



SMALL BANK

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

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PUBLIC DISCLOSURE

JUNE 22, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**MARATHON NATIONAL BANK
Charter Number 17915**

**11150 WEST OLYMPIC BOULEVARD
LOS ANGELES, CA 90064**

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 **MARATHON NATIONAL BANK** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 22, 1998**. 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 Bank’s loan-to-deposit ratio meets the standard for satisfactory performance.
- Marathon National Bank’s loans are reasonably distributed among businesses of different sizes.
- The bank’s loans are reasonably distributed among the geographies at all income levels.
- There were no complaints associated with the bank’s performance under the CRA.

DESCRIPTION OF INSTITUTION:

Marathon National Bank (MNB) is a \$79 million community bank, which was established in August 1983. MNB is wholly-owned by Marathon Bancorp, a one-bank holding company. Marathon Bancorp and MNB are located in one office facility in West Los Angeles, California. The bank issues automated teller machine (ATM) cards, but does not own nor operate any ATMs.

As of December 31, 1997, the bank had \$47 million in loans, comprising 59 percent of the bank's total assets. The loan portfolio is comprised of: 65 percent commercial real estate; 34 percent business; and 1 percent consumer loans. In 1994, the bank changed its focus from real estate to business lending.

Since 1992, the bank has operated under a Formal Administrative document issued by its primary regulator. The document required the bank to improve asset quality and increase capital. As a result, MNB's ability to lend at previous levels was severely challenged. In December 1997, the bank's regulator terminated the Formal Administrative document.

DESCRIPTION OF ASSESSMENT AREA:

MNB's assessment area (AA) consists of 377 census tracts within the Los Angeles Metropolitan Statistical Area (MSA). The bank did not arbitrarily exclude low- and moderate-income census tracts from the AA. Of the 377 census tracts within the AA, 61 are designated as low-income and 98 as moderate-income. There are also 85 middle-income and 132 upper-income census tracts within the AA. There is one census tract for which the 1990 census reported no income information.

According to the Department of Housing and Urban Development (HUD), the median family income for the AA is \$49,800. Dun and Bradstreet reported a total of 89,554 businesses within the AA, of that number 77 percent or 68,590 of these businesses had sales of less than \$1 million. The largest employers within the AA include the following industries: service; retail trade; finance, insurance and real estate; wholesale trade and manufacturing.

The bank operates in a competitive environment. There are a number of commercial banks, thrifts, credit unions, and other financial service providers competing for the available business within the AA. Competitors range from independent community financial institutions to branches of large financial organizations.

As part of this examination, we considered information obtained from four community contacts. Our contacts indicate that there are needs in the AA for first-time home buyers as well as for traditional and non-traditional small business loans. There is also a need for technical assistance and financial grants. Our contacts included an economic development corporation, an advocacy

organization, a small business government organization, and a minority trade association.

DEFINITIONS:

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of the census tracts.

Low-Income - Income levels that are less than 50 percent of the MFI.

Moderate-Income - Income levels that are at least 50 percent and less than 80 percent of the MFI.

Middle-Income - Income levels that are at least 80 percent and less than 120 percent of the MFI.

Upper-Income - Income levels that are 120 percent or more than the MFI.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Our conclusions are based on the bank's lending activity from January 1, 1996, through May 31, 1998. We used loan data developed by the bank and sampled a number of loans to confirm the accuracy of the information and to determine the revenues of the borrowing entities. The sample included 21 commercial real estate and 21 business loans funded within the AA.

LOAN TO DEPOSIT RATIO

MNB's loan-to-deposit ratio meets the standard for satisfactory performance. The bank's average loan-to-deposit ratio for the eight quarters ended December 31, 1977, was 66 percent. The average ratio for four similarly situated banks for the same period was 58 percent. For purposes of this evaluation, we considered similarly situated banks as those banks which have a similar business focus and are located within the bank's AA.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

The bank's commercial real estate and business loans are reasonably distributed among businesses of different sizes. Of the loans sampled, 90 percent of the commercial real estate and 76 percent of the business loans are extended to businesses with revenues of less than \$500,000. Refer to the tables below for details. All of the business loans and 90 percent of the commercial real estate loans are for amounts of less than \$1 million.

We did not perform an analysis of the bank's lending to borrowers of different income levels. An analysis would not be meaningful as the bank funded five consumer loans during this review period.

**Distribution of Commercial Real Estate Loans By Revenues
Within Assessment Area**

Revenues	Number of Loans	Percent of Loans
<\$100,000	8	38%
>\$100,000<\$250,000	8	38%
>\$250,000<\$500,000	3	14%
>\$500,000<\$1,000,000	1	5%
>\$1,000,000	1	5%
Total	21	100%

**Distribution of Business Loans By Revenues
Within Assessment Area**

Business Revenues	Number of Loans	Percent of Loans
<\$100,000	1	5%
>\$100,000<\$250,000	14	66%
>\$250,000<\$500,000	1	5%
>\$500,000<\$1,000,000	1	5%
>\$1,000,000	4	19%
Total	21	100%

GEOGRAPHIC DISTRIBUTION

The bank's loans are reasonably distributed among the geographies at all income levels within the AA. During the review period, the bank's financial and human resources were severely strained. Management was challenged in their ability to solicit new loans. As a result of these limited resources, MNB funded most of the loans in the AA during the review period to borrowers within a two-mile radius of the bank. Most of the geographies located within that two-mile radius are designated middle- and upper-income. Please refer to the tables below for details.

Distribution of Loans By Numbers Within Assessment Area

Income Characteristic of Census Tracts	Percent of Total Census Tracts	Number of Loans	Percent of Loans
Low	16%	3	2%
Moderate	26%	16	13%
Middle	23%	41	33%
Upper	35%	64	52%
Total	100%	124	100%

Distribution of Loans By Dollars Within Assessment Area

Income Characteristic of Census Tracts	Percent of Total Census Tracts	Loan Dollars	Percent of Loans
Low	16%	\$790,699	6%
Moderate	26%	\$1,447,184	10%
Middle	23%	\$5,059,365	36%
Upper	35%	\$6,928,710	48%
Total	100%	\$14,225,958	100%

LENDING IN ASSESSMENT AREA

MNB's lending in the AA does not meet the standard for satisfactory performance. A majority of the bank's loans are not within the AA. Of the total loans funded during this review period, 47 percent by dollars and 46 percent by numbers are within the AA. There are three main reasons for the concentration of loans funded outside of the AA during this review period. MNB lacked the ability to solicit loans, there was a change in its business focus, and the bank continued lending relationships with borrowers outside of the AA. Please refer to the table below for details.

Lending Within Assessment Area

Total Loans by Number and Dollar Amount	Total Loans Made Within Assessment Area	Percent of Total Loans Made Within Assessment Area
271	124	46%
\$30,352,913	\$14,225,958	47%

RESPONSE TO WRITTEN COMPLAINTS

MNB has not received any written complaints associated with its performance under the Community Reinvestment Act.

RECORD OF COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

We did not identify any violations of the anti-discrimination laws or regulations.