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Comptroller of the Currency  
Administrator of National Banks

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Western District Office  
1225 17<sup>th</sup> Street, Suite 300  
Denver, Colorado 80202

**CRA Decision #123  
September 2004**

August 31, 2004

Ms. Elaine Hetrick  
Senior Vice President  
Community National Bank  
900 Canterbury Place  
Escondido, CA 92025

Re: Application to merge Cuyamaca Bank, National Association, Santee, California  
into Community National Bank, Fallbrook, California CAIS  
Control Number: 2004-WE-02-0032

Dear Ms. Hetrick:

On August 31, 2004 the Comptroller of the Currency (OCC) approved your application to merge Cuyamaca Bank, National Association, Santee, California (“Cuyamaca Bank”) into Community National Bank, Fallbrook, California (“Community NB”).

This approval is granted based on a thorough review of all information available, including commitments and representations made in the application, merger agreement, and those of your representatives.

The OCC reviewed the proposed transaction under the criteria of the Bank Merger Act (12 U.S.C. § 1828(c)), the Community Reinvestment Act (12 U.S.C. § 2901, et seq.), and applicable OCC regulations and policies. Among other matters, we found that the proposed transaction would not have any anticompetitive effects. The OCC considered the financial and managerial resources of the banks, their future prospects, and the convenience and needs of the communities to be served. In addition, the Bank Merger Act requires the OCC to consider, “... the effectiveness of any insured depository institution involved in the proposed merger transaction in [combating] money laundering activities, including in overseas branches.” (12 U.S.C. § 1828(c)(11).) We

Elaine Hetrick

considered these factors and believe the approval of this transaction is consistent with the statutory provisions.

With respect to the Community Reinvestment Act (“CRA”), the OCC takes into account the applicants’ record of helping to meet the credit needs of their entire communities, including low- and moderate-income neighborhoods, when evaluating certain applications, including transactions subject to the Bank Merger Act.<sup>1</sup> The OCC’s review revealed no evidence that the applicants’ records of helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods, are less than satisfactory.

Community NB received a “Satisfactory” CRA rating from the OCC in its most recent Performance Evaluation (“PE”) dated July 13, 1998.<sup>2</sup> Community NB’s CRA assessment area in the San Diego Metropolitan Statistical Area is primarily described as northern San Diego County. Cuyamaca Bank received a “Satisfactory” CRA rating from the OCC in its most recent PE dated June 7, 1999. Cuyamaca Bank’s CRA assessment area is in eastern San Diego County.<sup>3</sup>

The OCC received one comment letter expressing concerns with certain Home Mortgage Disclosure Act (“HMDA”) data<sup>4</sup> and the location of Community NB’s branches. With respect to the HMDA data, the commenter expressed concerns that Community NB makes very few mortgages while Cuyamaca Bank demonstrated a strong lending record to person with lower incomes. In response to this concern, Community NB represented that: 1) Cuyamaca Bank primarily provides mobile home loan products to low- and moderate-income persons; and 2) the resulting bank will continue to provide these types of loans. In addition, Community NB indicated that it recently partnered with a third party originator to provide conventional, Fannie Mae, Freddie Mac, and fixed and adjustable rate mortgage loans, including loans to borrowers with limited down-payment resources. As a result, Community NB represented that Cuyamaca Bank’s customers will have access to many additional lending products.

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<sup>1</sup> See 12 U.S.C. § 2903; 12 C.F.R. § 25.29(a).

<sup>2</sup> Community NB was recently examined for compliance with CRA. Since the recent PE for Community NB has not yet been finalized, the OCC is unable to disclose any findings or the bank’s CRA rating at this time. However, the OCC is currently unaware of any significant deficiencies that would indicate that its performance was less than satisfactory.

<sup>3</sup> Community NB represented that only one of Cuyamaca Bank’s branches lies within Community NB’s San Diego CRA assessment area.

<sup>4</sup> The commenter did not identify the date of its HMDA data.

The commenter also expressed concern that Community NB's lending focuses on small business loans and are loans mainly in excess of \$250,000. Community NB acknowledged that small business lending is its primary focus and indicated that during 2002 and 2003 the largest number of small business loans it made were of less than \$100,000.

With respect to branches, the commenter expressed a concern that since both Community NB and Cuyamaca branches are suburban, the resulting bank's ability to serve low- and moderate-income persons will be restricted. The commenter expressed a desire for Community NB to make a commitment to maintain the existing branches and to expand into more central city communities. Community NB reiterated its plans to maintain all existing branches of both banks but stated that, at this time, it has no expansion plans beyond the recently approved branch to be located in Murrieta, California. Several of the existing branches are located in moderate-income census tracts.

For the reasons set forth above, the OCC found that the transaction met the relevant statutory criteria for approval. Inasmuch as the transaction also raised no supervisory or policy concerns, the application was approved.

The district office must be advised in writing in advance of the desired effective date for the merger, so it may issue the necessary certification letter. The effective date must follow the applicable Department of Justice's injunction period and any other required regulatory approval.

The OCC will issue a letter certifying consummation of the transaction when we receive a Secretary's Certificate from each institution, certifying that the shareholder approvals have been obtained, if required.

If the merger is not consummated within one year from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

This approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

Elaine Hetrick  
August 31, 2004  
Page 4

All correspondence regarding this application should reference the control number. If you have any questions, contact Louis Gittleman at 720-475-7650 or e-mail [Louis.Gittleman@occ.treas.gov](mailto:Louis.Gittleman@occ.treas.gov).

Sincerely,

*/s/ Ellen Tanner Shepherd*

Ellen Tanner Shepherd  
Licensing Manager

Enclosures: Survey Letter