population, 43% of the labor force, 51% of the jobs, and 52% of the manufacturing jobs. The region has the state's highest per capita income, average wage, and median household income. Its economy is also influenced by one of the highest cost of living indexes in the nation. The MSA has a number of economic advantages including a comprehensive job-training and educational infrastructure, location on the I-5 corridor, close proximity to the region's international airport, a highly developed railway and trucking system, and world class, deep-water port facilities. The county's economy is diversified, comprised of retail services, trade, aerospace, manufacturing, high technology, and tourism. The eastern regions of the MSA are dominated by the agriculture, timber and tourism industries. The MSA is home to aerospace and high technology giants Boeing and Microsoft. The Everett Homeport (Navy) in Everett also has a significant impact on the MSA's economy. Employment trends in the MSA have been fairly strong for over a decade. In general, jobs are being created at a pace greater than the corresponding workforce and state averages. Demographic studies show that more women and minorities are entering the workforce.

Identified credit needs include affordable housing, home equity, rehabilitation, small business, consumer, and first-time home buyer classes, multi-lingual marketing materials.

ASSESSMENT AREA PROFILE: SEATTLE MSA # 7600							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	2,033,156	44%		17%	19%	27%	37%
Median Income(\$)			\$55,100				
Census Tracts	439	40		3	17	59	18
Unemployment Rate -May 31, 1997	3.3%						
Owner-occupied Housing (#)	490,086	44		1	12	65	23
Median Housing Value (\$)			\$127,800				
Small Businesses	64,022	49%		3%	22%	54%	21%



## **Conclusions with Respect to Performance Tests in Seattle**

### **LENDING TEST**

Seafirst's level of lending is good and indicates a responsiveness to the needs of the community. The bank is the leading residential lender in the MSA. It also originated more SBA loans than any other lender in the area. During the review period, the bank made 6,737 small business loans totaling \$443 million.

#### **Geographic Distribution:**

**Residential Lending:** The bank's distribution of residential loans adequately penetrates the MSA. It is also one of the highest volume residential lenders in the MSA, however, its market share of loans to LMI geographies is less than its overall market share. The portion of its loans in LMI tracts to total loans (9%) is below industry average(13%). Its percentage of residential loans to total loans in LMI geographies is less than the percentage of persons living in LMI census tracts. Although 12% of the MSA's owner-occupied housing is in LMI tracts, only 10% of the bank's residential loans were made in these tracts. The low level of owner-occupied housing in LMI census tracts mitigates this weakness.

**Consumer Lending:** The bank's consumer loan patterns indicate a good responsiveness to the assessment area needs. In 1996, with the exception of home equity loans, the distribution of its loans is very close to the actual proportion of people living in LMI census tracts. This distribution continues in the first half of 1997.

**Small Business Lending:** Seafirst's small business loans are also well distributed throughout the MSA. The bank originated 24% of its small business loans in LMI census tracts while 25% of the small businesses are located in tracts. The trend was consistent in the first half of 1997.

#### **Borrower Distribution:**

**Residential Lending:** Seafirst's distribution of residential loans relative to the demographics of the MSA is adequate. It originated 25% of its loans to LMI borrowers while the respective population within the MSA is about 36%. In 1996, the bank's market share of loans to LMI applicants is greater than its total market share of all residential loans. Additionally, its proportion of loans to LMI individuals is greater than the market average. This trend shifted in the first half of 1997, as a majority of the bank's residential lending was going to upper-income borrowers while the upper-income population represents only 37% of the MSA. The high cost of housing and construction in the Puget Sound area is a contributing factor to the reduced level of lending to LMI borrowers. Also, the bank made eighteen loans totaling \$16 million to provide affordable housing throughout the MSA.

Consumer Lending: The bank's record of consumer lending reflects an outstanding commitment to the needs of the borrowers. In the categories of automobile and other consumer loans, the bank's percentage of loans to low-income borrowers exceeds the percent of their population in the MSA. Consumer home equity loan levels are impacted by the low rate of home ownership among low-income people in the MSA.

Small Business Lending: Seafirst's distribution of small business loans is good. In 1996, 80% of the bank's small business loans were to establishments with annual revenues of less than \$1 million although these businesses represent only 72% of all businesses in the MSA. The bank's loan trend to small business declined somewhat in 1997 but was still above 72%. Further, the bank's loan size was very responsive to the needs of small businesses. The average loan size to businesses with annual revenues of less than \$1 million is about \$35 thousand.

**Community Development Lending Activities:** Seafirst made a good level of community development loans in the MSA. Affordable housing is identified as a primary need. In 1996, it made fourteen loans for \$10 million benefiting projects that provide affordable housing throughout the MSA. In the first half of 1997, the bank's level of community development lending was sustained with four loans of \$5.5 million. The bank maintained high levels of community development lending for most of the 1990's, thus establishing an ongoing commitment to affordable housing and community development. In addition, the bank developed an environmental hazard team to provide high level assistance to borrowers in communities where environmental hazards are restricting development. Many of the community development loans involved several different sources of public and private funds and required the expertise of the bank's community development loan staff to make them viable.

## **INVESTMENT TEST**

Seafirst has a substantial level of community development investments and grants. Through its underwriting services the bank often takes a leadership role in packaging and placing these community development investments into the market place. During the review period, the bank made seventeen investments of \$21 million. Most of these were for tax credits or housing bonds to finance affordable housing projects in the MSA.

The bank also made 126 grants totaling \$915 thousand to fund various community development groups, studies, or centers to assist low-income persons or small business. The grants range in size from \$30 for miscellaneous donations to \$125 thousand to fund the Small Business Technology Center at the Seattle Chamber of Commerce.

The bank exhibits a strong responsiveness to credit and community development needs. The community development grants and investments indicate a responsiveness to the need for affordable housing and small business education in the MSA.



**Community Development Initiatives:** The bank made significant use of innovative and complex investments through the underwriting and purchase of many of the housing bonds issued in the state. Several of the investments were made in coordination with other means of financing such as tax credits and conventional loans that were provided by the bank in addition to the investments underwritten and purchased for the bank's portfolio. The bank works with King County Housing Authority, Seattle Housing Authority and the Snohomish Housing Authority in underwriting and packaging bonds for affordable housing. One example of innovation was where the bank guaranteed several affordable housing bonds in case of default. Although only a portion of these bonds were purchased for the bank's portfolio, the bank guaranteed the entire obligation to make the issuance more attractive to other investors and facilitate affordable housing investments in the MSA.

## **SERVICE TEST**

The bank has a total of 133 branches and 533 ATMs throughout the MSA. Its delivery systems are accessible to essentially all portions of the MSA. The location of these branches and ATMs are generally in correlation with the higher level of census tracts and/or population.

During the review period, the bank closed twelve branches and opened six branches. Of the branches closed, five were in moderate-income tracts, five in middle-income tracts, and two in upper-income tracts. Of the branches opened, three were in moderate-income tracts and three were in middle-income tracts. The proportion of branches to tracts remained roughly the same after the closures. No complaints were filed concerning the opening or closing of branches in the MSA.

The bank's service/business hours do not vary in a way that inconvenience certain portions of the MSA, particularly LMI individuals or geographies. Again, the location of the bank's branches and ATMs are generally consistent with the level of census tracts and/or populations of that MSA.

**Community Development Services:** The bank's level of community development service is extensive throughout the MSA. The bank has a special Minority and Women's Business Center to help meet the needs of small businesses owned by women and minorities. The center provides staff and resources to offer technical assistance, small business customer advice in completing loan applications and in finding alternative funding sources. The bank also provides a Credit Advocate Program for clients who apply for a loan, but will likely be declined. They are offered up to fourteen hours in credit and technical assistance at no cost. After completion the client is free to re-apply at Seafirst or another bank. The bank also offers the Seafirst Resource Center in the economically distressed Central Area of Seattle. This training center is used for first time home buyer classes, credit repair classes and additional small business assistance. It is also made available at no cost to community nonprofit organizations. Seafirst offers many classes to the beginning credit user to help them better understand personal finances, loan application processes, and

small business finances. These classes are offered numerous times during the year throughout the MSA.

#### Seattle Small Business Lenders Association

Seafirst was a founding member of this consortium, which provides loans to newer, small businesses that do not meet bank underwriting standards. Seafirst worked with a nonprofit, the city, and three other lenders to help form the Business Assistance Center, a clearinghouse for small business training and technical assistance information.

#### Central Area Expo

Seafirst served as a partner, and only corporate sponsor, with the Central Area Development Association (CADA) and Greater Seattle Chamber of Commerce's Urban Enterprise Center, to launch a community revitalization effort in Seattle's Central Area.

#### Eagles Auditorium

Seafirst served as the lead bank and coordinator of this project to renovate the Auditorium, located in a rundown section of the city's downtown core, into affordable housing and a theater.

#### Canterbury Square Mobile Home Park

Seafirst staff directed this complex financing package which enabled senior citizens to purchase their mobile homes as condominiums and save their park from demolition.

Seafirst also serves as an active partner in twenty-four organizations that promote economic development, affordable housing, and stabilization of communities.

Other programs that benefit the entire MSA include:

#### Credit Advocates (Puget Sound area)

Seafirst's own small business technical assistance program offers free consultations to small businesses whose loan applications have been declined by the bank. After the assistance, small businesses can re-submit their application to Seafirst or another lender.

#### ACORN (Puget Sound area)

Seafirst worked with the local chapter of this national group to present affordable housing fairs.

#### Local Initiatives Support Corporation (LISC) (Puget Sound area)

Seafirst has supported this regional chapter of national community development group in affordable housing and economic development.

#### Seafirst Minority and Women Business Center (Puget sound area)

A Seafirst department that provides loans, with more flexible underwriting, and technical assistance, to small businesses

## Spokane MSA # 7840

### Description of Institution's Operations in Spokane

This MSA is comprised of the eastern Washington county of Spokane. The city of Spokane is the largest city in the region, followed by Cheney and Medical Lake. Seafirst's major competitors in the MSA include U.S. Bank, Key Bank and Wells Fargo, and a number of thrifts, community banks, and credit unions. Seafirst serves the MSA with fifteen branch offices and 40 ATMs.

The county is the fourth largest in the state and is considered the economic hub of the area traditionally known as the Inland Empire. It currently features a strong and diversified manufacturing sector, dominated by such industries as aerospace, transportation equipment, aluminum products computers, timber, and food processing. The county's wholesale trade and finance sector serves a large agricultural community. Finally a growing retail and services sector round out an economy that is currently performing well.

Identified credit needs are for small business loans, consumer loans, affordable housing and home equity loans.

ASSESSMENT AREA PROFILE: SPOKANE MSA # 7840							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	361364	8%		19%	19%	23%	39%
Median Income(\$)			\$39,900				
Census Tracts	99	9		7	23	52	18
Unemployment Rate -May 31, 1997	4.1%						
Owner-occupied Housing (#)	90,229	8		1	20	55	24
Median Housing Value (\$)			\$55,400				
Small Businesses	7,673	6%		14%	23%	50%	14%

### Conclusions with Respect to Performance Tests in Spokane

#### LENDING TEST

In assessing lending performance, we focused on the bank's lending volume, assessment area concentration, geographic distribution, borrower profile, responsiveness to highly economically disadvantaged geographies and low-income persons and small businesses, community development lending, and product innovation.

The bank's lending in the MSA represents an adequate response to its credit needs. The bank is one of the major residential lenders in the area and in 1996, was the top SBA lender in the state.

### **Geographic Distribution:**

The bank's overall loan distribution throughout the MSA was adequate. During the review period, home loans made in LMI tracts totaled 16% versus a 21% owner-occupied level in these areas. The performance was stronger in the middle and upper income tracts. In 1996, its share of the market to families in LMI census tracts was below its market share of residential loans to all tracts in 1996.

The distribution of consumer is good, with lending levels in LMI census tracts more closely reflecting the actual demographics of families in these tracts. Lending distribution improves slightly into 1997.

Small business lending distribution is excellent. The bank's percentage of loans to businesses in LMI census tracts exceeds the demographics of those tracts in 1996. The lending levels decline somewhat in 1997, but overall levels remain almost exactly the proportions of the small businesses in LMI census.

### **Borrower Distribution:**

The bank's overall distribution of loans to borrowers of different income levels is relatively weak. In 1996, its market share of residential loans to LMI borrowers was slightly below the bank's share of the entire market. The bank was also slightly below the industry average for originations to LMI income individuals in the MSA. The bank's lending was significantly below the actual percentage of LMI families throughout the MSA. This again is mitigated somewhat by the high poverty level in the Spokane MSA.

The bank's consumer lending is reasonable. The performance improves slightly in its consumer lending with levels closer to actual population demographics but still below.

The bank's lending to small businesses is excellent and exceeds the percentage of small businesses throughout the MSA. The majority of loans to small businesses were to establishments with revenues of less than \$1 million.

**Community Development Lending Activities:** The bank exhibits a reasonable responsiveness to the needs of very low-income individuals given the high poverty rate in the area. The bank's level of community development loans is good. During the review period, the bank financed five loans for \$2.8 million to affordable housing projects throughout the MSA. Affordable housing, particularly rental housing is one of the primary needs in the MSA.



## **INVESTMENT TEST**

The levels of community investment are reasonable. In 1996, the bank made an investment in the Catherine Johnson Court project to provide special needs housing and low-income housing in Spokane. The investment involved a tax credit and a loan and provided a significant amount of financing for the project. The bank also contributed substantial funds to several economic development studies that focused on distressed areas in the community. The bank made eleven community development grants for \$58 thousand. The bank exhibits a good responsiveness to community development needs through its investments in affordable housing.

The Catherine Johnson Court project required complex financing not usually encountered in multi-family projects. The expertise of the bank personnel involved contributed to the successful completion of the project.

## **SERVICE TEST**

The bank has a total of 15 branches and 40 ATM's throughout the MSA. The bank's delivery systems are accessible to essentially all portions of the MSA. The location of these branches and ATM's are generally in correlation with the higher level of census tracts and population. During the review period, there were no openings or closing of branches.

The bank's service and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI individuals or geographies. Again, the locations of the bank's branches and ATM's are generally consistent with the level of census tracts and or populations of the MSA.

**Community Development Services:** The bank's level of community development service is good. The bank participates as a lender and advisor to the Spokane Area Small Business Loan Program since it began in 1991. The program provides technical assistance to potential borrowers. The bank is also an active partner with the Spokane Low Income Housing Consortium (affordable housing), Spokane Neighborhood Action Programs (SNAP) (mortgage counseling), Consumer Credit Counseling of Spokane (credit repair). The bank provides technical assistance and expertise to the Spokane Housing Authority in underwriting affordable housing bonds.

## Tacoma MSA # 8200

### Description of Institution's Operations in Tacoma

This MSA is comprised of Pierce County. Tacoma is the largest populated city in the region. Seafirst is among the market leaders in extending banking services in the region. Its major competitors include U.S. Bank, Key Bank and Wells Fargo, and a number of thrifts, community banks, and credit unions. Seafirst serves the MSA with 23 branch offices and 66 ATMs.

The MSA is one of the major markets in Washington with 10% of the state's population, labor force, and job base. It has a number of economic advantages including a comprehensive job-training and educational infrastructure, location on the I-5 corridor, close proximity to the region's international airport, a highly developed railway and trucking system, and world-class deep-water port facilities. The MSA's economy is very diversified, comprising of retail services, trade, aerospace, manufacturing, high technology, and tourism. It is also the home of a large contingent of U.S. military forces and their families. McChord AFB and Fort Lewis employ a large number of federal civilian employees as well as over 20 thousand active duty armed forces personnel.

Tacoma has not fully participated in the region's economic upturn. Many businesses in the downtown core have closed or relocated in the suburbs. Buildings have fallen into disrepair and the city is dealing with a serious crime problem. In response to these issues, city officials launched a campaign to revitalize the downtown area. Recent successes include the renovation of Union Station and the establishment of a state historical museum. The city's Hilltop neighborhood (with the lowest median income in the state) and Eastside are HUD-designated Enterprise Communities and state designated neighborhood reinvestment areas. Several nonprofit organizations and lending institutions are working with neighborhood groups to secure home ownership for more of the area's residents.

We identified financing of low-income housing, small business instruction, and rehabilitation loans as the primary credit needs in the MSA.



ASSESSMENT AREA PROFILE: TACOMA MSA # 8200							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	586,203	13%		19%	18%	25%	38%
Median Income(\$)			\$44,800				
Census Tracts	112	10		7	16	54	21
Unemployment Rate -May 31, 1997	4.4%						
Owner-occupied Housing (#)	129,544	12		1	9	61	28
Median Housing Value (\$)			\$79,700				
Small Businesses	13,685	10%		11	13	53	23

## Conclusions with Respect to Performance Tests in Tacoma

### LENDING TEST

In assessing lending performance, we focused on the bank's lending volume, assessment area concentration, geographic distribution, borrower profile, responsiveness to highly economically disadvantaged geographies and low-income persons and small businesses, community development lending, and product innovation.

Seafirst's lending activity in the MSA represents a good response to the MSA's credit needs. The bank was one of the major residential lenders in the MSA, however, its proportion of home purchase loans was significantly less. The bank was the number one small business lender in the area.

### Geographic Distribution:

Seafirst's loans were distributed throughout all census tracts in the assessment area. There were several isolated tracts with no loans, however they were not LMI tracts.

Residential Lending: The bank's distribution of residential loans is reasonable. In 1996. Its market share of residential loans to LMI census tracts was slightly less than its overall market share. The percent of its originations to LMI census tracts was slightly less than the market average, and significantly less than the actual demographics of the MSA. The performance is mitigated by the low level of owner-occupied housing relative to the population in these census tracts. While the bank's lending to LMI census tracts was 8%, the owner-occupied housing in those areas was only about 10%.

Consumer Lending: The bank's distribution of consumer loans is weak and is less, in all categories, than the percentage of families in the LMI census tracts.

Small Business Lending: Its distribution of small business loans is reasonable, but the percent of loans in LMI census tracts is slightly less than the small business demographics.

### **Borrower Distribution:**

Residential Lending: Seafirst's loan distribution to borrowers of different income levels is adequate. In 1996, its overall market share of residential loans is almost equal to its market share of residential loans to LMI borrowers. Although the percentage of the bank's residential lending to low-income persons is well below the actual percentage of that population in the MSA, they have the largest market share of residential loans to low-income applicants. Moreover, its percentage of residential loans to low-income applicants is higher than the market average.

Consumer Lending: The bank's consumer loans to LMI borrowers is less than the percentage of that population in the MSA. The highest percentage of loans to LMI borrowers was automobile loans.

Small Business Lending: Seafirst's distribution of small business loans is good. Of the small business loans the bank reported in 1996, 83% were to businesses with revenues of less than \$ 1 million. The number was slightly less in 1997 at 74%, however the actual percentage of businesses with revenues of less than \$1 million in the MSA was 75%.

**Community Development Lending Activities:** The bank's level of community development lending in the MSA is good. During the review period, the bank made seven loans totaling \$6 million to finance affordable housing projects throughout the MSA. Affordable housing is an identified need in the MSA.

### **INVESTMENT TEST**

Seafirst's level of community development investment in the MSA is limited to grants and contributions. It made 14 grants totaling \$97 thousand. In the years before the review period, the bank made investments totaling \$626 thousand.

The bank's investment activity is responsive to the needs of the MSA. The bank's grants provided major funding for the Wood Products Trade Show which promoted small businesses and helps to revitalize the distressed timber industry in the Northwest.

**Community Development Initiatives:** The bank occasionally finances complex investments to support community development. The bank works with the Tacoma Housing Authority in the underwriting and sale of housing authority bonds.

## SERVICE TEST

The bank has twenty-three branches and sixty-six ATMs throughout the MSA. The bank's delivery systems are accessible to essentially all portions of the MSA. The location of these branches and ATMs are generally in correlation with the distribution of LMI census tracts.

During the review period, one branch in a low-income census tract was closed. No complaints were received in connection with the closing. The branches in low-income tracts after the closing reasonably correlate to the distribution of the population at large.

The bank's service and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI individuals or geographies. Again, the locations of the bank's branches and ATMs are generally consistent with the level of census tracts and or populations of that area(s).

**Community Development Services:** The bank offers extensive community development services throughout the MSA. It provides banking and investment services to the Tacoma Empowerment Consortium (TEC). The TEC is responsible for the implementation of Tacoma's Empowerment Zone for economic revitalization. Bank personnel as well as organization "partnerships" provide small business training and credit education throughout the MSA. Some of these organizations include:

Martin Luther King Housing Development Association (MLKHDA): Seafirst has worked closely with this nonprofit agency which serves the Hilltop area of Tacoma. Seafirst regularly offers first time homebuyer and credit repair classes to MLKHDA clients.

Tacoma Empowerment Consortium (economic development)

Hilltop Homeownership Development Center (affordable housing)

## Eastern Washington Assessment Area

### Description of Institution's Operations in Eastern Washington

This area is comprised of the sixteen counties as follows, Adams, Asotin, Chelan, Columbia, Douglas, Ferry, Garfield, Grant, Kittitas, Lincoln, Okanogan, Pend Oreille, Stevens, Walla Walla, and Whitman. Walla Walla is largest city in this region.

The bank is among the market leaders in the extension of all banking services within the region. The bank's major competitors include U.S. Bank, Key Bank and Wells Fargo, as well as a number of thrifts, community banks, and credit unions. Seafirst serves the area with 25 branch offices and 53 ATMs.

The economies of the region have been associated with traditional resource base industries. These include agriculture, logging and timber operations, and more recently, aluminum production. While these sectors of the economy are the backbone of the region's prosperity, they are also the major cause for its higher than average unemployment rate. Farming employment is seasonal. The logging and timber industries are highly dependent on the housing market, as well as the demand for wood and paper products. Finally, aluminum production depends on the availability of cheap electricity and is influenced by international metal markets.

Credit needs identified in the area are affordable housing, agricultural loans, manufactured housing, commercial loans and small business loans.

ASSESSMENT AREA PROFILE: EASTERN WASHINGTON							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	373,004	8%		22%	19%	23%	37%
Median Income(\$)			\$35,100				
Census Tracts	114	10		1	24	77	11
Unemployment Rate -May 31, 1997	6.8%						
Owner-occupied Housing (#)	88,723	8		1	17	72	11
Median Housing Value (\$)			\$58,050				
Small Businesses	10,358	8%		1%	22%	69%	8%

## **Conclusions with Respect to Performance Tests in Eastern Washington**

### **LENDING TEST**

In assessing lending performance, we focused on the bank's lending volume, assessment area concentration, geographic distribution, borrower profile, responsiveness to highly economical disadvantaged geographies and low-income persons and small businesses, community development lending, and product innovation.

The bank's lending activity in the Eastern Rural assessment area indicates an adequate responsiveness to the needs of the community. The bank is one of the largest volume residential lenders in the assessment area and is the largest SBA lender statewide. The majority of the bank's home loans, however, are for refinancing and home improvement whereas the majority of loans made by other lenders was for home purchase, the area's major credit need.

#### **Geographic Distribution:**

The bank's overall distribution to geographies throughout its assessment area is adequate. In its 1996 residential lending, their market share to LMI census tracts was below its market share of loans to all census tracts. And, the bank's percentage of loans to LMI tracts as a percent of total loans is 13% versus the industry average of 17%. Looking at the review period, the bank's percentage of loans to LMI tracts is also below the percentage of population, but only slightly below the percentage of owner-occupied houses in these tracts. Similar lending patterns were seen for 1997.

The bank's distribution of consumer loans is good and very closely mirrors the demographics of the assessment area. Individual categories of consumer loans similarly reflect the demographics, although none exceed them. Given the high poverty and unemployment rate, the levels are considered good. The lending patterns through 1997 were similar.

The distribution of small business loans is below demographics. In 1996 and 1997, loans to businesses in LMI census tracts is consistently well below the percentage of small businesses in those tracts.

#### **Borrower Distribution:**

The bank's overall distribution of loans to borrowers of different income levels is good. Its market share of residential loans to LMI individuals is slightly better than its share of all loans and it is one of the top lenders to LMI borrowers. Its percentage of LMI borrower loans to total loans is slightly above the industry average of other lenders in the market, albeit the percentage of bank loans to LMI borrowers is almost half the LMI population in the assessment area. The lending levels are similar through the six months of 1997.

In 1996, its market share of residential loans to low-income borrowers versus all borrowers was several percent above the bank's market share to all borrowers. These trends continue through 1997.

The bank's distribution of consumer lending is similar to its residential loans. 1996 lending patterns indicate the percentage of loans to LMI borrowers is almost half the percentage of the population in this group. 1997 lending patterns improve somewhat, but are still well below the percentage of the LMI population at large.

The bank's consumer lending to low-income populations is adequate. Its percentage of consumer loans to low-income borrowers is far below the percentage of this population in the area. This is mitigated somewhat by the diminished repayment capacity of the low-income borrowers throughout the area due to the high poverty and unemployment levels.

The bank's loans to small businesses are good and reflect a distribution similar to the population of businesses at large. During the review period, 88% of the bank's small business loans went to businesses with annual revenues of less than \$1 million. Of all the businesses in the assessment area, 77% have revenues of \$1 million or less.

The bank's responsiveness to the needs of small businesses is adequate. Although the bank's loans to low-income census tracts are less than the percentage of small businesses in low-income census tracts, this is misleading. There is only one low-income tract in the entire assessment area.

**Community Development Lending Activities:** The bank made an acceptable level of community development loans in the assessment area. The assessment area comprises 8% of the state's population and is widely dispersed throughout the assessment area. Affordable housing projects in the rural areas are difficult to develop. The bank financed one project for \$800 thousand in 1996 and three projects for \$1 million in 1997 providing much needed affordable housing and health services.

## **INVESTMENT TEST**

During the review period, the bank did not make any qualified investments in the area. However, it did make 19 grants totaling \$28 thousand to various agencies and organizations promoting economic development in distressed areas, and providing assistance to low-income persons and flood victims. The bank made additional grants to several state wide agencies that benefitted the areas directly, however the agencies were not located in the assessment area. See the state analysis for discussion of these contributions.

## **SERVICE TEST**

The bank's delivery systems are accessible to essentially all portions of its assessment areas. It has an expansive branch and automated teller machine (ATM) presence. The

bank has 24 branches and 53 ATM's throughout the assessment area. There are no branches in low-income census tracts, however there is only one low-income tract. The tract is located in the city of Walla Walla and accessible to other branches and ATMs of the bank. The bank did not open, close or move branches during the assessment period.

The bank's services/business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI individuals or geographies. Again, the location of the bank's branches and ATM's correlate with the distribution of census tracts income within the assessment area. In addition, the bank offers 24 hour customer service, computer banking, and Loan-By Phone accessibility though any telephone to further increase the accessibility of its services.

**Community Development Service:** The bank works with many organizations throughout the Western region through donations of time and financial expertise.

Wenatchee Community Revitalization Loan Fund

The bank is working with the community to create this small business loan fund

The bank also serves as an active partner with the following organizations:

- Colville Main Street Association (small business)
- North Central Quest (economic development)
- Okanogan County Investment Association (small business startups)
- Lake Chelan Valley Housing Association (affordable housing)
- Walla Walla Area Small Business Loan Fund (small business)

Additionally, the bank contributes financial services to many statewide organizations that impact the region directly.

## **Western Washington Assessment Area**

### **Description of Institution's Operations in Western Washington**

The Western Washington Assessment Area is comprised of the 11 Washington counties of Cowlitz, Clallam, Grays Harbor, Jefferson, Lewis, Mason, Pacific, San Juan, Skagit, Skamania, Klickitat and Wahkaikum. Longview is the largest city in this region. The largest sectors of the economy are timber, manufacturing (primarily wood and paper products), trade and services.

Seafirst is among the market leaders in the extension of all banking services within the region. Its major competitors in the assessment area include U.S. Bank, Key Bank and Wells Fargo, as well as a number of thrifts, community banks, and credit unions. Seafirst serves the area with 24 branch offices and 49 ATMs.

The economies of the region have long been associated with the timber industry. However, restructuring and modernization within the industry in the past decade, coupled with environmental concerns and mandated protection of endangered species have resulted in significant cutbacks in terms of production and employment. Some counties in the region have been designated as "Timber Dependent" by the state and are eligible for special aid. Nonetheless, it remains a major player in the region's economy.

Job losses experienced in the region's traditional resource intensive industries have been significantly offset (on a job-to-job basis) by job creation in the non-manufacturing sector (i.e. trade, services, government). The downside of this trend is that these jobs typically do not pay as well as the jobs they replace, putting a significant damper on the region's wage/salary growth prospects. To mitigate the effects of potential labor shortages, state and local officials are considering tapping underutilized groups, such as older workers, senior citizens, women and ethnic minorities within each county. However, this effort is likely to require academic and vocational programs designed to enhance the education levels and jobs skills of these individuals.

The average unemployment rate in the region in 1995 was 8.6 percent. While low by historical standards, the joblessness rate has always been consistently higher than the state rate, largely due to the cyclical and seasonal nature of the region's major industries. The region lags behind state figures in average annual wage and per capita income. However, the state averages are heavily influenced by the high-tech and aerospace industries of the Puget Sound Region.

Although the region's manufacturing sector continues to be primarily based on lumber, paper and wood products, many counties have made efforts to diversify their economies. For example, many of them have begun to exploit their geographic advantages by encouraging tourism and recreational development. The Columbia River region (Cowlitz, Wahkaikum, Skamania) and the San Juans have proven to be tremendous draws for tourists. Mason County has become the home of a growing community of small



businesses associated with aerospace and defense industries. At the same time, boat and shipbuilding is adding a unique dimension to Jefferson County's job base.

Credit needs identified in the region are for small business loans, affordable housing and rehabilitation loans.

ASSESSMENT AREA PROFILE: WESTERN WASHINGTON							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	457,307	10%		19%	17%	23%	41%
Median Income(\$)			\$35,100				
Census Tracts	159	14		0	13	64	19
Unemployment Rate -May 31, 1997	7.1%						
Owner-occupied Housing (#)	124,657	11		0	8	68	24
Median Housing Value (\$)			70,188				
Small Businesses	14,216	11%		0%	15%	67%	18%

## Conclusions with Respect to Performance Tests in Western Washington

### LENDING TEST

In assessing lending performance, we focused on the bank's lending volume, assessment area concentration, geographic distribution, borrower profile, responsiveness to highly economically disadvantaged geographies and low-income persons and small businesses, community development lending, and product innovation.

The bank's lending activity in the western rural assessment area indicates an adequate responsiveness to the needs of the community. The bank is one of the top ten largest volume residential lenders in the assessment area and is the largest SBA lender statewide. The majority of the bank's home loan are for refinancing and home improvement, however the majority of loans made by other lenders was for home purchase, a major credit need.

#### Geographic Distribution:

The bank's overall distribution to geographies throughout its assessment area is reasonable. The bank's market share of residential loans in LMI census tracts was below its market share of loans to all census tracts. The bank's percentage of loans to LMI tracts as a percent of total loans is 6% versus the market average of 8%. Its percentage of loans

to LMI tracts is below the percentage of the population and below the percentage of owner-occupied houses in these tracts. Similar lending patterns are shown in 1997.

The bank's distribution of consumer loans is reasonable. LMI consumer lending as a percent of total lending is below the percent of the population living in LMI census tracts. Lending patterns in the first half of 1997 show a slight improvement over 1996.

The distribution of small business loans is below demographics. In 1996 and 1997, the percentage of loans to businesses in LMI census tracts was consistently well below the percentage of small businesses in those tracts.

### **Borrower Distribution:**

The bank's distribution of loans to borrowers of different income levels is below demographics. While it is a top ten lender to LMI borrowers, its market share of residential loans to LMI individuals is less than its share of all loans. The bank's percentage of loans to LMI borrower to total loans is below the average of other lenders in the market, and the bank's loans to LMI borrowers is less than half the LMI population in the assessment area. The lending levels decline further in 1997.

In 1996, the bank's market share of residential loans to low-income borrowers was several percent below the bank's market share to all borrowers. The bank's loans to low-income borrowers as a percent of all loans was below the industry average, however relative to the low-income population at large, the percent of the bank's loans to low-income borrowers is far below the actual percentage of low-income borrowers in the MSA population. These trends continue through 1997.

The bank's consumer lending to low-income populations is weak. The percentage of the bank's consumer loans to low-income borrowers is far below the percentage of this population in the MSA. This is mitigated somewhat by the diminished repayment capacity of the low-income borrowers throughout the MSA due to the high poverty and unemployment levels.

The bank's distribution of loans to small businesses is good and reflect a distribution similar to the population of businesses. For example, 80% of the loans went to businesses with annual revenues of less than \$1 million. Of all the businesses in the assessment area, 79% have revenues of \$1 million or less. The majority of business loans that are less than \$1 million in size were extended to businesses with revenues of \$1 million or less.

**Community Development Lending Activities:** The bank's level of community development lending in the area is good. The assessment area comprises 10% of the state's population and is widely dispersed. Affordable housing projects in the rural areas are difficult to develop and finance. The bank financed eight projects totaling \$6 million that provided much needed affordable housing in the region.

## INVESTMENT TEST

The bank has two bond issues totaling \$2.3 million. Funding from these bonds was used to create affordable housing. It purchased additional bonds to finance affordable housing projects in the assessment area, however because of their structure the bank recorded them as loans. During the review period, the bank made twenty-seven grants to various agencies and organizations promoting economic development in distressed area, providing assistance to low-income persons and flood victims. It made additional grants to several state wide agencies that benefitted the area directly, however the agencies were not located in the assessment area. See the state analysis for discussion of these contributions.

## SERVICE TEST

The bank's delivery systems are accessible to essentially all portions of its assessment areas. It has an expansive branch and ATM presence. The bank has twenty-four branches and forty-nine ATMs throughout the assessment area. There are no low-income census tracts in the region.

During the review period, the bank closed one branch in a middle-income census tract. The bank received a small number of complaints on the branch closing. However, it could not justify the operation of a full service facility in this resort area.

The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI individuals or geographies. Again, the location of the bank's branches and ATM's correlate with the distribution of census tracts income within the assessment area. In addition, the bank offers 24 hour customer service, computer banking, and Loan-By Phone accessibility though any telephone to further increase the accessibility of its services.

**Community Development Service:** The bank works with many organizations throughout the Western region with contributions of time and financial expertise.

### Replanting Lives(Western Washington)

Seafirst offered a small business technical assistance program for timber-impacted communities.

### Partners for Small Business Lending (Western Washington)

Seafirst co-sponsored a small business technical workshop with Federal Reserve Bank of San Francisco.

### Common Ground (Western Washington)

Seafirst worked with this organization on several affordable housing projects

### Other Regional Partnerships:

Women Business Owners (Western Washington)  
Washington State Hispanic Chamber of Commerce (Western Washington)

Grays Harbor Business Incubator Loan Fund

Seafirst worked to help start this fund and has committed \$100 thousand in small business loans.

Seafirst also serves as an active partner with the following organizations:

Aberdeen Neighborhood Housing Services (affordable housing)  
Grays Harbor Community College (job re-training)  
Grays Harbor Economic Development Council (economic development)

Additionally, the bank contributes financial services to many statewide organizations that impact the region directly.

## WASHINGTON AGGREGATE TABLES

AGGREGATE RESIDENTIAL LENDING										
State: WASHINGTON Assessment Area:	Demographics		Lending Distribution		Market Share*			#	\$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
BELLINGHAM # 0860	11%	37%	7%	20%	6.24%	4.46%	6.85%	382	\$25,100	\$66
BREMERTON # 1150	12	36	9	20	7.96%	7.69%	8.01%	831	59,500	72
OLYMPIA # 5910	2	36	2	22	6.34%	5.44%	7.41%	549	31,800	58
RICHLAND # 6740	21	38	19	25	9.58%	10.38%	10.47%	583	34,000	58
SEATTLE # 7600	12	36	10	25	10.23%	7.79%	10.87%	11,282	1,097,900	97
SPOKANE # 7840	21	38	16	21	7.79%	6.36%	7.74%	1,392	85,500	61
TACOMA # 8200	10	38	8	20	6.77%	5.63%	6.75%	1,771	124,200	70
YAKIMA # 9260	26	39	24	18	10.45%	11.35%	12.56%	646	30,700	48
Eastern Washington	12	40	15	16	12.28%	9.74%	12.42%	1,376	76,400	56
Western Washington	8	37	6	13	10.19%	7.54%	10.19%	1,524	87,000	57
Total State	13%	37%	10%	22%	9.19%	7.61%	9.66%	20,336	\$1,652,100	\$81
<b>% of Total Bank</b>						0.15%	0.18%	14%	10%	
Total Bank								146,055	\$16,951,400	\$116
LMI Parity**						(222)	267			

(\*) 1996 HMDA Reporter Market Share

(\*\*) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE CONSUMER LENDING							
State: <b>WASHINGTON</b> Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	\$ (000s)	Avg. Loan (000s)
BELLINGHAM # 0860	37%	22%	20%	14%	4,026	\$42,700	\$11
BREMERTON # 1150	36	22	22	14	6,167	70,100	11
OLYMPIA # 5910	36	3	19	3	3,903	42,900	11
RICHLAND # 6740	38	29	18	23	2,527	26,000	10
SEATTLE # 7600	36	20	21	15	93,584	1,058,200	11
SPOKANE # 7840	38	30	17	20	5,847	61,800	11
TACOMA # 8200	38	23	20	13	14,734	172,100	12
YAKIMA # 9260	39	36	13	27	2,796	25,800	9
Eastern Washington	41	22	14	16	5,636	60,500	11
Western Washington	37	13	14	5	8,189	96,800	12
Total State	37%	21%	20%	15%	147,409	\$1,656,900	\$11
% of Total Bank					17%	21%	
Total Bank					877,912	\$7,758,000	\$9

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: <b>WASHINGTON</b> Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity**	#	\$ (000s)	Avg. Loan (000s)	#	\$ (000s)
BELLINGHAM # 0860	27	14	12.44%	6.99%	(16)	291	\$21,700	\$75	1	\$900
BREMERTON # 1150	21	11	16.38	14.39	(3)	246	10,500	43	5	1,900
OLYMPIA # 5910	7	4	9.17	7.50	(1)	160	9,000	56	5	7,400
RICHLAND # 6740	33	23	7.36	5.22	(8)	194	12,700	65	1	900
SEATTLE # 7600	25	23	23.89	22.24	(50)	6,737	442,600	66	19	20,000
SPOKANE # 7840	37	36	9.34	8.52	(8)	473	36,000	76	5	2,800
TACOMA # 8200	24	20	8.33	7.31	(8)	701	49,900	71	3	4,500
YAKIMA # 9260	37	31	8.71	12.07	11	224	20,600	92	1	500
Eastern Washington	23	12	NA	NA	(35)	436	37,200	85	4	1,900
Western Washington	15	8	NA	NA	NA	584	44,300	76	9	3,140
Total State	26	22	15.00	13.48	(118)	10,046	\$684,500	\$68	53	\$43,940
% of Total Bank					0.1%	12%	12%		20%	9%
Total Bank						87,225	\$5,620,300	\$64	266	\$467,424

(\*) 1996 CRA Reporter Market Share

(\*\*) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST									
State (ST): <b>WASHINGTON</b> Assessment Areas:	Affordable Housing and Economic Development			Contributions/ Grants			Total Investments		
	#	% # ST	\$ (000s)	#	% # ST	\$ (000s)	#	% # ST	\$ (000s)
BELLINGHAM # 0860	1	4%	\$288	2	1%	\$1	3	1%	\$289
BREMERTON # 1150	8	31	9,370	2	1	4	10	4	9,374
OLYMPIA # 5910	0	0	0	7	3	20	7	3	20
RICHLAND # 6740	0	0	0	4	2	44	4	2	44
SEATTLE # 7600	11	42	21,619	126	53	915	137	58	22,534
SPOKANE # 7840	1	4	615	11	5	58	12	5	673
TACOMA # 8200	1	4	315	14	6	97	15	6	412
YAKIMA # 9260	2	8	10,900	19	8	61	21	9	10,961
Eastern Washington	0	0	0	19	8	28	19	8	28
Western Washington	2	8	2,373	27	11	61	29	12%	2,434
Statewide	0	0%	0	7	3%	98	7	3%	98
Total State (ST)	26		\$45,480	238		\$1,385	264		\$46,865
% of Total Bank	8%		11%	27%		17%	22%		12%
Total Bank	325		\$398,484	877		\$8,171	1,202		\$406,655



AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: <b>WASHINGTON</b> Assessment Areas:	#				\$ Deposits (millions)	% of State	% # of Branches				% # of ATMs			
	Branch Offices	In-store Offices	Full Service ATMs	Offices% of State			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
BELLINGHAM # 0860	6	2	21	3%	\$227	3%	0%	17%	83%	0%	0%	24%	76%	0%
BREMERTON # 1150	10	2	25	5	268	3	0	18	80	18	0	8	92	0
OLYMPIA # 5910	3	3	24	2	146	2	0	0	67	33	0	4	79	17
RICHLAND # 6740	5	0	16	2	197	2	0	40	40	20	0	19	38	44
SEATTLE # 7600	116	17	533	52	5,101	62	4	27	51	18	4	26	53	17
SPOKANE # 7840	13	2	40	6	393	5	8	31	54	7	10	38	45	8
TACOMA # 8200	19	4	66	9	598	7	11	16	42	32	11	14	58	18
YAKIMA # 9260	7	0	23	3	164	2	0	29	14	57	9	30	48	13
Eastern Washington	24	1	53	10	556	7	0	25	71	4	0	17	70	13
Western Washington	22	2	49	9	624	8	0	18	77	5	0	12	78	10
Total State	225	33	850	100%	\$8,274	100%	3%	22%	59%	16%	4%	23%	57%	16%
% of Total Bank	15.0%	17.6%	15.3%	15.3%	7.4%									
Total Bank	1,500	187	5,565		\$111,413									

**Las Vegas, Nevada - Mohave, Arizona  
Multistate MSA**

## Las Vegas Multistate MSA Rating

**CRA Rating for the Las Vegas, Nevada - Mohave, Arizona MSA<sup>5</sup>: Satisfactory.**

**The lending test is rated: Low Satisfactory**  
**The investment test is rated: Low Satisfactory**  
**The service test is rated: High Satisfactory**

### **Description of Institution's Operations in the Las Vegas, Nevada - Mohave, Arizona Multistate MSA**

BANTSA has defined two assessment areas in the Multistate MSA. The Nevada assessment area includes Clark and Nye Counties. Its principal cities are Las Vegas and North Las Vegas. The Nellis Air Force Range and the Toiyabe National Forest dominate Nye County. The Arizona assessment area includes Mohave County. Its principal cities are Bullhead City and Kingman. The population of the Multistate MSA is distributed, 89% in Nevada and 11% in Arizona. The region's surge of employment opportunities and its attractiveness as a retirement community have created strong population growth. The MSA contains four whole Indian Reservations and part of one other reservation.

In 1990, BAC entered the Clark County retail banking market by acquiring Frontier Savings. In 1992, it entered Nye County through the acquisition of Valley Bank of Nevada. They divested these branches after completing the merger with Security Pacific Bank in 1992. Also, in 1990, BAC entered the Mohave County market through the acquisition of MeraBank. In 1997, BAC consolidated its Bank of America Nevada subsidiary into BANTSA. BANTSA's peers are Wells Fargo Bank, U.S. Bank, and Norwest Bank. It also competes with mortgage companies such as Norwest Mortgage, Weyerhaeuser Mortgage, and InterWest Mortgage. BANTSA serves the MSA with 54 branch offices and 192 ATMs. The loans BANTSA originated in this MSA during the review period, accounted for 2.6% of its total number and 2.8% of its total dollar volume. Further, the state accounts for 1.9% of the bank's domestic deposits. This ranks the state's market size number five out of the ten states and two Multistate MSAs evaluated.

The MSA's economy has grown and diversified with the attraction and development of a broader range of businesses. Hotels, gaming, and resorts as a group have grown in total jobs but declined through 1996 in their share of total employment. Other major employment sectors are professional and other services, trade, government, and construction.

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<sup>5</sup>This rating reflects performance within the multistate metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained within the multistate metropolitan area.

Las Vegas is a major gaming, convention, and resort destination for domestic and foreign visitors. It has more than 90 thousand hotel rooms, with an additional sixteen thousand under construction or in development. Each new hotel room creates 2.5 jobs.

The significant increase in population compounds the need for the financing of additional affordable housing. HUD reports that median home purchase prices and median contract rental rates have been increasing more rapidly than median income, while vacancy rates have declined. Another identified credit need is small business lending to keep up with the growth of businesses that have migrated to or created in the Multistate MSA.

The bank uses innovative and flexible lending practices to serve the MSA's credit needs. It uses a variety of residential lending programs with flexible underwriting, downpayment, and pricing characteristics. Besides its broad array of products, the bank is the exclusive lender in the City of Henderson's Home Improvement Loan Program. This HUD Title I program is available to LMI borrowers in Henderson. Also, the bank's "Enhanced Neighborhood Advantage" loan program has flexible characteristics for LMI borrowers in Clark County and Pahrump (Nye County).

### **Conclusions with Respect to Performance Tests in the Las Vegas, Nevada - Mohave, Arizona Multistate MSA**

#### **LENDING TEST**

- **BANTSA is an active residential lender whose market share of loans in LMI areas is comparable to its share in all areas.**
- **BANTSA has good levels of consumer lending that is widely distributed to borrowers of all income levels.**
- **BANTSA has shown a good responsiveness to the credit needs of small businesses, complemented by good geographic distribution, and an excellent level of micro-lending.**
- **BANTSA has adequately responded to community development lending needs.**

BANTSA's level of residential lending reflects an adequate responsiveness to the MSA's credit needs in a highly competitive market. In 1996, BANTSA and its affiliates originated 5.4% of the markets residential loans as reported under HMDA. This is comparable to its 5.3% share of loans in LMI geographies. However, the bank made very few loans in low-income census tracts. Similarly, the bank's attraction of low-income borrowers does not compare favorably to the MSA's population demographics. The portion of BANTSA's loans in LMI geographies is marginal when compared to the level of owner-occupied housing in those areas.

BANTSA's performance improves when considering the income level of the borrower. Its share of low-income borrowers was 5% and moderate-income borrowers is 4%, ranking it third and fourth, respectively.

Consumer lending levels show adequate responsiveness to the MSA's credit needs. While the bank made only two home equity loans in low-income census tracts, opportunity is limited in these areas based on the low number of owner-occupied units. BANTSA extended 4% of its home equity loans in moderate-income census tracts which is well below the proportion of owner-occupied units in those areas.

The bank also made few automobile or other consumer loans in low-income census tracts. However, the distribution of borrowers reflects good penetration among retail customers of different income levels. The bank's distribution of loans to LMI borrowers substantially exceeded the proportion of LMI families for automobile and other consumer loans, and was slightly below the family proportion for credit cards. The bank uses flexible consumer lending practices to serve assessment area credit needs. It has a limited array of products with reduced credit guidelines for low-income and disabled individuals.

BANTSA's level of small business lending shows excellent responsiveness to the MSA's credit needs. The geographic distribution of these loans reflects good penetration throughout the MSA. The bank's proportions of loan originations are slightly below the distribution rates for businesses in low-, moderate-, and middle-income census tracts. However, it originated 42% of its loans to businesses with revenues less than \$1 million. It has excellent responsiveness to micro-lending needs in the MSA, with 83% of its small business loans in amounts of \$100 thousand or less. Its performance was strongest in the Nevada part of the MSA, where 85% of the MSA's small businesses are located. The bank makes extensive use of flexible lending practices to serve the MSA's credit needs. BANTSA's main small business product is the ABC Business Banking Loan.

**Community Development Lending Activities:** BANTSA's community development lending levels reflects an adequate response to the MSA's community development financing needs. The bank originated a construction loan in a marketplace with a limited number of developers of affordable housing, as well as legislative constraints limiting the access to public land for the development of affordable housing. The construction loan supported a 168-unit affordable housing apartment complex. Management also provided leadership in their negotiations for the commitment of the construction financing while enlisting and coordinating government and nonprofit parties participation in the total financing package. The bank also made a \$19 million construction and term financing package for an American Indian tribe's development of a resort in an low-income census tract. The project will employ LMI workers.

BANTSA originated loans that are not segregated as direct community development loans, but do have community development benefits. These include a \$10 million line of credit for working capital for a subcontractor for the employment of LMI workers at the McCarran

Airport and a \$200 thousand line of credit for venture capital supporting a business that will focus its employment on LMI workers.

## **INVESTMENT TEST**

BANTSA has a low level of qualified direct community development investments. The bank has invested \$1.5 million in a revenue bond issued by the Nevada Housing Division. It also has a \$100 thousand deposit in a credit union that helps localized micro-lending. These investments are not complex in nature.

Through these investments and various qualified grants, BANTSA shows an adequate response to credit and community development needs for this MSA. During the review period, BANTSA made \$181 thousand in qualifying grants to 25 recipients. These organizations promote and facilitate affordable housing, neighborhood revitalization, and community services. Examples of these beneficiaries are Housing America, Opportunity Village, Las Vegas Boys & Girls Club, Local Initiatives Support Group, Northern Las Vegas Neighborhood Housing Services, and Habitat for Humanity of Las Vegas.

## **SERVICE TEST**

BANTSA has provided a significant level of community development services for this MSA. Further, its delivery systems are accessible to all segments of the community. These systems do not vary in a way that inconvenience LMI geographies or individuals. Management bases Saturday banking hours on an analysis of customer demand.

Through its officers and employees, the bank has extended significant financial expertise to promote affordable housing, neighborhood revitalization, and small business lending to and through various organizations. Examples of these organizations are the Affordable Housing Resource Council, Nevada Community Enrichment Program, Lighthouse Compassionate Care, HELP of Southern Nevada, and Main Street USA. Its leadership role was highly evident in the service it provides to groups like the Nevada Community Reinvestment Corporation and Nevada Self-Employment Trust.

During the review period, the bank opened five and closed two branches. Of the new offices, four are in upper-income areas, and one is in a low-income area. The closed branches were in upper-income areas. However, the bank's branch network is concentrated in middle- and upper-income census tracts.

MULTISTATE MSA PROFILE: Las Vegas MSA # 4120							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	852,737	NA		19%	19%	23%	39%
Median Income(\$)			\$46,100				
Census Tracts	159	NA		7	22	48	23
Unemployment Rate- May 31, 1997	4.1%						
Owner-occupied Housing (#)	180,309	NA		2	13	48	37
Median Housing Value (\$)			\$91,051				
Small Businesses	23,853	NA		5%	18%	50%	27%

LENDING TEST: Las Vegas MSA # 4120								
Loan Type	#	% of Bank	\$ (million)	CT	Low % of #	Moderate % of #	Middle % of #	Upper % of #
				B				
Residential	3,660	3%	\$325	CT	0%	4%	33%	62%
				B	6	17	23	52
Consumer - Automobile	7,299	5	108	CT	1	10	39	49
				B	17	32	28	22
Consumer - Home Equity	1,912	3	65	CT	0	4	27	69
				B	7	16	25	52
Consumer - Other	2,041	5	17	CT	1	12	36	51
				B	23	23	22	31
Consumer - Credit Card	11,016	2	41	CT	3	8	41	48
				B*	18	14	12	12
Small Business	3,071	4	279	CT	3%	14%	41%	42%
Community Development	3	1%	36					
Total Lending	29,002		\$871					

(CT) Income Level of Census Tracts

(B) Income Level of Borrower

(\*) Distribution does not add to 100% due to unclassified or unavailable data

INVESTMENT TEST: Las Vegas MSA # 4120							
Investment Type	#	% of Bank	\$ (000s)	Low %	Moderate %	Middle %	Upper %
Affordable Housing & Economic Dev.	2	1%	\$1,622				
Contributions/Grants	25	3	181				
Total Investments	27	2%	\$1,803				

SERVICE TEST: Las Vegas MSA # 4120							
Service Type	#	% of Bank	\$ (million)	Low % #	Moderate % #	Middle % #	Upper % #
Branch Offices (#)	45	3%		4%	11%	53%	31%
Deposits			\$2,072				
In-Store Offices (#)	9	5		11	0	33	56
Bank ATMs - Full Service	192	3%		6%	16%	51%	28%



# **Portland, Oregon - Vancouver, Washington Multistate MSA**

## Portland - Vancouver Multistate MSA Rating

CRA Rating for Portland, Oregon - Vancouver, Washington<sup>6</sup>: Outstanding.

The lending test is rated: Outstanding

The investment test is rated: Outstanding

The service test is rated: High Satisfactory

### Description of Institution's Operations in the Portland, Oregon - Vancouver, Washington Assessment Area

BANTSA is a full service bank operating in the Portland, Oregon and Vancouver, Washington areas. These areas are a Multistate MSA. The Portland area encompasses the counties of Multnomah, Washington, Clackamas, Columbia, and Yamhill. The Vancouver area encompasses Clark County.

In 1990, the bank entered the Oregon market by purchasing assets and liabilities of the former Benjamin Franklin Savings and Loan from the U.S. Government. Its presence in Vancouver, Washington stems from the bank's purchase of Seattle First National Bank in 1983 and consolidation that began in 1992. Major competitors include U.S. Bank, Key Bank and Wells Fargo. BANTSA serves the MSA with 62 branch offices and 145 ATMs. The loans BANTSA originated in this MSA during the review period, accounted for 3.6% of its total number and 4.5% of its total dollar volume. Further, the state accounts for 1.9% of the bank's domestic deposits. This ranks the state's market size number four out of the ten states and two Multistate MSAs evaluated.

The Portland portion of the MSA has seen strong economic growth since 1990 which was fueled by expansion in the high tech sector, international trade, construction and retail. Population growth has been substantial and is expected to continue. Despite such growth, median wages have tended to remain flat. At the same time, there have been significant increases in housing prices, creating a substantial affordability gap. Housing has been an area of special emphasis. As part of a long term strategy to avoid urban sprawl, the Portland area is trying to increase the number of dwelling units and jobs within the central city. As such, there are opportunities for in-fill development for both rental units and home ownership. In the more rural areas, there is an increasing need for farm worker housing as the population becomes less transient. The area is also seeing strong growth in the small business sector, in part due to the high tech boom. However, because of the large number of start-up companies, venture capital has been an issue of concern.

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<sup>6</sup>This rating reflects performance within the multistate metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained within the multistate metropolitan area.

The Vancouver portion of the MSA, Clark County, is Washington's fastest growing city and is now its fourth largest. The majority of the area's businesses cater to consumers in the form of retail trade, personal services, and government including social and health services. Higher wage earners are typically located in Portland. The area has attracted high tech investments. A number of such companies have established major production facilities in the area. Clark County generally has a smaller share of its workforce in managerial, professional and technical positions, and a higher share in skilled trade and semi-skilled blue collar occupations. For the past decade, Clark County has had one of the most dynamic economies in the state, fueled by a diverse industrial base, inflow of high tech investments, and differing tax structure from Oregon. Major employers include the paper and wood firms, metal processing plants, textiles and high tech companies.

The bank ranks third in deposit size behind U.S. Bank and Wells Fargo. Primary credit needs revolve around the areas of housing, small business and consumer loans. Additional demographic information is shown in the MSA Profile Table.

### **Conclusions with Respect to Performance Tests in the Portland, Oregon - Vancouver, Washington Assessment Area**

- **BANTSA's lending activity in the Portland/Vancouver area represents a good response to the assessment area's credit needs.**
- **BANTSA exhibits an overall good responsiveness to highly disadvantaged income persons and geographies.**
- **BANTSA made a significant level of community development loans, that helped benefit LMI individuals or geographies, occasionally in a leadership capacity.**
- **BANTSA has a substantial level of complex, qualified community development investments.**
- **The institution provides a high level of community development services.**

### **LENDING TEST**

BANTSA's lending activity in this MSA represents a good response to the assessment area's credit needs. During the review period, its origination of home loans, small business and consumer loans totaled more than \$1 billion. This dollar level represents 75% of the deposits received from its communities in the assessment area.

In 1996, BANTSA's origination of home loans (loans for home purchase, refinance, or home improvement) ranked it among the top ten lenders in the state. However, its level of home purchase loans, one of the area's primary credit needs, represented only 28% of its home loan originations, compared to 49% by all other lenders in the area.

### **Geographic Distribution:**

BANTSA's overall loan distribution to geographies throughout its assessment areas is good with lending of each product type occurring in most census tracts. In those cases where lending activity was light, the specific geography was generally sparsely populated. There were no conspicuous gaps in lending.

The distribution of home loans by census tracts was nearly identical to the proportion of owner-occupied housing within such tracts. This is a strong indication that the bank's performance is consistent with its market opportunities. Also, in 1996, the bank's market share of home loans in the MSA was consistent with its share of home loans in LMI areas.

The geographic distribution of BANTSA's small business lending is strong. This distribution is in near proportion to the percentage of businesses within those areas. The geographic distribution of consumer loans is adequate. The LMI area loan penetration was lower than the demographic profile representation and higher in middle- and upper-income areas.

### **Borrower Distribution:**

BANTSA's distribution of loans to borrowers of different income levels is good. During the review period, BANTSA's home loans were reasonably distributed among all income categories. The lower proportion of loan originations was to LMI categories, but is mitigated by the relationship of credit approval and minimum income qualifications. In 1996, the bank's market share percentage of home loan originations to LMI applicants was comparable to all other lenders at 20%.

The bank exhibits a good responsiveness to highly disadvantaged geographies and low-income persons. In 1996, the bank generated 8% of the area's home loans and at the same time generated 8% of the originations to low-income applicants. It also made 4% of its loans to low-income borrowers which was comparable to other lenders which made about the same level of their loans to this market segment.

The borrower distribution by income for all consumer loans was good as it was essentially identical to the population distribution of each income category. Consumer lending to low-income applicants was good. Low-income individuals comprise 17% of the bank's consumer loan originations which is in proportion to their population in the assessment area. This performance was influenced by credit card and automobile loans.

BANTSA's distribution of loans to small businesses of different sizes is good. In this MSA, 79% of the bank's loans went to firms with less than \$1 million in annual revenues. This distribution is reasonable given the demographic profile of small businesses and their revenue levels.

**Community Development Lending Activities:** BANTSA made a significant level of

community development loans that helped benefit LMI individuals or geographies. In addition, it took a leadership role to ensure the start-up of a major community development initiative, the Belmont, L.P. During the review period, BANTSA originated 22 community development loans aggregating more than \$25 million. Many of these loans benefited LMI individuals in obtaining affordable housing, a major need in this assessment area. BANTSA's lending has also supported the Network for Oregon Affordable Housing (NOAH), a bank consortium.

## **INVESTMENT TEST**

BANTSA has a substantial level of qualified community development investments. During the review period, the bank had 24 qualified community development investments totaling more than \$69 million. In each case, the programs went to benefit LMI individuals and/or geographies or small businesses.

The bank exhibits an excellent responsiveness to credit and community economic development needs. It has provided a substantial level of community development loans, particularly to affordable housing related programs which has been a major credit need within the community.

## **SERVICE TEST**

BANTSA's delivery systems are accessible to essentially all portions of its assessment areas. It has an expansive branch and ATM network. With the exception of in-store offices, the geographic distribution of these branches and ATMs correlate closely with the census tract composition by income. There are three counties which do not have a branch presence. These counties combined population is less than 1% of the state's total. In addition, there is no city that is more than eight miles from a branch of the bank. Other delivery channels offered by the bank to increase the accessibility of its services include 24-hour customer service, computer banking, and Loan-By-Phone accessibility.

The institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to LMI individuals or geographies. During the review period, a total of six branches were added which affected one moderate, four middle and one upper-income census tract. They did not close any branches.

BANTSA's services and business hours do not vary in a way that inconvenience portions of the MSA, particularly LMI individuals or geographies. Again, the locations of the bank's branches and ATMs correlate with the distribution of census tracts by income within the assessment area. In addition, the bank offers 24-hour customer service, computer banking, and Loan-By-Phone accessibility through any telephone to further increase the accessibility of its services.

The institution provides a high level of community development services. During the review period, financial related services were provided to or through nineteen

organizations. Management's role in these services included Chairperson, Board Member, Counselor and Instructor. The beneficiaries of these programs were LMI individuals.

ASSESSMENT AREA PROFILE: PORTLAND MULTISTATE MSA # 6440							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	1,515,452	NA		18%	19%	26%	38%
Median Income(\$)			\$44,400				
Census Tracts	353	NA		2	20	58	18
Unemployment Rate -May 31, 1997	3.6%						
Owner-occupied Housing (#)	362,878	NA		1	14	64	22
Median Housing Value (\$)			\$69,800				
Small Businesses	46,880	NA		1%	22%	59%	17%

LENDING TEST: PORTLAND MULTISTATE MSA # 6440								
Loan Type	#	% of Bank	\$ (million)	CT	Low % of #	Moderate % of #	Middle % of #	Upper % of #
				B				
Residential	8,889	6%	\$701	CT	1%	13%	55%	32%
				B	4	15	27	53
Consumer - Automobile	10,473	7	163	CT	0	13	67	20
				B	14	23	27	36
Consumer - Home Equity	3,483	6	157	CT	0	10	53	37
				B	3	12	24	62
Consumer - Other	1,356	3	37	CT	1	13	61	26
				B	13	19	19	45
Consumer - Credit Card	12,991	2	47	CT	1	14	60	26
				B	22	16	16	22
Small Business	2,501	3	269	CT	1%	21%	56%	22%
Community Development	22	8%	25					
Total Lending	39,715		\$1,400					

(CT) Income Level of Census Tracts  
(B) Income Level of Borrower

INVESTMENT TEST: PORTLAND MULTISTATE MSA # 6440							
Investment Type	#	% of Bank	\$ (000s)	Low %	Moderate %	Middle %	Upper %
Affordable Housing & Economic Dev.	15	5%	\$69,767				
Contributions/Grants	9	1	54				
Total Investments	24	2%	\$69,821				

SERVICE TEST: PORTLAND MULTISTATE MSA # 6440							
Service Type	#	% of Bank	\$ (million)	Low % #	Moderate % #	Middle % #	Upper % #
Branch Offices	56	3%		2%	23%	62%	13%
Deposits			\$1,049				
In-Store Offices	6	3		0	0	83	17
ATMs	145	3%		5%	22%	59%	14%



## Appendix A: Scope of Examination

The table that follows identifies the time period covered in this review, affiliate activities that we may have been reviewed, the bank's loan products we considered, and the assessment areas that received comprehensive examination analysis (designated by on-site analysis).

<b>Time Period Reviewed</b>	January 1, 1996 to June 30, 1997	
<b>Financial institution</b>	<b>Products reviewed</b>	
Bank of America, National Trust & Savings Association (BANTSA) San Francisco, California	Residential, Small Business, Small Farm and Consumer	
<b>Affiliates</b>	<b>Affiliate relationship</b>	<b>Products reviewed</b>
Bank of America, FSB (BA-FSB)	Holding Co. Subsidiary	Mortgage Loans
Bank of America Community Development Bank (BACDB)	Holding Co. Subsidiary	Residential and Small Business
Bank of America, NA (BANA)	Holding Co. Subsidiary	Credit Cards
Bank of America Community Development Corporation (BACDC)	Holding Co. Subsidiary	Low Income Housing Tax Credit Investments
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Alaska MSA Anchorage #0380 Aleutians West Juneau Kenai Matanuska-Susitna Ketchikan Gateway	on-site off-site on-site off-site off-site off-site	
Arizona MSA Flagstaff #2620 MSA Phoenix #6200 MSA Tucson #8520 MSA Yuma #9360 Rural Arizona	off-site on-site on-site off-site on-site	

Assessment Area	Type of Exam	Other Information
California MSA Bakersfield #0680 MSA Chico #1620 MSA Fresno #2840 MSA Los Angeles #4480 MSA Merced #4940 MSA Modesto #5170 MSA Oakland #5775 MSA Orange County #5945 MSA Redding #6690 MSA Riverside- San Bernardino #6780 MSA Sacramento #6920 MSA Salinas #7120 MSA San Diego #7320 MSA San Francisco #7360 MSA San Jose #7400 MSA San Luis Obispo #7460 MSA Santa Barbara #7480 MSA Santa Cruz #7485 MSA Santa Rosa #7500 MSA Stockton #8120 MSA Vallejo #8720 MSA Ventura #8735 MSA Visalia #8780 MSA Yolo #9270 MSA Yuba #9340 Eastern California Northern California Imperial County Kings County San Benito County	on-site on-site on-site on-site off-site on-site on-site on-site on-site on-site on-site on-site on-site on-site on-site on-site on-site off-site on-site on-site on-site on-site off-site off-site off-site on-site on-site on-site off-site off-site	
Idaho MSA Boise #1080 MSA Pocatello #6340 Northern Idaho Southern Idaho Lemhi County	on-site off-site off-site on-site off-site	
Illinois Cook County	on-site	Bank of America, Illinois, was consolidated into BANTSA on July 1, 1997. Management requested that we include an evaluation of its performance.
Nevada MSA Reno #6720 Rural Nevada	on-site on-site	
Las Vegas, NV-AZ Multistate MSA #4120 Clark & Nye Counties, NV Mohave County, AZ	on-site	

Assessment Area	Type of Exam	Other Information
New Mexico MSA Albuquerque #0200 MSA Las Cruces #4100 MSA Santa Fe #7490 Northwest New Mexico Southern New Mexico	on-site off-site off-site on-site on-site	
New York - The Five Boroughs (Queens, Bronx, Brooklyn, Manhattan, & Staten Island)	on-site	The scope of examination for New York, encompasses activities for the nine months, coinciding with its consolidation date of October 1, 1996.
Oregon MSA Eugene #2400 MSA Medford #4890 MSA Salem #7080 Central Oregon Northeast Oregon Northwest Oregon Southwest Oregon	on-site off-site on-site off-site off-site on-site off-site	
Portland, OR-WA Multistate MSA #6440 Clackamas, Columbia, Multnomah, Yamhill and Washington Counties, OR Clark County, WA	on-site	
Washington: MSA Bellingham #0860 MSA Bremerton #1150 MSA Olympia #5910 MSA Richland #6740 MSA Seattle #7600 MSA Spokane #7840 MSA Tacoma #8200 MSA Yakima #9260 Eastern Washington Western Washington	on-site off-site off-site on-site on-site on-site on-site on-site off-site on-site on-site	

## Appendix B: Summary of State and Multistate MSA Ratings

State or multistate MSA name	Lending test rating	Investment test rating	Service test rating	Overall rating state/multistate
Alaska	LS	LS	LS	S
Arizona	LS	HS	HS	S
California	O	HS	HS	O
Idaho	LS	HS	HS	S
Illinois	LS	HS	LS	S
Nevada	LS	HS	LS	S
New Mexico	LS	LS	HS	S
New York	LS	HS	LS	S
Oregon	HS	HS	LS	S
Washington	HS	O	O	O
Las Vegas, NV - Mohave, AZ	LS	LS	HS	S
Portland, OR - Vancouver, WA	O	O	HS	O

## **Appendix C: Demographic Information**

**STATE DEMOGRAPHIC CHARACTERISTICS**

State:	Population (000s)	Census Tracts	Owner-Occupied Housing (000s)	Small Businesses	Unemployment Rate 06/30/97	Median Income	Median Housing Value	Distribution of Census Tracts (CT) & Families (F)					Distribution of Owner-Occupied Housing (OO) & Small Businesses (SB)				
								CT	Low %	Mod %	Mid %	Upper %	OO	Low %	Mod %	Mid %	Upper %
								F	%	%	%	%	SB	%	%	%	%
ALASKA	357	108	72	11,000	4.0%	\$53,737	\$92,926	CT	5%	15%	50%	24%	OO	2%	9%	54%	36%
								F	19	17	23	41	SB	4	20	52	24
ARIZONA	3,502	757	839	94,737	4.5	43,493	81,110	CT	7	24	39	29	OO	3	20	43	34
								F	20	18	23	39	SB	5	24	39	32
CALIFORNIA	29,760	5,858	5,775	942,455	6.2	51,328	210,075	CT	6	22	41	27	OO	2	15	47	37
								F	21	18	22	40	SB	7	22	42	28
IDAHO	805	206	203	20,711	4.7	40,600	62,637	CT	1	16	62	20	OO	0	12	64	24
								F	18	19	24	39	SB	4	20	57	19
ILLINOIS	5,105	1,352	1,043	107,182	4.7 (05/31/97)	55,800	123,735	CT	20	25	36	18	OO	4	17	50	28
								F	25	19	23	34	SB	7	18	40	34
NEVADA	435	136	100	14,171	NA	50,779	107,302	CT	2	25	40	15	OO	0	18	57	25
								F	18	19	25	38	SB	0	33	53	14
NEW MEXICO	1,239	290	295	32,152	6.2	44,400	73,039	CT	5	28	40	26	OO	3	22	44	31
								F	22	17	21	41	SB	2	31	41	26
NEW YORK	7,323	2,216	809	174,759	6.2 (05/31/97)	37,541	186,350	CT	14	19	35	29	OO	3	10	37	51
								F	17	22	32	28	SB	7	17	25	51
OREGON	1,497	408	371	49,668	4.1	36,059	62,788	CT	1	11	62	15	OO	0	10	71	19
								F	19	19	24	39	SB	3	15	69	13

STATE DEMOGRAPHIC CHARACTERISTICS																	
State:	Population (000s)	Census Tracts	Owner-Occupied Housing (000s)	Small Businesses	Unemployment Rate 06/30/97	Median Income	Median Housing Value	Distribution of Census Tracts (CT) & Families (F)					Distribution of Owner-Occupied Housing (OO) & Small Businesses (SB)				
								CT	Low %	Mod %	Mid %	Upper %	OO	Low %	Mod %	Mid %	Upper %
								F	%	%	%	%	SB	%	%	%	%
WASHINGTON	4,629	1,097	1,115	127,757	4.5	36,520	102,526	CT	3	18	59	17	OO	1	12	65	22
								F	18	19	25	38	SB	4	22	56	18
LAS VEGAS Multistate MSA	853	159	180	24,297	4.1	46,100	91,051	CT	7	22	48	23	OO	2	13	48	39
								F	19	19	23	39	SB	5	18	50	27
PORTLAND Multistate MSA	1,515	353	364	46,880	3.6%	\$44,400	\$69,800	CT	2	20	58	18	OO	1	14	64	22
								F	18%	19%	26%	38%	SB	1%	22%	59%	17%