



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT PERFORMANCE
EVALUATION**

April 8, 1997

United States National Bank of Oregon
Charter Number 4514
111 S.W. Fifth Avenue
Portland, Oregon 97208

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **United States National Bank of Oregon, Portland, Oregon** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **April 8, 1997**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessment of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DEFINITIONS

Low- and Moderate-Income (LMI)- Income levels which are less than 80% of the median family income for the locality. Levels less than 50% of the median are considered low-income.

Middle-Income - Income levels that are equal to or greater than 80% and less than 120% of the median family income for the locality.

Upper-Income - Income levels that are equal to or greater than 120% of the median family income for the locality.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating

Based on the findings presented below, this institution is rated:

" Outstanding Record of Meeting Community Credit Needs."

Evaluation Period: This disclosure evaluates the bank's performance from January 1, 1994, through December 31, 1996.

Bank Profile

United States National Bank of Oregon (USBO) is a wholly owned subsidiary of U.S. Bancorp (USB). It had about \$14 billion in total assets at December 31, 1996, and is the largest commercial bank in Oregon with about 24% of the banking market. USBO is headquartered in downtown Portland and operates 185 full service branches statewide. It has displayed a leadership role in promoting economic growth and revitalization within the state. At year-end 1996 the bank had more than \$11 billion in total loans. As seen from the accompanying table, business lending accounts for the majority of its outstandings.

Loan Type	12/31/96
Business	\$6.1 billion
Real Estate Residential	\$0.8 billion
Real Estate Nonresidential	\$2.1 billion
Consumer	\$1.8 billion
Agricultural	\$0.2 billion
Total loans	\$11 billion

Community Profile

USBO has defined the entire state of Oregon as its delineated community. Oregon ranked 29th in population among all states in 1995 with 3.2 million inhabitants, based on updated U.S. Census Bureau data. The strong Oregon economy continues to attract in-migration from other areas of the country. As a result, Oregon ranked seventh in percentage population growth for all states. The statewide unemployment rate as of December 1996 was 5.6% as

compared with the national unemployment rate of 5.3%.

In general terms, Oregon's economy has consistently outperformed the nation as a whole over the past couple of years in the areas of population, income, and employment growth. A portion of the following economic data was summarized from a publication produced by the bank's economics department titled "U.S. Territory 1997".

The growth in the technology sector has continued its rapid pace, particularly with an increased number of suppliers to the semiconductor industry. The general decline in the forest products sector continued, with lumber and wood products jobs declining by 2,400 between 1994 and 1995. Employment growth came primarily from services, trade, manufacturing, and construction. Residential construction building permits have increased each year for the past four years including an 8.8% increase in 1995.

While the economic boom has been good for business, many homebuyers in the Portland market face dramatically higher housing costs as a result. As of the second quarter 1996, the Portland metro area was one of the least affordable housing markets in the nation, ranking 177 out of 185. This is especially notable because the Portland MSA includes 45% of the state's population. Statewide, price changes for existing home sales increased 9.1% for the twelve months ending June 1996, and 55.8% over the past five years.

DELINEATED COMMUNITY (STATE OF OREGON)			
Median Income	Population	LMI Families	LMI Census Tracts
\$30,087	2,842,321	37%	18%

USBO has 185 branches in the community, of which thirty-eight (21%) are in LMI census tracts.

PORTLAND MSA			
Median Income	Population	LMI Families	LMI Census Tracts
\$35,014	1,277,399	36%	24%

The Portland MSA contains 45% of the total state population, and 56% of all LMI families.

Based on 1990 Census Bureau information (latest for which census tract data is available), the percentage of LMI families is higher than the percentage of LMI census tracts at both the state and Portland MSA level.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A: Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **USBO's ascertainment program is extensive and produces effective results.**
- **USBO has taken affirmative action to address community credit needs that they identified through their ascertainment program.**

USBO determines the needs of its community through employee involvement in community organizations and activities, information received from community forums, and market research. It maintains an extensive demographic database for purposes of identifying and regularly monitoring the demographic characteristics of its community. Management uses this resource to remain knowledgeable about the community's income, ethnic, household, and business characteristics. Bank management continually monitors its community's demographic characteristics and lending patterns to ensure they are meeting credit needs.

On an ongoing basis, the Community Investment Department, product managers, and bank management evaluate the needs assessment findings. The Board reviews follow-up actions taken to address the identified needs. The bank held sixteen community forums in rural and metropolitan areas of the state. The forums target community leaders and community groups and include bank management and directors. In 1994 and 1995 USBO commissioned studies to learn the needs of small businesses and farms.

USBO determined the primary needs include credit products for established and start-up businesses, less restrictive lending criteria, creation of affordable housing and construction financing, providing education on basic banking and how to purchase and maintain a home for first-time homebuyers.

Following are examples of actions the bank has taken to address the community's needs:

Credit Products for Established and Start-up Businesses

In 1995, USB developed and introduced the U.S. Simply Small Business Loan Program for businesses with credit needs of \$35,000 or less. This program streamlines the application process, provides a credit decision within four business hours, and access to funds within seventy-two hours. The bank originated a significant volume of loans with this program, as detailed under Assessment Factor I.

In 1994, the bank introduced the Small Business Administration's (SBA) LowDoc Program. The program offers more flexible equity and collateral requirements, features a streamlined application process, reduces the amount of paperwork required, and provides quick loan approval. SBA loan volumes are provided under Assessment Factor J.

Less Restrictive Lending Criteria

USBO continues to offer the Consumer Opportunity Loan Program and the HomePartners Home Loan Program. The Consumer Opportunity Loan Program offers direct secured installment loans with higher debt-to-income ratios, a lower minimum monthly discretionary income, extended loan terms, and more flexible credit history requirements such as rent or utility payments, if the applicant does not have a reported credit history. USBO expanded the HomePartners Home Loan Program in 1994. This program includes four loan products with more flexible underwriting requirements. Assessment Factor I provides a more detailed description of this program.

Creation of Affordable Housing and Construction Financing

In late 1996, USBO created a lending unit to focus exclusively on construction and rehabilitation financing for multi-family affordable housing and public/private partnerships that revitalize distressed neighborhoods.

In response to the increasing housing prices in the Portland area, the bank modified the Down Payment Assistance and Education Program. When USBO started the program in 1990, the lender could provide up to 1/3 of the cash needed for down payment. Due to increasing housing prices in the market, the bank removed the sales price restriction and they increased the maximum grant amount to 1% of the loan amount or a \$750 maximum. These modifications became effective in 1996.

The bank also helped develop the Project Down Payment program for people with modest incomes who qualify for a home but need funds for the down payment and closing costs. Borrowers must live in Eastside Portland neighborhoods for six months and purchase a home in a targeted neighborhood to qualify. Qualified homebuyers are granted up to \$4,000 for down payment assistance or can borrow up to \$15,000 for a principal buydown loan.

To help LMI borrowers purchase a home at a lower mortgage rate, USBO participates in the Oregon State Bond Mortgage Loan Program. This mortgage product offers a favorable rate and reduced monthly payments to LMI first-time homebuyers.

The bank has provided construction and permanent financing for several large affordable housing projects through direct lending, by providing financing to facilitate the issuance of bonds for the projects and tax credit investments. Assessment Factor H describes the bank's performance in addressing the community's affordable housing needs.

Educational Needs

The bank works with local, regional, state government, and small business resource centers across the state to provide training for small businesses. During 1994 through 1996, USBO sponsored and participated in several small business and farm seminars and conducted a number of homebuyer seminars. The bank also provided and participated in basic banking education seminars in partnership with local school districts, colleges, universities, and nonprofit organizations.

Our evaluation of USBO's performance included contacts with community-based organizations. In addition, we reviewed information generated from other community contacts conducted by the OCC and other regulatory agencies. We found the bank's ascertainment process is effective in determining community credit needs.

Assessment Factor C: The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- **The Board and senior management exercise policy oversight and have taken an active role in evaluating and enhancing the bank's CRA performance.**

The Social Responsibility Committee, a subcommittee of the Board of Directors, oversees and directs all activities relating to compliance with CRA. The Committee meets quarterly and presents their findings to the full Board.

The committee conducts an annual review of the CRA Statement and CRA Policy and regularly monitors bank performance in meeting CRA goals. Management provides the Social Responsibility Committee with reports of performance in relation to bank goals for ascertaining credit needs, addressing credit needs, and marketing products and services. The committee receives periodic reports and an annual report on lending distribution and penetration within its community. Management uses this information to establish marketing strategies for reaching all segments of the bank's community.

Directors and senior managers personally participate in activities designed to develop, improve, and enhance the local community. They are aware of community needs and direct the bank's efforts in community development activities. For example, directors have served on the board and various committees of nonprofit organizations engaged in helping to meet affordable housing and economic development needs as well as fund raising events in support of providing affordable housing. Directors also participate in the bank's community forums held around the state to assess credit needs.

Our review of USBO's CRA Statement showed that it meets regulatory requirements. The CRA Statement was expanded to include a description of the Bank's CRA process.

II. **MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

Assessment Factor B: The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **The Board and senior management have established a comprehensive marketing program.**
- **Marketing strategies are designed to reach all segments of the bank's delineated community, including LMI geographies.**

Management considers lending performance distribution and strategically places advertisements to ensure they reach all segments of the bank's community. USBO's Application Tracking System (ATS) gives management comprehensive reports that illustrate lending performance. The system tracks applications that the bank receives, approves and denies geographically by zip code, county, state, and beginning in 1996 by census tract. It also tracks borrower's income level and/or size of business and farm. Bank management reviews this information, along with community demographics, to determine its performance in reaching corporate goals. It then establishes and uses marketing strategies to reach targeted segments of its community. For example, based on such a geographic analysis, in October 1995 USBO directed a pre-approved consumer installment loan offer to LMI communities across the state.

USBO advertises its products and services through a variety of mass media vehicles, including television, radio, print, outdoor billboard, direct mail, and in-branch product brochures. Special media is targeted at particular segments and/or neighborhoods, e.g., ethnic minority media, foreign language publications, community newspapers, and radio stations targeting farmers.

USBO announces new products through media advisories and makes people aware of products and services the bank offers by providing and participating in educational seminars and programs for first-time homebuyers, small businesses, and consumers. During 1994 through 1996, the bank conducted the following seminars and/or educational forums:

USBO HomeBuyers Seminars

These seminars, targeted to first-time and LMI homebuyers, give participants information about how to prepare for home ownership and how to qualify for a home loan. During the evaluation period USBO provided this information to more than 2,000 potential homebuyers through eighty-three seminars.

Oregon Small Business and Small Farm Seminars and Conferences

This is a series of meetings conducted throughout the state designed to offer local small business owners the opportunity to gather information and learn about resources that are available to them. Topics include how to start a business, how to access credit, and the types of public and private programs that exist to support small businesses. The bank sponsored and participated in more than twenty of these educational seminars.

Business Profiles

In direct response to small business owners requesting assistance in understanding a lender's perspective when making a loan, USBO developed and offers Business Profiles. This is an educational seminar that provides seven hours of step-by-step instruction on "what a bank looks for when making a loan." The training manual includes a Word Disc with all the necessary documents for a business owner to create a business plan and financial plan.

Assessment Factor I: The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **USBO has made good efforts to address a significant portion of the housing small business, and consumer credit needs of its communities.**
- **The bank offers a comprehensive array of loan products and demonstrated strong performance in lending to consumers and small businesses.**
- **USBO makes a significant volume of loans within its delineated community and loan volumes are adequate given the institution's resources and community needs.**

Aggregate Lending Performance

USBO has shown a strong commitment of lending to its community by offering a comprehensive array of loan products designed to meet community credit needs. This commitment is reflected in a very high loan to deposit ratio that exceeds 110%. USBO has been a consistent producer of high loan volumes. Further strength of USBO's commitment is reflected in the 163,144 loan originations totaling more than \$5 billion as detailed in the following table (data reflects only loans originated or purchased within the delineated community). Also, USBO originated the majority of its loans within the delineated community with 79% by number and 81% by volume.

AGGREGATE ORIGINATIONS BY LOAN TYPE FOR THE EVALUATION PERIOD		
PRODUCT	\$Volume of Loans* (Mil)	# of Loans*
Residential	\$662	6,637
Home Improvement	\$82	3,761
Rehabilitation	\$68	235
Small Business	\$2,456	20,203
Small Farm	\$422	3,396
Consumer (1)	\$1,459	128,912
Total Originations	\$5,149	163,144

* Special credit-related program volumes are included in the table.

- (1) Consumer does not include credit card data for 1996 as the bank suspended collection of this data as of January 1, 1996, in preparation for the new data collection requirements under CRA reform.

Residential Lending Activity

Mortgage lending volumes, although still strong, decreased following the sale of the bank's mortgage loan subsidiary. USB sold its mortgage loan subsidiary, U.S. Bancorp Mortgage Company, in August 1994 to Mellon Mortgage Company. USB sold the subsidiary as a part of a major initiative to improve the bank's overall financial and operating performance. As part of the sale agreement, USBO was subject to a two-year noncompete clause, which expired on August 31, 1996. The clause prohibited USBO from soliciting business from realtors, except in connection with its affordable housing and CRA related home loan products.

To continue to meet the needs of LMI homebuyers, USBO originated loans through its branch structure and through affiliated U.S. Bancorp Home Loans. USBO also will continue its commitment to affordable housing through a new unit at the holding company level that will specialize in community development lending.

USBO offers the following special credit-related products to address the needs of LMI individuals:

The HomePartners Home Loan Program was first introduced in 1991 and expanded in 1994. The program includes four mortgage loan products. Each product offers flexibility in areas of down payment, debt-to-income ratios, and credit history. Specific products offered under

this

program are the HomePartners FHA, the HomePartners Affordable Gold, HomePartners 97%, and HomePartners U.S.

The HomePartners FHA and HomePartners 97% products offer flexible terms and allow the seller to pay for pre-paid loan costs that are normally the purchasers' responsibility. The HomePartners U.S. offers the most flexibility. Besides offering more flexible terms than the other HomePartner products, the program waives the requirement for private mortgage insurance that is often required for low down payment mortgage programs. Over the evaluation period, USBO originated 563 HomePartners U.S. loans for \$40 million.

Oregon State Bond Mortgage Loan Program. The bank participates in this program in direct response to the need expressed by LMI homebuyers to access a lower rate mortgage loan program. Loans are made at below market rates to borrowers and subsidized by the state. Over the evaluation period, USBO originated 269 loans for \$19 million under this program. We considered the performance in originating loans with this bond program in Assessment Factor J that describes participation in government guaranteed or sponsored loan programs.

Small Business Lending

USBO has responded aggressively to the identified needs of small business owners by developing or participating in innovative loan programs. Those programs include the following:

U.S. Simply Small Business Loan Program. The bank developed and introduced this program in October 1995 to respond to frequently identified needs of small business and farm owners for an easy to apply, quick turnaround business loan. Since introduction, the bank has originated 3,307 loans under this program for \$84 million.

Commercial Opportunity Loan Program. USBO developed this program in response to the needs of businesses without an extensive history. Loans under this program are available to ethnic minorities, women, or businesses in economically distressed areas. The program provides flexibility as to collateral requirements, terms of the loan, and the bank's internal "risk rating" of the borrower so that those not eligible for conventional financing may be eligible for an Opportunity Loan. Since 1994, the bank has originated 618 loans for \$24 million under this program.

Capital Access Program (CAP). The State of Oregon Economic Development Department sponsors this program. It assists Oregon banks in making higher risk business loans. USBO has elected to use these loans for start-up businesses that fall short of meeting the bank's standard loan criteria. For the evaluation period, the bank has originated 164 CAP loans totaling almost \$5 million.

Consumer Lending

Effective January 1, 1996, the bank suspended the collection of bankcard data, which in 1995 accounted for 31% of total consumer loan originations. Thus, the total loan originations listed for consumer loans in the above Aggregate Lending table do not contain credit card originations for 1996.

USBO offers a number of consumer loans under the Consumer Opportunity Loan Program. This program was designed to meet the needs of LMI borrowers in accessing consumer credit for personal, family, and household needs. The program offers higher debt-to-income ratios, extended terms, and more flexible credit history requirements. Over the evaluation period, the bank originated 1,598 Consumer Opportunity Loans for \$6.4 million.

Management introduced secured credit cards in 1995. They designed this credit card, secured by a time deposit, for customers with little or no credit history or for customers seeking to repair bad credit history.

Assessment Factor J: The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- **USBO actively participates in governmentally guaranteed, or sponsored programs.**
- **USBO remains the top Student Loan Program lender in Oregon, and is the second largest lender of Small Business Administration (SBA) loans in the Portland District Office of the SBA.**

USBO has originated more than \$336 million in government guaranteed or sponsored loans over the evaluation period. The bank is the top student loan lender for Oregon and originates one of the largest volumes of loans through the Oregon Bond Program. USBO produces the second largest volume of SBA loans for the Small Business Administration's Portland District Office. The bank originated fewer FHA and VA loan originations due to the sale of the bank's affiliate, U.S. Bank Mortgage Company. The following table illustrates the bank's performance:

AGGREGATE LOAN ORIGINATIONS BY LOAN TYPE FOR THE EVALUATION PERIOD		
PRODUCT	\$ (Millions)*	# of Loans*
FHA/VA	\$66	835
SBA	\$31	231
FmHA	\$.4	3
Student	\$220	66,667
Oregon Bond	\$19	269
Total Originations	\$336.4	68,005

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- **USBO's delineation is reasonable and meets the purpose of CRA.**

USBO has designated the entire state of Oregon as its delineated community. This delineation meets the purpose of CRA and does not arbitrarily exclude LMI neighborhoods. The bank has 185 branches statewide that provide full deposit and loan services in metropolitan and rural areas. The Board of Directors reviews and approves the delineation annually.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- **The geographic distribution of loan originations is reasonable and generally consistent with the demographic patterns and identifiable loan demands within the Bank's communities.**
- **The geographic distribution of USBO's mortgage products for 1994 and 1995 significantly exceeded market averages.**
- **USBO conducts thorough and well-documented analyses of the geographic distribution of its major loan products.**

- **USBO uses their geographic analyses to identify communities that may benefit from additional marketing or targeted lending strategies and products.**

USBO analyzes the geographic distribution of its consumer and business credit applications and originations quarterly. In addition, the bank conducts more in depth analyses of HMDA data quarterly and annually, including distribution by race/national origin and income level. This analysis also considers denials. All analyses consider the distribution between LMI and non-LMI areas for each of the thirty-six counties currently served by USBO throughout Oregon. The bank also conducts a quarterly analysis of loan penetration within each county.

Management uses these analyses throughout the year in assessing the Bank's CRA performance within each market. The Board's Social Responsibility Committee also reviews them annually. The demographics of and competition within the markets are considered within this process. The analyses are also used in developing written strategies and plans for strengthening CRA performance including targeted outreach or advertising efforts and focused lending strategies for various business units. As an example, the 1995 CRA Action Plan included a direct mail lending campaign targeted to LMI areas throughout the state.

The following tables reflect the distribution of CRA business and farm, consumer, and HMDA originations in 1996 for the bank's entire delineated community. Aggregate levels are consistent with performance at the MSA and non-MSA levels. Historical demographic analyses have been done at the Zip Code level. These analyses show that the bank's level of penetration into LMI areas has been steadily increasing over the last three years. While the analysis for 1996 is based on census tracts, the distributions are consistent with the bank's historical ZIP Code analysis. Overall, the Zip Code analyses for the last three years show consistent and reasonable penetration of LMI census tracts and throughout the bank's delineated community.

Our analysis of loan originations for the year ending December 31, 1996, revealed that the bank has better penetration into LMI geographies with its small business and HMDA lending than with consumer and small farm lending. For these first two categories the bank exceeded demographic comparisons. For small business loans, 22.4% by count and 25.8% by volume went to LMI geographies versus only 21.9% of the businesses were in such geographies. Likewise the number of HMDA originations by count exceeded the level of owner occupied households in LMI geographies. Consumer loans at 14.5% by count were slightly under the total population of 16.1% that were in LMI census tracts. Farm lending by count and volume had the lowest level of penetration into LMI geographies. However, this analysis is less precise due to the overall lower volume of farm lending and the fewer number of farms.

CRA LOAN DISTRIBUTION - 1996						
Delineated Community/ State of Oregon Loan Product	(1) % of LMI CTs	% Total Bus., Farms, Pop., or HH's in LMI CTs	% of Originations , by count, within:		% of Originations , by \$, within:	
			LMI CTs*	Non-LMI CTs*	LMI CTs*	Non-LMI CTs*
Small Business	18.2	21.9	22.4	77.6	25.8	74.2
Small Farm	17.1	11.1	4.7	95.3	5.4	95.5
Consumer	18.1	16.1	14.5	85.5	13.1	86.9
HMDA	18.4	12.5	15.8	84.2	13.3	86.7

(1) Excludes census tracts with no small farms, businesses, population or households. For Consumer loans Pop. refers to total population while for HMDA reportable loans, HH's refer to the percent of owner occupied households in LMI census tracts.

* The demographic information was provided by PCI Services, Inc.

Our analysis of USBO's residential lending revealed that these loans are also reasonably distributed throughout the delineated communities, with a heavy emphasis in LMI areas for the years 1994-1996. See the table below for details. Our analysis also included a review of the 1994 and 1995 HMDA Aggregate (all HMDA reporting institutions) Loan Application Register (LAR) data reported in the Bank's delineated community (for MSA's only). USBO's performance in LMI areas significantly exceeded the average for all HMDA reporters. The bank exceeded the market averages in 1994 by 40% and again in 1995 by 64%. In addition, except for one other bank in 1994, the bank's performance exceeded all other major mortgage lenders. This is based on the volume of originations in LMI areas as a percent of all originations.

HMDA Aggregate LAR data for 1996 was not available for review at the time of this evaluation. However, USBO's 1996 HMDA data reflects that the bank's mortgage origination distribution has remained consistent with its performance over the prior two years, although it is down from 1995. Throughout all three years the bank has consistently lent above the percent of owner occupied households in LMI census tracts. Also, for 1996 data is now available for non MSA areas. The bank's distribution in these geographies is also reasonable and significantly exceeds demographic statistics.

1994 - 1996 HMDA REPORTABLE ORIGINATIONS*										
Type of Census Tract	1994 Bank MSA	1994 Market MSA	1995 Bank MSA	1995 Market MSA	1996 Bank MSA	1996 Bank State	1990 US Census-% HH's MSA's (1)		1990 US Census-% HH's State	
							CT	OO	CT	OO
LMI	17.6	12.6	23.1	14.1	18.5	15.8	22.2	13.9	18.4	12.5
Middle	59.0	55.5	58.9	60.9	61.9	65	58.0	62.9	53.7	66.4
Upper	23.4	24.6	18	24.9	19.6	19.2	19.7	23.1	17.9	21.0

* For 1994 and 1995 all reported data is based on MSA's only. Beginning in 1996 data is available for all areas, including non MSA's. The bank uses updated income information provided by PCI Services, Inc.

(1) Excludes census tracts with no owner occupied households. CT refers to census tract while OO refers to owner occupied households.

As previously mentioned, it is also important to note that while USBO did sell its mortgage subsidiary, it still generates a significant volume of lending that supports the above analysis. In 1994, the last year of production for the mortgage subsidiary, USBO was the number one mortgage lender, per the aggregate HMDA LAR, throughout all MSA's in Oregon. In 1995, without the mortgage subsidiary, the bank still ranked as a top fifteen lender, coming in at number twelve. While not available yet, the bank should move higher in 1996 since the number of originations increased more than 50% compared with 1995.

Assessment Factor G: The institution's record of opening and closing offices and providing services at offices.

- **USBO's offices are accessible to all segments of its community.**
- **USBO's closure of branches during this evaluation period had not adversely affected its ability to provide banking services to its community, including LMI neighborhoods.**

USBO's branch system is statewide. Operating hours are competitive with other financial institutions in Oregon. Forty-one of the bank's offices are open for limited hours on Saturdays and four offices, which are located in supermarket locations, are open Sundays.

USBO closed six branches during the last three years. Each occurred in 1994 and was the result of consolidating existing branch markets which overlapped. No LMI markets were involved. Seven new branches were opened during this same period. USBO currently has 185 branches.

Our review of the closures concluded that USBO management acted reasonably and responsibly in assessing the closures and their impact on the affected communities. The bank sought community input regarding the closures to ensure that any potential adverse impact on the community would be addressed. The proximity to other USBO branches and alternative delivery systems, such as ATM's, was considered to lessen the impact on customers. Demographic research and a financial analysis were also performed.

USBO has 519 automated teller machines, with 231 at non-branch locations. Most of the ATM's offer Spanish as well as English directions. The bank also offers consumer, mortgage and small business loan services through a 1-800 telephone number.

IV. DISCRIMINATION

Assessment Factor D: Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- **USBO actively solicits credit applications from all segments of its community.**
- **We found no practices intended to discourage applicants for any type of credit listed on the bank's CRA Statement.**

USBO actively seeks credit applications from all segments of its community and focuses on LMI neighborhoods. Management's assessment efforts ensure that the needs of each community are identified. This information is used by management to develop appropriate loan products/services and advertising format.

The Board and management have implemented effective policies, procedures, and training programs to ensure the bank does not illegally discourage or prescreen applicants. USBO's compliance management system provides an extensive and ongoing review of the bank's performance in providing access to credit to all applicants.

The following highlights efforts initiated by the Board and management to ensure all loan applicants have an equal opportunity to obtain a loan:

- ▶ Adopted a Fair Lending Policy that clearly sets forth USBO's commitment to fair lending.

- ▶ Reviewed and revised underwriting guidelines and procedures.
- ▶ Centralized underwriting decisions, including declines.
- ▶ Implemented a three-tier review structure for residential declines.
- ▶ Adopted a Quality of Assistance Checklist to guide loan officers and underwriters through areas where their assistance may enable a marginal applicant to qualify.
- ▶ Provided fair lending training to all employees, and specialized training in quality of assistance and underwriting discretion for USBO's loan originators and underwriters.
- ▶ Conducted self-assessment activities including ongoing quality control reviews, comparative file reviews, and matched-pair testing.

Assessment Factor F: Evidence of prohibited discriminatory or other illegal credit practices.

- **Our evaluation revealed no evidence of prohibited or illegal credit practices.**

USBO is in substantial compliance with all provisions of anti-discrimination laws and regulations including the Equal Credit Opportunity Act and the Fair Housing Act. We noted technical violations of the Home Mortgage Disclosure Act. Management initiated corrective action to correct the violations and established controls to prevent future violations.

We conducted a fair lending examination at the bank's Retail Finance Center in Portland, Oregon. This center processes home improvement loans for USBO as well as other affiliated banks. We evaluated compliance with anti-discrimination laws through a review of 247 home improvement loan applications processed between January 1, 1996 and October 31, 1996. Our sample included denied applications from 20 American Indians, 10 African-Americans, and 30 Hispanics. We compared these files with approved applications from 187 Whites. Our file comparison process did not detect any indication of illegal discrimination.

V. COMMUNITY DEVELOPMENT

Assessment Factor H: The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **USBO has maintained a leadership position with its participation in community development and redevelopment programs.**

- **USBO made a significant volume of financial contributions in support of community development activities.**
- **Management continues to establish productive partnerships with community groups and organizations.**

USBO's commitment to community reinvestment is demonstrated through a variety of investment and other financial contributions. Total commitments to community development and redevelopment projects and programs exceed \$143 million.

The following table summarizes the majority of the community development and redevelopment activities the bank is engaged in:

COMMUNITY DEVELOPMENT ACTIVITIES (1994 - 1996)		
Activity:	# of Projects or Housing Units*	Funded \$ (Millions)
Affordable Housing Projects	53	\$84.3
Investments in CDC's and other Community Development Projects	39	\$20.0
	360*	
Tax Credit Investments	1103*	\$27.2
Native American Tribal Community Development	6	\$9.7
Community Development Grants/Donations	246	\$2.1
Total Community Development Activities	344	\$143.3
	1463*	

* These totals are for the number of housing units provided. Those numbers without a * are project or individual totals.

Community Development Lending

Examples of creative partnerships formed to create housing are:

Home Ownership a Street at a Time (HOST) - USBO serves as the only lender for the HOST, a private, nonprofit corporation whose purpose is the creation of home ownership

opportunities for LMI families. HOST is financed by the private sector and does not receive subsidies to construct the homes. The bank works closely with HOST in all aspects of its development programs and has been instrumental in seeking solutions to complex financing packages. HOST funding will provide thirty-five affordable single family homes in North and Northeast Portland. HOST has completed construction on twenty-three homes. USBO provided permanent financing for six of the homebuyers.

Housing Development Corporation of Washington County - USBO partnered with the Housing Development Corporation of Washington County to finance the development of five single family homes for farm workers. The project took years to bring to fruition. The project mixed components of construction financing, working with homebuyers to obtain permanent financing, and providing the financing. Potential homeowners entered a lease-to-own program during the first two years. The bank worked closely with the potential homeowners on establishing budgets, saving for down payment, and repairing credit in anticipation of the purchase of their home. The bank provided the permanent mortgage loan to the homebuyers through its HomePartners loan program.

Portland Development Commission (PDC) - In late 1996, USBO entered an agreement with PDC to fund the agency's home repair and single family loan programs. The agreement provides PDC with a \$6 million line of credit which is blended with the City of Portland's federal Block Grant funds. This partnership enables LMI borrowers to secure loans to purchase properties located in targeted areas of Northeast Portland at below-market interest rates. To date, borrowers have not secured loans through this partnership.

Central City Concern - The bank worked with Central City Concern, a nonprofit housing provider, to finance the rehabilitation and construction of the Mark O. Hatfield building in downtown Portland. The project provides 106 single-rooms for homeless persons in recovery from chemical dependency and chronic mental illness. In addition to the construction financing of \$1.3 million, the bank sponsored an Affordable Housing Program grant request to the Federal Home Loan Bank for \$300,000.

Albina Community Bank - The bank partnered with the Albina Community Bank, a minority-owned community development bank, to provide \$1 million to construct the Harry Jackson Plaza. The retail outlet will be located on the Martin Luther King Jr. Boulevard. USBO's commitment on this project was \$750,000.

Native American Tribal Lending - Bank management and staff have maintained ongoing and targeted contacts with many Native American Tribes in Oregon. Through these contacts, USBO has taken a leadership role in assisting tribes to establish meaningful banking relationships and meet a variety of their credit needs. USBO has also provided various Oregon tribes and their members with deposit products, loans, and financial assistance to support the creation of their own banking programs. Since 1994, USBO has maintained relationships with six different tribes and has extended more than \$9.7 million in community development lending to the tribes.

Contributions To Community Development Corporations And Groups and Organizations Engaged In Community Development

Network for Oregon Affordable Housing (NOAH) - USBO serves as the agent bank for NOAH. NOAH is a 17-bank consortium community development corporation, established in 1990 to provide financing and technical assistance for the development of affordable rental properties for LMI families. NOAH provides permanent financing for multi-family affordable housing projects in Oregon. The bank committed \$18.3 million of the total \$48.2 million line of credit. NOAH financed thirty-nine affordable housing projects for a total of \$45.6 million during this evaluation period.

Consortium of Salem Area Lenders (CONSALL) - The bank participates in the CONSALL which was formed in 1991. Since 1994, CONSALL has provided more than \$1.9 million in financing for the development of sixty-three affordable housing units with the bank providing \$353.6 thousand as of December 1, 1996. A bank employee served as the Chairperson of CONSALL's Steering Committee and implemented an increase to the CONSALL commitment, by initiating the doubling of all participating banks' lines. Since the last CRA examination USBO increased its loan participation to \$1 million.

Portland Nehemiah Program - The goal of the Portland Nehemiah Project is to provide affordable housing to LMI families and repopulate and revitalize four deteriorating Northeast Portland neighborhoods. The program provides a first mortgage at below market rates and a no-interest second mortgage up to \$15,000 for purchasing a newly constructed or rehabilitated home. Borrowers also have access to a \$4,000 down payment assistance grant. The bank is the largest participant in the consortium with a line of \$659,700 (24%), of the \$2.8 million construction financing line and provides takeout financing. The bank provided financing for 36 of the total 297 borrowers during 1994 through 1996.

Umpqua Small Business Loan Pool - The bank was instrumental in developing Umpqua Small Business Loan Pool, a microloan program which is the first of its kind in Southwest Oregon. The pool was formed in 1994. The bank contributed \$5,000. The program provides loans to Douglas County residents who wish to start or expand a small business. Borrowers must complete training sessions before they can obtain a loan. Potential borrowers attend weekly training sessions to learn marketing, how to prepare a business plan and other business skills.

Examples of contributions to groups in support of community development activities:

Rural Development Initiatives (RDI) - USBO is a leading partner in a public-private partnership with the RDI, to assist rural communities that the timber crisis affected. The bank contributed \$31,500 for the project. RDI is a statewide nonprofit organization.

Cascades West Financial Service Microloan Program - USBO is a partner in the Cascades West Financial Service Microloan Program. The program is marketed toward minorities, women and LMI individuals, by providing funds for starting businesses and expanding existing businesses. The bank contributed \$5,000 to the fund in 1994.

The Portland Housing Center - The bank is the largest private financial supporter and contributed more than \$68,000 to Portland Housing Center. The Portland Housing Center is a clearinghouse and counseling center for homeownership and other housing-related issues. The Center's goals are to increase accessibility of affordable rental and home ownership programs, establish new public-private partnerships for affordable housing options, and stabilize neighborhoods by fostering home ownership and continued investment in improving and maintaining properties.

City of Eugene's Affordable Housing Program - USBO was the first major bank to fund the City of Eugene's Affordable Housing Program. In 1995, the bank contributed \$100,000 to assist Eugene in achieving its affordable housing goals.

Neighborhood Partnership Fund (NPF) - The bank contributed \$25,000 to support ongoing operations for the NPF. The Oregon Community Foundation established the fund with a grant from the Ford Foundation. The NPF provides a technical assistance for new and emerging Community Development Corporations. The corporations may submit a business plan application to the NPF for a possible three year funding grant upon completing the training program.

Portland Community Design - The bank contributed \$25,000 to Portland Community Design for ongoing operations. Portland Community Design is a nonprofit corporation that provides architectural and community design services to community development corporations, neighborhood associations, and private developers. Portland Community Design also develops affordable housing and provides economic revitalization assistance to deteriorated neighborhoods.

Housing Development Center (HDC) - The bank contributed more than \$27,500 to the ongoing operation of the HDC, a nonprofit organization which provides technical assistance to nonprofit developers of LMI and special-needs housing. HDC helps organizations accelerate housing production and improve the quality of LMI housing in Portland and Multnomah County.

Oregon Native American Business and Entrepreneurial Network (ONABEN) - USBO contributed \$20,000 to ONABEN in support of its training programs. ONABEN's mission is to fundamentally change the economy of Indian Country by achieving levels of private business ownership equal to that of other communities. The organization provides technical assistance and ongoing support to Native American owned businesses in the Northwest.

Tax Credit Investments

During the period from 1994 through October 1996, USBO committed to purchase \$19.7 million in tax credits to help create 892 units of affordable housing throughout Oregon. Through year end 1996, the bank invested \$6.5 million which created 301 affordable housing units.

Assessment Factor K: The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- **We did not identify any constraints on USBO's ability to help meet the credit needs of its delineated communities.**

USBO is Oregon's largest commercial bank and has displayed a leadership role in promoting economic growth and revitalization within the state. Bank management and various members of the Board have established good working relationships with business and community leaders to help meet the state's credit and housing needs. USBO faces no material impediments to prevent it from actively participating in its community.

Refer to the introduction section for a current profile of USBO and its community.

Assessment Factor L: Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- **USBO has engaged in other meaningful activities that contribute to its efforts to help meet the community's credit needs.**

Such activities include providing homebuyer, financial, and small business training sessions. Bank staff also provide technical expertise to groups and organizations engaged in community development through their participation on boards, advisory committees, loan committees and marketing committees.