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

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SMALL INSTITUTION EVALUATION

**PUBLIC DISCLOSURE**

March 15, 1999

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Mission Community Bank, N.A.  
Charter Number 23171**

**581 Higuera Street  
San Luis Obispo, CA 93401**

**Comptroller of the Currency  
Western District  
50 Fremont Street, Suite 3900  
San Francisco, CA 94105**

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 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 CRA performance of **Mission Community Bank, N.A.** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, **as of March 15, 1999**. 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 factors supporting the bank's overall rating include the following:

- A reasonable distribution of loans to businesses with different revenues;
- A strong loan-to-deposit ratio; and
- A majority of loans are within the assessment area.

## DEFINITIONS OF TERMS APPLIED IN THIS PUBLIC DISCLOSURE

### **Low - Income Geography:**

For a census tract: The median *family* income is less than 50% of the median *family* income for the MSA in which it is located.

### **Moderate - Income Geography:**

For a census tract: The median *family* income is equal to or greater than 50% and less than 80% of the median *family* income for the MSA in which it is located.

### **Middle - Income Geography:**

For a census tract: The median *family* income is equal to or greater than 80% and less than 120% of the median *family* income for the MSA in which it is located.

### **Upper - Income Geography:**

For a census tract: The median *family* income is equal to or greater than 120% of the median *family* income for the MSA in which it is located.

### **HMDA:**

Abbreviation for “Home Mortgage Disclosure Act”.

### **LMI:**

Abbreviation for “low- or moderate - income”. Characterizes geographies and families.

### **Median Family Income:**

As determined by U.S. Census Bureau data in 1990.

### **1998 HUD Median Family Income:**

Updated U.S. Census Bureau data, determined by the Department of Housing and Urban Development for 1998.

### **MSA:**

Metropolitan Statistical Area.

## DESCRIPTION OF INSTITUTION

**Mission Community Bank, N.A.** (MCB) is a community bank established in December 1997. The bank is located in the city of San Luis Obispo, California. As of December 31, 1998, the bank had **total assets of \$23 million, loans of \$15 million, and deposits of \$18.5 million.**

The main office is located in the City of San Luis Obispo, in a middle-income census tract, and surrounded by middle and upper-income tracts. The bank has a loan production office (LPO) in Paso Robles which opened in July 1998. They have received regulatory approval to convert the LPO to a new branch office in Paso Robles in 1999.

The bank has one active wholly-owned community development corporation subsidiary, Mission Community Development Corporation. The bank also has a closely held affiliate non-profit corporation, Mission Community Services Corporation, which is not active.

The following table shows loans outstanding as of December 31, 1998:

<b>Loan Type as of 12/31/98</b>	<b>\$ Million</b>	<b>Percent</b>
Construction & Development	\$5.1	28%
Commercial	\$4.7	26%
Commercial Real Estate	\$4.4	25%
Agricultural Loans	\$1.4	8%
Real Estate, 1 - 4 Family & Multifamily	\$1.1	6%
Consumer (Vehicle & unsecured)	\$1.0	6%
Other	\$0.2	1%
<b>Total Loans Outstanding</b>	<b>\$17.9</b>	<b>100%</b>

Source: Bank generated reports

This is the first CRA evaluation the bank has had since it opened.

## **DESCRIPTION OF ASSESSMENT AREA**

### ***Geographic Description***

MCB's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The assessment area consists of the entire county of San Luis Obispo. The total population of the assessment area was 217,162 in the 1990 census.

The City of San Luis Obispo is the largest city in San Luis Obispo County. The county is the fifteenth largest in California, encompassing 3,300 square miles. It is located along the Pacific Coast 240 miles south of San Francisco and 200 miles north of Los Angeles. The larger cities of the county are located

along US-Hwy 101 and are separated into north county and south county by the Cuesta Grade.

The south county includes San Luis Obispo and the “5-Cities Area” of Pismo Beach, Arroyo Grande, Grover Beach and the unincorporated areas of Oceano and Nipomo. Tourism and recreation are the single largest income producers for the 5-Cities area. The north county includes Paso Robles and Atascadero. Tourism and agriculture are the largest income producers in this area.

Population growth averaged 0.95% per year between 1990 and 1996 according to the University of California, Santa Barbara (UCSB) Economic Forecast Project dated November 1998. The growth of total population in the County accelerated in 1998 to 2.1%. This is the fastest rate since 1990. Overall, the population of San Luis Obispo County has grown 10.4% in the unincorporated areas, and 4.9% in the collective incorporated cities over the last five years.

**Demographics and Credit Needs**

<b>Census Tracts &amp; Population within Assessment Area</b>				
<b>Income category of Census Tract</b>	<b># of Census Tracts</b>	<b>% of all Census Tracts</b>	<b>1990 Population</b>	<b>% of Population within Tract Income Category</b>
Low	0	0 %	0	0 %
Moderate	4	11.76 %	20,689	9.53 %
Middle	23	67.65 %	175,860	80.98 %
Upper	4	11.76%	20,536	9.46%
NA	3	8.82 %	77	0.04%
<b>Total</b>	<b>34</b>	<b>100 %</b>	<b>217,162</b>	<b>100 %</b>

Source: 1990 Census data

According to 1990 Census data, the median family income was \$37,087. This is slightly lower than the \$41,848 for all MSAs in California. The Census median housing value for the current assessment area was \$219,601. HUD median family income was updated in 1998 to \$46,200.

The following table illustrates the distribution of families by family income, based on 1990 Census data:

<b>Families within Current Assessment Area (Distributed by Family Income)</b>		
<b>Family Income Category *</b>	<b>Assessment Area</b>	
	<b># of Families</b>	<b>Percent of Families</b>

<b>Families within Current Assessment Area (Distributed by Family Income)</b>		
<b>Family Income Category *</b>	<b>Assessment Area</b>	
	<b># of Families</b>	<b>Percent of Families</b>
Low	9,304	17.65%
Moderate	9,965	18.91%
Middle	13,007	24.68%
Upper	20,427	38.76%
Total Families	52,703	100%
Total Population	217,162	

Source: 1990 Census data

\* Income category is for the families, regardless of the income category of the census tract in which they reside.

LMI families live throughout the assessment area. Despite the fact that there are only four census tracts designated as LMI, families designated LMI represent 17.65% of all families in the assessment area. This proportion is significantly below the 39% share of families in all MSAs in California.

Employment data is available at the MSA level from the University of California, Santa Barbara (UCSB) Economic Forecast Project dated November 1998. The largest civilian employment sectors in the San Luis Obispo MSA are services, retail trade, tourism, manufacturing, agriculture, and construction. Also according to UCSB data for 1998, the average unemployment rate for the San Luis Obispo MSA was 4.18%, which is now less than the national rate of 4.6%.

Dun & Bradstreet economic reports show that 10,340 businesses (399 farms and 9,941 non-farm businesses) operate within the bank's assessment area. Of those farms and businesses with reported revenues, 82% have reported annual revenues of \$1million or less, including 74% with revenues of less than \$500,000. Approximately 86% employ fewer than ten employees.

Meetings between federal regulatory agencies and community groups within the San Luis Obispo MSA have determined the primary credit needs to be affordable housing, purchase financing, capital for start-up ventures, and programs to assist small businesses.

We conducted one community contact for this examination. The organization was the City of San Luis Obispo Housing Authority which serves the City of San Luis Obispo. They also administer a Section 8 Housing Assistance program throughout the County of San Luis Obispo. The primary needs identified by the Housing Authority are low-cost housing and low-interest mortgage financing.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### Scope of Review

The review period for this evaluation is the period of December 18, 1997 to February 23, 1999. We used bank generated information which we tested for accuracy. The bank is primarily a business lender. For the purpose of our review, business lending includes commercial (general purpose), capital assets, operational expense, and unsecured commercial.

### *Lending to Businesses of Different Sizes:*

- **MCB's lending to businesses of different sizes and individuals of different incomes meets the standards for Satisfactory Performance. This conclusion is based on the context of the bank's size, resources, age, and competition.**

Lending opportunities are strong, based on Dun & Bradstreet data for the assessment area. There are 10,340 businesses within the area, including 399 farms and 9,941 non-farm businesses. Of these farms and businesses with reported revenues, 92% have reported annual revenues of \$1 million or less, including 84% with revenues of less than \$500,000.

To collect data on the revenues of the bank's business borrowers, we sampled 20 (8%) of the originations of commercial (general purpose) loans in the assessment area. We also reviewed 11 (100%) originations of agricultural loans in the assessment area. The following table shows the distribution of business lending opportunities and the bank's lending performance in these sector:

<b>Businesses &amp; Farms of Different Sizes: Lending Opportunities and the Bank's Lending Performance within Assessment Area Commercial (General Purpose Loans)</b>						
<b>Businesses &amp; Farms with Reported Income:</b>	<b>Opportunities Per Dun &amp; Bradstreet</b>		<b>Sampled Loans Originated (By Revenue of Borrower)</b>			
	<b>#</b>	<b>%</b>	<b># of Loans</b>	<b>% of Total #</b>	<b>Loans (\$000)</b>	<b>% of Total \$</b>
<= \$250,000	NA	NA	8	40%	\$685	23%
> \$250,000 to < \$500,000	NA	NA	4	20%	\$622	21%
Subtotal < \$500,000	7,630	84%	12	60%	\$1,307	44%
>= \$500,000 to < \$1,000,000	759	8%	5	25%	\$821	27%
Subtotal < \$1,000,000	8,389	92%	17	85%	\$2,128	71%
>= \$1,000,000	686	8%	3	15%	\$865	29%
Total with Reported Income	9,075	100%	20	100%	\$2,993	100%



Source: Dun & Bradstreet data and bank data

Of the sampled loans within the bank’s assessment area, we found that 85% by number and 71% by dollar volume were to small businesses with revenues of \$1 million or less. Although this level is slightly below the reported level of opportunities, the penetration is reasonable in the context of the bank’s size, age, and competition.

<b>Businesses &amp; Farms of Different Sizes: Lending Opportunities and the Bank’s Lending Performance within Assessment Area Agricultural Loans</b>						
<b>Businesses &amp; Farms with Reported Income:</b>	<b>Opportunities Per Dun &amp; Bradstreet</b>		<b>Sampled Loans Originated (By Revenue of Borrower)</b>			
	<b>#</b>	<b>%</b>	<b># of Loans</b>	<b>% of Total #</b>	<b>Loans (\$000)</b>	<b>% of Total \$</b>
<= \$250,000	NA	NA	5	45%	\$453	28%
> \$250,000 to < \$500,000	NA	NA	1	10%	\$465	28%
Subtotal < \$500,000	7,630	84%	6	55%	\$918	56%
>= \$500,000 to < \$1,000,000	759	8%	5	45%	\$725	44%
Subtotal < \$1,000,000	8,389	92%	11	100%	\$1,643	100%
>= \$1,000,000	686	8%	0	0%	\$0	0%
Total with Reported Income	9,075	100%	11	100%	\$1,643	100%

Source: Dun & Bradstreet data and bank data

Of the sampled agricultural loans within the bank’s assessment area, we found that 100% by number and 100% of dollar volume were to farms with revenues of \$1 million or less. Farm loans comprise of a much smaller part of the bank’s business strategy.

### ***Geographic Distribution of Loans***

- **The geographic distribution of loans originated during the evaluation period meets the standards for Satisfactory Performance.**

The following table shows the distribution of census tracts within the AA by income category; distribution of businesses within the AA by census tract income; and the distribution of outstanding loans originated (information on all originated loans was not available) by census tract income.

Demographics		Loan Originations 12/18/97 - 12/31/98				
Census Tracts		% of total Businesses in tract	# of Loans	% of Total	\$ Loaned (000's)	% of Total
Low Income	0%	0%	0	0%	0	0%
Moderate Income	12%	11%	14	7%	1,532	6%
Middle Income	67%	78%	155	74%	20,447	75%
Upper Income	12%	10%	39	19%	5,387	19%
N/A	9%	0%	0	0%	0	0%
Total	100%	100%	208	100%	27,366	100%

Source: 1990 census and bank generated reports

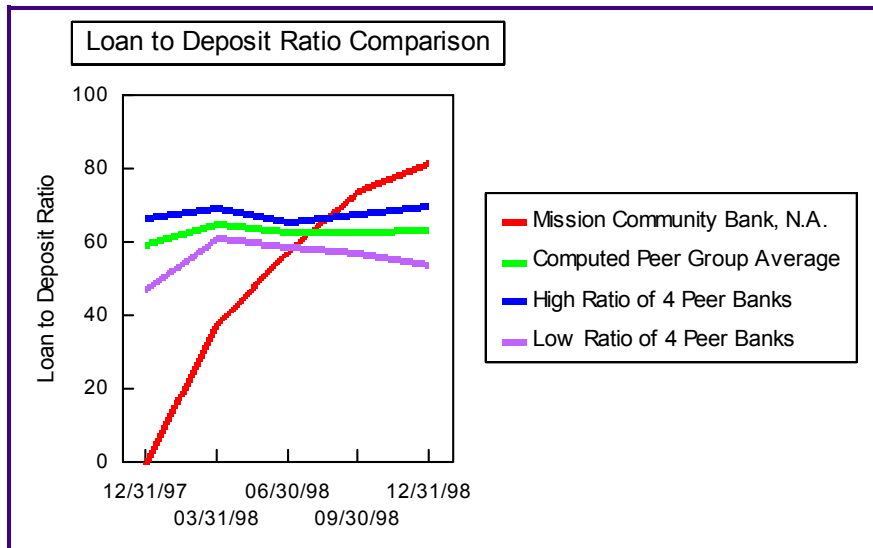
The bank's loans are reasonably distributed compared to the demographic information. Most loans are made in close proximity to the bank's offices. The main office is located in the City of San Luis Obispo which consists of all upper and middle-income tracts. The LPO is located in Paso Robles which consists of mostly middle-income tracts and only 1-moderate income tract.

### ***Loan to Deposit Ratio***

- **MCB's Loan-to-Deposit Ratio exceeds the standards for Satisfactory Performance, given the bank's size, financial condition, and assessment area credit needs.**

We evaluated the bank's loan-to-deposit ratio for five quarters ending December 31, 1998. This information is available only for the past five quarters, since the bank opened on December 18, 1997. The average loan to-deposit-ratio for the last five quarters is 50.07.

The following chart compares MCB's quarterly loan-to-deposit ratio to the computed peer group average and to the high and low ratios of the four peer institutions.



Source: Call Report data

Although the bank is new, the loan to deposit ratio has exceeded the peer banks the last two quarters. Peer banks included all community banks headquartered in San Luis Obispo County with assets less than \$175 million.

***Lending within the Assessment Area***

- **The proportion of MCB’s lending within its assessment area exceeds the standards for Satisfactory Performance.**

We reviewed and validated the bank’s data on all loan originations for the review period. We found 91.77% of the number and 73.83% of the dollar volume of loans to be within the assessment area. This is demonstrated in the following table:

Lending Inside and Outside the Assessment Area Commercial, Real Estate, and Consumer Loans & Commitments				

	# of Loans in Assess Area	% of # of Loans in Assess Area	\$000 of Loans in Assess Area	% of \$ of Loans in Assess Area
Inside Assessment Area	223	91.77%	10,226,787	73.83 %
Outside Assessment Area	20	8.23%	3,625,885	26.17%
Total	243	100 %	13,852,672	100 %

Source: Bank data

During the review period, MCB made one loan commitment from their CDC subsidiary. The loan is in a moderate census tract in the amount of \$30,000.

## **OTHER ITEMS**

### ***Response to Complaints:***

Neither the bank's management nor the Office of the Comptroller of the Currency have received any complaints about the bank's CRA performance.

### ***Fair Lending Examination:***

A concurrent fair lending review did not identify any violations of the various anti-discrimination laws and regulations. This review was performed for the bank's home equity lines of credit using all eight originations of this product since the bank opened in December 1998.