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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

November 1, 1996

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Fremont First National Bank  
Charter Number 22662**

**600 North 36th Street  
Seattle, WA 98103**

**Comptroller of the Currency  
Western District  
50 Fremont Street, Suite 3900  
San Francisco, California 94105  
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<p><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.</p>
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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 **Fremont First National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 1, 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.**”

Fremont First National Bank demonstrates a reasonable loan-to-deposit ratio given the bank's size, its capacity to lend, and the market in which it operates. A majority of the bank's loans are in its assessment area and reflect both a reasonable geographic distribution and reasonable dispersion among individuals of different income levels and businesses of different sizes.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Fremont First 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	The bank has not received any complaints related to its CRA performance.		

**DESCRIPTION OF INSTITUTION :**

Fremont First National Bank (FFNB) is a small community bank located in Seattle, Washington. The bank primarily serves the incorporated area of the city of Seattle identified as the Fremont district, and its surrounding areas. The surrounding areas include Wallingford, Queen Anne , Lake Union, Ballard, Greenwood, Green Lake, and the University District. FFNB commenced operations in May of 1994, is owned by approximately 280 shareholders, and has a single office located in the Fremont district. The bank is in sound financial condition and has total assets of \$18 million as of June 30, 1996. Net loans represent approximately 60% of the bank’s assets.

FFNB’s primary focus is lending to small businesses . Consequently, the bank lends the majority of dollars (65%) to businesses and professionals. The balance of the portfolio consists of one to four family residential loans (21%), which are primarily houseboat loans, and consumer loans (14%). Because of its current size, the bank has neither the capacity nor expertise necessary to originate significant volumes of mortgage loans. Therefore, customers who inquire about mortgage loans are referred to a local mortgage company. However, the bank has identified the need for one to four family floating houseboat loans. This is a segment of the market that FFNB felt was not being served, and the bank has established a lending program to meet the need.

This is the first CRA evaluation of this financial institution.

**DESCRIPTION OF ASSESSMENT AREA:**

FFNB’s assessment area consists of the city of Seattle. This assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low or moderate income census tracts. Based on 1990 Census Data, the bank’s assessment area contains 123 census tracts and has a population of 516,383. The following table shows the number and percent of census tracts by income level, and the percent of total families residing in those census tracts.

<b>INCOME CHARACTERISTIC OF CENSUS TRACT</b>	<b># OF TOTAL CENSUS TRACTS</b>	<b>% OF TOTAL CENSUS TRACTS</b>	<b>% OF TOTAL FAMILIES</b>
Low Income	9	7%	4%
Moderate Income	29	24%	23%
Middle Income	65	53%	56%
Upper Income	20	16%	17%
<b>TOTAL</b>	<b>123</b>	<b>100%</b>	<b>100%</b>

The median family income for the Metropolitan Statistical Area (MSA) is \$43,103 based on 1990 Census Data. The major employer in the county is The Boeing Company, and the

business activity of Boeing significantly affects the economy of Puget Sound. While the lumber and wood products industry and the shipbuilding industry have declined in the past decade, employment in other areas remains strong, especially in international trade, high technology, and tourism. Unemployment in the central Puget Sound area is 5.4% as of February 1996, and is below both the statewide and national rates.

We contacted several community organizations in the bank's assessment area to learn about credit needs within the community. Based on these discussions, the overwhelming credit need appears to be small business loans. Our contacts indicated that many banks fail to understand the needs of small businesses, and that there seems to be more expertise at small business lending in the smaller institutions.

The median housing value in the assessment area is over \$130 thousand, and the mortgage loan market is well served by the abundant number of mortgage lenders doing business in this market.

Competition is significant, as there are approximately 25 banks, 10 thrifts, and well over 100 mortgage companies serving the same market area. The banks include several community banks, and numerous branches of regional and multinational banks.

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

### **LOAN TO DEPOSIT RATIO**

We analyzed FFNB's loan-to-deposit ratio over the last eight quarters. During these eight quarters, the bank's loan-to-deposit ratio went from 47% on December 31, 1994 to 83% on September 30, 1996, with an average ratio of 73%. At the time of the low ratio on December 31, 1994, the bank had only been in operation for six months.

We compared FFNB's performance under this criterion to banks with total assets less than \$100 million doing business in the same MSA. These banks have an average loan-to-deposit ratio of 72%. Based on this information, FFNB's ratio is reasonable given the bank's size, its capacity to lend, and the market in which it operates.

### **LENDING IN ASSESSMENT AREA**

A majority of FFNB's loans are inside the bank's assessment area. FFNB originated, and has outstanding, a total of 310 loans representing \$13,018,258 since it opened in May of 1994. Based on census tract data collected by the bank for each of its loans, 246 loans or \$11,171,229 are inside the bank's assessment area. This results in 79% of the number of

loans, and 86% of the total dollar volume. We tested the bank's recording of census tract data and found it to be accurate.

**LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES**

Overall, the distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

Business loans account for approximately 65% of the bank's total loans, and management indicated the majority of the bank's business loans are to small businesses and professionals. Small businesses are characterized as those with gross annual revenues less than \$1 million.

The bank has originated a total of 175 business loans from the period June 30, 1994 through September 30, 1996. We analyzed a sample of these loans to estimate the distribution of the bank's business loans among businesses of different sizes. Our sample consisted of 30 loans, representing 17% of total business loan originations. The following table shows the distribution of the business loans we reviewed by revenue size.

**DISTRIBUTION OF BUSINESS LOANS BY REVENUE**

<b>GROSS BUSINESS REVENUES (\$000's)</b>	<b># OF LOANS REVIEWED</b>	<b>% OF LOANS REVIEWED</b>
0 - 99	4	13.5%
100 - 249	5	16.5%
250 - 499	5	16.5%
500 - 999	5	16.5%
1000 +	11	37%
<b>TOTAL</b>	<b>30</b>	<b>100%</b>

The data reflects a reasonable distribution of business loans among businesses of different sizes. 63% of the business loans sampled were to borrowers with revenues less than \$1 million, and there are no revenue categories with little or no loan penetration.

We also analyzed the bank's one to four family residential loans. This is a much smaller segment of the portfolio, accounting for only 21% of the bank's total loans. As mentioned previously, this segment of the loan portfolio is made up primarily of floating houseboat loans. FFNB began collecting Home Mortgage Disclosure Act (HMDA) data as of January 1, 1996, and we used this data to estimate the distribution of this segment of the loan portfolio.

During the period January 1, 1996 through September 30, 1996, FFNB originated 19 one to four family residential loans for home purchase, improvement, and/or refinance. We analyzed the income distribution of these loans, and the following table shows the distribution of these loans among borrowers of different income levels.

**INCOME DISTRIBUTION OF 1 TO 4 FAMILY RESIDENTIAL LOANS**

<b>APPLICANT INCOME AS A PERCENT OF MSA MEDIAN</b>	<b>% OF TOTAL FAMILIES</b>	<b># OF 1 TO 4 FAMILY RESIDENTIAL LOANS</b>	<b>% OF 1 TO 4 FAMILY RESIDENTIAL LOANS</b>
Low Income	4%	4	21%
Moderate Income	23%	0	0%
Middle Income	56%	4	21%
Upper Income	17%	11	58%
<b>TOTAL</b>	<b>100%</b>	<b>19</b>	<b>100%</b>

This segment of the portfolio consists primarily of floating houseboat loans (rather than conventional one to four family real estate loans), and the distribution pattern of these loans is indicative of the floating houseboat market being served. This loan type is unique in nature, and carries with it certain risks not inherent in a conventional one to four family residential loan. Consequently, the bank requires a 25% down payment from the borrower. Given this requirement, and the cost of purchasing and maintaining a houseboat, more of these borrowers tend to be upper income individuals. In light of these circumstances, we do not consider the above distribution unreasonable.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

Overall, the geographic distribution of the bank’s loans reflects reasonable dispersion throughout its assessment area.

We used our sample of business loans to estimate the geographic distribution of the bank’s business loans among census tracts of various income levels. The following table compares the distribution of the loans we reviewed to the income distribution of census tracts.

**GEOGRAPHIC DISTRIBUTION OF BUSINESS LOAN ORIGINATIONS**

<b>INCOME CHARACTERISTIC OF CENSUS TRACT</b>	<b>% OF TOTAL CENSUS TRACTS</b>	<b># OF TOTAL BUSINESS LOANS</b>	<b>% OF TOTAL LOANS</b>
Low Income	7%	1	3%
Moderate Income	24%	12	40%
Middle Income	53%	13	43%
Upper Income	16%	4	13%
<b>TOTAL</b>	<b>100%</b>	<b>30</b>	<b>100%</b>

As evidenced by the data, the distribution of loans corresponds to the income distribution of census tracts and reflects reasonable dispersion among low-, moderate-, middle-, and upper-income census tracts throughout the bank's assessment area.

We also analyzed the bank's one to four family residential loans. We used the HMDA data collected by the bank during the period January 1, 1996 through September 30, 1996 to estimate the distribution of these loans among census tracts of various income levels. The following table compares the geographic distribution of residential loans to the income distribution of census tracts.

#### **GEOGRAPHIC DISTRIBUTION OF 1 TO 4 FAMILY RESIDENTIAL LOANS**

<b>INCOME CHARACTERISTIC OF CENSUS TRACT</b>	<b>% OF TOTAL CENSUS TRACTS</b>	<b># OF 1 TO 4 FAMILY RESIDENTIAL LOANS</b>	<b>% OF 1 TO 4 FAMILY RESIDENTIAL LOANS</b>
Low Income	7%	0	0%
Moderate Income	24%	0	0%
Middle Income	53%	3	16%
Upper Income	16%	16	84%
<b>TOTAL</b>	<b>100%</b>	<b>19</b>	<b>100%</b>

Again, the distribution pattern of these loans is indicative of the floating houseboat market being served. Moorage space for floating houseboats is typically found in upper income census tracts. Hence, the majority of loans for this product will be located in these census tracts.

The bank has neither the capacity nor expertise necessary to originate significant volumes of conventional mortgage loans, and the market for mortgage loans is well served by numerous other financial institutions. Given these circumstances, we do not consider the above distribution unreasonable.



## **RESPONSE TO COMPLAINTS**

FFNB has not receive any consumer complaints related to its CRA performance.

## **RECORD OF COMPLYING WITH ANTIDISCRIMINATION LAWS**

We did not identify any violations of the substantive provisions of antidiscrimination laws and regulations.