



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**July 30, 2001**

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

**Inland Community Bank, National Association  
Charter Number 21660**

**851 West Foothill Boulevard  
Rialto, California 92377**

**Office of the Comptroller of the Currency  
Southern California South Field Office  
1925 Palomar Oaks Way Suite 202  
Carlsbad, California 92008**

**NOTE: This document is an evaluation of this 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. 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 an 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 **Inland Community Bank, National Association**, as prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 30, 2001. 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 primary factors supporting this rating are:

- ◆ Lending patterns reflect good penetration among businesses of different sizes, especially among small businesses, which is an identified community credit need.
- ◆ The geographic distribution of loans is reasonable given the bank's business strategy and area demographics.
- ◆ The majority of loans originated or purchased since the last CRA examination are within the bank's assessment areas.

## DESCRIPTION OF THE INSTITUTION

Inland Community Bank, National Association, is an independent community bank established in 1990. The bank provides community access to credit at its four branch locations. Three branches are located in San Bernardino County, California: the Loma Linda and Ontario offices, and the main office in Rialto. These offices are in middle-income census tracts. Since the last CRA evaluation, the bank opened a fourth office in 1998 in Los Angeles County. This office is in the Hancock Park area of the city of Los Angeles. It is in an upper income census tract and surrounded by middle- and upper-income tracts. An automatic teller machine is accessible at each of the four locations 24 hours a day.

The bank recently received regulatory approval to relocate the Rialto main office. The new location will be in a moderate-income census tract, readily accessible to the community. The relocation is planned for the third quarter of 2001.

No financial or legal impediments hinder the bank's ability to meet the credit needs of the communities it serves. As of June 30, 2001, the bank had total assets of \$48 million, net loans of \$29 million (60% of total assets), and total deposits of \$44 million. The primary business focus is commercial lending. Commercial real estate, construction, and business loans comprise 94% of the total loan portfolio. The following table reflects the current loan portfolio by major product type.

### TOTAL LOANS OUTSTANDING BY PRODUCT TYPE AS OF JUNE 30, 2001

Loan Product	Amount Outstanding (000's)	Percent (%) of Total Loans
Commercial Real Estate and Construction	15,699	54%
Commercial Business	11,534	40%
Residential Real Estate	1,102	3%
Consumer	518	2%
Farm Land	209	1%
<b>Total Loans</b>	<b>29,062</b>	<b>100%</b>

The last CRA performance evaluation in January 1997 rated the bank as "Satisfactory."

## DESCRIPTION OF THE ASSESSMENT AREAS

Inland Community Bank's two assessment areas meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies. The first assessment area consists of 124 census tracts in San Bernardino County and 11 census tracts in Riverside County (135 total tracts) surrounding the bank's offices in the Riverside-San Bernardino Metropolitan Statistical Area (MSA). The second assessment area consists of 34 census tracts within a 2 1/2-mile radius of the Los Angeles office in the Los Angeles-Long Beach MSA. A description of each area follows.

### Riverside-San Bernardino Assessment Area

The assessment area is located in the region known as the Inland Empire. Despite the current slowing in the state and national economies, the region continues to experience growth in population and the local economy. According to the U.S. Census Bureau, the Inland Empire will add 1.8 million residents over the next 20 years as an increasing number of businesses move to the area for the lower land, labor, and housing costs. The central location of the Ontario International Airport provides an added impetus for continued growth.

The total population in the bank's defined area was 1,147,576 according to the 1990 Census (the 2000 Census data were not available at the time of this evaluation). Median housing value in the area was \$135,455 with 58% of all housing units owner occupied. The following table reflects the area's census tracts by income category, and the population residing in the respective tracts, according to the 1990 Census.

### RIVERSIDE-SAN BERNARDINO ASSESSMENT AREA CENSUS TRACT COMPOSITION

Census Tract Income Category	Number of Tracts In Area	Percent of Area by Tract Type	1990 Population	Percent of Population within Tract Category
Low Income Tracts	9	7%	38,979	3%
Moderate Income Tracts	28	21%	173,953	15%
Middle Income Tracts	63	46%	587,415	51%
Upper Income Tracts	35	26%	347,229	31%
<b>Total</b>	135	100%	1,147,576	100%

The 1990 Census median family income in the area was \$37,274. The Department of Housing and Urban Development (HUD) updated the median family income in 2000 to \$47,400. The following table reflects the distribution of families by income level, according to the 1990 Census.

**RIVERSIDE-SAN BERNARDINO ASSESSMENT AREA  
FAMILY DISTRIBUTION**

<b>Family Income Level</b>	<b>Number of Families by Income Level</b>	<b>Percent of Families in Area</b>
Low Income Families	55,965	19%
Moderate Income Families	45,750	16%
Middle Income Families	64,756	23%
Upper Income Families	118,349	42%
<b>Total</b>	284,820	100%

The Southern California Association of Governments forecasts that Riverside and San Bernardino Counties will add 1.1 million jobs in the next 25 years, mainly in the manufacturing and distribution industries. Currently, the largest employers in the area (by number of employees) are federal, county and municipal governments, retail operations, manufacturing firms, and the health care industry. Unemployment of 4.5% for Riverside and San Bernardino Counties is on par with the state and Los Angeles County, where unemployment rates were 4.8% and 4.5%, respectively, according to California Employment Development Department data in March 2001.

Dun & Bradstreet economic data show that 36,843 businesses operate within the bank's defined area. Of those that report their revenues (789 farm and 33,618 non-farm businesses), 91% have revenues of \$1 million or less, including 82% with revenues of less than \$500,000.

Competition among financial institutions is strong. Several Inland Empire-based community banks, as well as numerous branches of mid-size and large commercial and savings banks, compete for market share.

**Los Angeles Assessment Area**

The Los Angeles MSA is the largest and most rapidly growing metropolitan region in California. The city of Los Angeles is the largest city in the MSA. The Los Angeles County Economic Development Council reported that the city as a whole is coping with the impact of the slowing national economy and statewide energy crisis. They forecast that the state and Los Angeles will narrowly avoid recession during 2001, and will slowly rebound during 2002.

The total population in the defined assessment area was 170,209 according to the 1990 Census (the 2000 Census data were not available at the time of this evaluation). Median housing value was \$347,084 with 24% of housing units owner occupied. The following table reflects the area's census tracts by income category, and the population residing in the respective tracts, according to the 1990 Census.

**LOS ANGELES ASSESSMENT AREA**

### CENSUS TRACT COMPOSITION

<b>Census Tract Income Category</b>	<b>Number of Tracts In Area</b>	<b>Percent of Area by Tract Type</b>	<b>1990 Population</b>	<b>Percent of Population within Tract Category</b>
Low Income Tracts	1	3%	8,475	5%
Moderate Income Tracts	8	24%	50,832	30%
Middle Income Tracts	12	35%	61,571	36%
Upper Income Tracts	13	38%	49,331	29%
<b>Total</b>	<b>34</b>	<b>100%</b>	<b>170,209</b>	<b>100%</b>

The 1990 Census median family income in the area was \$39,035. The Department of Housing and Urban Development (HUD) updated the median family income in 2000 to \$52,100. The following table reflects the distribution of families by income level, according to the 1990 Census.

### LOS ANGELES ASSESSMENT AREA FAMILY DISTRIBUTION

<b>Family Income Level</b>	<b>Number of Families by Income Level</b>	<b>Percent of Families in Area</b>
Low Income Families	8,907	25%
Moderate Income Families	6,228	17%
Middle Income Families	6,378	18%
Upper Income Families	14,053	40%
<b>Total</b>	<b>35,566</b>	<b>100%</b>

The assessment area is in a well-established Los Angeles community that is largely upper-income and residential. High-end boutiques, galleries, and restaurants immediately surround the bank's office. Mixed retail, small strip centers, and apartment complexes are located along the southern and eastern boundaries of the assessment area. The retail and service industries are the largest employers by number of employees.

Dun & Bradstreet economic data show that 15,739 businesses operate within the bank's defined area. Of those that report their revenues (46 farm-related and 15,136 non-farm businesses), 89% have revenues of \$1 million or less, including 78% with revenues of less than \$500,000.

Competition among financial institutions derives from a few community banks in the area and from large financial institutions including Wells Fargo, Bank of America, and Washington Mutual.

**Credit Needs in the Assessment Areas**

We contacted two organizations, a small business development corporation and a community development financial institution (CDFI), to determine primary credit needs within the assessment areas. They reported that there is a continued need for small business loans in the Riverside-San Bernardino area, especially loans with flexible underwriting criteria and loans in small dollar amounts. The CDFI reported that affordable housing and redevelopment of low- and moderate-income areas are ongoing needs in the Los Angeles MSA. Meetings between other federal regulatory agencies and community groups also determined these to be primary credit needs within the respective MSAs.

**CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

**Lending to Businesses of Different Sizes and Borrowers of Different Incomes**

Inland Community Bank is primarily a business lender. Its record of lending reflects good penetration among businesses of different sizes, especially among small businesses (having annual revenue of \$1 million or less), which is an identified community credit need. We randomly sampled 20 business loans that the bank originated or purchased in the Riverside-San Bernardino assessment area since the last examination, from January 1997 through June 2001. We also reviewed all 12 business loans originated in the Los Angeles assessment area since the Los Angeles branch opened in March 1998. The following tables reflect the bank's record of lending to businesses of different sizes in each assessment area.

**RIVERSIDE-SAN BERNARDINO ASSESSMENT AREA  
LENDING TO BUSINESSES OF DIFFERENT SIZES  
January 1997 through June 2001**

<b>Business Revenues</b>	<b>Number of Sampled Loans</b>	<b>Percent of Total Number</b>	<b>Dollar Volume of Loans Sampled</b>	<b>Percent of Total Dollar Volume</b>
0- \$249,999	6	30%	\$340,795	25%
\$250,000 - \$499,999	5	25%	\$146,000	11%
\$500,000 - \$1 Million	4	20%	\$315,000	23%
<b>Subtotal &lt; \$1 Million</b>	15	75%	\$801,795	59%
> \$1 Million	5	25%	\$555,000	41%
<b>Total</b>	20	100%	\$1,356,795	100%



**LOS ANGELES ASSESSMENT AREA  
LENDING TO BUSINESSES OF DIFFERENT SIZES  
From Branch Opening March 1998 through June 2001**

<b>Business Revenues</b>	<b>Number of Sampled Loans</b>	<b>Percent of Total Number</b>	<b>Dollar Volume of Loans Sampled</b>	<b>Percent of Total Dollar Volume</b>
0- \$249,999	2	17%	\$500,000	21%
\$250,000 - \$499,999	1	8%	\$250,000	10%
\$500,000 - \$1 Million	3	25%	\$493,000	21%
<b>Subtotal &lt; \$1 Million</b>	6	50%	\$1,243,000	52%
> \$1 Million	6	50%	\$1,134,397	48%
<b>Total</b>	12	100%	\$2,377,397	100%

Inland Community Bank also helps meet the identified credit needs of its communities through active involvement in local organizations. For example, a senior lender at the bank served as a consultant for several months during the evaluation period for a local community development corporation. He helped new small business owners develop business plans and provided instruction on applying for credit. He currently serves on the loan committee for a small business development corporation that provides state-guaranteed loans for businesses that require flexible underwriting.

**Geographic Distribution of Loans**

The distribution of loans reflects reasonable geographic dispersion. We randomly sampled 20 business loans that the bank originated or purchased in the Riverside-San Bernardino assessment area since the last examination, from January 1997 through June 2001. We also reviewed all business loans originated in the Los Angeles assessment area since the Los Angeles branch opened in March 1998. Loan distribution in the Riverside-San Bernardino assessment area compares favorably with area demographics. Lending in low- and moderate- census tracts in the Los Angeles assessment area, however, is lacking. We assigned greater weight to performance in the Riverside-San Bernardino area because the bank granted the substantial majority of its loans in that area during the evaluation period.

Dun & Bradstreet demographic data show that only 10% of area businesses are located in the low- and moderate-income census tracts in the Los Angeles assessment area. Opportunities to lend in those areas are rather limited given the bank's business strategy and the fact that many local businesses are small retail stores. The bank continues to research ways to meet community credit needs in other ways. For example, during the evaluation period, they participated in a \$1 million construction loan for affordable housing in the Los Angeles-Long Beach MSA, which encompasses the bank's defined area. This is an identified community credit need. The

Pasadena Community Development Commission spearheaded the project to provide multi-family affordable housing for low- and moderate-income persons. The bank's funded portion was \$375,000. The bank also loaned \$400,000 to a non-profit health care organization in the Los Angeles area to purchase a 10-unit apartment building used as emergency shelter for low- and moderate-income persons.

The following tables reflect the geographic distribution of the bank's business loans by census tract category compared with opportunities to lend in those tracts.

**RIVERSIDE-SAN BERNARDINO ASSESSMENT AREA  
GEOGRAPHIC DISTRIBUTION OF LOANS  
January 1997 through June 2001**

<b>Census Tract Income Level</b>	<b>Percent of Area by Tract Type</b>	<b>Percent of Businesses Located in Tract Category</b>	<b>Number of Loans</b>	<b>Percent of Number of Loans</b>	<b>Dollar Amount</b>	<b>Percent of Total Dollar Amount</b>
Low	7%	4%	3	15%	295,000	22%
Moderate	21%	18%	7	35%	447,000	33%
Middle	46%	55%	6	30%	210,000	16%
Upper	26%	23%	4	20%	404,795	29%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>20</b>	<b>100%</b>	<b>1,356,795</b>	<b>100%</b>

**LOS ANGELES ASSESSMENT AREA  
GEOGRAPHIC DISTRIBUTION OF LOANS  
From Branch Opening March 1998 through June 2001**

<b>Census Tract Income Level</b>	<b>Percent of Area by Tract Type</b>	<b>Percent of Businesses Located in Tract Category</b>	<b>Number of Loans</b>	<b>Percent of Number of Loans</b>	<b>Dollar Amount</b>	<b>Percent of Total Dollar Amount</b>
Low	3%	1%	0	0%	\$0	0%
Moderate	24%	9%	0	0%	\$0	0%
Middle	35%	31%	3	25%	559,247	24%
Upper	38%	59%	9	75%	1,818,150	76%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>12</b>	<b>100%</b>	<b>2,377,397</b>	<b>100%</b>

**Lending within the Assessment Areas**

A majority of the number and dollar volume of loans granted during the evaluation period is

within the bank's assessment areas. We reviewed the bank's loan data from January 1997 through June 2001, which we tested for accuracy. Of the loans originated and purchased, 69% of the number of loans and 52% of the dollar volume are within the defined areas. The following table reflects the number and dollar volume of loans the bank originated and purchased inside and outside the assessment areas.

**LENDING IN THE ASSESSMENT AREAS  
January 1997 through June 2001**

	<b>Number of Loans</b>	<b>Percent of Total Number</b>	<b>Dollar Volume</b>	<b>Percent of Total Dollar Volume</b>
Inside Area	707	69%	55,983,703	52%
Outside Area	316	31%	51,800,327	48%
<b>Total Loans</b>	1,023	100%	107,784,030	100%

**Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is reasonable given the its size, financial condition, and area credit needs. We evaluated the quarterly average loan-to-deposit ratio over the last 17 quarters since the last CRA examination. The bank's average loan-to-deposit ratio is 65%. This compares favorably with the 62% average ratio of similarly situated banks (banks with similar asset size and located in the Los Angeles and Riverside-San Bernardino MSAs).

**Responses to Complaints**

Inland Community Bank has received no complaints about its performance under the Community Reinvestment Act during this evaluation period.

**Record of Compliance with Fair Lending Laws**

We performed an analysis of public comments and consumer complaint information according to the OCC's risk-based approach to fair lending. Based on analysis of the information, the OCC determined that a comprehensive fair lending examination would not be required in connection with the CRA evaluation this year. Our last fair lending examination in May 2000 found that the bank complied with anti-discrimination lending laws and regulations.