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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

July 21, 1997

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Sequoia National Bank  
Charter Number 21337**

**65 Post Street  
San Francisco, CA 95104**

**Comptroller of the Currency  
50 Fremont Street, Suite 3900  
San Francisco, California 94105**

**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 Sequoia National Bank prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 31, 1997. 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 performance under the CRA is rated “Satisfactory.” The bank continues to face financial constraints which have significantly impacted its ability to generate new loans. The bank has originated only \$1.38 million in loans since January 1996. Despite its decreased lending ability and asset base, the bank has maintained a reasonable loan-to-deposit ratio at 67% (over an eight quarter average). The majority of the bank's loans are outside its assessment area, which is below what is required for satisfactory performance. However, in light of the bank's diminished capacity to originate loans, the diversity of borrowers and adequate performance in other criteria, the bank's overall CRA performance is satisfactory.

## **DESCRIPTION OF INSTITUTION:**

Sequoia National Bank (SNB) is a \$12 million community bank as of May 31, 1997, with its only office located in the financial district of downtown San Francisco, California. SNB offers primarily commercial loan products focusing on loans secured by real property to small and medium sized businesses. The bank does not make any residential mortgage loans or consumer loans. The bank's hours of operation are weekdays, 9:00 to 4:00 and it is closed on weekends and holidays. The bank's officers are available by appointment after normal banking officers. The bank has five directors and eight employees.

SNB continues to incur significant losses. Capital constraints continue to result in SNB's need to reduce the bank's assets. Operating losses from January 1, 1995, to May 31, 1997, total \$803 thousand. Net loans during this period have declined from \$12.7 million to \$6.5 million.

The bank received a rating of "Satisfactory Record of Meeting the Community Credit Needs" for the June 30, 1995 CRA evaluation.

## **DESCRIPTION OF THE CITY OF SAN FRANCISCO:**

The bank's assessment area is the City of San Francisco, California, which consists of 152 census tracts. It includes whole census tracts and does not arbitrarily exclude any low-or moderate- income census geographies. Twenty-three census tracts (15%) are low-income, forty-one tracts (27%) are moderate-income, fifty-eight tracts (38%) are middle-income, twenty-seven tracts (18%) are upper-income, and three tracts do not have any population associated with them.

According to 1997 HUD data, the estimated median family income for the San Francisco MSA is \$64,400. The median housing value based on 1990 Census data is \$324,300. The total population of San Francisco is 723,959, and 72% of the population resides in the moderate and middle income tracts. San Francisco is a major financial, legal, accounting, government, and retail center in Northern California. And it has long been a major tourist attraction. Along with financial, legal, accounting, government, and retail employment, tourism and related services are a major source of employment. The banking sector is well represented with many large and small banks and thrifts either headquartered in the city or represented by branch offices. There is intense competition in offering banking services in the area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

### ***Loan-to-deposit Ratio***

Sequoia National Bank's loan-to-deposit ratio is adequate in light of its financial constraints and shrinking asset size over the past several years. The bank's average loan-to-deposit ratio for the past eight quarters, ending March 31, 1997, is 67.3%.

### ***Lending in the Assessment Area***

The bank's record of lending in its assessment area does not meet the standards of satisfactory performance. However, consideration is given to the bank's financial constraints which have severely limited its ability to generate loans. The bank's records show that only 38% of the loans in its entire portfolio, based on dollar amount and number of loans, are within the assessment area. The bank has made or renewed ten loans totaling \$1.38 million since January 1996. Twenty-seven percent of these loans, based on dollar amount, are within the assessment area.

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

The bank's business loans are reasonably distributed to businesses of different sizes in light of its limited financial capacity.

We reviewed the bank's entire loan portfolio (thirty-seven loans) and determined that 36% of the loans are to businesses with less than \$1 million in gross annual revenue. Since January 1996, the bank has made or renewed 61% of its loans, based on dollar amount, or 60%, based on the number of loans, to small businesses (gross annual revenue less than \$1 million).

### ***Lending to Borrowers of Different Incomes***

We recorded the income levels of individuals during our review of the bank's loans made or renewed since January 1996. Three of the borrowers are upper-income individuals and one borrower is low-income.

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

Six of the ten loans are within the bank's assessment area; four are in upper-income census tracts, and two are in moderate-income census tracts. The bank has fourteen of its thirty-seven total loans within its assessment area; five of the loans are in low-income census tracts, four are in moderate-income census tracts, two are in middle-income census tracts, and three (after one pay-off) are in upper-income census tracts.

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

SNB has not received any complaints regarding the bank's CRA performance during this review period.

### ***Other Information***

During the course of this examination, we found no evidence of discriminatory or other illegal credit practices. We did not identify any practice to discourage applications for the types of credit offered by the bank.