

PUBLIC DISCLOSURE

January 14, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Community Bank
24315**

**100 East Corson Avenue
Pasadena, California 91103**

**Federal Deposit Insurance Corporation
25 Ecker Street, Suite 1700
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.

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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 Community Reinvestment Act (CRA) performance of **Community Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **January 14, 2002**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

This evaluation reflects the bank's CRA accomplishment since the June 14, 1999 Performance Evaluation. The evaluation was conducted at the bank's office headquartered in Pasadena, California. The evaluation relied on records and reports provided by the bank, publicly available loan and financial information, demographic information, and information gathered as part of the examination process, including community contacts.

Prior public evaluations reflect a satisfactory record of CRA performance within the bank's communities, including those geographies designated as low- and moderate-income (LMI) areas.

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Community Bank demonstrates good responsiveness to the credit needs of its assessment area based on the following findings:

Lending Test

- A substantial majority of small business loans were extended within the bank's assessment area.
- The dispersion of small business loans reflects an excellent penetration throughout the assessment area. There are no conspicuous gaps in the geographic distribution of small business loans.
- An adequate number of small business loans were made to small businesses with gross annual revenues of \$1 million or less, given the bank's business focus and strategy.
- The institution has made a relatively high level of community development loans. The level of lending activity reflects a good responsiveness to the identified credit needs of small businesses and LMI individuals and geographies within the assessment area.
- The institution makes use of flexible lending practices in order to serve assessment area credit needs.

Investment Test

- The bank's level of qualified community development investments and grants reflect a significant level of responsiveness to credit and community economic development needs within the assessment area.
- The institution has significantly increased its community development investments by both number and dollar volume since the previous evaluation.
- While the bank rarely uses innovative and/or complex investments to support community development initiatives, the majority of the investments address identified credit needs in the assessment area.

Service Test

- The bank has a relatively high level of community service efforts that reflect a good responsiveness to the needs of its assessment area.
- The institution operates 14 full service branches throughout the assessment area.
- The branch locations, banking hours and alternative delivery systems are accessible to all portions of its assessment areas, including low- and moderate-income geographies and individuals.
- The bank offers a wide range of commercial lending and retail deposit products at each of its branches.
- The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems to LMI geographies or individuals.

LENDING, INVESTMENT, AND SERVICE TEST TABLE:

The following table indicates the performance level of the institution with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	Community Bank		
	PERFORMANCE TESTS		
	Lending Test	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

DESCRIPTION OF INSTITUTION :

Community Bank (CB) was established in 1945 and characterizes itself as primarily a commercial lender, which specializes in meeting the financial needs of small to middle market businesses. CB offers various types of loan products and services, including commercial real estate and business loans such as lines of credit and term loans, Small Business Administration (SBA) guaranteed loans, real estate and consumer loans. The institution also offers its customers a variety of demand and savings deposit products. The hours of operation and availability of products and services are tailored to the convenience and needs of bank customers.

The bank is headquartered in Pasadena, California and operates a network of 14 branches throughout Los Angeles, Orange, Riverside and San Bernardino Counties. Since the last CRA evaluation, June 14, 1999, CB opened two branches (South Bay and Irvine). The bank also has a service center located in Covina, which provides ancillary support services including operations administration and information services.

The September 30, 2001 Consolidated Report of Condition and Income reflects approximately \$1.2 billion in total assets. Total loans approximate \$873 million, or 72.8 percent of total assets. The bank’s net loan-to-deposit ratio as of September 30, 2001 is 84.6 percent. For the same period, commercial/industrial and commercial real estate loans aggregated approximately \$782 million, or 89.6 percent of total loans, which represents a relatively high level of responsiveness to assessment area credit needs.

Table 1 illustrates the composition of the bank’s loan portfolio as of September 30, 2001.

Table 1 – Loan Portfolio		
LOAN TYPE	DOLLAR AMOUNT (000s)	PERCENT OF TOTAL LOANS
Construction/Land Development	\$31,323	3.6
Real Estate-Residential	\$15,413	1.8
Real Estate-Multi-family	\$11,176	1.3
Real Estate-Commercial	\$433,442	49.7
Commercial and Industrial	\$348,729	40.0
Individual	\$20,109	2.3
Obligations	\$6,740	0.8
Other	\$4,263	0.4
Lease Financing	\$1,506	0.2
Less Unearned Income	<\$31>	<0.1>
Total Loans	\$872,670	100.0

Source: Report of Condition

There are no legal or financial impediments that prevent CB from helping meet the assessment area credit needs. The bank operates in a highly competitive environment. There are numerous banks and credit unions headquartered in the bank’s assessment area; however, there are no similarly-situated financial institutions for comparison purposes due to differences in branching networks, business strategy, and areas served. Please refer to the appendices for definitions of terms used in this report.

Branch Distribution Analysis

As mentioned above, the bank operates 14 branches throughout Los Angeles, Orange, Riverside and San Bernardino Counties. The branches are reasonably distributed throughout the assessment area and do not unreasonably exclude low- and moderate-income geographies. More than half of CB’s branch distribution is in moderate-income census tracts, which compares favorably to the distribution of moderate-income census tracts in the assessment area. In addition, the bank’s headquarters is located in a low-income census tract.

Table 2 represents the aggregate number of census tracts throughout the defined assessment areas and the respective distribution of bank branches by the income level of their geographies.

Table 2 - Distribution of Branches by Census Tract Income Level				
Census Tract	Census Tracts in Assessment Area	% of Total Census Tracts	Number of Branches	% of Total Branches
Low	171	7.3	0	0.0
Moderate	537	23.0	8	57.2
Middle	852	36.5	5	35.7
Upper	748	32.0	0	0.0
\$0/NA Income	27	1.2	1	7.1
Total	2,335	100.0	14	100.0

Source: Bank Records and Bureau of Census

Scope of Evaluation

The bank's lending performance within the assessment area was reviewed using full-scope Large Bank CRA evaluation procedures. The analysis is based upon a review of small business loans originated and purchased by the bank from January 1, 1999 through December 31, 2001. HMDA reportable and consumer loans were not reviewed, as those categories do not constitute a substantial portion of the bank's lending. Data reviewed under the Community Development Lending, Investment Test, and Service Test sections cover the period from the last evaluation, dated June 14, 1999, to the current evaluation period.

Of the six criteria used to determine the bank's performance in the Lending Test, the most weight is given to Lending to Businesses of Different Revenue Sizes and Community Development Lending. These categories of the lending test most clearly illustrate the bank's performance relative to small business lending.

To determine the community credit needs, one community contact was conducted in conjunction with this evaluation and six other recently completed community contacts were reviewed. Through these community contacts it was determined that home mortgage loan programs, primarily those that promote affordable housing for low- and moderate-income individuals, small business financing and educational programs, and economic development loans continue to be ongoing credit needs within the bank's assessment area.

A review of FDIC records, as well as the bank's CRA Public File, did not reveal any complaints relating to the bank's CRA performance since the prior examination.

DESCRIPTION OF THE ASSESSMENT AREA

The institution's one assessment area is comprised of census tracts contained within portions of the larger Los Angeles-Orange Consolidated Metropolitan Statistical Area (CMSA). The assessment area includes two whole Metropolitan Statistical Areas (MSAs): Los Angeles-Long Beach MSA 4480, the Orange MSA 5945, and the westernmost portion of the Riverside-San Bernardino MSA 6780.

As already noted, the institution's main office in Pasadena, California is located in a low-income census tract with the majority of bank offices located in moderate-income geographies. All offices offer the same credit and financial services to the business community in their respective areas. The bank's service center in Covina is located in a middle-income census tract and provides ancillary support services, such as information systems and operations administration.

The bank's aggregate assessment area contains 2,335 census tracts (171 low-, 537 moderate-, 852 middle-, and 748 upper-income). Twenty-seven census tracts are categorized as income NA. Low-income census tracts account for approximately 7 percent while moderate-income census tracts account for approximately 23 percent of the total number of tracts within the assessment area. The total population of the assessment area from the 1990 U.S. Census is 12,957,272.

The assessment area is densely populated, contains major metropolitan areas, and is both economically and demographically diverse. There are 4,371,654 households in the assessment area. Low-income households account for approximately 6 percent while moderate-income households account for approximately 22 percent of the total number of these households in the assessment area.

The bank’s assessment area has over 499,000 licensed small businesses. The percentage of businesses located in low- and moderate-income census tracts (27 percent) is slightly lower than the number of businesses located in middle- and upper-income census tracts (37 percent and 34 percent, respectively). However, commercial lending opportunities appear to be available in all geographies of the assessment area, as reflected in the following table.

Table 3– Small Businesses by Geography		
Census Tract Type	Number of Small Businesses	% of Total
Low-Income	34,126	6.8
Moderate-Income	101,688	20.4
Middle-Income	186,125	37.3
Upper-Income	170,956	34.3
N/A	6,228	1.2
Totals	499,123	100.0

Source: Dun and Bradstreet, 2001

The assessment area complies with the technical requirements of CRA and does not arbitrarily exclude LMI neighborhoods.

Below is detailed demographic and economic information about the Los Angeles-Long Beach MSA 4480, Orange County MSA 5945, and Riverside-San Bernardino MSA 6780.

Los Angeles - Long Beach MSA 4480

The total population of MSA 4480 from the 1990 census is 8,900,000. According to the 2000 census, the population of the MSA is 9,519,338. Based on estimates from the Department of Housing and Urban Development (HUD), the 1999, 2000, and 2001 adjusted median family income of the MSA is \$51,300, \$52,100, and \$54,200, respectively. Approximately 29 percent of all California residents live in Los Angeles County.

Top employers in the Los Angeles area include aerospace, health, entertainment, and retail service companies. The employment base is considered very diverse. Table 4 reflects the composition of the area’s economy:

Table 4 – Industry by Revenue Size and Total Employment		
	% of Total Employment 2000	Revenues 2000 (billions)
Services	33.1	\$38,775
Manufacturing	15.4	\$43,846
Retail	15.5	\$22,737
Government	14.3	\$46,310
All Other	21.7	\$236,886

Source: 2000 Bureau of Labor Statistics

Los Angeles County has over 324,000 licensed small businesses, as reflected in Table 5. The percentage of businesses located in low- and moderate-income census tracts (27 percent) is slightly lower than the number of businesses located in middle- and upper-income census tracts (34 percent and 39 percent, respectively).

Table 5– Small Businesses by Geography		
Census Tract Type	Number of Small Businesses	% of Total
Low-Income	27,924	8.6
Moderate-Income	59,726	18.4
Middle-Income	109,339	33.7
Upper-Income	126,838	39.0
N/A	1,019	0.3
Totals	324,846	100.0

Source: Dun and Bradstreet, 2001

The events of September 11 have caused the Los Angeles economy to fall into a slight recession. Before September, the economy had been expanding moderately, but positively. Monthly employment dropped by more than twice the national average, and continued to fall in October, with layoffs in a broad range of industries. Homebuilding has also slowed in recent months.

While Los Angeles' economy is weak, it remains fundamentally in good shape. House price appreciation is still positive both on a year-to-year and month-to-month basis. The unemployment rate has risen moderately so that its gap over the U.S. rate is at its narrowest in more than ten years.

The travel and hotel industries took a huge hit from the falloff in both leisure and business travel. However, Los Angeles hotels began to see improved occupancies and revenue in early December. Travelers' confidence is expected to return completely by summer, bolstering travel and tourism.

The fallout in foreign trade also hurt Los Angeles. The value of both imports and exports passing through Los Angeles ports is down 10 percent and 20 percent, respectively, from a year ago. Commercial construction continues to be slow. Downside risks continue in the commercial aerospace industry, however, defense aerospace will provide some moderate growth potential.

Orange County MSA 5945

The total population of the MSA from the 1990 census is 2,410,556. According to the 2000 census, the population of Orange County is 2,846,289. The 1999, 2000, and 2001 adjusted median family incomes are \$68,300, \$69,600, and \$73,700, respectively, based on estimates from HUD. The central cities within the county are Santa Ana, Anaheim and Irvine.

Top employers in Orange County include entertainment, higher education, and aerospace companies. The following table reflects the composition of the area's economy.

Table 6 – Industry by Total Employment and Revenue Size		
	% of Total Employment 2000	Revenues 1998 (billions)
Services	31.4	\$35,481
Manufacturing	16.6	\$49,414
Retail	17.2	\$23,526
Government	10.5	\$42,583
All Other	24.3	N/A

Source: 2000 Bureau of Labor Statistics

The Orange County metropolitan area has over 119,000 licensed small businesses, as reflected in Table 7. Approximately 4 percent of the businesses are located in low-income geographies, while approximately 26 percent are located in moderate-income census tracts.

Table 7- Small Businesses by Geography		
Census Tract Type	Number of Small Businesses	% of Total
Low-Income	4,668	3.9
Moderate-Income	31,268	26.1
Middle-Income	47,801	39.9
Upper-Income	31,047	25.9
N/A	5,137	4.2
Totals	119,921	100.0

Source: Dun and Bradstreet, 2001

Orange County’s economy continues to expand with decelerating but still positive job growth, a low unemployment rate, and continued house price appreciation. The economy is decidedly weaker than one year ago, but Orange County will avoid recession if the U.S. economy is back on its feet by mid-2002. Its diverse economy and links to national and international markets will support it over the long term.

The events of September 11 hurt Orange’s transportation and tourism industries as well as its tech-related manufacturers. Rebound in demand for tech-related products is not expected until late next year. A continued shortage of housing and rising electric power costs also generates some downside risk to the economy.

Riverside-San Bernardino MSA 6780

The total population of the MSA from the 1990 U.S. Census is 2,588,800. The 1999, 2000, and 2001 adjusted median family incomes are \$47,200, \$47,400, and \$49,900, respectively, based on estimates from HUD. Riverside and San Bernardino Counties are wholly contained in MSA 6780.

Top employers in Riverside-San Bernardino include local, state and federal government, manufacturing, and retail trade businesses. Table 8 reflects the composition of the area’s economy:

Table 8 – Industry by Revenue Size and Total Employment		
	% of Total Employment 2000	Revenues 2000 (billions)
Services	26.9%	\$25,180
Retail	20.0%	\$19,930
Government	19.3%	\$41,401
Manufacturing	12.5%	\$37,287
All Other	21.3%	N/A

Source: 2000 Bureau of Labor Statistics

The Riverside-San Bernardino area has over 87,000 licensed small businesses, as illustrated in Table 9. Approximately 2 percent of the businesses are located in low-income geographies, while approximately 23 percent are located in moderate-income census tracts.

Table 9- Small Businesses by Geography		
Census Tract Type	Number of Small Businesses	% of Total
Low-Income	1,678	1.9
Moderate-Income	20,117	23.1
Middle-Income	42,410	48.7
Upper-Income	22,894	26.2
N/A	72	0.1
Totals	87,171	100%

Source: Dun and Bradstreet, 2001

Riverside-San Bernardino’s economy has slowed considerably, but still remains one of the strongest metro economies in the nation. Employment growth has nearly come to a halt on a month-to-month basis, but is still positive and well ahead of the national average for the first time in over ten years.

Homebuilding is holding steady and house price appreciation remains in double digits. Nonresidential construction is also holding steady. MSA 6780 has thus far avoided recession and will continue to do so as long as the U.S. economy begins to recover by this spring.

MSA 6780 has considerable upscale potential from an expanding industry and transportation base and positive demographic trends. Low land, labor and housing costs provide the area with its greatest comparative advantages. However, rising power costs pose some downside risks to manufacturing growth as other regions become more competitive.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Lending Activity

Lending levels reflect a good responsiveness to assessment area credit needs. The volume of small business loans for 1999 and 2000 represents a substantial percentage of the bank’s total loan production, which reflects CB’s business strategy. Geographic distribution reflects a penetration throughout the assessment area, particularly in low- and moderate-income census tracts. Community Development Lending is also good. Performance under all other test criteria is at least good or adequate.

Lending in the Assessment Area

CB’s loan penetration within its assessment area is excellent, and sufficiently provides for the credit needs of its assessment area. The bank originated a substantial majority of small business loans within its assessment area by both number and dollar amount of loans from January 1, 1999 through December 31, 2001. In addition, the bank maintained a reasonably high percentage of small business loans for each year of the review period. The table below shows the bank’s overall distribution both inside and outside of the assessment area.

Table 10 – Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
1999	541	94.6	31	5.4	572	106,195	91.3	10,065	8.7	116,260
2000	669	93.6	46	6.4	715	114,303	89.5	13,362	10.5	127,665
2001	913	92.4	75	7.6	988	215,792	90.3	23,090	9.7	238,882
Total	2,123	93.3	152	6.7	2,275	436,290	90.4	46,517	9.6	482,807

Source: Bank Records

As shown in Table 10 above, approximately 93 percent by number, and 90 percent by dollar volume, of small business loans were originated within the assessment area. These percentages show the bank's continued commitment to extending small business loans within its assessment area considering its asset size, lending capacity, local competition, and current economic conditions.

Geographic Distribution of Lending

Community Bank's geographic distribution of loans reflects an excellent penetration within the assessment area, especially in low- and moderate-income census tracts. Although Tables 11 and 11a indicate that the bank's performance exceeds the aggregate, this fact is explained by the bank's branch distribution. Fifty-seven percent of CB's branch distribution is in moderate-income census tracts, which facilitates its lending activity in this area. There are no conspicuous gaps in lending throughout the bank's assessment area.

Tables 11 and 11a illustrate the distribution of the number and dollar volume of small business loans. For comparison, the bank's 1999 and 2000 small business loan data are compared to the aggregate data for all lenders. The aggregate data in the table is the percentage of actual lending by all CRA reporters in the assessment area, representing the overall dispersion of market demand among the four census tract income level categories.

As illustrated in the tables, the bank's 1999 and 2000 lending performance in LMI census tracts exceeds the aggregate lending data by both number and dollar volume. While the bank's performance in low-income areas slightly exceeds the aggregate lending data, lending activity in moderate-income areas significantly exceed the aggregate data by approximately 2:1. The 2001 lending data show continued emphasis in these areas. The bank's lending performance in LMI areas account for approximately 39 percent of the bank's lending activity for the period of review (8 percent by both number and dollar volume in low-income census tracts and 31 percent by both number and dollar volume in moderate-income census tracts). This compares favorably to the percentage of low-income (7 percent) and moderate-income (23 percent) census tracts within CB's assessment area.

Table 11 – Distribution of Small Business Loans by Income Category of the Census Tract										
Census Tract Income Level	Aggregate Lending Data (% of #)		1999		2000		2001		Total	
	1999	2000	#	%	#	%	#	%	#	%
Low	6.4	6.1	45	8.3	49	7.3	72	7.9	166	7.8
Moderate	17.2	17.7	169	31.3	210	31.4	282	31.0	661	31.1
Middle	34.4	34.8	195	36.0	270	40.4	368	40.3	833	39.2
Upper	41.1	40.6	131	24.2	136	20.3	184	20.1	451	21.2
\$0/NA Income	0.9	0.8	1	0.2	4	0.6	7	0.7	12	0.7
Total	100.0	100.0	541	100.0	669	100.0	913	100.0	2,123	100.0

Source: Bank Records and CRA 1999-2000 Aggregate Lending Data

Table 11a – Distribution of Small Business Loans by Income Category of the Census Tract										
Census Tract Income Level	Aggregate Lending Data (% of \$)		1999		2000		2001		Total	
	1999	2000	\$ (000s)	%						
Low	6.4	6.1	8,307	7.8	9,315	8.2	16,167	7.5	33,789	7.7
Moderate	17.2	17.7	31,446	29.6	35,836	31.4	68,817	31.9	136,099	31.2
Middle	34.4	34.8	37,084	34.9	44,195	38.7	88,037	40.8	169,316	38.8
Upper	41.1	40.6	29,058	27.4	23,507	20.5	41,602	19.3	94,167	21.6
\$0/NA Income	0.9	0.8	300	0.3	1,450	1.2	1,169	0.5	2,919	0.7
Total	100.0	100.0	106,195	100.0	114,303	100.0	215,792	100.0	436,290	100.0

Source: Bank Records and CRA 1999-2000 Aggregate Lending Data

Lending to Businesses of Different Revenue Sizes

The distribution of small business loans reflects an adequate dispersion among businesses of different revenue sizes. Given the bank's business focus and strategy, this category is given the most weight in this evaluation.

Tables 12 and 12a illustrate the degree of lending to businesses of different revenue sizes within the assessment area. As shown by the tables, the distribution of small business loans by number and dollar volume to businesses that had gross revenues of less than or equal to \$1 million is less than the aggregate lending data for 1999.

In 2000, the aggregate lending to small business declined 39 percent; however, the bank's lending activities remained stable between the two years. The bank's lending by dollar volume and number shows a similar performance in 2001.

The bank offers several loan programs to assist the credit needs of small business borrowers. These programs are described under the Flexible Lending Practices section of this report. In addition, the bank has chosen an alternative method of addressing the need for small business loans by participating with local and statewide development corporations through its community development loans. Refer to Community Development Lending for additional details.

Table 12 – Distribution of Small Business Loans by Gross Annual Revenues of Business										
Gross Annual Revenues (000s)	Aggregate Lending Data (% of #)		1999		2000		2001		Total	
	1999	2000	#	%	#	%	#	%	#	%
≤ \$1,000	53.5	38.4	193	35.7	239	35.7	321	35.2	753	35.5
> \$1,000 or NA	46.5	61.6	348	64.3	430	64.3	592	64.8	1,370	64.5
Total	100.0	100.0	541	100.0	669	100.0	913	100.0	2,123	100.0

Source: Bank Records and CRA 1999-2000 Aggregate Lending Data

Table 12a – Distribution of Small Business Loans by Gross Annual Revenues of Business										
Gross Annual Revenues (000s)	Aggregate Lending Data (% of \$)		1999		2000		2001		Total	
	1999	2000	\$	%	\$	%	\$	%	\$	%
≤ \$1,000	53.5	38.4	39,656	37.3	34,907	30.5	62,519	29.0	137,082	31.4
> \$1,000 or NA	46.5	61.6	66,539	62.7	79,396	69.5	153,273	71.0	299,208	68.6
Total	100.0	100.0	106,195	100.0	114,303	100.0	215,792	100.0	436,290	100.0

Source: Bank Records and CRA 1999-2000 Aggregate Lending Data

Small business loan originations were also analyzed by loan size. This loan size analysis is used as a proxy for the size of businesses being financed. The data in tables 13 and 13a show that the majority of the bank's loans were granted in the smallest loan size category (less than \$100,000), which indicates that the bank is serving the credit needs of very small businesses.

Table 13 – Distribution of Small Business Loans by Loan Size								
Loan Size (000s)	1999		2000		2001		Total	
	#	%	#	%	#	%	#	%
≤ \$100	116	60.1	153	64.0	191	59.5	460	61.1
> \$100 ≤ \$250	19	9.8	44	18.4	46	14.3	109	14.5
> \$250 ≤ \$1,000	58	30.1	42	17.6	84	26.2	184	24.4
Total	193	100.0	239	100.0	321	100.0	753	100.0

Source: CRA data collection (1999-2000)

Table 13a – Distribution of Small Business Loans by Loan Size								
Loan Size (000s)	1999		2000		2001		Total	
	\$	%	\$	%	\$	%	\$	%
≤ \$100	5,058	12.8	7,200	20.6	8,936	14.3	21,194	15.5
> \$100 ≤ \$250	3,366	8.5	7,102	20.3	7,854	12.6	18,322	13.4
> \$250 ≤ \$1,000	31,232	78.7	20,605	59.1	45,729	73.1	97,566	71.1
Total*	39,656	100.0	34,907	100.0	62,519	100.0	137,082	100.0

Source: CRA data collection (1999-2000)

Community Development Lending

CB made a relatively high level of community development loans. The institution is an active community development lender and pursues community development loans within its established assessment area commensurate with its financial condition and ability to lend. The institution's community development lending addresses the credit needs of LMI individuals and geographies, particularly, affordable housing and economic revitalization. The bank originated or participated in 141 community development loans totaling approximately \$103 million, which is a significant increase when compared to the number and dollar amount of community development loans at the conclusion of the prior CRA evaluation (62 loans for approximately \$15 million).

Table 14 presents the bank's community development lending activities since the June 14, 1999 CRA performance evaluation.

Table 14- Qualified Community Development Lending Activity		
LOAN DESCRIPTION	NUMBER OF LOANS	DOLLAR VOLUME OF LOANS (000s)
Affordable Housing	41	2,876
Multi-family Affordable Housing	4	2,238
Revitalization and Stabilization	13	54,747
Economic Revitalization	65	30,162
Loans to Non-profits	14	1,823
LMI Services	4	10,942
Total	141	102,788

Source: Bank records

Bank management encourages its lending staff to seek out qualified opportunities to provide credit that promotes community development and to maintain active relationships with various community development corporations. The diversity represented by the bank's community development loans indicates management's willingness to fund loans for the benefit of LMI individuals, small businesses, and LMI geographies.

The following is a synopsis of the noteworthy community development loans originated by the bank during the period reviewed:

- The bank refinanced an \$8 million loan for the rehabilitation of a two-story commercial building in a low-income census tract with the Los Angeles MSA. The property assists in the stabilization of the community since the various small businesses at this retail site create employment opportunities for local area residents. The property provides affordable rental space for small consumer-oriented businesses.
- CB extended a \$6.3 million loan for the purchase of a 13-story office building in a low-income census tract located in Los Angeles. The property is located in the Wilshire Center/Koreatown Project Area that focuses on business attraction, job creation and rehabilitation of residential and commercial properties. In addition to creating employment opportunities for the local area, the property will bring various community services to the area, including health care.
- The bank funded a \$4 million line of credit to a lumber company located in a moderate-income census tract and a California designated Enterprise Zone in the city of Huntington Park. The company provides employment for local residents in this predominantly low- and moderate-income community.

- CB extended a \$2.4 million loan for the construction of a 16-unit single family housing project located in a California designated Enterprise Zone in Panorama City. The California Housing Finance Agency (CHFA) will assist in providing permanent financing through its down payment assistance and first-time home buyers loan programs. The first-time homebuyers program is offered at slightly below current market rates.
- CB has a \$2.6 million commitment to a community development corporation created by California banks to originate commercial loans to construct affordable housing. As an affordable housing lender, this non-profit company provides financing for development of multi-family housing for low- and moderate-income individuals residing in low-income neighborhoods throughout the state of California. Since the last examination, the bank's pro-rata share of loans involved 40 affordable housing projects for approximately \$415,000.
- The bank has a \$516,000 commitment to a statewide non-profit multi-bank lending consortium, which uses funds in its loan pool to fund loan programs designed to create jobs by providing financing to support small business and community economic development activities which fall outside normal bank lending practices. Since the last examination, the bank's pro-rata share of loans totaled 53 for approximately \$209,000.

Flexible Lending Programs

CB makes use of flexible lending practices in order to serve assessment area credit needs. The bank provides direct lending products and participates with local and federal government agencies in various guarantee programs to help small business owners and homebuyers who would otherwise not qualify for traditional banking products. The programs specifically target LMI borrowers or geographies. The following information depicts the overall performance by the bank in these programs. Data reviewed covers the period from the last evaluation, dated June 14, 1999, to the current evaluation period.

The following are examples of the bank's flexible lending practices.

- Small Business Administration (SBA) Loans – CB is a SBA lender with preferred lending status and continues to offer small business borrowers alternative financing through the federal government's SBA 504 and 7(a) loan programs. Under the SBA 504 program, the bank funds long term financing needs for small businesses in participation with a SBA certified and regulated development company. These loans must also create jobs or promote economic development goals as established by Congress for the program. Although loans originated under this program do not exhibit any flexible underwriting standards, the loans originated reflect the bank's businesses strategy in addressing one of the assessment area's small business credit needs.

Under the SBA 7a program, the bank funds working capital, equipment purchases, and inventory financing needs for small businesses. These loans exhibit the bank's flexible underwriting criteria, as borrowers do not generally qualify under the bank's standard underwriting criteria. However, the SBA guarantee that accompanies such loans mitigates the credit risk to the bank and also meets identified community credit needs.

The bank is a Preferred Lender under both of these SBA programs. This is the highest level banks can achieve, whereby the bank underwrites and approves loans prior to submission to the SBA expediting the approval process. The bank is ranked number 9 out of 103 active lenders for its volume of loans approved by the Los Angeles District Office, and number 7 out of the top 25 active lenders for its volume of loans approved by the Santa Ana District Office. This status is achieved when banks have strong procedures and adequate experience granting these loans. Since the last evaluation, the bank originated a total of 206 small business loans totaling approximately \$45 million under these programs.

- Small Business Micro Loan Program - This credit scored micro-loan program is designed to give small business owners a simplified application process for loans up to \$100,000. In most cases, financial statements are not required. The loan may be a term loan or a line of credit. The program provides an additional source of financing outside of the SBA loan programs and provides for small business credit needs such as expansion and capital outlay. A total of 175 loans totaling approximately \$7 million were originated under this program, since the last evaluation.
- County of San Bernardino Small Business Enhancement Program – CB originates small business loans through a loan program sponsored by the County of San Bernardino (County). The program provides financing to support small business enterprises that would not normally qualify for conventional bank financing. Loan proceeds up to \$50,000 may be used for working capital, property improvements, including equipment and inventory acquisition. The program offers a 6 percent fixed rate with terms up to 84 months and provide an additional source of financing outside of the SBA loan programs. The bank made a \$750,000 commitment to the program and during the period reviewed funded 12 loans totaling \$366,000.
- City of Bell Gardens Residential Rehabilitation Program - CB is the City of Bell Gardens' (City) exclusive lending partner in this consumer-related mortgage loan program. The bank and the City provide low interest rate, home improvement loans to low- and moderate-income resident homeowners.

The loan programs currently offered are:

Formal Assurance Program: This program is designed for LMI borrowers who meet conventional underwriting criteria, but need assistance in meeting the monthly payment requirements. Under this program, borrowers may also receive a reduced interest rate from bank. The City deposits amounts equal to the loan amount in an interest bearing account with Community Bank to act as loan collateral.

Deferred Loan Program: This program is designed for residents who want to make property improvements but do not have the capacity to service the debt. CB perfects the City’s lien on the property and handles the fund disbursement and loan administration on behalf of the City.

The bank also assists the City manage its Community Development Block Grant (CDBG/HUD) Housing Rehabilitation Fund that is given as grants to assist eligible homeowners with minor home repairs. CB funded one loan for \$36,000, since the last evaluation.

INVESTMENT TEST

Community Bank has a significant level of qualified community development investments and grants based on the institution’s size, resources, and the availability of such investments in the bank’s assessment area. The level of qualified investments increased significantly since the prior CRA evaluation (\$547,000 in 1999 to approximately \$7 million for this evaluation period). While the majority of the investments are not particularly innovative or complex, the investments address two of the most pressing needs in the bank’s assessment area: small business opportunities and affordable housing.

Table 15 illustrates the bank’s qualified investment activities within its California assessment areas.

Table 15 - Qualified Community Development Investments		
Description of Qualified Investments	Number	Dollars (000s)
Mortgage-Backed Securities targeted to LMI Individuals	4	6,408
State and Municipal Obligations	2	330
Small Business Development Corporations	2	8
Financial Intermediaries	1	75
Total Debt or Equity Investments	9	6,821
Total Qualified Grants and Donations	40	154
Grand Total	49	6,975

Source: Bank Records

The following is a brief description of CB's various qualified investments.

Mortgage-Backed Securities

During the review period, CB purchased four federally sponsored securities for a total of approximately \$6.4 million. The underwriting requirement for all of the securities mandates that the principal amount of the securities be backed by loans originated to low- and moderate-income borrowers. The loans are secured by properties located throughout California, including the bank's assessment area.

State and Municipal Obligations

The bank continues to hold two municipal tax allocation bonds, series D totaling \$330,000. The Community Redevelopment Agency of the City of Los Angeles issued the \$4.5 million municipal bonds to finance certain costs associated with the development of an economic redevelopment project and a revitalization plan for several commercial areas located near downtown Los Angeles.

Financial Intermediaries

CB maintains its \$75,000 equity investment in a Los Angeles based economic development lending organization. The bank participates along with other local financial institutions and corporations to fund small business expansion and provide alternative financing to borrowers who would otherwise not qualify for conventional bank credit products.

Small Business Development Corporations

CB maintains equity investments in two community development organizations totaling \$7,500. The organizations provide financing to support small businesses and community economic development activities in LMI communities located in San Gabriel Valley and Orange County within the bank's assessment area.

Qualified Grants and Donations

Since the previous CRA evaluation, the bank established its Community Bank Foundation through which the institution directs the majority of its donations and grants. The primary beneficiaries of these donations focus on three funding areas: 1) educational programs that benefit disadvantaged students; 2) community service programs that enrich the lives of low-income families, especially women and children; and 3) human services programs which, in general, add to the well-being of low- and moderate-income households and promote community and economic development in low-income areas. Examples include the following:

- \$49,000 in foregone dividends from the Federal Home Loan Bank of San Francisco for 1999 and 2000. These funds help create financing for affordable housing programs that benefit low-income families throughout California, including those who reside within the bank's assessment areas.

- \$16,666 donation to child abuse prevention, treatment and education center with facilities located in San Gabriel Valley and Los Angeles County. The center's programs include residential treatment, group homes, a foster care program, and various other support services.
- \$11,000 in donations to four Community Development Corporations (CDC) located in the bank's assessment area. The CDCs provide loans to new and existing small businesses and serve affordable housing needs within the counties of Los Angeles, Orange and San Bernardino.

SERVICE TEST

The service test evaluates the institution's record of helping to meet the needs of its assessment area by analyzing the availability of products and services as well as the systems for delivery of these products.

Retail Banking Services

CB's overall accessibility of delivery systems, alternative delivery systems, banking products and services, and business hours within its assessment area are considered good and are accessible to essentially all portions of the bank's communities, including low- and moderate-income geographies and individuals. Below are specific comments relating to CB's performance under the four characteristics covered under the retail banking services.

Accessibility of Delivery Systems

Based on office distribution, products and services, business hours, and alternative delivery systems are considered accessible to essentially all portions of the institution's assessment area, including low- and moderate-income areas and individuals. The bank operates 14 branches located within its assessment area. In Los Angeles County, the bank has offices in the cities of Burbank, City of Industry, Gardena (South Bay), Glendale, Huntington Park, and Pasadena. In Orange County, the bank has offices in Anaheim and Irvine. In San Bernardino County, the institution has offices in Fontana, Redlands, San Bernardino, Upland, and Yucaipa. The bank maintains one office in Corona, Riverside County. The bank also maintains a service center in the City of Covina in Los Angeles County.

Alternate Delivery Systems

The institution offers a variety of services that complement its traditional business hours. These products and services include 24-hour ATM access at each of the bank's offices, including the headquarters office, direct deposit, telephone transfer, automatic payment and courier services, night depository, and access to credit and deposit account information via an 800-telephone number. The bank also has an Internet web-site that customers can use to obtain transaction history, account information, and transfer funds between designated accounts.

Furthermore, CB established “Community OnLine” an on-line cash management system in April 2001. The service is designed for both individual and business accounts. Customers can check account balances, view account histories, transfer funds between linked accounts, order checks, make stop payments requests, change address, pay bills and send e-mail messages. The system also allows business customers to conduct other cash management services such as payroll, and make tax and ACH payments.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or individuals. The bank offers a variety of financial services through its branch network. The bank is primarily a commercial lender, and as such, offers a wide range of commercial loan products, including secured/unsecured, lines of credit, letters of credit, SBA, import/export letters of credit, and industrial finance. Residential real estate and consumer loans are offered to business customers on an “accommodation” basis. Deposit services include checking and savings accounts and certificates of deposit.

Community Bank offers convenient hours that satisfies the needs of its assessment area. Branch banking hours includes traditional hours Monday through Thursday with most offices having extended hours on Friday. Some branches operate drive-up service.

Changes in Branch Locations

In 2001, the bank relocated its Corona office about 200 yards from 495 East Rincon Street, Suite 110, to 225 East Rincon Street, Suite 312. Also, as already discussed, the bank opened offices in Gardena and Irvine, California.

Management maintains a branch closing policy in the event that a branch closing is contemplated.

Community Development Services

Community Bank provides a relatively high level of community development services. All of the services meet the definition of “community development”, and relate to the provision of financial services as required by the regulation for consideration under CRA. Bank officers maintain ongoing relationships with, and provide technical expertise to, community groups throughout the assessment area. The organizations served provide assessment area benefit via affordable housing, small business, or services targeted to LMI individuals. The bank’s involvement includes contributing staff expertise, fund raising efforts, and technical assistance and education.

Table 16 list examples of the types of services provided by the bank since the previous evaluation.

Table 16 – Qualified Community Development Services			
Brief Service Description	Bank Sponsored Event, Program or Seminar	Technical Assistance or Direct Involvement by Bank Employee	Bank Product or Service
Bank officers serve on the boards of various development corporations that promote economic development and diversification throughout the assessment area.		X	
Bank officers provide technical assistance to various community development organizations that facilitate the development of affordable housing and economic revitalization.		X	
A bank officer participates in an educational program designed to assist inner city high school students understand basic credit and financial concepts.		X	
A bank officer provides a non-profit low-income housing organization with fund raising and loan administration services for the organization's project located in Durate, CA.		X	
A bank officer provided assistance in fund raising and marketing for a non-profit organization, which supports the educational, training and living opportunities of developmentally disabled individuals.		X	
A bank officer serves as a board member of a statewide organization that promotes affordable multi-family housing.		X	
The bank acts as advisor to a small business incubator program located in Pasadena, CA.		X	
A bank officer served on the marketing committee of a community development corporation to assist the CDC in the development of a marketing plan to increase low-income women and minority-owned businesses access to capital.		X	
A bank officer serves as chairman of the marketing/outreach committee of an organization comprised of a network of lenders, public agencies, and non-profit entities devoted to the development of affordable housing.		X	

Source: Bank Records

A few of the more significant types of community development services provided by CB are detailed below:

- A bank officer assisted a local city's community development department develop the processes and procedures of the department's residential rehabilitation program that provides deferred payment loans to low- and moderate-income homeowners. In addition, in an effort to revitalize and stabilize the area's neighborhoods, the bank agreed to service second trust deeds on single-family dwelling on behalf of the city.
- A bank officer is a member of a leadership council comprised of nominated bank representatives from the Greater Los Angeles area. The council collaborates with community liaisons from each of the four bank regulatory agencies to identify viable community and economic development opportunities that can be presented to the Greater Los Angeles CRA Roundtable membership.
- A bank officer serves as a member of a housing committee and participates in identifying loan capital, grants and development sites for the organization's projects. The organization provides educational resources to low- and very low-income single parents in need of affordable housing educational resources.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

No substantive violations of the antidiscrimination laws were identified.

APPENDIX A

SCOPE OF EXAMINATION:

Community Bank
SCOPE OF EXAMINATION: Full scope Large Bank evaluation procedures.
TIME PERIOD REVIEWED: 1999, 2000, through December 31, 2001.
PRODUCTS REVIEWED: Small business loans

LIST OF AFFILIATES AND PRODUCTS REVIEWED		
AFFILIATE(S):	AFFILIATE RELATIONSHIP:	PRODUCTS REVIEWED:
NA	NA	NA

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
CMSA 49	Full scope	N/A	None
MSA 4480			
MSA 5945			
MSA 6780			

APPENDIX B - GENERAL DEFINITIONS

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

Block Numbering Areas (BNAs): Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

APPENDIX C - INVESTMENT DEFINITIONS

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

APPENDIX D - STANDARD PE LANGUAGE

LENDING TEST

Scope of Test

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Community Development Lending:

Performance Criteria

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

Innovative and Flexible Lending Practices:

Performance Criteria

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

INVESTMENT TEST

Scope of Test

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test.

The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

SERVICE TEST

Scope of Test

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.