



**Comptroller of the Currency
Administrator of National Banks**

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PUBLIC DISCLOSURE

April 8, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Valley National Bank
Charter Number 21992**

**843 W. Lancaster Blvd.
Lancaster, California 93534**

**Office of the Comptroller of the Currency
550 North Brand Blvd., Suite 500
Glendale, California 91203**

<p>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.</p>

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 **First Valley National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 8, 1997. 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.**”

- The bank’s loan to deposit ratio is reasonable given the bank’s size, financial condition, and the assessment area’s credit needs.
- A majority of the bank’s loans are within its assessment area.
- The bank is lending to individuals of different incomes and to businesses of all sizes including small businesses.
- The geographic distribution of credit reflects a reasonable dispersion throughout the bank’s assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	First Valley National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints		No complaints were received since the last examination	

DESCRIPTION OF INSTITUTION:

First Valley National Bank (FVNB) is a \$31 million community bank that opened in 1991. The bank's head office is located in downtown Lancaster, CA. The bank's only branch office was opened January 31, 1997 in Palmdale. Both the head office and Palmdale branch have attached ATMs and the head office also operates a drive-up teller facility. Lancaster and Palmdale are located in the Antelope Valley which is approximately 65 miles northeast of downtown Los Angeles.

The bank's overall condition is satisfactory and no financial or legal impediments exist which affect the bank's ability to meet the credit needs of its assessment area. Management's efforts to meet the credit needs of its community have historically been concentrated in small business lending. Real estate secured and commercial business loans represent 85% of net loans totaling \$18.4 million as of December 31, 1996. Consumer lending is centered in home equity lines of credit, secured and unsecured personal loans, and auto loans. The bank faces intense competition from local branches of large multinational banks, savings and thrift associations, and one larger community bank. Antelope Valley Bank, with total assets of \$147 million is located across the street from FVNB and has a strong presence in the consumer market. Mortgage loans are provided primarily by Norwest Bank and local mortgage lenders.

The last CRA examination was February 15, 1994, at which time the bank was rated Satisfactory.

DESCRIPTION OF First Valley National Bank's ASSESSMENT AREA:

The bank's assessment area (AA) includes 29 census tracts located in Lancaster and Palmdale, which are part of the Los Angeles County Metropolitan Statistical Area (MSA). The bank's AA does not arbitrarily exclude low or moderate income geographies. The following table identifies two tracts as low- and moderate-income areas, which represent 6% of the AA.

Low- and moderate-income families represent 29% of the area's total 63,580 families. Based on 1990 U.S. Census data, total persons residing in the bank's AA is 249,443. The MSA median family income is \$39,035. The current MSA median housing value is \$140,600. Based on a July 1993 study done by the Antelope Valley Labor Market, the AA's population increased to 332,232 and the median income to \$46,900. The Palmdale Economic Development Department reports the AA median housing price is \$90,100.

Income Distribution of Assessment Area Census Tracts

Income Level	# Tracts by Income	% of AA	# Families by Income	% of AA
Low	1	3%	9,515	15%
Moderate	1	3%	9,165	14%
Middle	18	62%	16,363	26%
Upper	9	31%	28,542	45%
Total	29	100%	63,580	100%

Due to the effects of the recent recession, housing prices continue to fall, making home ownership possible for low- and moderate-income families in Lancaster and Palmdale. Home prices are as low as \$50,000. Because of the over supply of affordable housing, the majority of low- and moderate-income families live in middle and upper income areas. The Antelope Valley Board of Trade reports that 75% of the area's residents are homeowners. The City Redevelopment Agencies provide several programs which fund rehabilitation of existing housing and favorable financing terms of low cost housing for low- and moderate-income individuals. In addition, local developers provide exceptional terms and work with local lenders to help low- and moderate-income families buy homes.

Percentage of Families by Income Level in Census Tracts

Census Tracts	% Low Income Families	% of Moderate Income Families	% of Middle Income Families	% of Upper Income Families
Low	2%	1%	0%	0%
Moderate	5%	3%	2%	1%
Middle	73%	73%	70%	55%
Upper	20%	23%	27%	45%

Fifty-nine percent of the work force is employed within the AA, while 41% of the work force commute to job locations elsewhere. AA employment has improved as evident in the declining unemployment rate from 9.67% in 1993 to 7.51% in 1995. The California Employment Development Department reports that as of October 1996, AA employment is centered in service industries 30%, military aircraft manufacturing and aerospace 26%, wholesale/retail trade 22%, and local government 14%.

The local economy is supported by, and at times reduced by, the effects of government decisions impacting Edwards Air force Base and local aircraft manufacturers, which include Lockheed, Northrup Grumman and Boeing North American. For 1997 and 1998, the impact will be positive as new government and commercial aircraft contracts should increase military and civilian jobs. Both city governments are committed to increasing the business base of the area. The City of Palmdale has a designated Foreign Trade Zone, and during 1996 the Antelope Valley was designated as a California Enterprise Zone. In addition, local government offers an incentive program for companies to relocate or expand in the area. The AA has 12,000 acres zoned for industrial and business parks in various stages of development.

During the examination, we conducted community outreach activities which included meeting with a representative of the City of Lancaster Redevelopment Agency and a local real estate agent. Both of these sources indicated that lending needs in the bank's AA are primarily centered in small business loans and consumer loans other than for housing. Housing needs are already being met. Community and economic development priorities include increasing job opportunities and increasing accessibility to venture capital for small businesses. Other needs include business loans for commercial real estate construction, working capital and fixed asset financing. FVNB's lending focus has been to small businesses throughout the area. Overall, our contacts indicate that local banks generally do a good job of meeting community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

FVNB's loan to deposit ratio is satisfactory.

As of December 31, 1996, the bank's average loan-to-deposit ratio calculated over the past eight quarters is 65%. This is reasonable, given the bank's size and market constraints imposed by intense local competition. For the same period, the average loan-to-deposit ratios for three banks of similar asset size ranged from 65% to 70%. These banks are located outside of FVNB's AA, but inside Los Angeles County. The only other community bank in FVNB's AA is a significantly larger and more established community bank than FVNB. Thus we did not include this bank in our comparison.

The bank's assessment area concentration is satisfactory. The majority of its loans are within its assessment area.

The following chart reflects that 84% (by number) and 85% (by dollar) of the bank's loans originated during 1996 are within its assessment area.

# Loans in AA	% of Total (#)	Loans in AA (000's)	% of Total (\$)
213	84%	\$7,658	85%

The distribution of the bank's loans to businesses of different sizes and to borrowers of different income levels is satisfactory.

The bank makes loans to small and medium sized businesses and to individuals of varying income levels. Our conclusions regarding business loans are based on bank supplied information, which we found to be accurate. To obtain income information regarding consumer loans, we randomly sampled each type of consumer loan originated during 1996. Our sample included 32% (by number) and 21% (by dollar) of loans made within the bank's AA.

A majority of FVNB's loan originations within its AA are business loans, representing 54% (by number) and 71% (by dollar). The number of consumer loans is reasonable at 46%, given the bank's focus on small business lending and local competition for consumer credit. Note that consumer loans tend to be smaller in dollar amount in proportion to those made to businesses.

The following table reflects the distribution of all business loans made to borrowers within the bank's AA during 1996. The majority of the bank's business loans are to small businesses with annual revenues of \$1 million or less. Of these loans, 80% were to small businesses. Additionally, 86% of these loans are for amounts less than \$100,000. The bank made 5 loans totaling \$217,736 under its SBA program, and \$414,000 in small farm loans.

Business Loans by Revenue Category Within the Bank's Assessment Area

Revenue Category	# Loans	% of Total (#)	Loans (000's)	% of Total (\$)
< or equal to \$1 million (Small Businesses)	93	80%	\$3,373	62%
> \$1 million (Large Businesses)	23	20%	\$2,092	38%
Total Business Loans	116	100%	\$5,465	100%

The following table reflects the distribution of sampled consumer loans originated during 1996 within the bank's AA. The distribution of loans to low- and moderate-income individuals is reasonable. Low income individuals represent 15% of the AA and received 23% (by number) and 8% (by dollar) of the bank's consumer loans. Moderate income individuals represent 14% of the AA and received 16% (by number) and 15% (by dollar) of the bank's consumer loans

Consumer Loans by Income Level Within the Bank's Assessment Area (*Sample*)

Income Level	% of AA	# Loans	% of Total (#)	Loans (000's)	% of Total (\$)
Low	15%	7	23%	\$36	8%
Moderate	14%	5	16%	\$65	15%
Middle	26%	4	13%	\$68	15%
Upper	45%	15	48%	\$281	62%
Total	100%	31	100%	\$450	100%

FVNB's geographic distribution of credit within its assessment area is satisfactory.

The bank's loans are reasonably dispersed throughout its AA. The following table reflects the geographic composition of census tracts of different income levels and the distribution of the bank's loans in those areas. Only two tracts are designated low- and moderate-income areas. However, as discussed under **DISCUSSION OF ASSESSMENT AREA**, the majority of low- and moderate-income families live in middle and upper income areas.

Lending in the Assessment Area by Census Tract Type

Census Tract Type	% AA	# Loans	% Total (#)	Loans (000's)	% Total (\$)
Low	3%	3	1%	\$67	1%
Moderate	3%	5	2%	\$289	4%
Middle	62%	134	63%	\$4,436	58%
Upper	31%	71	33%	\$2,865	37%
Total	100%	213	100%	\$7,658	100%

The bank is in compliance with all anti-discrimination laws.

We found no evidence of prohibited discrimination practices during our December 31, 1996 Fair Lending examination. The bank complies with the provisions of anti-discrimination laws and regulations.

The bank has received no complaints regarding Community Reinvestment issues since the last examination.

There are no complaints in the bank's Community Reinvestment Act Public File.