

# **PUBLIC DISCLOSURE**

**July 7, 2003**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First American Bank  
RSSD # 714361**

**8941 East Valley Boulevard  
Rosemead, California 91770**

**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.*

## TABLE OF CONTENTS

INSTITUTION.....	1
PERFORMANCE CONTEXT	
Description of Institution.....	2
Description of Assessment Area.....	3
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA	
Scope of Examination .....	6
Loan-to-Deposit Ratio .....	6
Lending in Assessment Area .....	6
Lending by Business Revenue .....	6
Geographic Distribution of Loans .....	7
Response to Complaints.....	7
Compliance with Fair Lending Laws and Regulations .....	7
GLOSSARY OF TERMS .....	8

## **INSTITUTION**

**INSTITUTION'S CRA RATING:** This institution is rated satisfactory.

The major factors supporting the institution's rating include:

- A good geographic distribution of loans with particular strength in the low-income census tracts.
- A good level of small business loans made to businesses with gross annual revenues \$1 million and below; demonstrating responsiveness to articulated credit needs.
- A majority of loans originated within the assessment area.

## PERFORMANCE CONTEXT

### Description of Institution

Headquartered in Rosemead, California, First American Bank (FAB) is a \$194 million full service financial institution. It offers a standard array of banking products and services through its four branch offices and three ATMs that serve the southern California communities of Los Angeles, Rosemead, San Fernando and South Pasadena.<sup>1</sup>

FAB prides itself as an independent business bank which focuses on developing customer relationships. Management relies on the personalized service to retain existing business customers and garner new customers by way of referrals from clients, employees, and the directorate. Growth plans are based on continuing efforts to capitalize on expertise which includes serving wholesale companies and professional practices, both inside and outside their designated assessment area.

Its credit and deposit products are customized to meet the needs of small- to medium-sized businesses. Types of credit offered include commercial real estate, construction financing, and Small Business Administration (SBA) loans. Commercial facilities include accounts receivable and inventory financing as well as working capital lines of credit. FAB also caters to the consumer needs of its business clients by continuing to offer real estate lending and consumer installment loans on an accommodation basis.

The company's portfolio mix reflects their commercial focus while growth patterns illustrate management's increased focus on construction financing and SBA lending. Total assets, which equaled approximately \$189 million for the period ending March 31, 2003, have grown approximately 55 percent since March 31, 1999. Total loans were approximately \$99 million with 90 percent of that amount consisting of commercial and construction/development credits. Financing activities for residential housing tracts and industrial/warehouse buildings loans have seen modest growth in recent years. Also, as a designated SBA Preferred Lender, this lending segment grew approximate \$13 million over the past four years.

---

<sup>1</sup> ATMs are located at the latter three branches.

Loan Type	Dollar Amount ('000s)	Percent of Total Loans
Commercial/Industrial & Non-Farm Non-Residential Real Estate	\$ 71,184	72%
Construction & Land Development	\$ 15,691	16%
Secured by 1-4 Family Residential Real Estate	\$ 6,718	7%
Consumer Loans	\$ 3,385	3%
Multifamily Residential Real Estate	\$ 1,253	1%
All Other	\$ 600	1%
<b>Total (Gross)</b>	<b>\$ 98,831</b>	<b>100%</b>

There are no legal or financial impediments that would prevent the bank from helping to meet the credit needs of its assessment area consistent with business strategy, size, financial capacity, and local economic conditions. FAB received a satisfactory rating at its previous CRA examination conducted as of August 2, 1999.

### Description of Assessment Area

FAB's assessment area remains unchanged since the previous examination. The assessment area serves a diverse market and contains 1,119 census tracts of Los Angeles County. It includes the San Gabriel Valley, the northeast portion of the San Fernando Valley, the City of Los Angeles, and its adjacent incorporated cities. The area is part of the Los Angeles-Long Beach MSA 4480 and the Los Angeles-Riverside-Orange County CMSA 49. The respective regions are outlined below.

Deposit information from the FDIC shows that FAB operates in a highly competitive environment. As it owns 0.10 percent of the market share in Los Angeles, it competes with both depository and non-depository institutions for funding loans.<sup>2</sup> The assessment area is dominated by credit unions, savings and loan associations, finance companies, commercial banks, and other financial institutions; some of which are much larger than FAB.

#### San Gabriel Valley

The San Gabriel Valley, covering 400 square miles of eastern Los Angeles County, is bounded by the San Gabriel Mountains on the north.<sup>3</sup> It is flanked on the west by the cities of La Canada-Flintridge, Monterey Park Pasadena, and South Pasadena. Rosemead is located to the south-east of South Pasadena.

Based on employment numbers, it is a predominantly service-oriented economy. The service industry, which is the largest employment sector at 33 percent, is followed by retail trade at 18

<sup>2</sup> Federal Deposit Insurance Corporation, *FDIC/OTS Summary of Deposits – Market Share Report, June 30, 2002*; (accessed July 23, 2003; available from <http://www2.fdic.gov/sod/sodMarketRpt.asp?>)

<sup>3</sup> San Gabriel Valley, Los Angeles County, California 2002-2003 Economic Overview & Forecast

percent and manufacturing at 15 percent.<sup>4</sup> The largest number of “service” establishments in the region are found in “professional, scientific, and technical” services. This reflects the influence of engineering, health sciences, and technology. Major employers include Southern California Edison Company, Avery Dennison Corporation, and Jacobs Engineering Group, Inc.

Over the past four years, employment and population growth in the area have remained relatively stable. Rosemead’s unemployment rate increased by 0.5 percent while South Pasadena had a negligible increase of 0.2 percent.<sup>5</sup> With regards to the population, the 2000 population figures for Rosemead and South Pasadena, respectively, reflected slight increases of 4 and 1 percent over the 1990 census data.<sup>6</sup>

### **San Fernando Valley**

The San Fernando Valley is part of Los Angeles County. Bounded by San Gabriel, Santa Susana, Santa Monica mountains, and the Simi Hills, it covers almost 300 square miles northwest of downtown Los Angeles.<sup>7</sup> The majority of the Valley consists of sections of the City of Los Angeles, whose twenty-seven named communities comprise half of the City’s land area. These communities also house just over a third of the City’s residents.<sup>8</sup>

The Valley’s economy is diversified. There are major concentrations in aerospace, technology (including bio-medical), motion picture production, and tourism. The Valley’s economic base has shifted in the last decade from manufacturing to a service-based orientation due to the growth in motion picture production, software development, and health services. Consequently, services account for 45 percent of employment while retail trade is at 16 percent.<sup>9</sup> Manufacturing is at 9 percent which is down from 14 percent.<sup>10</sup> Major employers include Trio Tech International, Precision Dynamics Corp., Samco Scientific Corp., and Beral Inc.

Unemployment and population statistics have remained stable with only slight increases during the review period. San Fernando’s unemployment rate increased 0.6 percent while its 2000 population increased by 4 percent since the 1990 figures were released.<sup>11</sup> Most area jobs are spread over thousands of small- to medium-sized firms. Companies with fewer than 20

---

<sup>4</sup> Ibid.

<sup>5</sup> State of California, Employment Development Department, *Labor Market Information Division*; accessed July 24, 2003, from [http://www.calmis.ca.gov/file/1fmonth/call\\$pr.txt](http://www.calmis.ca.gov/file/1fmonth/call$pr.txt)

<sup>6</sup> Ibid.

<sup>7</sup> Consulting Practice of the Los Angeles Economic Development Corporation with the Economic Alliance of the San Fernando Valley. (accessed May 2003). Northeast San Fernando Valley Study. *Economic Assessment and Redevelopment Strategy*.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> State of California, Employment Development Department, *Labor Market Information Division*; available from [http://www.calmis.ca.gov/file/1fmonth/call\\$pr.txt](http://www.calmis.ca.gov/file/1fmonth/call$pr.txt); Los Angeles Almanac, General Population by County & City, (accessed July 1, 2003); available from <http://www.losangelesalmanac.com/topics/Population/po03.htm>

employees accounted for 95 percent of all establishments in the Valley while only 22 percent of all firms with 1,000 or more employees were located there.<sup>12</sup>

A community contact also noted that there were large numbers of small businesses with sales revenues under \$250,000 and fewer than 10 employees. Given the predominance of these small businesses, there is an increased need in the assessment area for small dollar amount loans to meet their short-term operating needs. Also, depending on various capital expenditure and longer-term operating needs, small businesses typically need working capital lines of credit and equipment-related financing.

### **City of Los Angeles**

Situated on a coastal plain, the City of Los Angeles, located in Los Angeles County, covers a land area of 469 square miles.<sup>13</sup> The city limits extend from the ocean on the west to the San Gabriel Mountains on the east and from San Fernando Valley on the north to San Pedro Bay on the south.

The County has a diversified economic base. Although best known for its aerospace, motion picture and tourism industry, Los Angeles County's largest employment sectors are services, retail trade, and manufacturing. Services, which includes business as well as health services, is the largest industry accounting for over 33 percent of employment.<sup>14</sup> Retail trade accounts for 16 percent with a majority of these jobs in the "eating and drinking places" sector.<sup>15</sup> Manufacturing, at 15 percent, is concentrated in the "apparel and other textile product" sector.<sup>16</sup> Major employers include SBC Pacific Bell, Cedars-Sinai Medical Center, Walt Disney Co., Northrop Grumman Corp., and Federated Department Stores, Inc.

Despite falling employment nationwide during the national recession, employment figures for Los Angeles have remained relatively stable. Although the City and County experienced a slight increase in the unemployment rate over the past four years (an increase of 0.5 and 0.4 percent, respectively) there was some evidence of economic growth.<sup>17</sup> The government, finance insurance, and real estate sectors contributed to this growth with these sectors experiencing a modest employment increase in 2002.<sup>18</sup>

---

<sup>12</sup> Ibid.

<sup>13</sup> Economy, Los Angeles city, July 2, 2003 (accessed July 28, 2003); available from [http://www.greatestcities.com/North\\_America/USA/California\\_CA/Los\\_Angeles\\_city/econ](http://www.greatestcities.com/North_America/USA/California_CA/Los_Angeles_city/econ).

<sup>14</sup> California Employment Development Department, Labor Market Information Division, *County Snapshot – Los Angeles 2002*

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

<sup>17</sup> State of California, Employment Development Department, *Labor Market Information Division*; available from <http://www.calmis.ca.gov/file/1fmonth/callSpr.txt>

<sup>18</sup> Federal Deposit Insurance Corporation, California State Profile, June 16 2003 (accessed July 2, 2003); available from <http://www.fdic.gov/bank/analytical/stateprofile/SF/California/CA.html>



Los Angeles County is the most populated county in the nation. According to 2000 Census data, the population exceeded 9.5 million, an increase over 1990 Census figures of 7.4 percent.<sup>19</sup> Over a third of the population, or approximately 3.7 million people, reside in the City of Los Angeles.<sup>20</sup> Some of the factors contributing to the population growth include its global entertainment industry, its institutions for higher education, and its environment and support system for entrepreneurs.<sup>21</sup> The City has a developed network of small business development centers and offers small business training programs at the University of California at Los Angeles.

---

<sup>19</sup> California Employment Development Department, Labor Market Information Division, *County Snapshot – Los Angeles 2002*

<sup>20</sup> Ibid.

<sup>21</sup> Los Angeles County Economic Development Corporation, *20 Reasons to Locate in Los Angeles County*, (accessed July 24, 2003); available from [http://www.laedc.org/data/about\\_la\\_county/20 reasons.shtml](http://www.laedc.org/data/about_la_county/20%20reasons.shtml)

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

### **Scope of Examination**

The CRA performance of First American Bank was evaluated using the small bank examination procedures. This evaluation is based upon the following performance criteria:

- Loan volume in comparison to deposits (Loan-to-Deposit Ratio).
- Lending inside and outside the assessment area (Lending in Assessment Area).
- Distribution of lending to businesses with different annual revenues (Lending by Business Revenue).
- Dispersion of lending throughout census tracts or geographic areas within the assessment area (Geographic Distribution of Loans).

Responsiveness to consumer complaints was not evaluated, as the bank has not received any CRA-related complaints since its previous CRA examination.

The CRA performance review was based solely on small business lending activity, which is the institution's primary lending focus. The sample period was April 1, 2001 to December 31, 2002, with the loan universe comprising all 108 small business loans totaling approximately \$20 million.

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

The loan-to-deposit ratio meets standards for satisfactory performance. The seven-quarter average ratio of 61 percent is comparable to its two local peers that have a similar portfolio mix and asset size.

### **Lending in Assessment Area**

The concentration of lending within the assessment area meets standards for satisfactory performance. First American Bank extended a majority of small business loans, 69 percent, within the assessment area. The loans falling outside the assessment area were extended to existing businesses with new offices and extensions to new businesses. As indicated earlier, growth plans include leveraging the company's expertise by attending their marketing efforts to both new and existing customers, outside the service area. Targeted companies include veterinary practices and wholesale jewelers.

### **Lending by Business Revenue**

The record of lending by business revenue demonstrates a good penetration among businesses of different sizes. FAB's lending to small businesses represents 62 percent of its total business lending. This distribution is reflective of the assessment area given that 64 percent of all

businesses have gross annual revenues of \$1 million or less. In addition, FAB's performance exceeds that of the aggregate market, comprised of large lenders, which extended 41 percent of total business loans to small businesses. Lastly, 70 percent of all small business loans were extended in amounts under \$100,000, meeting an articulated credit need in the community.

### Geographic Distribution of Loans

The geographic distribution of loans meets standards for satisfactory performance. As illustrated by the following table, the distribution of loans is reasonable and reflects the concentration of small businesses throughout the assessment area. The credit extensions in the low-income census tracts is strong, exceeding both the business distribution and the aggregate market. The following reflects the distribution of small business lending within the assessment area:

Census Tracts			Business Distribution	Bank Small Business Lending		Aggregate Small Business Lending
Category	Number	Percent	Percent	Number	Percent	Percent
Low	112	10%	10%	14	19%	10%
Moderate	278	25%	19%	12	16%	18%
Middle	368	33%	32%	21	28%	33%
Upper	356	32%	39%	27	37%	39%
Total	100	100%	100%	74	100%	100%

### Response to Complaints

First American Bank has not received any complaints relating to its CRA performance since the previous examination. Accordingly, this component was not evaluated.

### Compliance with Fair Lending Laws and Regulations

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified at this examination. Additionally, there was no evidence of prohibitive lending practices.

## GLOSSARY OF TERMS

**Aggregate lending:** The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**Block numbering area (“BNA”):** 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.

**Community development:** Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals, activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies,

**Consumer loan:** A loan 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. This definition includes the following categories of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

**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).

**Full review:** Performance under the lending, investment, and service tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography:** A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (“HMDA”):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home mortgage loans:** Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**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.

**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.

**Limited review:** Performance under the lending, investment, and service tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**Metropolitan area:** Any primary metropolitan statistical area (“PMSA”), metropolitan statistical area (“MSA”), or consolidated metropolitan area (“CMSA”), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**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 percent 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 percent and less than 120 percent in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Optional loans:** Includes any unreported category of loans for which the institution collects and maintains data for consideration during a CRA examination. Also includes consumer loans and other loan data an institution may provide concerning its lending performance.



**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.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Small loans to business:** 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 loans to farms:** 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 thousand 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.

**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.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**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.