

# **PUBLIC DISCLOSURE**

**February 12, 2001**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**California Center Bank  
671464  
2222 W. Olympic Boulevard  
Los Angeles, California 90006**

**Federal Reserve Bank of San Francisco  
101 Market Street  
San Francisco, California 94105**

*NOTE: This document is an evaluation of this 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. 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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## **INSTITUTION**

**INSTITUTION'S CRA RATING:** California Center Bank is rated Satisfactory.

Small business lending demonstrates a good response to assessment area credit needs, particularly in low- and moderate-income areas. The use of flexible lending practices complements the bank's traditional lending practices in reaching a broader borrowing base. As a result, the bank provides a comprehensive range of lending products, including loans to very small and start-up businesses.

Community development lending is centered in affordable housing construction projects and is considered adequate. In prior examinations, the bank had low levels of community development lending, however, current fundings indicate that senior management has satisfactorily addressed this issue.

Management effectively addresses other area needs through investment purchases, grant activity, and community development services. Qualified investments are at a satisfactory level and primarily support affordable housing for low- and moderate-income individuals. The bank's qualified grants and community development services expand into economic development and community services to low- or moderate-income individuals and are considered adequate.

The following table indicates the performance level of California Center Bank with respect to the lending, investment, and service test.

<b>California Center Bank</b>			
<b>PERFORMANCE LEVELS</b>	<b>PERFORMANCE TESTS</b>		
	<b>Lending Test*</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding			
High Satisfactory	<b>X</b>	<b>X</b>	
Low Satisfactory			<b>X</b>
Needs to Improve			
Substantial Noncompliance			

*\*NOTE: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.*

## **PERFORMANCE CONTEXT**

### **Description of Institution**

California Center Bank (CCB) is an independent community bank headquartered in Los Angeles. The bank operates six full service branch offices, four of which are located in Los Angeles County, one located in Orange County, and one opened on September 1, 2000 in San Bernardino County (Inland Empire). The bank also operates one satellite branch limited to deposit transactions. This satellite office also houses the bank's, international banking, Small Business Administration (SBA) lending department, and its auto loan/and credit card center. Additionally, the bank has two loan production offices (LPO) in Lynnwood, Washington and Scottsdale, Arizona.

The bank provides comprehensive financial services for small to medium-sized businesses. The bank's total assets as of December 31, 2000 were \$450 million, with a loan portfolio distribution as follows:

<b>Loan Type</b>	<b>Dollar Amount ('000s)</b>	<b>% of Value</b>
Commercial/Industrial & Non-Farm Non-Residential Real Estate	\$278,580	90.46%
Consumer	\$23,043	7.48%
Secured by 1-4 Family	\$3,593	1.17%
Construction	\$1,276	0.41%
Credit Cards	\$878	0.29%
Multifamily	\$454	0.15%
Acceptance of Banks	\$90	0.03%
All Other	\$32	0.01%
Total (Gross)	\$307,946	100%

There are no financial or legal constraints that would prevent the bank from meeting community credit needs consistent with its size, financial capacity, and local economic conditions.

## **SCOPE OF EXAMINATION**

Examiners applied the lending, investment and service tests of the large bank assessment methodology in evaluating California Center Bank's performance under the Community Reinvestment Act. These three tests measure the bank's performance in addressing identified needs within its defined assessment area, consistent with the business focus and strategic objectives of the institution.

Loan products considered under the lending test consisted of small business loans and community development loans. The sample period was January 1, 1999 through September 30, 2000 and included the following:

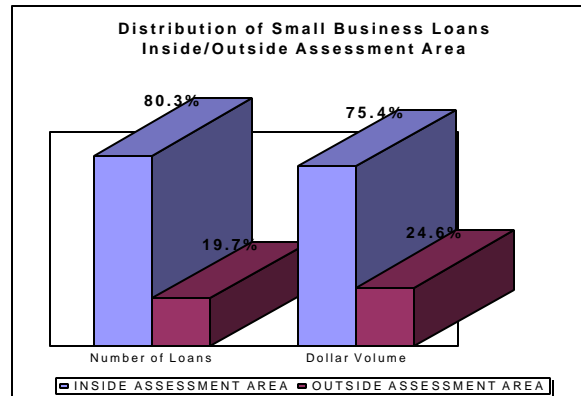
- 1,100 small business loans totaling \$211,307,000
- Pro-rata shares of loans originated through the California Community Reinvestment Corporation affordable housing loan pool
- Three community development loans

On September 1, 2000, the bank expanded into a second assessment area – San Bernardino County (Inland Empire). However, because the examination review period ended September 30, 2000, the analysis of performance in the new assessment area was limited.

## **OVERALL CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **Lending Test**

California Center Bank exhibits a high satisfactory level of performance under the lending test. Between the periods of December 1998 to September 2000, lending volume has evidenced a steady increase yielding an average loan to deposit ratio of 69 percent. These increases have brought the bank close to the local peer bank ratios which ranged between 72 to 74 percent. Loan volume increases were most apparent in its commercial loan portfolio more than doubling, increasing from \$119 million to \$264 million. The bank's small business loans<sup>1</sup> totaled \$211 million during January 1999 to September 2000 and contributed to the growth in commercial loans.



### **Assessment Area Concentration**

California Center Bank originates a high percentage of its small business loans inside the two defined assessment areas. As illustrated in the graph, 80 percent by number and 75 percent by dollar volume were originated within the assessment areas. The concentration levels indicate a satisfactory match between the bank's products and the small business lending needs of its assessment areas.

### **Lending Distribution by Geography**

The distribution of the bank's loans throughout its Los Angeles-Orange assessment area is good. The bank's lending has notably penetrated low- and moderate-income areas in its assessment area, including underserved tracts. For that reason, the bank has materially exceeded the market performance in both low- and moderate-income census tracts. The geographic distribution in the bank's Inland Empire assessment area is reasonable given the bank's limited time in that market.

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<sup>1</sup> Small business loans are defined as less than \$1 million.

## Lending Distribution by Business Revenue

The bank has a good broad base small business lending distribution. In line with the bank's business strategy of lending to small and medium size businesses, the bank's small business loans are concentrated both by the number and dollar volume with loans in amounts of \$100 thousand and less. Within the Los Angeles-Orange Counties assessment area, these credit facilities represented 62 percent of the number and 46 percent of the dollar volume extended to small businesses.

## Community Development Lending

The bank's community development lending is adequate. Since the prior examination, the bank has increased its community development lending from \$39,685 to \$791,656. This increase materially results from the bank's involvement in community development lending construction loan projects. To date, the bank has extended three loans, two of which were in the bank's Los Angeles-Orange assessment area. The third, the bank's largest community development loan (\$3.8 million) is for a project outside of the bank's assessment areas in Oakland, California.

The bank continues to participate in the California Community Reinvestment Corporation (CCRC), a consortium of lenders that provides funding for affordable housing development throughout California. During the review period, the bank provided \$88,656 under an outstanding \$500,000 commitment. As of this evaluation, \$150,117 remains available for future commitments.

## Innovative and Flexible Loan Practices

The bank makes use of two flexible loan programs. To begin with, the bank is a SBA Preferred Lender with the ability to underwrite three SBA loan products, including 7a, 504, and Express. As detailed below, the bank's SBA activity is primarily in the 7a program. This activity level resulted in the bank being ranked the 9<sup>th</sup> largest SBA lender serving the Greater Los Angeles area.

SBA Preferred Lender	2000		1999	
	(\$000's)	#	(\$000's)	#
7a	\$15,719	57	\$16,025	52
504	713	1	1,966	3
Express	0	N/A	150	1

Furthermore, the bank has developed its own flexible loan product – Micro Business Loan (formerly known as Simplified Small Business Loan Program). Bank management recognized the need for micro-loans to very small and start-up businesses and beginning in 1998 began offering small business loans in maximum amounts of \$10 thousand with reduced documentation requirement and no loan fee.

Beginning September 2000, management increased the credit limit to \$20 thousand when the facility was tied with a \$10 thousand loan guarantee from Pacific Coast Regional Small Business Development Corporation, and instituted credit scoring parameters. Management introduced these changes to accommodate the demand in the community. The bank experienced a strong fourth quarter in 2000 as evident by 63 micro loans booked for an aggregate commitment of \$864,595. The 1999 and 2000 activity levels are detailed below.

Micro Business Loans	2000		1999	
	(\$000's)	#	(\$000's)	#
	\$1,204	100	845	87

In summary, these programs have aided the bank’s ability to underwrite loans to very small and start-up businesses.

**Investment Test**

California Center Bank exhibits a high satisfactory level of performance under the investment test. Qualified investments and grants have substantially increased since the prior assessment from \$482,390 to \$3,176,490, or an increase from 0.6 percent to 4.6 percent of the total investment portfolio. Additionally, these investments support community development needs of affordable housing, economic development, and to a lesser extent community service for low- and moderate-income individuals.

**Responsiveness to Credit and Community Development Needs**

Primary credit and community development needs for the Los Angeles-Orange Counties assessment area are small business lending loans in amounts of \$25 thousand or less, technical assistance to small businesses, and affordable housing. With a lending strength in small business lending, management has chosen to target qualified investments and grants to address affordable housing and technical assistance as summarized below.

Affordable Housing investments total \$3,042,250 with the largest concentration being a \$1,715,150 Fannie Mae mortgage-backed security (MBS). Although this pool serves the bank’s assessment area, 5 out of the pool of 16 loans also serve a broad region within California.

Economic Development investments and grants are broken down into the following two areas:

- Financial Intermediaries with their main purpose to facilitate lending in low- and moderate-income areas; these qualified investments and grants total \$111,500;
- Technical Assistance outreach programs with the focus on small business seminars; these qualified grants total \$20,990.

Community Service targeted to low-income individuals was the main purpose for one qualified grant for an amount of \$1,750.



## **Service Test**

California Center Bank's provided a satisfactory level of retail and community development services during the review period.

## **Retail Banking Services**

The bank's retail banking services are reasonably accessible to essentially all portions of the Los Angeles-Orange County assessment area, including low- and moderate-income areas. There are currently five full-service branches, with one office (Olympic) located in a low-income tract and three offices (Downtown, Western and Garden Grove) in moderate-income tracts. The bank's satellite office (Santee) is in a moderate-income geography and offers deposit services only. No offices were closed during the review period.

The hours of operation provide reasonable access to banking services and do not vary in any way that inconveniences certain portions of the assessment area.

In addition to physical office locations, the bank provides retail services through alternative delivery systems. Automated Teller Machines (ATM's) are operated at all of the bank's offices, with the exception of the Downtown and Santee offices. The bank also offers Fonteller, which is an automated telephone system that provides accountholders with information about their deposit accounts in English, Korean, or Spanish.

Furthermore, the bank has an Internet website which provides significant amount of information about the bank, including loan and deposit services, and branch locations.

## **Community Development Services**

The bank provides an adequate level of CRA-qualified community development services to organizations throughout its assessment area. Employee involvement is concentrated in technical assistance on financial matters to small businesses or community development organizations. Overall, the involvement varies from employees serving on community development loan committees to bank employees partaking in small business seminars for low- and moderate-income individuals. In total, during the respective review period, bank employees contributed 202 hours or an average of 13.5 hours per month.

## **COMPLIANCE WITH FAIR LENDING LAWS AND REGULATIONS**

There were no violations of the Fair Housing Act or the Equal Credit Opportunity Act cited during the examination.

## ASSESSMENT AREA SUMMARY

For each assessment area where a full scope review was performed using the examination procedures.

### DESCRIPTION OF OPERATIONS IN LOS ANGELES-ORANGE COUNTIES ASSESSMENT AREA

California Center Bank's Los Angeles-Orange assessment area (henceforth Area) consists of 959 census tracts encompassing adjacent portions of the Counties of Los Angeles and Orange, California. Of these census tracts, 841 (88 percent) are from Los Angeles County and 118 (12 percent) from Orange County<sup>2</sup>.

#### Demographics

The table below illustrates the *geographic* distribution of Area population, families, and households and the associated census data.

Tract Categories	Census Tracts		Population		Families		Households	
	#	%	#	%	#	%	#	%
Low-Income	143	15	788,803	16	153,741	14	229,664	14
Moderate- Income	298	31	1,751,374	36	369,956	34	515,746	31
Middle-Income	256	27	1,274,880	26	290,405	27	479,073	28
Upper-Income	245	26	1,075,166	22	271,689	25	459,409	27
Total	959 <sup>3</sup>	99*	4,905,484	100	1,085,791	100	1,684,123	100*

\* Does not total to 100 due to rounding.

The data indicate that moderate-income tracts have the highest concentration of Area population, followed by middle- and upper-income tracts. The geographic distribution of Area families and households follows the same pattern, with both entities similarly concentrated in moderate- then middle-income tracts.

The following tables illustrate the *income* distribution of Area families and households.

Number of Families	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Families Below Poverty	
	#	%	#	%	#	%	#	%	#	%
1,085,791	309,895	28	203,208	19	207,367	19	365,321	34	159,372	15

<sup>2</sup> Los Angeles County consists of 1,652 census tracts, while Orange County consists of 484. The 1990 census population for each county was 8,863,164 and 2,410,556 respectively.

<sup>3</sup> Of the 959 census tracts, 17 had no median family income reported. Therefore, only 942 census tracts have been sorted as to income category.

Number of Households	Low Income Households		Moderate Income Households		Middle Income Households		Upper Income Households		Households Below Poverty	
	#	%	#	%	#	%	#	%	#	%
1,684,123	483,382	29	296,954	18	318,752	19	585,135	35	239,330	14

As illustrated, Area families and households are primarily upper- or low-income, with the remainder somewhat evenly divided as moderate- or middle-income. Fifteen percent of Area families and 14 percent of households were living below poverty. (For the state, the poverty figures are 9 and 10 percent respectively.) Further analysis of these families and households reveals the majority (46 and 41 percent, respectively) resided in moderate-income tracts. However, those living in poverty are present in all of the four types of tracts.

Also concentrated in moderate-income tracts were renters with housing costs exceeding 30 percent of household income. According to the Department of Housing and Urban Development guidelines, housing costs are considered affordable when they require no more than 30 percent of a low-income renter's income. The census data indicate the Area had over 447 thousand households paying more than 30 percent of their income to housing. Respectively, 22 and 37 percent of these households were in low- and moderate-income tracts.

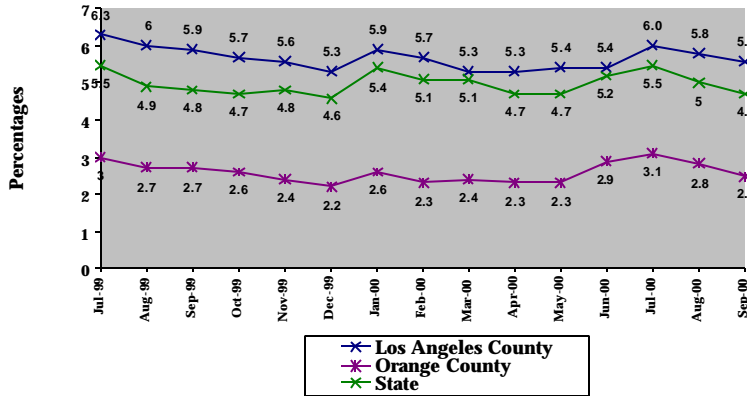
## Employment

Data regarding the employment patterns of the Area's census tracts are not available. Such data are available for the two counties from which these census tracts are drawn. The following graph illustrates the trend of unemployment rates from July 1999 through September 2000 for Los Angeles County, Orange County, and California. During the period, the county trends in unemployment generally mirrored each other. However, Orange County overall was better situated than Los Angeles County. In turn, Los Angeles County's situation was worst than that of the state. During the period, Los Angeles County may have been suffering from the lingering effects of the state's 1990-91 economic downturn, as it "fared worse than the rest of the state in (that) economic downturn as a result of cuts in defense spending."<sup>4</sup>

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<sup>4</sup> Quotation is from the California Trade and Commerce Agency's California: An Economic Profile (1998), page three.

**Monthly Unemployment Rates  
July 1999 - September 2000**



**Industry & Small Business Tract Concentrations**

According to the state’s Employment Development Department, “in 1999, services was the dominant industry in [Los Angeles County], accounting for almost 33 percent of all employment with one fourth of the jobs in the business services sector. “ For Orange County, the Department reports “[s]ervices is the largest industry in the county, accounting for 30.7 percent of the total employment.”<sup>5</sup> An analysis of Area businesses by *industry type* generally corroborates the counties’ employment concentrations in services. Dun & Bradstreet data for the Area indicate, in addition, retail trade is another significant sector.

Type of Tract	Percentage of All Establishments in Tracts in Industry Sector	
	Retail	Services
Low-Income	23	36
Moderate-Income	23	40
Middle-Income	21	46
Upper-Income	17	51
Area Concentration	20	45

This Dun & Bradstreet data can also provide insight into the business formation in the Area. That data reveal that 84 percent of Area businesses are small businesses as defined by the Community Reinvestment Act: i.e., of the approximately 194,927 businesses, 164,180 have annual gross revenues of less than \$1 million. Analysis of the geographic distribution of these businesses is illustrated below. That analysis indicates that while businesses in general are concentrated in the middle- and upper-income tracts, *small* businesses predominate in all tracts. Such predominance suggests, absent direct data regarding creditworthiness, small business lending opportunities abound.

<sup>5</sup> All EDD quotations are from county profiles available at [www.calmis.ca.gov](http://www.calmis.ca.gov).

Type of Tract	Percentage of Area's Total Business	Small Business Percentage of Tract Businesses
Lower-Income	15	81
Moderate-Income	23	83
Middle-Income	28	85
Upper -Income	33	86
	99*	84

\*Does not equal 100 due to rounding.

## Competition

The competitive structure (i.e., the banking deposit market share configuration) of the Area cannot be directly determined but can be approximated from other county- and city-based data. According to the latest survey of insured deposits by the Federal Deposit Insurance Corporation as of June 30, 2000, the counties of Los Angeles and Orange respectively accounted for 30.45 and 8.29 percent of all insured deposits in California. Of particular note is that of the fifty-seven counties in the state, only Los Angeles had such a high concentration. The remaining fifty-six had concentrations of 11.07 percent and lower.<sup>6</sup> In the two Los Angeles County cities in which California Center Bank has branches, there were a combined total of 85 financial institutions. These institutions operated 357 deposit-taking offices. California Center Bank's market share was .82 percent. For the one Orange County City where the bank has a branch, there were 13 institutions, operating 19 branches. Here, the bank's market share was 2.06 percent.

Dominant deposit market share in both component areas of the assessment area is held by institutions considerably larger than California Center Bank.<sup>7</sup> An additional competitive factor particular to the ethnic emphasis of the bank is the fact that at least six Area institutions share the same originating principle of meeting the needs of ethnic Korean businesses in Koreatown<sup>8</sup>. In an American Banker article executive officers of Koreatown banks and market analysts suggest that Koreatown "may not be big enough for seven Korean-American banks."<sup>9</sup>

## Conclusion

The Los Angeles-Orange Counties Assessment Area demographic, economic, and Area-specific information was assembled and reviewed to understand the context in which California Center

<sup>6</sup> The survey revealed that the counties of Los Angeles, San Francisco, and Orange, in that order, were the top three counties for deposit market share.

<sup>7</sup> These institutions include Bank of America, Union Bank of California, Washington Mutual Bank, and Wells Fargo Bank,

<sup>8</sup> Koreatown is a district of the city of Los Angeles described thusly on the city's website as: "an area approximately three miles west of the Central Business District [and roughly bordered by] Wilton to the west, Hoover to the east, Olympic to the south and 6<sup>th</sup> St to the north."

<sup>9</sup> Matt Andrejczak, "In L.A. Korean Area, 7 Banks Are Too Many," *American Banker*, September 20, 1999, p. 7.

Bank's record of performance should be evaluated. Steady to declining unemployment trends, significant presence of small businesses, and ascertained credit needs point to lending opportunities in the Area. Identified community development needs (i.e., need for affordable housing and for technical assistance to small businesses) point to investment and service opportunities contemplated by the Act. However, while these opportunities exist for California Center Bank, they are also competed for by a number of other banks, including significantly larger institutions having dominant deposit market share in the Area cities in which California Center Bank operates.

## Lending Test

California Center Bank's overall lending in the Los Angeles-Orange assessment area reflects a good responsiveness to assessment area small business credit needs. In response to the need for affordable housing, the bank has extended an adequate level of community development loans.

## Lending Distribution by Geography

The distribution of the bank's loans throughout the Los Angeles-Orange assessment area is good. The bank's lending has substantively penetrated low- and moderate-income areas in its assessment area. As depicted in the chart, the bank's lending in the low- and moderate-income geographies exceeds the percentage of these tracts in the assessment area and is higher than the concentration of small businesses in those tracts. Additionally, lending in both the low- and moderate-income tracts is more favorable than market performance. The bank's total lending in these tracts was at 77.4 percent by number and 70.1 percent by dollar volume while the aggregate lenders, that reported CRA small business loans, originated 36.2 percent by number and 43.6 by dollar volume. Moreover, as evidenced by the charts below, the bank has penetrated a good portion of the assessment area's low- and moderate-income tracts including those in underserved communities.

Census Tract	Low-income		Moderate-income	
	Total # of Tracts	Penetration	Total # of Tracts	Penetration
	143	62	298	102

Census Tract	Low-income		Moderate-income	
	Total # of Tracts	Penetration	Total # of Tracts	Penetration
South Central	16	7	33	10
Crenshaw	0	N/A	6	2
Compton	0	N/A	13	5

## Lending Distribution by Business Size and Borrower Income

California Center Bank's lending to businesses of different sizes is good. As previously noted, Dun & Bradstreet data indicates that 84 percent of all businesses within the Los Angeles-Orange assessment area are businesses with revenues of \$1 million or less (small businesses). As the table depicts, the bank has extended 47 percent of its small business loans to small businesses, generally comparable to the 53 percent extended by the aggregate small business loan reporters in the assessment area. However, when considering the assessment need for micro loans, the bank is notably serving the assessment area with 62 percent of its small business loans in amounts of \$100 thousand or less.

Small Business Originations	Loan Amount			Total
	<=\$100,000	>\$100,000 to <=\$250,000	>\$250,000 to \$1,000,000	
Number of small business loans	494	175	198	867
Number of small business loans to businesses with gross revenues <=\$1 million	304	56	44	404
Number of small business loans to businesses with gross revenues <=\$1 million (in %)	62%	32%	22%	47%
Aggregate number of small business loans to businesses with gross revenues <\$1 million (in %)				53%
Dollar volume of small business loans (000's)	\$22,512	\$30,583	\$103,716	\$156,811
Dollar amount to businesses with gross revenues < \$1 million (000's)	\$10,325	\$ 9,266	\$ 21,292	\$ 40,883
Dollar amount to businesses with gross revenues < \$1 million (000's) (in %)	46%	30%	20%	26%
Aggregate number of small business loans to businesses with gross revenues <\$1 million (in %)				33%

## Community Development Lending

As noted in the overall conclusion, the bank makes an adequate level of community development loans. Management has significantly increased both their involvement and community development lending extensions of credit in affordable housing construction projects within the Los Angeles-Orange assessment area. The market for these projects is heavily competitive and management understands that they must maintain a presence within the affordable housing arena in order to compete. The following are the specific affordable housing community development lending construction loans within the Los Angeles-Orange assessment area:

- A bank commitment of \$603,000 to construct a 12-unit low-income apartment project in the City of Los Angeles. The financing was extended to a California non-profit corporation

organized in 1985 to acquire, construct, rehabilitate, and operate apartment complexes for families of low to moderate income.

- A \$100,000 revolving line of credit to finance working capital for a construction project to build a 62-unit affordable housing family apartment project for low-income families. The project is in a low-income census tract within the bank’s assessment area. Both the construction and permanent financing have been secured by other financial institutions.

## **INVESTMENT TEST**

The bank’s qualified investments and grants are satisfactorily serving the needs of the Los Angeles-Orange Counties assessment area. These investments are promoting affordable housing, economic development, and to a lesser extent community service for low-income individuals. Since the previous examination, the bank has materially increased their investment and grant activity serving the Los Angeles-Orange Counties assessment area as detailed below. The table depicts the bank’s qualified investment and grant activity stratified into the specific component enumerated in the regulatory definition of community development. Broad-based investments, defined as those serving both the specific area and California at large, are included in the table.

	<b>Current Examination 2/12/01</b>	<b>Prior Examination 3/22/99</b>
Affordable Housing	\$2,952,250	\$250,000
Economic Development	130,990	116,990
Community Service Targeted to Low- and Moderate-Income Individuals	1,750	3,600
<b>TOTAL</b>	<b>\$3,084,990</b>	<b>\$370,590</b>

## **SERVICE TEST**

### **Retail Banking Services**

Los Angeles-Orange assessment area was the only area served by the bank until September 1, 2000. The bank’s retail banking presence in the respective area is considered reasonably accessible to essentially all. There have been no branch closures or additions since the prior examination.

All deposit and loan services are available at the five full-service offices and the satellite office provides account deposit services only. As previously discussed, banking services and hours of operation at these facilities do not vary in a way that inconveniences portions of the assessment area.



## **Community Development Services**

California Center Bank provides an adequate level of CRA qualified community development services in the Los Angeles-Orange Counties assessment area. Employee involvement is concentrated in providing technical assistance on financial matters to small businesses or community development organizations. Overall, the involvement varies from employees serving on community development loan committees to bank employees partaking in small business seminars for low- and moderate- income individuals. In total, during the respective review period, bank employees contributed 202 hours or an average of 13.5 hours per month.

While the bank's current level of service addresses needs in the assessment area, the expressed need for small business technical assistance suggest opportunities for the provision of additional services.

## ASSESSMENT AREA SUMMARY

*For each assessment area where a limited scope review was performed using the examination procedures.*

### **DESCRIPTION OF OPERATIONS IN SAN BERNARDINO-RIVERSIDE COUNTIES (INLAND EMPIRE) ASSESSMENT AREA**

The Inland Empire branch was opened September 1, 2000, which created a second assessment area with 168 tracts. With the examination period of review ending September 30, 2000, only 16 loans were within the Inland Empire assessment area. Thus, a limited analysis of the respective assessment area and branch performance was conducted during the examination. Accordingly, only key demographics for Inland Empire assessment area are provided.

#### **Inland Empire Assessment Area**

According to the county profile by the EDD, San Bernardino County "is one of the fastest growing counties in California, [with its population projected to] increase by more than 62.7 percent over the next 20 years." For 1999, the county's unemployment rate was 4.8 percent lower than the state's 5.2. However, for the same period, Colton's unemployment rate was 6.2 percent. The county's largest industry sector is services (24.7 percent of total employment), with health services being the largest component. Government and retail trade are other significant sectors, respectively accounting for 20.8 and 20.2 percent of total employment. The fastest growing sector is manufacturing, with the EDD projecting "an increase of 14,800 job openings" in the sector by 2002.

The county profile for Riverside County states the 1999 unemployment rate was 5.5 percent. Like San Bernardino County, services is the largest industry sector, with 27.5 percent of total employment. Again, like San Bernardino County, health services is the largest component. Retail trade and government are the next significant sectors, accounting for 20.3 and 17.9 percent of total employment. In contrast to nearby San Bernardino County, services is "the fastest growing industry with a seven year projected growth rate of 34.5 percent (1995 - 2002)." This job growth "is due in part to the increasing demand in the health services sector, [which is projected to have an] increase of 10,100 job openings" by 2002.

The following tables illustrate demographic data for the Inland Empire assessment area as a whole.

Tract Categories	Census Tracts		Population		Families		Households	
	#	%	#	%	#	%	#	%
Low-Income	10	6	41,135	3	8,429	3	11,943	3
Moderate-income	36	21	225,605	16	49,567	15	70,341	16
Middle-Income	74	44	653,310	47	161,693	48	216,623	49
Upper-Income	45	27	455,571	33	119,439	35	145,363	33
Total	168 <sup>10</sup>	98*	1,388,668	99*	339,128	101*	444,270	101*

\*Does not equal 100 due to rounding.

<sup>10</sup> While the assessment area consists of 168 census tracts, income information is available for only 165 of those tracts.

Number of Families	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Families Below Poverty	
	#	%	#	%	#	%	#	%	#	%
339,128	64,079	19	53,756	16	76,508	23	144,785	43	32,216	10

Number of Households	Low Income Households		Moderate Income Households		Middle Income Households		Upper Income Households		Households Below Poverty	
	#	%	#	%	#	%	#	%	#	%
444,270	92,972	21	66,784	15	87,642	20	196,872	44	46,033	10

Type of Tract	Percentage of All Establishments in Tracts in Industry Sector	
	Retail	Services
Low-Income	21	47
Moderate-Income	23	42
Middle-Income	21	39
Upper-Income	19	37
Area Concentration	21	39

Type of Tract	Percentage of Area's Total Business	Small Business Percentage of Tract Businesses
Lower-Income	4	85
Moderate-Income	22	84
Middle-Income	47	84
Upper -Income	27	85
	100	84

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

The limited scope review of the bank's performance in the San Bernardino County (Inland Empire) assessment area included a review of the assessment area and a very limited lending test review. For the lending test, the bank's 16 small business loans were reviewed. In summary, the bank's lending appears consistent with the bank's overall lending.

## **GLOSSARY OF FREQUENTLY USED TERMS**

### **Area Median Income (Median Income)**

The median family income for the Metropolitan Statistical Area (MSA) if a person or geography is located in an MSA, or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

### **Assessment Area**

A geographic area which generally consists of one or more MSAs or one or more contiguous subdivisions, such as counties, cities or towns. Assessment areas also include geographies in which the bank has its main office, its branches and its deposit taking ATMs, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans (including home mortgage loans, small business loans, small farm loans, and any other loans the bank chooses, such as those consumer loans on which the bank elects to have its performance assessed).

### **Community Development**

- (1) Affordable housing (including multifamily rental housing) for low- or moderate-income individuals.
- (2) Community services targeted to low- or moderate-income individuals.
- (3) Activities that promote economic development by financing business or farms which have gross annual revenues of \$1 million or less or that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs.
- (4) Activities that revitalize or stabilize low- or moderate-income geographies.

### **Community Development Loan**

A loan that has as its primary purpose community development; and, except in the case of a wholesale or limited purpose bank:

- (1) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan; and
- (2) Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

<b>Community Development Service</b>	A service that has as its primary purpose community development, is related to the provision of financial services, and has not been considered in the evaluation of the bank's retail banking services under CRA.
<b>Consumer Loans</b>	Loans to one or more individuals for household, family or other personal expenditures. A consumer loan does not include a home mortgage, small business or small farm loan. Examples of consumer loans are: Motor Vehicle Loans, Credit Card Loans, Home-Equity Loans, Secured Consumer Loans and Unsecured Consumer Loans.
<b>Census Tract</b>	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.
<b>Family Income</b>	Includes the income of all members of a family that are age 15 and older.
<b>Families</b>	Defined by the U.S. Bureau of Census as all persons occupying a housing unit related to the householder by birth, marriage or adoption. A single person living alone or two or more unrelated individuals occupying the same household are not considered to be a family.
<b>Geographies</b>	Census tracts or numbering area blocks delineated by the U.S. Bureau of Census in the most recent decennial census.
<b>Household Income</b>	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.
<b>Households</b>	Defined by the U.S. Bureau of Census as all persons occupying a housing unit.
<b>Housing Unit</b>	Includes a house, an apartment, a mobile home, a group of homes, or a single room that is occupied as separate living quarters.

<b>HUD Adjusted Median Income</b>	Based initially on the area median income derived from the most recent decennial census, the Department of Housing and Urban Development adjusts the figure annually for inflation.
<b>Income Level</b>	Includes low-income, moderate-income, middle-income and upper-income.
<b>Low-Income</b>	An individual income that is less than 50 percent of the HUD- adjusted median income or a census tract or block numbering area with a median family income that is less than 50% of the area median income.
<b>Median Income</b>	See Area Median Income and HUD Adjusted Median Income
<b>Metropolitan Statistical Area (MSA)</b>	An area qualifies as an MSA if it contains a city with a population of at least 50,000 or is defined by the Bureau of the Census as an urbanized area and has a population of 50,000 or more and a total metropolitan population of 100,000.
<b>Middle-Income</b>	An individual income that is at least 80 percent and less than 120 percent of the HUD-adjusted median income, or a census tract or block numbering area with a median family income that is at least 80 and less than 120 percent of the area median income.
<b>Moderate-Income</b>	An individual income that is at least 50 percent and less than 80 percent of the HUD-adjusted median income, or a census tract or block numbering area with a median family income that is at least 50 and less than 80 percent of the area median income.
<b>Owner-Occupied Housing Unit</b>	Includes housing units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.
<b>Qualified Investment</b>	A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

<b>Real Estate Mortgage Loan</b>	Defined by the Home Mortgage Disclosure Act (HMDA) as a home purchase loan, home improvement loan or the refinancings for both. A home purchase loan is any loan secured by and made for the purpose of purchasing a dwelling. A home improvement loan is for the purpose, in whole or part, of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which it is located and is classified by the financial institution as a home improvement loan.
<b>Small Bank</b>	A bank that, as of December 31 of either of the prior two calendar years, had total assets of less than \$250 million and was independent or an affiliate of a holding company that, as of December 31 of the prior two calendar years, had total banking and thrift assets of less than \$1 billion.
<b>Small Business</b>	Businesses with gross annual revenues of \$1 million or less as defined by the Community Reinvestment Act.
<b>Small Business Loan</b>	Business purpose loans with original amounts of \$1 million or less as defined by the instructions for the Consolidated Reports of Condition and Income (CALL Report) for entry on schedule RC-C, part II "Loans to Small Businesses."
<b>Upper-Income</b>	An individual income that is 120 percent or more of the HUD-adjusted median income, or a census tract or block numbering area with a median family income that is 120 percent or more of the area median income.