



Public Disclosure

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Community Reinvestment Act Performance Evaluation

Northern Trust Bank of California, N.A.
Charter Number: 17751

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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.

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 **Northern Trust Bank of California, N.A. (NTBCA)**, prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of July 12, 1999. 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.*

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation.

Assessment Area (AA) - an area that the bank defines. It includes the geographies in which the bank has its main office, its branches, and other deposit-taking remote service facilities. It also includes the surrounding geographies in which the bank has originated or purchased a substantial portion of its loan portfolio. The assessment area always consists of one or more whole census tracts or block numbering areas (BNAs), which are subdivisions of counties in metropolitan and non-metropolitan areas, respectively.

Community Development (CD)- means that the primary purpose of the loan, investment or service is for: affordable housing (including multifamily rental housing) for low or moderate income individuals; community services targeted to low or moderate individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of 13 CFR 121.802 (a)(2) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low or moderate income geographies.

Geography - a census tract or block numbering area delineated by the United States Bureau of the Census in the most recent decennial census (1990).

Low- and moderate-income (LMI)- refers to families with income that is less than 80% of the area median income. In the case of geographies, the average median income for the geography is less than 80% of the area median income. Area median income refers to the median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

MSA - means a metropolitan statistical area or a primary metropolitan statistical area as defined by the Director of the Office of Management and Budget.

Small Business or Small Farm Loan - a loan included in “loans to small businesses” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. Briefly, these include Commercial and Industrial loans that are less than or equal to \$1 million.

Wholesale Bank - a bank that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers. A bank will not be considered “in the business of extending loans to retail customers ” if it does not present itself to the retail public as providing such loans and the bank’s revenues from extending such loans are insignificant when compared to its overall lending operations. Wholesale banks may engage in very limited retail lending, if this activity is incidental and done on an

accommodation basis.

Scope of the Examination

In evaluating the bank's performance under the CRA, we reviewed community development activities from January 1, 1997 through June 30, 1999. We reviewed the level and nature of qualified investments, community development lending, and community development services. At the bank's option, we considered community development investment activity provided by its holding company, Northern Trust Corporation.

This examination covered the community development test procedures for wholesale and limited purpose banks prescribed under 12 CFR 25, CRA's implementing regulation. We focused our review of the bank's CRA performance within the Los Angeles, Orange, San Diego, San Francisco, and Santa Barbara counties. We placed less emphasis on the Indian Wells and Mills Valley branches, which opened in March and May 1999, respectively. Because of the newness of these branches, they have not yet achieved the same level of community development activity as attained in the other assessment areas.

The bank received an Outstanding rating at the last CRA examination dated June 19, 1997.

Institution's CRA Rating: This wholesale purpose institution is rated *Outstanding* under the Community Development Test. The major factors supporting the institution's rating are:

- < NTBCA demonstrates a high level of community development lending, community development services, and qualified investment activity. The aggregate volumes of community development loans, small business loans, and investments are strong. All loans and investments are within the assessment areas.
- < The bank's lending levels reflect an excellent responsiveness to the credit and community development needs in its assessment areas.
- < The bank has a substantial volume of qualified investments that are responsive to the community's credit and economic development needs. NTBCA has taken a leadership position in providing support to community development organizations.
- < The bank demonstrates extensive use of innovative or complex community development services and grants.

Description of Institution

Northern Trust Bank of California, N.A. (NTBCA), is headquartered in Santa Barbara, California. It was established in 1988 to provide asset management and trust services in California. The bank originally opened offices in Santa Barbara, San Francisco, and Los Angeles. NTBCA expanded its banking services with the acquisition of Tri Valley National Bank in 1991 and the purchase of a substantial portion of the trust business of Trust Services of America, Inc. in 1997. As of June 30, 1999, NTBCA operated 11 offices wholly committed to the concept of “private banking.” Offices are located in the following urban areas: Los Angeles, Westwood, San Francisco, San Diego, Santa Barbara, Montecito, Newport Beach in Orange County, La Jolla, Beverly Hills (opened August 1998), Indian Wells (opened March 1999) and Mills Valley in Marin County (opened May 1999).

NTBCA is a wholly owned subsidiary of Northern Trust Corporation headquartered in Chicago, Illinois. The multi-bank holding company, whose business began in 1889, has a network of subsidiaries in ten states and international offices in five countries. At year end 1998, Northern Trust Corporation had assets totaling \$27.9 billion and trust assets under administration totaling \$1.3 trillion. NTBCA is devoted solely to providing personal fiduciary, asset management, personal and private banking, and master trust/custody services. NTBCA offers a full range of services that support not only client personal needs but also those of their family members and businesses. For these clients, the bank offers residential mortgage lending and other credit services as an accommodation. NTBCA was designated as a wholesale bank on March 1, 1997.

As of December 31, 1998, NTBCA had total trust assets of \$11.5 billion and retail assets of \$809 million. Trust income for 1998 represented 52% of total revenues. Real estate loans experienced rapid growth in 1997 and 1998 and currently comprises 89% of the portfolio. NTBCA’s deposit market share is 0.12% for the combined assessment areas. There are no pass through receivables. Other than NTBCA’s limited ability to engage in the origination of loans for affordable housing or to small businesses because of their small staff size and fiduciary focus, there are no financial or legal impediments exist that effect the bank’s ability to meet the credit needs of its assessment area.

Table 1: Financial Information (\$000s)

	Year-end 1997	Year-end 1998	Most Recent Quarter-end 03/31/99	Average for Evaluation Period
Tier 1 Capital	66,177	74,822	75,600	72,200
Total Income	74,119	92,260	102,664 (annualized)	89,681
Net Operating Income	5,486	8,646	11,112 (annualized)	8,415

Total Assets	706,051	809,065	813,339	776,152
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Source: Consolidated Report of Condition and Income and bank reported data.

During the examination, we considered banking opportunities and information regarding NTBCA’s assessment area community needs obtained from five organizations. One organization representing a small business and economic development center was contacted by the OCC and four were contacted by other regulatory agencies. The representatives of organizations contacted stated that the most significant credit needs within the assessment areas are affordable housing and loans to small businesses. The assessment areas also need funding specifically for technical assistance and other educational services, particularly to teach the residents of the community job and life skills.

Assessment Area Description

NTBCA has identified the following seven areas as its assessment areas: Los Angeles MSA, Orange County MSA, Santa Barbara MSA, San Diego MSA, San Francisco County, Marin County, and Desert Communities. The bank defined the Desert Communities assessment area as the contiguous area within the following town limit boundaries: Bermuda Dunes, Cathedral City, Coachella City, Coachella Valley, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, and Rancho Mirage. The bank’s assessment areas meet the requirements of the regulation, and do not arbitrarily exclude any LMI areas.

NTBCA recently opened the Marin County and Desert Communities branches. Therefore, it has not yet achieved the same level of community development activity as attained in the other assessment areas. As such, we focused our CRA review on the Los Angeles, Santa Barbara, San Diego, Orange County, and San Francisco assessment areas.

All the counties have areas needing community revitalization of infrastructure, and commercial and industrial buildings. The communities are also in need of affordable housing, loans to small and medium size businesses, and funding to create job opportunities, job training, placement and entrepreneurial skills for LMI youth and individuals.

NTBCA operates in very competitive urban markets. Many financial institutions provide traditional retail banking services, including larger institutions that compete successfully for large community development projects.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Census Tracts	2,772	8%	24%	37%	31%

Families	3,463,065	22%	18%	21%	39%
Small Businesses	437,142	9%	23%	36%	32%

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data

The table above presents the aggregate numbers of Census tracts, families, and small businesses by income levels of each for the bank's combined assessment areas according to our CRA review. Overall, 40% of the families are LMI level families, and 32% of the small businesses are in LMI census tracts. This shows there is a need for affordable housing and opportunities for small business lending development. Community contacts confirmed this as well.

Los Angeles County

The Los Angeles MSA consists of one county and is the bank's most populated assessment area with an estimated population of more than 9.2 million people. Minorities comprise 59% of the population. As for race or ethnic origin, whites comprise 41%, Hispanics 37%, Black 11%, and Asian 10% of the population. Los Angeles County is a complex, highly diverse urban region comprising eighty cities and many unincorporated areas. The county encompasses more than 4,000 square miles. Of the 1,652 census tracts, 534 or 32% are LMI tracts. The median family housing value is \$246,159 with 46% owner occupied and 49% rental occupied units. The remaining 5% are vacant housing units.

The U.S. Department of Housing and Urban Development (HUD) estimated median family income for 1999 is \$51,300. The 1990 median family income for the Los Angeles MSA was \$39,035. The census data shows that 23% of the families were low-income; 17% moderate-income; 20% middle-income; and 40% upper-income. Major employment industries are in the services, manufacturing, retail and wholesale trade, and government sectors. Approximately 99% of the 326,828 business operations are nonfarm establishments. Of the total farm and business operations, 76% are small businesses/farms with gross revenues of less than \$1 million. The unemployment rate was reported as 6.6% for 1998 by the Bureau of Labor and Statistics.

The lack of affordable housing in the county has reached crisis proportions and is the strongest community need for the Los Angeles MSA. Home ownership has become virtually impossible for the average resident with housing prices and rent increases far surpassing the increase in household incomes. Individuals at-risk of becoming homeless are growing in alarming numbers.

Orange County

The current population of the Orange County MSA is more than 2.7 million people. Minorities represent 35% of the population with 23% Hispanic, 10% Asian, and 2% Black. The county comprises 948 square miles. Of the 484 census tracts in the county, 27% are LMI tracts. The median housing value is \$257,224. Approximately 57% of the housing units are owner occupied and 38% are rental occupied units. The remaining 5% are vacant housing units.

The HUD estimated median family income for 1999 is \$68,300 and the 1990 median family income was \$51,167. Of the 590,490 families in Orange County, 19% were low-income; 19% moderate-income; 24% middle-income; and 39% upper-income families.

Employment industries mirror Los Angeles County. Nonfarm establishments represent 99% of the businesses with 74% reporting gross revenues of less than \$1 million. Unemployment for 1998 was 3%.

The most critical need in Orange County is for LMI housing. In recent years, Orange County piloted an economic effort aimed at creating job opportunities and encouraging local ownership of businesses. The effect of this economic boom has resulted in the population of Orange County now growing faster than the available housing stock. Home prices are expensive and the average rent for an apartment in Orange County is more than \$900 a month. Unfortunately, the poor are relatively poorer now because more of their relative income is spent on housing. Opportunities for real estate loans for large multi-family complexes are limited. The residual impact of the Orange County bankruptcy in December 1994 resulted in the reduction or discontinuance of many public redevelopment initiatives and impacted many government programs. Factors hindering the bank's competitive edge is their lack of sub-market pricing programs.

San Diego County

The total population of the county is more than 2.7 million people. Minorities represent 34% of the population with 20% Hispanics, 7% Asian, and 6% Black. There are 435 census tracts in the county with 122 or 28% designated as LMI tracts. The median housing value is \$198,213. Of the total housing units, 50% are owner occupied and 43% are rental occupied units. The remaining 7% are vacant housing units.

The HUD estimated median family income for 1999 is \$52,500. There are 605,144 families in the county. Of these, 20% are low income, 19% moderate-income, 22% middle income, and 39% upper income families. The major types of employment are wholesale trade, government, and services. The business distribution mirrors Orange County. The unemployment rate is approximately 6%.

Ascertainment efforts reveal that the greatest needs in San Diego County are affordable housing and small business credit. The high cost of housing in San Diego prevents LMI individuals from home ownership. Additionally, small and micro-business comprise roughly one-half of the economy in San Diego, yet credit is difficult to obtain for many small enterprises.

San Francisco County

The current population of San Francisco County is 746,000. Minorities represent 53% of the population with 29% Asian, 13% Hispanic, and 11% Black. There are 152 census tracts in the county. Of these, 15% are low-income, 27% moderate-income, 38% middle-income, and 18% upper-income tracts. Three tracts or 2% did not have a designation. The median housing value is \$319,708. Of the total housing units, 32% are owner-occupied, 61% are rental units, with 7% vacant units.

The HUD estimated median family income for 1999 is \$72,400. Of the 143,818 families, nearly half are LMI. Approximately 28% of the families are low-income, 21% moderate-income, 21% middle-income, and 30% upper-income. Wholesale trade and government represent the most significant employment establishments. Almost 100% of the

businesses are nonfarm entities with 74% reflecting gross revenues of less than \$1 billion. The unemployment rate is a low 5%. Mergers that produced layoffs are expected to affect a significant portion of the Bay area with some risk of recession in the year 2000.

The San Francisco real estate market is “extremely tight” with severe shortages of affordable housing and a commercial vacancy rate of less than 2%. Opportunities for the bank to fund multi-housing unit projects are rare due to the high price of real estate and the fact that large retail banks generally fund these projects.

The low-income households of the city are at imminent risk of becoming homeless. The county’s five year goal is to construct or acquire 2,560 units for extremely low-income individuals and 2,750 for extremely low-income families. Other San Francisco community development needs include the necessity for a variety of neighborhood facilities, human services to support physical development activities, and economic development activities.

Santa Barbara County

The current population in Santa Barbara is 390,000. Most of the population is white, at 66% with 26% Hispanics, 4% Asian, and 3% Black. There are 82 census tracts in the county. Of these, 29% are LMI tracts. The median housing value in 1990 was \$256,264. The current median price of a home is nearly \$500,000.

The HUD estimated median family income for 1999 is \$52,100. Of the 87,510 families, 19% are low-income, 18% moderate-income, 23% middle-income, and 40% upper-income. Wholesale trade, services, and government represents the most significant employment establishments. Approximately 96% of the businesses are nonfarm entities with 77% reflecting gross revenues of less than \$1 billion. The unemployment rate is average at 7%.

Santa Barbara is one of the most expensive places to live in the United States largely due to the high housing costs. Affordable housing is the number one issue facing the county government. In 1998, there was only one single family home available below \$300,000 according to Santa Barbara’s multiple listing service. Due to the strong real estate market, the rental market is very tight. Currently, a two-bedroom apartment rents for as much as \$1,500. Since 1993, the county has approved 820 affordable units. This total falls dismally short of the 6,300 units that the state Department of Housing and Community Development has set as the county’s fair share of affordable housing. The Planning Commission has scheduled hearings to consider ways to increase affordable housing projects.

CONCLUSIONS WITH RESPECT TO PERFORMANCE

The bank's strategy considers compliance with both the letter and spirit of the CRA to be one of its essential missions. Annually, senior management establishes community development lending goals by assessment area. They distribute these goals to, and are the responsibilities of the managing directors and private banking managers of offices within each assessment area. The established targets stimulate lending and investment activity as evidenced by the bank's high level of community development loans and qualified investments. Through their involvement, NTBCA not only attains their community development measures by providing the necessary financing assistance to support various organizations, but more important, NTBCA significantly impacts lives and communities within their assessment area.

Level of Community Development Activity

NTBCA's level of community development activities within its assessment areas is high. Over the evaluation period, the bank originated 93 community development loans for a total of \$21.1 million. Of these, 47 loans or 63% of the dollar volume are centered in activities that revitalize LMI areas or promote economic development; 20 loans or 9% of the dollar volume are for affordable housing to LMI individuals or in LMI areas; and the remaining 26 loans or 28% are for small businesses. They purchased two small business loans totaling \$238,000 from the Small Business Administration (SBA). The SBA loans promote economic development within the meaning of the regulation. Approximately 60% of the bank's small business loans were less than \$250,000. Community development loans outstanding from the prior period total \$1.4 million. Included in these figures are loans to Community Development Corporations (CDCs) and consortium loans representing \$1.1 million with \$336,000 in commitments.

NTBCA made a significant volume of qualified community development investments during the evaluation period. Qualified investments and grants are high at \$9.8 million and \$444,000, respectively. We gave positive consideration to two tax credits qualified investments originated by an affiliate. These investments total \$9.5 million and benefit affordable housing needs in Los Angeles and San Diego. The bank continued to maintain its qualified investments in various other CDCs and slightly increased its investment in some cases.

NTBCA has an impressive record for contributing community development services to many community organizations in their assessment areas. Over the evaluation period, the bank's and administrative personnel dedicated 6,759 service hours to nonprofit and for-profit organizations within their assessment areas. A substantial majority of these hours were used in providing technical assistance and financial services. This level of involvement is impressive not only given the limited banking staff, but also in the capacity in which employees participate.

Innovation/Complexity of Community Development Activity

NTBCA's use of innovative or complex community development activities is extensive. The bank continually explores ways to increase its participation in community development projects. Its lending initiatives include creating a program designed specifically for the Habitat for Humanity organization. Through this program, the bank lowers the cost of credit for borrowers by providing below market financing of construction. Further, the bank purchases the existing mortgage loan at less than face value, which enables the organization to have a ready source of construction funds and a cash source to build more homes.

NTBCA management assumed a leadership role in dedicating their services to both public and private economic and community development initiatives. Innovative community development service efforts include the provision of technical assistance to governmental entities to ensure collaboration in implementing welfare reform by transitioning individuals from welfare to work; developing underwriting guidelines for a CDC's micro-loan fund; facilitating training on all aspects of CRA to the executive staff of various organizations; and designing a flexible security instrument for Southern California in collaboration with two other financial institutions. The instrument allows investors to channel capital directly to local nonprofits engaged in community development, housing, and micro enterprise lending. They distributed several grants through the small bank consortia established by the bank's CRA Officer. The consortia, which comprise 26 financial institutions, pools their funds to provide funding to community organizations that benefit from combined grants. Since the establishment of the consortia, the CRA Officer continues to chair, plan the agendas, and host the meetings for the participating financial institutions.

Responsiveness to Community Development Needs

NTBCA's responsiveness to credit and community development opportunities in its assessment areas is excellent. NTBCA's management has established meaningful partnerships with qualified community development and community-based organizations that promote economic development, revitalization, and promote community welfare. Through their contacts with community groups, they attempt to identify and meet the most significant community credit needs within each assessment area. As noted in the Description of the Institution comment, the primary needs in the assessment areas are: affordable housing, financing for micro-enterprises and start-up business, loans and investments in CDCs, technical assistance in business management, and job training.

As indicated, NTBCA's affordable housing and small business needs in its assessment area are met through their community development lending and investments as indicated above. The bank's direct community lending efforts are focused on organizations that support affordable housing or provide services to homeless, LMI individuals, or LMI geographies. The bank meets the needs of the not quite bankable small businesses either directly or

indirectly. In conjunction with consortiums, the bank extends credit indirectly through CDCs' revolving loan funds, to micro enterprises directed primarily to minority and women-owned businesses.

NTBCA has identified many opportunities to service and fund projects that provide basic services and infrastructure needs for LMI persons and geographies. Many of those services included basic health services to homeless, abused, and battered women and children; technical assistance to organizations in LMI areas who work with LMI individuals, and educational programs focused on financial, life and work skills to LMI families and individuals. The bank works through and with various nonprofit organizations dedicated to providing many of these needs. Approximately 70% of their service hours were dedicated to technical assistance, providing job training, and education of life skills for youths, homeless, battered women, and others. Bank management also managed to provide technical assistance to small business owners and community leaders through their fund raising efforts and hosting activities. Bank management was also instrumental in assisting a CDC achieve a presence in Southern California. Through their involvement in providing office space, support/administrative services, and hosting meetings, more than 50% of the loans booked by the CDC were to community organizations and small businesses based in Southern California.

Support in the form of grants was specifically earmarked to LMI individuals or areas. Over the evaluation period, NTBCA granted a substantial amount to programs such as battered women centers, job-training facilities, economic development projects and youth programs. Grants were also used to underwrite title/documentation fees for loans, educational services, rental payments in low-income facilities, and fundraising activities for technical assistance programs.

Qualified Investments

NTBCA is committed to meeting the community needs of its assessment areas through qualified investments and through the efforts of community development corporations. As of June 30, 1999, the bank had \$9.8 million in qualified investments. Of this, a \$25,000 equity investment from the prior period benefitted a broader statewide area that includes the bank's AAs. Qualified grants represent an additional \$444,000. The bank's CRA Officer disbursed \$198,221 of this total and the remainder was disbursed by the branches. All investments and grants benefitted the assessment areas. Refer to the "Conclusions with Respect to Performance" for the five assessment areas for facts and supporting documentation. Due to rounding, the amounts may differ slightly.

Table 3: Qualified Investment Activity (\$000s)

	Benefits AA
Originated Investments	9,549

Originated Grants	444
Prior Period Investments	299
Totals	10,292

NTBCA has a high level of qualified investments as a percentage of Tier 1 Capital and total income as indicated below. NTBCA’s qualified investments exhibit good responsiveness to identified credit and community development needs.

Table 4: Qualified Investment Percentages

	Benefit AA (%)
Investments/Average Tier 1 Capital	14.25%
Investments/Average Total Income	11.48%

NTBCA supports a variety of organizations dedicated to affordable housing construction and rehabilitation, economic development by small businesses, and community services for LMI individuals. This is represented in the prior period investment amount. We gave positive consideration to qualified investments originated during the evaluation period by the holding company, Northern Trust Corporation. The holding company contributed significantly to affordable housing initiatives that benefitted the bank’s assessment areas by providing two tax credit investments. The low-income multi-family housing investment in Los Angeles totals \$6.7 million and the one in San Diego totals \$2.8 million.

Other originated investments consist of equity investments in four additional CDCs or certified development financial institutions and increases in qualified investments that are still outstanding. Equity investments increases were provided to four CDCs existing from the prior period; two CDC loan pool funds from the prior period; and a certificate of deposit with a local community development bank.

There are many business and community development opportunities within the bank’s assessment areas, but competition to participate in CD lending and investments is strong. Local banking competition is aggressive and includes numerous commercial banks, thrifts, credit unions, and other financial service providers. Nonetheless, NTBCA continues to explore opportunities to form, and create investment pools through its community partnerships, or increase their participation in loan pools. Over the evaluation period, NTBCA approved a \$25,000 increase in an investment to a small business CDC in San Diego. However, the multi-bank CDC declined the amount and would only accept the bank’s \$1,300 pro-rata share.

Qualified grants presented the bank with innovative opportunities. In keeping with their focus to make meaningful contributions, grants have contributed toward educational or job training programs and technical assistance as evidenced by the following:

- established an apprenticeship site training program for construction of low-income houses.
- underwrote the tuition of four executive directors of a non-profit organization which serves LMI housing and other CD needs to attend training classes through Housing California and the Southern California Association for Non-Profit Housing.
- underwrote an after-school program, mentoring, and parenting classes to students and their parents in low-income areas.
- assisted a foundation with the job placement of low-income students through internship programs.
- provided two low-income families with an in-home family sign language instructor for six weeks.
- supported a case management program for a small business incubator/empowerment center.
- provided a grant to a pediatric mobile health facility that promotes health care in LMI areas for LMI and homeless individuals. NTBCA also organized a presentation which brought together funding sources to support the organization's CD activities.
- assisted with the development of a neo-natal unit by stipulating that the grant be used for an incubator warmer and cover medical expenses of premature babies born to LMI women.
- underwrote title and documentation fees for a loan program for very low-income borrowers.

Community Development Lending

NTBCA's amount and variety of community development lending in its assessment areas demonstrates an excellent responsiveness to this kind of credit need. Community services, affordable housing, redevelopment, and other community development kinds of benefits accrued to the assessment areas through NTBCA's community development lending. All of these loans financed activities targeted primarily toward low- and moderate-income persons or geographies.

As Table 5 depicts, NTBCA originated \$21.1 million in CD loans throughout their AAs. Refer to the "Conclusions with Respect to Performance" for the five assessment areas for facts and data supporting these Tables. Due to rounding, the amounts may differ slightly.

Community development loans outstanding from prior periods are also good and contribute to the bank's excellent performance. Included in the CD loans outstanding from the prior period are \$502,000 in consortia loans through a state-wide, for-profit, multibank CDC that provides special financing to small businesses and economic development corporations, and \$238,000 in two small business loans purchased from the Small Business Administration (SBA) which promote economic development within the meaning of the regulation. Also included is a direct loan for \$387,000 to a mortgage company which

underwrites affordable multi-family housing projects for LMI families in LMI neighborhoods, and \$336,000 in outstanding commitments to various CDCs.

Table 5: Community Development Loan Activity (\$000s)

	Benefits AA
CD Loans Originated	21,115
CD Loans Outstanding from Prior Periods	1,463
Totals	22,578

NTBCA has a high level of community development lending as a percentage of Tier 1 Capital and total income as indicated below. These represent a significant portion in relation to other wholesale banks throughout the United States. Further, these tables exhibit a strong record of serving the community credit needs.

Table 6: Community Development Lending Percentages

	Benefits AA (%)
Total CD Lending/Average Tier 1 Capital	31.27%
Total CD Lending/Average Total Income	25.18%

NTBCA's responsiveness to community development credit needs is excellent. Over the evaluation period, the bank also focused on improving the plight of the homeless in their assessment areas. Some of the projects representative of NTBCA's community development lending include financing a 55-bed live-in residential treatment facility for women and children; a long-term residential treatment center; and, extending a line of credit to a homeless assistance agency. All specialize in job training and rehabilitation for homeless and low-income individuals. Further, NTBCA financed two facilities that offer medical services in LMI areas. One is an industrial medical facility servicing LMI individuals who would otherwise not have access to health services. The other is a center that provides health services specific to the HIV positive community. Proceeds for these projects totaled \$3.9 million.

NTBCA is involved with a nonprofit organization dedicated to constructing or rehabilitating homes solely for LMI families. In seeking opportunities addressing affordable housing needs, NTBCA specifically designed a lending program for use with this organization. The program effectively lowers the cost of credit for the borrowers by providing below market financing for the construction phase. The bank also purchases the existing mortgage loans at less than face value enabling the organization to have a ready source of funds to construct

more houses. Bank provided permanent financing for 11 mortgage loans for eligible projects throughout Los Angeles and San Diego for a total of \$715,000. They extended all at discount rates and a few at “zero” interest.

The bank extended direct loans totaling \$788,000 to three non profit community development organizations. One organization, which a number of California-based banks own, has identified and underwritten 16 affordable multi-family housing projects for LMI families and in LMI neighborhoods totaling \$387,000. They extended a \$250,000 loan at below-market rate to a nonprofit financial intermediary whose goal is to increase access for capital for low-income communities, primarily by providing financing for low income housing at affordable rates. The organization serves as a lender of its own community development loan fund through their revolving loan fund. The organization extends loans, attempts to bring projects to the point at which they are bankable, and then asks the lenders to undertake their appropriate role. The third loan, also at below-market rate, provides funding for low-income projects in the Los Angeles assessment area.

Participation in the origination of micro-loans to disadvantaged minority-owned small businesses through small business CDCs in their assessment areas is strong. As of June 30, 1999, total loan commitments in four small business loan consortiums represented \$336,000 and the bank’s loan pool percentage totaled \$567,000. All four loan consortiums are multi-bank CDCs, one of which is a for-profit entity created through a joint initiative of the Development Fund, the Federal Reserve Bank of San Francisco, and 48 financial institutions and three nonprofit CDCs in San Diego, Orange County, and Santa Barbara.

Community Development Services

NTBCA's management supports many community organizations and community representatives within their assessment areas primarily through their time and dedication. Over the evaluation period, management contributed numerous community development service hours to approximately 186 community organizations in their assessment areas. In 1997 and 1998, bank lending and administrative personnel dedicated 3,096 and 2,831 service hours, respectively, to nonprofit and for-profit organizations dedicated to community development. Year to date 1999, management has contributed a total of 832 service hours. This level of involvement is impressive not only given the limited banking staff, but also in the capacity in which employees participate.

Although many of these services are collaborative efforts with community and government organizations, NTBCA management has assumed a leadership role in addressing community needs. Most of the staff's involvement is largely related to the provision of financial services, technical assistance, or educational assistance. These include serving on the board of directors, finance committees, or other leadership capacity in many organizations involved in affordable housing, small businesses, and economic development in LMI areas. Bank officers also hold receptions for non-profits, many with fundraising efforts.

Their willingness to participate actively in community organizations and take innovative steps to assist them is demonstrated by the following:

- NTBCA's President provided technical assistance in her leadership role in drafting a Memorandum of Understanding with Department of Social Services and Employment Division to ensure collaboration in implementing welfare reform and moving low-income individuals from welfare to work.
- developed underwriting guidelines for a bankers small business CDC's micro-loan fund.
- provided credit report service and processing free of charge to all low-income home buyers whose companies are members in the housing partnership.
- organized and established a consortium of banks so that community organizations may benefit from combined grants, some of which provide for financial services. The Community Investment Officer continues to demonstrate a leadership role by planning and hosting the meetings for 26 financial institutions.
- organized a presentation for the executive committee of a commerce organization on alternative financing sources to finance nonbankable small business owners.
- organized a two-day summit for more than 400 minority business owners to access technical assistance.
- organized a planned giving group for a "legacy of compassion" program to assist in fundraising for a rescue mission.
- bank president designed and broadcasted a national radio advertisement promoting the importance of community investment in collaboration with a homeless shelter.

- hosted a fundraising reception for foundations to learn about affordable housing programs.

Conclusions with Respect to Performance in Los Angeles County MSA

The bank demonstrated excellent performance in helping meet the community development needs of the Los Angeles assessment area. There are three branches in the Los Angeles County: Los Angeles, Westwood, and Beverly Hills. The total number of individuals involved in CRA is 34, including 25 of the bank's administrators and three loan officers. There are approximately 1,575 financial institutions and/or branches in this assessment area.

Community Development Loans:

The loan performance in Los Angeles County is excellent. The bank responded to the area's most critical needs through its community development lending activities. NTBCA originated thirty-three loans totaling \$8.7 million. These comprised nine loans to small businesses totaling \$1.2 million, two home purchase loans for \$240,000, one direct loans to a CDC for \$150,000, and 22 community development loans totaling \$7.2 million. Included in this figure is a \$3 million loan for interim financing pending government funding of health care services for the homeless and very low-income HIV positive individuals; a \$250,000 loan to expand an industrial medical facility serving low-income working individuals who do not have access to health services; a \$150,000 loan to assist a nonprofit organization with job rehabilitation services for homeless and low income individuals, and a \$200,000 commercial real estate loan to provide a residential treatment center for homeless women and children. The organization also provides health and drug intervention/treatment services. Fourteen of the 33 loans were for affordable housing purposes representing \$2 million or 23% of the originated loans. Prior period CD lending totaling \$228,000 represents the county's portion of loans to the mortgage company which underwrites affordable, multi-family housing projects.

Community Development Investments/Grants:

In response to affordable housing needs, the bank acquired a \$6.7 million tax credit investment for multi-family housing for LMI families through an affiliate. During the evaluation period, the bank provided \$10,000 in equity investments to two CDFIs' community development loan funds. NTBCA also has \$60,000 in outstanding investments from the prior period. Part of this money supports a neighborhood housing services organization that operates as a non depository institution. The organization provides lending through its revolving purchase/rehabilitation loan program to LMI communities. Grants to organizations that provide community services, affordable housing, and promote economic development in the Los Angeles assessment area totaled \$122 thousand over the evaluation period.

Community Development Services:

NTBCA's officers and staff from the Los Angeles County, which includes executive management, provided 3,377 community service hours to community development activities. Innovative service hours have been addressed or summarized on page 15.

Conclusions with Respect to Performance in Orange County MSA

The Orange County branch demonstrated an excellent performance in helping meet the community development needs of its assessment area. Three individuals are involved in the CRA process, including two loan officers. There are approximately 584 financial institutions/branches in the MSA.

Community Development Loans:

Although the high cost of real estate has constrained the bank's community development lending in response to affordable housing, the loan performance in Orange County is excellent. The branch originated 46 loans for a total of \$4.1 million. Of these, thirteen loans were for economic development purposes for small businesses totaling \$2.6 million; six loans for home purchase are in LMI areas total \$521,000; and nine loans to CDCs and other community organizations total \$990,000. Prior period CD lending includes \$72,000 representing the county's portion of loans to the mortgage company which underwrites affordable, multi-housing projects and \$41,000 in consortia loans.

Community Development Investments/Grants:

Opportunities for community development investments in Orange County are limited. The residual impact of the Orange County bankruptcy is that it has reduced or discontinued many public redevelopment initiatives. Nonetheless, NTBCA increased its qualified investment in the multi-bank, non-profit CDC by \$6,000. The office also provided \$36,000 in grants to organizations that provide community services for LMI individuals, affordable housing, and promote economic development.

Community Development Services:

The three staff members contributed 670 community service hours to community development activities. Innovative service hours have been addressed or summarized on page 15.

Conclusions with Respect to Performance in San Diego County MSA

Overall, San Diego's community development activity was strong. The high level of community development investments mitigated the low level of community development lending. NTBCA's community lending activity was low over the evaluation period due to its limited personnel resources caused by vacancies in the lending position, its focus on opening the La Jolla office in 1998, and the relatively short period of operation. The lending position in the San Diego branch was vacant for most of the evaluation period and remains unfilled. However, they have staffed the La Jolla office with three lending officers who have initiated community contacts and are committed to meet their community lending goals. In total, 10 individuals are involved in the CRA process. There are approximately 497 financial institutions and/or branches in this assessment area.

Community Development Loans:

The loan performance in San Diego County was weak. The branch originated six loans totaling \$356,000. Of these, \$156,000 comprised two home purchase loans for affordable housing to LMI individuals and \$200,000 in four community development loans for low-income housing construction. The bank did not originate any small business loans over the evaluation period. An effort is underway to source additional loans in partnership with a community organization whose purpose is to provide micro enterprise lending to low-income areas and a local CDFI. Prior period CD lending include \$119,000 representing the county's portion of loans to the mortgage company which underwrites affordable, multi-family housing projects and \$7,000 in consortia loans.

Community Development Investments/Grants:

In response to affordable housing needs, the bank acquired a \$2.8 million tax credit investment for multi-family housing for LMI families through their holding company. Over the evaluation period, NTBCA also made a \$10,000 equity investment to participate in a micro-loan fund of a local CDFI and invested \$5,000 in a certificate of deposit with a CDFI. The bank also maintained its \$84,000 prior period equity investments in two financial intermediaries including a CDFI and a small business CDC. Additionally, the bank provided \$18,000 in qualified grants to community organizations that provide community services, affordable housing, and promote economic development in the San Diego assessment area.

Community Development Services:

NTBCA's San Diego County officers and staff 682 community service hours to community development activities. Innovative service hours have been addressed or summarized on page 15.

Conclusions with Respect to Performance in San Francisco County

The San Francisco's performance in community development activities over the evaluation period was excellent. There is only one branch which two lending officers serve. A total of four individuals are involved in the CRA process. There are approximately 273 financial institutions and branches in this assessment area.

Community Development Loans:

The bank's lending in San Francisco County reflects an excellent response to community credit needs. The branch originated 18 loans totaling \$6.9 million. They center the bulk of its lending in eight loans for revitalization and economic development for a total of \$4.9 million, \$1.4 million in five small business loans, \$364,000 in one home purchase loan. The bank also originated a direct loan for \$250,000 for low-income housing with an organization based in this county. Prior period CD loans include two SBA loans with an outstanding balance of \$238,000 and \$109,000 representing the county's portion of loans to the mortgage company that underwrites affordable, multi-family housing projects.

Community Development Investments/Grants:

During the evaluation period, the branch invested \$5,000 in a certificate of deposit in a CDFI. The proceeds were used to support housing development training for CDCs in the San Francisco area. The branch also has three qualified equity investments from the prior period: \$25,000 in a CDFI whose purpose is to provide loans for job creation, housing, and social services; \$25,000 with an SBA; and, \$70,000 in a nonprofit CDC's loan fund for revitalization of LMI communities. The branch's investment activity was impaired due to staff turnover in several community organizations which resulted in lost contacts. Grants to organizations that provide community services, affordable housing, and promote economic development in the San Francisco assessment area totaled \$36,000 over the evaluation period.

Community Development Services:

NTBCA's officers and staff provided 686 community service hours to CD activities. Innovative service hours have been addressed or summarized on page 15.

Conclusions with Respect to Performance in Santa Barbara County MSA

The bank demonstrated an adequate level of community development performance. The bank's performance is down due to the high cost of housing stock with the median housing price in the \$450,000 to \$500,000 range. There are two branches in Santa Barbara County: Santa Barbara and Montecito. Six individuals are involved in CRA activities, including two lending officers. There are approximately 96 financial institutions in Santa Barbara County.

Community Development Loans:

Loan performance in Santa Barbara is low; however, the bank has achieved a reasonable level of CD lending consistent with its resources and limited community development opportunities.

The bank originated nine loans over the evaluation period totaling \$1.1 million. Of these, seven loans totaling \$733,000 were for home purchase or refinancing purposes to LMI persons or areas, and one loan for \$400,000 was to a small business. One loan made in the prior period for \$17,000 was for economic development through a consortium loan fund. Opportunities for affordable housing loans are limited due to the high cost of real estate and lack of affordable housing projects.

Community Development Investments/Grants:

Investments are low representing a \$33,000 commitment in a local loan pool fund for small business development. Additionally, grants to organizations that provide community services, affordable housing, and promote economic development in the Santa Barbara assessment area totaled \$34,000 over the evaluation period.

Community Development Services:

NTBCA Santa Barbara's officers and staff improved their CRA performance in the form of community services. Individuals involved in the CRA process provided 1,344 community service hours to community development activities. Innovative service hours have been addressed or summarized on page 15.

Compliance with Anti-Discrimination Laws and Regulations

We performed a fair lending examination in conjunction with the CRA review. We did a comparative analysis of the rates and terms on home purchase loans extended for female applicants to a control group of male applicants. The examination did not disclose any discriminatory practices. We identified no violations of the substantive provisions of the antidiscrimination laws and regulations. The bank's policies, training programs, and internal assessment efforts are satisfactory to ensure compliance with the fair lending laws and regulations.