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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

September 9, 1996

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Mercantile National Bank**

**Charter Number 17220**

**1840 Century Park East  
Los Angeles, California 90067**

**Office of the Comptroller of the Currency  
Western District  
50 Fremont Street, Suite 3900  
San Francisco, California 94105  
(415) 545-5900**

<b>NOTE:</b> 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 Community Reinvestment Act (CRA) performance of Mercantile National Bank prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 9, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated “**Satisfactory Record of Meeting Community Credit Needs.**”

This rating is supported by: 1) a satisfactory, above peer loan to deposit ratio; 2) A majority of the number of the bank's loans are within its Assessment Area; 3) The bank has a good record of lending to businesses of different sizes; and 4) There have been no public complaints concerning CRA against the bank.

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

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b>Mercantile National Bank Performance Levels</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the last examination		

## **DESCRIPTION OF INSTITUTION:**

Mercantile National Bank (MNB) is a \$114 million commercial bank that opened in 1981. The bank and its holding company Mercantile National Bancorp (MNB) are located in Century City, an unincorporated community of the City of Los Angeles. The bank has one office and one automated teller machine located at the office. MNB's last CRA Performance Evaluation, June 22, 1993, rated the bank as having a "Satisfactory Record of Meeting Community Credit Needs."

Since June 30, 1995, average assets have decreased from \$153 million. The bank is under a Formal Agreement with the Comptroller of the Currency, their primary federal banking regulator, which requires the bank, among other things, to achieve and maintain certain capital levels. In order to achieve this, and at the same time improve asset quality, the bank chose to reduce assets, especially non-governmentally guaranteed loans.

MNB's faces significant competition from a number of national and state banks in Century City, West Los Angeles, and Beverly Hills. The bank's primary focus is commercial lending. MNB's loan portfolio at June 30, 1996 was centered in commercial real estate (46%), commercial loans (32%), residential real estate (13%), and consumer (9%). The major industries in the West Los Angeles area are large businesses primarily in financial services, retail sales, and entertainment.

The bank has recently hired new executive management officers to help increase the volume of new loans.

## **DESCRIPTION OF ASSESSMENT AREA:**

MNB's assessment area is in West Los Angeles, including the communities and cities of Westwood, Century City, Rancho Park, West Los Angeles, and Beverly Hills. It consists of fifty-seven census tracts within the Los Angeles Metropolitan Statistical Area (MSA). The assessment area is contained within a generally high income and high cost region of southern California. Within the assessment area there are zero low-income, one moderate-income, twenty-three middle-income, and thirty-three high-income census tracts. The 1990 census population in the area is 257,254. Within the assessment area, the 1990 census median family income was \$48,571, compared to \$39,035 for the entire MSA. Also, within the assessment area, the 1990 census median housing value was \$416,000. MNB's Assessment Area meets the requirements of the regulation, and does not arbitrarily exclude low- and moderate-income areas.

As part of this examination, we conducted community outreach with local civic and government organizations. Through these activities we noted the primary credit needs in the assessment area are commercial and small business loans. The communities' credit needs are satisfactorily served through a large number of lenders who serve the commercial, consumer and residential real estate loan market.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

### **Loan to Deposit Ratio:**

MNB's loan to deposit ratio of 65.83%, as of June 30, 1996, meets the standards for satisfactory performance. Over a five quarter period between June 30, 1995, and June 30, 1996, the average loan to deposit ratio of thirteen, local banks of approximately similar size, was 56.10%. Over the same period, MNB's average loan to deposit ratio has remained fairly stable and above peer, despite the decline in asset size. It averaged 65.52%.

### **Lending in Assessment Area<sup>1</sup>:**

MNB's lending performance within its assessment area is satisfactory. The following table illustrates that the bank originated a majority of its new loans between January 1, 1995 and February 29, 1996 to individuals and businesses within its assessment area. Geocoding (loan location) information as of June 30, 1996 was not available.

### **LOANS MADE WITHIN THE ASSESSMENT AREA**

<b>Total Loans by Number</b>	<b>Total Loans Made Within the LA/OC AA</b>	<b>Percentage of Total Loans</b>
734	442	60.22%

### **Lending to Businesses of Different Sizes:**

As of June 30, 1996, 45% of the bank's commercial loans by number were made to small businesses. This compares favorably to the number of large entertainment and financial service businesses in the assessment area. Included in this number, as of June 30, 1996, were 65 commercial loans guaranteed by the Small Business Administration with total commitments of \$4.8 million. SBA loans and commitments represents 10% of the number and 7% of the dollar amount of total commercial loans.

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<sup>1</sup> Loan numbers and location information are provided through internal bank records and analysis done by an outside consultant. This analysis included 100% of the bank's loan portfolio. A random sample of all loan types was reviewed to verify these results.

## Geographic Distribution of Loans:

### Extensions of Credit in Different Income Census Tracts

Census Tract by Income Level	Percent of Loans Made in Different Income Level Census Tracts <sup>1</sup>	Percent of Census Tracts by Income Level Within Assessment Area
Low Income	0%	0%
Moderate Income	0%	2%
Middle Income	11%	40%
High Income	89%	58%

Of the total number of loans made within the bank's assessment area, 11% were in middle income census tracts and 89% were in high income census tracts. While this distribution may seem disproportional, most loans are in the main commercial corridor within the assessment area. This is in line with the nature of the bank's loan portfolio and unique nature of the area.

Within the Assessment Area, there is only one moderate income census tract and no low income census tracts. The moderate income tract is on the border of the assessment area. This tract is primarily residential consisting of a mixture of single family residences and apartment units. However, it also contains a shopping center anchored by large, national chain stores whose credit needs would be beyond the capacity of MNB to serve.

## Discriminatory Practices:

A comprehensive Fair Lending examination could not be performed because of the limited number of denials made by the bank over the past year. To assess the bank's compliance with the technical requirements of the applicable Fair Lending regulations, our review focused on compliance with the Equal Credit opportunity Act. We found no evidence of any disparate treatment by the bank.

1. See "Description of Assessment Area," page 3.

