



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

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PUBLIC DISCLOSURE

September 26, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Founders National Bank of Los Angeles
Charter Number 22394**

**3910 W. Martin Luther King Boulevard
Los Angeles, CA 90008**

<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 **Founders National Bank of Los Angeles** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 26, 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.**”

- The loan to deposit ratio meets the standards for satisfactory performance based upon an eight quarter average loan to deposit ratio of 66%.
- The majority of outstanding loan dollars and the number of loans are made within the Assessment Area.
- The distribution of credit within the Assessment Area in low and moderate income geographies meets the standards for satisfactory performance.
- Lending to individuals of low and moderate income levels and to businesses with annual revenues of less than \$1 million dollars meets the standard for satisfactory performance.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Founders National Bank of Los Angeles 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:

Founders National Bank (“FNBLA”) is a \$95 million dollar commercial bank which was organized in January, 1991 and replaced the failed Founders Savings & Loan. The bank is the only African-American owned commercial bank in California. Its corporate office is located in the Crenshaw District of Los Angeles, which is approximately five miles southwest of downtown Los Angeles. They operate a four branch banking network. All branches are located within a ten mile radius of the corporate office in an area commonly known as Central and South Central Los Angeles.

FNBLA’s primary focus is commercial lending, multi-family and small business lending in the South Central Community. They have historically purchased multi-family real estate loans from other institutions for the purpose of expediting loan growth and its presence in the community. However, the primary focus is now on loan originations, and they have recently initiated a consumer auto loan credit program. Their primary lending competition is from two major institutions that have branches in their Assessment Area. One local savings & loan directly competes with FNBLA for deposits. FNBLA’s loan portfolio as of June 30, 1996 was centered in multi-family real estate loans (77%), business loans (20%) and consumer loans (3%). FNBLA is currently not a significant originator of single family mortgage loans. The Southern California area, specifically Los Angeles, has recently started to recover from a prolonged recession. There are no impediments to lending in FNBLA’s Assessment Area.

DESCRIPTION OF ASSESSMENT AREA:

The bank’s Assessment Area meets the requirements of the regulation and does not exclude low and moderate income areas. It consists of 317 census tracts within the Los Angeles Metropolitan Statistical Area (“MSA”). The Assessment Area consists of 85 low income census tracts, 136 moderate income census tracts, 57 middle income census tracts and 39 upper income census tracts. The population in the area is 1,661,979. The Assessment Area was adversely impacted by the 1992 riots in the city of Los Angeles. Additionally, the area experienced depressed real estate values from the recession of the early 1990's. The 1990 census median housing value is \$147,900. The 1990 census MSA median family income is \$39,035.

As part of this examination, we reviewed information regarding community contacts with local civic and government organizations. The primary credit needs in the Assessment Area are for small business and consumer and multi-family real estate loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio:

FNBLA's eight quarter loan to deposit ratio of 66% meets the standards for satisfactory performance. The eight quarter average loan to deposit ratio of three similarly situated institutions ranged from 46% to 66% placing FNBLA at the high end of the range. FNBLA has experienced a high level of problem loans as a result of the Southern California recession in the early 1990's. The similarly situated banks also faced high levels of problem loans. FNBLA bank has managed to maintain its loan to deposit ratio through purchasing portfolios of loans from other institutions.

Lending in the Assessment Area:

FNBLA's performance of lending within their Assessment Area is satisfactory. We reviewed bank prepared data that analyzed all loans made within the Assessment Area from January, 1993 to June, 1996 and we tested the accuracy of that information. The bank has a majority of its outstanding loan dollars and the number of loans made within the Assessment Area. The table below illustrates the loan portfolio as of June 30, 1996.

Loans Made Within the Assessment Area

Total Loans by Dollar Amount and Number	Total Loans Made Within Their Assessment Area	Percentage
\$62,553,725	\$36,560,585	58.45%
434	356	82.03%

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes:

We sampled 10% of the number of outstanding loans within FNBLA's Assessment Area. Our sample included 18 real estate, 15 consumer and 8 business loans. All loans were originated between July 1995 and June 1996. We focused on assessing the bank's record to lending to individuals of low and moderate income levels and to businesses with annual revenues of less than \$1 million dollars.

We concluded that the bank has a satisfactory record of lending to individuals of low and moderate income levels and to businesses with annual revenues of less than \$1 million dollars. The following tables illustrate our findings.

Extensions of Credit to Individuals of Different Income Levels

Income Level of Borrower	% of Real Estate and Consumer Loans by Income Level	% of Families Within the Assessment Area by Income Level
Low Income	12.12%	36.41%
Moderate Income	15.15%	19.32%
Middle Income	18.18%	18.11%
Upper Income	54.55%	26.16%

Of the loans sampled, FNBLA made 12.12% of its real estate and consumer loans to low income individuals. It is important to note however, that because FNBLA is not a significant originator of single family real estate loans, that the majority of its lending to low income individuals has taken the form of financing multi-family apartment buildings. A majority of its real estate portfolio is concentrated in these loans and these loans have benefited low income families.

FNBLA's has made 15.15% of its real estate and consumer loans to moderate income individuals. This compares favorably with the 19.32% of families represented that are of moderate income levels.

Extensions of Credit to Businesses of Different Sizes

Size of Business	% of Commercial Loan Portfolio
Revenues of < or = \$1million	62.50%
Revenues > \$1million	37.50%

The bank has a majority of its commercial loans to businesses with annual revenues of less than \$1 million dollars.

Geographic Distribution of Loans:

We reviewed FNBLA’s distribution of loans made in their Assessment Area in low and moderate income census tracts. We reviewed bank prepared data that analyzed all loans made within the Assessment Area from January, 1993 to June, 1996 and we tested the accuracy of that information.

FNBLA’s distribution of credit within their Assessment Area in low and moderate income geographies is satisfactory. The table below illustrates our findings.

**Distribution of Loans in Assessment Area
By Income Level of Census Tract**

Income Level of Census Tract	# of Loans in Tracts	% of Total Lns In A. A.	\$ Lent in A. A.	% of \$ in A.A.
Low	72	20.22%	\$11,053,332	30.23%
Moderate	143	40.17%	\$14,904,380	40.77%
Middle	65	18.26%	\$5,247,777	14.35%
Upper	76	21.35%	\$5,355,096	14.65%

The bank has a favorable penetration in low and moderate income geographies as compared to their penetration in middle and upper income geographies. Additionally, the total dollars lent in the Assessment Area are favorably distributed in low and moderate income areas.

Discriminatory Practices:

We completed a concurrent fair lending examination and found no evidence of any prohibited or discriminatory practices. We also found the bank complies with the provisions of the anti-discrimination laws and regulations.