

# **PUBLIC DISCLOSURE**

**July 24, 2000**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Santa Barbara Bank & Trust**

**RSSD 785062**

**1021 Anacapa Street**

**Santa Barbara, California 93102**

**Federal Reserve Bank of San Francisco**

**101 Market Street**

**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 the 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 for **Santa Barbara Bank & Trust** prepared by the **Federal Reserve Bank of San Francisco**, the institution's supervisory agency, as of **July 24, 2000**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to CFR Part 228.*

## **INSTITUTION**

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

Santa Barbara Bank & Trust demonstrates an overall outstanding level of performance in identifying and meeting assessment area credit needs through a broad range of loan, investment, and service activities. The bank's small business and consumer real estate lending activities satisfactorily meet assessment credit needs while its community development lending enhances the overall lending profile by demonstrating an excellent responsiveness in addressing affordable housing for and community services targeted to low- and moderate-income individuals. The level of investment and grant activities exhibit an outstanding degree of responsiveness in supporting community development initiatives, primarily those that support affordable housing for low- and moderate-income individuals and financing for small businesses. Lastly, retail banking and community development service activities exemplify the bank's commitment in time and personnel to address identified credit needs and demonstrate its leadership in its assessment areas.

<b>Santa Barbara Bank &amp; Trust</b>			
<b>PERFORMANCE LEVELS</b>	<b>PERFORMANCE TESTS</b>		
	<b>Lending Test*</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding		<b>X</b>	<b>X</b>
High Satisfactory	<b>X</b>		
Low Satisfactory			
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.*

## DESCRIPTION OF INSTITUTION

Santa Barbara Bank & Trust (SBBT) began operations in 1960 with the opening of its first branch in downtown Santa Barbara. The bank is a wholly-owned subsidiary and the lead bank of Pacific Capital Bancorp, a multi-bank holding company formed in 1982. As of March 31, 2000, SBBT had total assets of \$2.58 billion<sup>1</sup> and operated a network of 27 full-service branches located in Santa Barbara (18 offices) and Ventura (9 offices) counties.

The bank's business strategy is to provide full-service community-oriented banking with a full complement of loan products that includes:

- consumer loans,
- conventional fixed and adjustable rate real estate loans,
- residential construction and land development loans,
- commercial construction,
- commercial lines of credit and term loans, and
- SBA-guaranteed loan programs including the 504, Low-Doc, and 7(a).

The bank's loan portfolio, as shown in the table below, reflects the full-scope lending focus.<sup>2</sup>

<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>% of Total</b>
Commercial/Industrial & Non-Farm Non-Residential Real Estate	\$533,893	36.99%
Secured by 1-4 Family Residential Property	\$483,854	33.52%
Consumer	\$180,674	12.52%
Lease Financing	\$102,569	7.11%
Construction	\$54,038	3.74%
Farmland & Agriculture	\$40,046	2.77%
Multifamily Housing	\$35,033	2.43%
Credit Cards	\$8,936	0.62%
All Other	\$2,798	0.19%
<b>Total</b>	<b>\$1,443,274</b>	<b>99.89%<sup>3</sup></b>

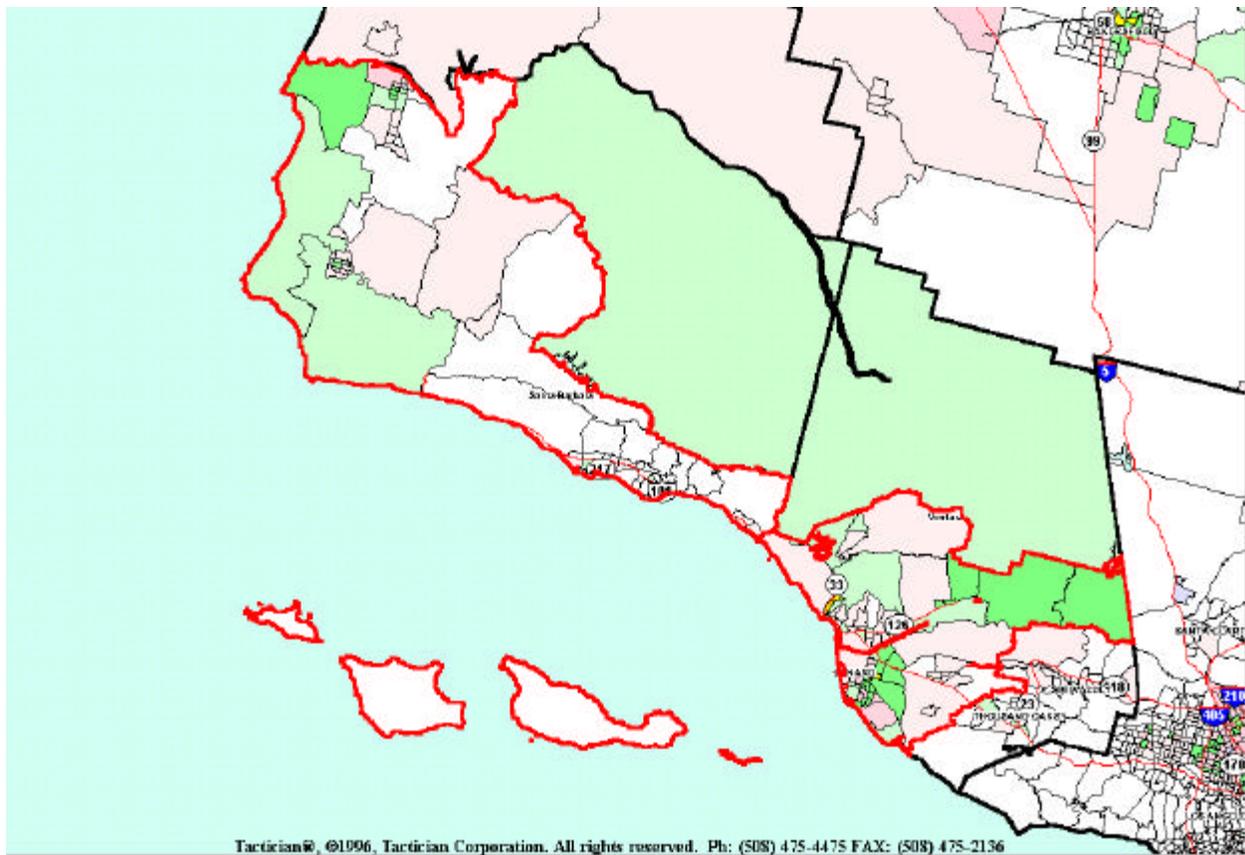
As detailed in the map below, the bank has chosen two contiguous assessment areas, consisting of most of Santa Barbara and Ventura counties. The defined assessment areas are consistent with the bank's capacity given its branch structure and lending strategy, and are in conformance with the technical provisions of the regulation.

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<sup>1</sup> SOURCE: Consolidated Reports of Condition and Income (CALL Report) as of March 31, 2000.

<sup>2</sup> Ibid.

<sup>3</sup> Does not equal 100 due to rounding; this footnote applies to all tables throughout this evaluation in which percentage figures are totaled.



The bank is facing no financial constraints or legal impediments that would inhibit its ability to meet community credit needs consistent with its business strategy, size, financial resources, and local economic conditions. The bank's received a satisfactory rating at its previous CRA examination conducted as of August 31,1998.

## SCOPE OF EXAMINATION

The evaluation of SBBT's performance under the Community Reinvestment Act includes all activity under the lending, investment, and service tests for the period of July 1, 1998, through June 30, 2000.<sup>4</sup> Under

the lending test,

examiners reviewed SBBT's small business,

home purchase, home refinance, home

improvement, and

multi-family housing

lending activity.<sup>5</sup> The

loan types reviewed represent the majority

of the bank's loan

portfolio and are

indicative of the bank's

full-service business

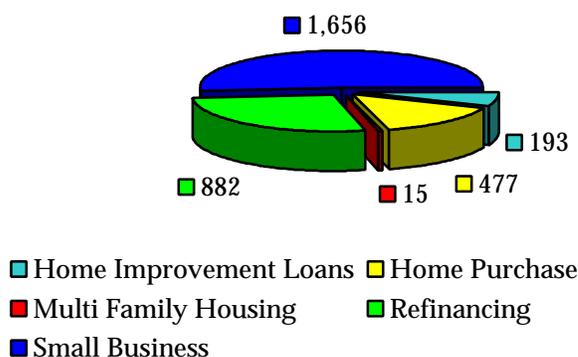
strategy. The review

under the investment

test included an evaluation of the bank's securities, grants, donations and other investments purchased during the period between examinations. In conjunction with the service test, the

examiners evaluated the scope, extent and adequacy of services provided, and the effectiveness of established delivery systems such as branch office locations.

**Number of Loans Reviewed by Product Type**



Full-scope reviews were conducted for both of the bank's assessment areas. As noted above, although the bank is a full-service lender, small business lending accounts for over half of the loans extended during the review period and indicates that the bank's most significant business line is commercial lending. In that regard, the assessment area reviews placed greater weight the bank's record of addressing small business credit needs.

## OVERALL CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

SBBT's high satisfactory rating under the lending test is based on a substantial volume of lending inside of the bank's two assessment areas, and an apparent lending presence throughout the various geographies of these assessment areas, including low- and moderate-

<sup>4</sup> The CRA and HMDA loan activity evaluated under the lending test was from the period of July 1, 1998 through March 31, 2000.

<sup>5</sup> Home Purchase, Refinance, Home Improvement and Multi-Family Housing loans are those loans required to be reported under the Home Mortgage Disclosure Act (HMDA). Going forward they are referred to as either HMDA or consumer real estate loans.

income areas. The bank's core business strategy has enabled SBBT to respond to community credit needs, with an evident strength in lending to small businesses. The bank's direct lending to consumers, measured by residential real estate loans is reasonable, while community development lending targeted to affordable housing needs enhances its overall lending performance.

**Lending Activity**

Lending levels reflect an excellent responsiveness to assessment area credit needs. According to Call Report data, overall lending levels at various points throughout the review period were as follows:

<b>LENDING LEVELS</b>					
<b>Quarter End Date</b>	<b>03-31-00</b>	<b>09-30-99</b>	<b>03-31-99</b>	<b>09-30-98</b>	<b>06-30-98</b>
Net Loans & Leases	1,419,873	1,309,187	1,160,919	949,915	919,680
Percentage Change	+8.5%	+12.8%	+22.2%	+3.3%	

Net loans and leases increased by 54.4 percent since the previous examination, while deposits for the same period increased by 54.6 percent, indicating that despite a large deposit growth, the bank has also increased its lending levels by a comparable amount.

The bank's eight-quarter average loan-to-deposit ratio is 72 percent which compares favorably to local peer banks whose ratios range from 55 percent to 84 percent. SBBT's average loan-to-deposit ratio suggests that the bank is actively lending in a manner comparable to local peer banks.

**Assessment Area Concentration**

The bank's record of lending shows that a substantial majority of loans have been extended inside of its two assessment areas.

The analysis for assessment area concentration included a review of both the number and dollar amount of loans extended. The analysis revealed that 94 percent of total loans and 92 percent of the dollar volume of loans reviewed were extended within the bank's two assessment areas. The profile of lending within the assessment areas shows that 71 percent of all loans were extended in Santa Barbara County, with 29 percent falling in the Ventura assessment area. The higher concentration of lending within the Santa Barbara assessment area is expected given that the Ventura market is still a relatively new area for the organization, with an initial three branches starting up in 1995, and expanding to its current nine facilities in early 1998. Although the branch network in the Santa Barbara assessment area is twice as large as that of the Ventura assessment area, the proportion of lending in Ventura has increased 7 percent since the previous examination. In terms of loan products, consumer real estate and small business lending showed virtually identical assessment area concentrations with 94.1 percent and 94 percent, respectively extended inside the combined assessment areas.

The table below illustrates the assessment area concentration for the individual loan types.

Loan Type	Inside				Outside				Total	
	#	%	\$	%	#	%	\$	%	#	\$
Small Business	1,556	94	147,399	89	100	6	18,087	11	1,656	165,486
Home Purchase	441	92	96,093	92	36	8	8,528	8	477	104,621
Home Refinance	835	94	186,496	94	47	6	10,966	6	882	197,462
Home Improvement	184	95	6,121	96	9	5	243	4	193	6,364
Multifamily Housing	15	100	13,034	100	0	--	0	--	15	13,034

### Lending Distribution by Geography

The overall distribution of the loans among the different income geographies is reasonable. The bank has extended small business and consumer real estate loans throughout its assessment areas consistent with the local credit demand and lending opportunities.

The bank serves a combined assessment area consisting of 160 census tracts, with a 1990 population total of 784,888 people and businesses totaling 27,034. Population, family, and business distributions within these tracts are illustrated below.

Tract Categories	Census Tracts		Businesses		Population		Families	
	#	%	#	%	#	%	#	%
Low-Income	7	4.4	942	3	22,917	2.9	3,446	1.8
Moderate-Income	55	34.4	10,706	40	297,828	38	64,281	34.2
Middle-Income	68	42.5	11,090	41	329,244	42	83,651	44.6
Upper-Income	30	18.8	4,296	16	134,899	17.1	36,328	19.4
Total	160	100	27,034	100	784,888	100	187,706	100

As indicated by the table above, most of the businesses, population, and families reside in moderate- and middle-income census tracts.

The following table compares the geographic distribution of SBBT's small business loans to the aggregate small business lending data and to the distribution of small businesses by income geography. The aggregate lending data includes all financial entities reporting a small business loan in the overall institution assessment area. Aggregate small business lending data for 1998 and Dun & Bradstreet for 1999 was used for comparison.

Census Tract Income Level	SBBT		Aggregate	Tracts <sup>6</sup>	Businesses
	#	%			
Low-Income	29	1.9	3%	3%	3%
Moderate-Income	656	42.2	39%	35%	40%
Middle-Income	520	33.4	40%	43%	41%
Upper-Income	351	22.6	18%	19%	16%
<b>Total</b>	<b>1,556</b>	<b>100.1</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Particular strength is noted in the bank's small business lending profile. The bank's lending exhibits an excellent record of serving the credit needs of small businesses throughout the various income geographies relative to the aggregate lending and the percentage of small businesses within the different geographies, particularly in moderate-income tracts.

The following table shows the geographic distribution of consumer real estate loans for the review period. Selected demographic information about the tracts is included as a basis for comparison.

DISTRIBUTION OF CONSUMER REAL ESTATE LOANS BY TRACT INCOME LEVEL								
Census Tract Income Level	LOAN TYPE						Percent Families	Percent Owner- Occupied Housing Units
	Conventional Home Purchase		Home Improvement		Refinancing			
	#	%	#	%	#	%		
Low-Income	0	0	0	0	2	0.2	1.8	.008
Moderate-Income	69	15.6	39	21.2	139	16.6	34.3	25.2
Middle-Income	180	40.8	84	45.7	300	35.9	44.6	49.1
Upper-Income	192	43.5	61	33.2	394	47.2	19.3	24.9
<b>TOTAL</b>	<b>441</b>	<b>100</b>	<b>184</b>	<b>100</b>	<b>835</b>	<b>100</b>	<b>100</b>	<b>100</b>

In the aggregate, the loan distribution among the different income geographies shows the largest volume in middle- and upper-income census tracts. This concentration is not due to a lack of responsiveness to low- and moderate-income areas, but rather market demographics. Low- and moderate-income census tracts represent only 38.8 percent of the bank's combined assessment areas, with no families residing in two low-income tracts. The small number of families and owner-occupied housing units in the remaining low-income tracts and the limited supply of affordable housing units in low- and moderate-income tracts also significantly reduce lending opportunities. Lastly, a significant number of low- and moderate-income census tracts are in downtown or other commercial districts, and have limited opportunities for residential lending.

<sup>6</sup> Two census tracts with zero population are excluded from the remainder of this analysis. The resultant distribution of census tracts is based on a total of 158 tracts (5 low-, 55 moderate-, 68 middle-, and 30 upper-income).

## **Lending Distribution by Business Size and Borrower Income Level**

SBBT's lending to borrowers of different incomes and businesses of different sizes indicates a definitive commitment to serving the credit needs of its assessment areas, particularly as it pertains to small business lending. As previously noted, lending to small businesses in moderate- and middle-income areas, where a small business concentration exists, is favorable. Not only is the concentration of small business loans in the areas of greatest need, but a majority (70.5 percent) of loans are extended to businesses with gross annual revenues of \$1 million or less (small businesses). Further analysis of these loans also indicates that 76.9 percent were extended in amounts of \$100,000 or less, which was expressly identified by a community contact as the most significant credit need in both assessment areas.

SBBT's performance of lending to borrowers of different income levels, as measured by HMDA loans, shows that the majority of these real estate loans are being extended to middle- and upper-income borrowers. The analysis revealed that 58.2 percent of SBBT's consumer real estate loans were extended to upper-income borrowers, followed by 20.9 percent to middle-income, 10.5 percent to moderate-income, and 4.5 percent to low-income borrowers.<sup>7</sup> The bank's borrower distribution is indicative of the impediments presented by the high cost of housing in the assessment areas, the insufficient supply of affordable home ownership units, and the impact the disparity between housing prices and personal income has on accumulating funds for downpayment and other closing costs. Recognizing that these circumstances curtail conventional lending activity to low- and moderate-income borrowers, bank management has utilized a strategy focused on community development lending as a means to increase home ownership opportunities in the assessment areas.

## **Community Development Lending**

The bank provides a significant amount of credit to organizations that promote community development within the assessment areas. The current level of community development lending represents a 52 percent increase over the previous examination level and is addressing one of the most challenging needs of its assessment areas, namely affordable housing.

Since the previous examination, the bank has extended 24 community development loans for approximately \$12.4 million with the majority (87 percent) of these loans used to develop affordable housing. Other loans were granted to assist in the provision of services to low- and moderate-income children and families throughout the assessment areas.

The bank also facilitates community development lending through its commitment of funds to the California Community Reinvestment Corporation (CCRC), a multi-bank lending consortium that focuses on affordable housing throughout California, including the bank's assessment areas. Funds amounting to \$1.2 million have been committed to the loan pool. Since July 1998, the bank has participated in the extension of 12 loans amounting to slightly more than \$152,000, for a total of 20 loans amounting to \$254,800 since its initial commitment in October 1997.

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<sup>7</sup> Borrower income information was not available for 5.9 percent of the borrowers in the bank's loan sample.

## **Innovative and Flexible Loan Practices**

SBBT has taken steps to address specific needs within its assessment areas by creating and participating in several innovative and flexible lending programs targeted to low- and moderate-income individuals and community development organizations.

The bank's various innovative and flexible loan programs are detailed below:

- One example of SBBT's efforts regarding affordable housing is the *El Paseo Project*, located in the City of Oxnard, and the bank's Ventura assessment area. Introduced in 1999, the *El Paseo Project* will expand the supply of affordable housing in Oxnard by 190 units. It also preserves affordable housing opportunities by restricting the resale of these homes to qualified low- and very low-income households for a twenty-year period following initial occupancy. The need for affordable housing in Oxnard was identified by the Southern California Association of Government's revised Regional Housing Needs Assessment, and incorporated in the Housing Element of the City's General Plan adopted in 1990. To make this project feasible, the city of Oxnard donated the lots and is providing a downpayment grant amounting to 2 percent of the sales price. Santa Barbara Bank & Trust is the member bank responsible for an \$800,000 FHLB affordable housing grant, which will be used to provide \$20,000 in down payment assistance for 40 of the 190 residents. The City of Oxnard and Cabrillo Economic Development Corporation act as co-sponsors of the AHP. SBBT is also using flexible underwriting guidelines to address the high loan-to-values (LTVs) on these homes. Due to the lots being donated, the sales prices were as much as \$30,000 less than the appraised values of the homes. The bank took the position of basing the LTV on the appraised value so that private mortgage insurance would not be required. The bank also provided closing costs assistance of up to 1.25 percent of the loan amount. Loans are funded through a consortium comprised of SBBT and Bank of America Mortgage. To date, the bank has financed nine loans totaling \$1,016,057.
- Introduced in October 1999, the *UCSB Extension Lifelong Learning Loan Program*, developed in conjunction with UCSB Extension Program is available only to low- and moderate-income continuing education students. Unsecured loans of up to \$10,000 per year, with a maximum of \$15,000 over three years are available for tuition costs and other course-related administrative expenses. These loans are made at below market rates with extended repayment periods. Since its inception, four loans amounting to \$13,540 have been extended.
- Introduced in June 1999, the bank's *Affordable "Piggy-back" Purchase Loan Program* helps facilitate home purchases for low- and moderate-income borrowers by providing a second deed of trust loan of up to \$45,000, for a combined LTV of 95 percent. The bank waives its \$150 processing fee and does not require private mortgage insurance under this program. With the high cost of homeownership in the bank's assessment areas, this loan program alleviates the need for LMI borrowers to accumulate significant monies for down payment costs.
- In November 1999, the bank introduced its *Non-Profit Loan Program*, which uses flexible underwriting guidelines to qualify non-profit organizations. In lieu of credit scoring, the

bank manually underwrites loan requests from non-profits, using characteristics such as the experience and time of board members to mitigate poor ratios, and allowing guarantors where cash flows do not support the request. Loans approved under this new loan program are priced at a discount. Through this flexible loan program, the bank is assisting community facilities that provide community services to low- and moderate-income individuals. Since its inception, one loan for \$165,600 has been extended.

- In January 2000, the bank began participating in several SBA guaranteed loan programs; namely, the 7(a), 504, and LowDoc loan program. To date, the bank has extended two loans under the LowDoc loan program totaling \$255,600.

## **INVESTMENT TEST**

The bank has made an outstanding level of qualified community development investments and grants, exhibiting an excellent degree of responsiveness in supporting community development initiatives that support affordable housing and financing to small businesses. Since the previous examination, the level of qualified investments and grant activity has increased significantly from \$5.4 million to \$34.8 million, which includes \$30 million in new investments. These qualified activities represent 6.5 percent of the bank's investment portfolio, 22 percent of equity capital, and 1.5 percent of total assets and illustrate the results of the bank's proactive community investment strategy. This strategy provides for the purchase of CRA qualified investments guided by internal goals and objectives incorporated into the bank's overall investment planning.

### **Responsiveness to Credit and Community Development Needs**

Affordable housing is a primary need identified within Santa Barbara and Ventura Counties, and all of the bank's CRA qualified investments are targeted to the creation of affordable housing within its assessment areas. Investments made since the previous examination include equity investments in an organization that acquires and develops affordably housing properties throughout the state of California, and a California Housing Finance Agency Bond totaling \$13.6 million. In addition, the bank has purchased nine mortgage-backed securities for \$16.5 million that primarily are comprised of residential mortgage loans extended to low- and moderate-income borrowers or in low- and moderate-income geographies within the bank's assessment areas.

As previously noted, donations and grants have been made to various community organizations throughout both assessment areas. These grants total \$181,751 and primarily address the issues of economic development and the provision of financing to small businesses. In addition, in-kind donations of 17 personal computers were made to organizations that provide community services to low- and moderate-income individuals and benefited both assessment areas.

## SERVICE TEST

SBBT demonstrates its leadership through the provision of retail banking and community development services throughout its assessment areas.

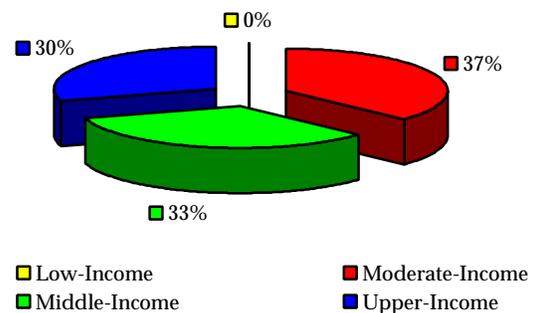
Retail branches are readily accessible to essentially all portions of the assessment areas, including low- and moderate-income geographies. Additionally, service activities exemplify the bank's commitment in time and personnel to identified credit needs and demonstrate its leadership in the provision of community development services to organizations that serve low- and moderate-income individuals or geographies.

### Retail Banking Services

The bank's retail delivery systems are accessible to essentially all portions of its assessment areas and banking services, including business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies. Generally, banking hours are 9:00am – 5:00pm Monday through Thursday, 9:00am – 6:00pm on Fridays, and 9:00am – 1:00pm on Saturdays. A full range of deposit and loan services is available at each branch along with 24-hour access to ATMs.

As shown, branch offices are located in moderate-, middle-, and upper-income census tracts throughout the assessment areas. The bank also operates 11 off-site ATM machines located throughout the assessment areas that are distributed in moderate-, middle-, and upper-income census tracts. Since the previous examination, no offices have been opened or closed by the bank. In addition, SBBT has adopted a branch closing policy that meets the notification provisions of section 42 of the Federal Deposit Insurance Corporation Improvement Act of 1991 and indicates that a study of the impact on the community will be made prior to the closing of any branch office.

**Number of Branches by Income Level of Census Tract**



### Community Development Services

The bank's outstanding level of community development services to CRA-qualified organizations throughout its assessment areas exemplifies its leadership. Employees of the bank participate on boards of directors, loan, finance and audit committees, as well as provide management and other technical assistance to a myriad of community groups. Bank employees at all levels are involved in their local communities and provide approximately 220 hours per month of community development services to organizations that serve low- and moderate-income families and individuals, as well as entities that promote the growth and success of small businesses and address affordable housing needs.

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

Santa Barbara Bank & Trust has developed policies, procedures and training programs designed to facilitate compliance with fair lending laws and regulations. No violations of the substantive provisions of anti-discrimination laws and regulations were identified at this examination, and there was no evidence that the bank engages in any type of prohibitive practices.

# ASSESSMENT AREA SUMMARIES

## SANTA BARBARA ASSESSMENT AREA

### **DESCRIPTION OF OPERATIONS IN SANTA BARBARA ASSESSMENT AREA**

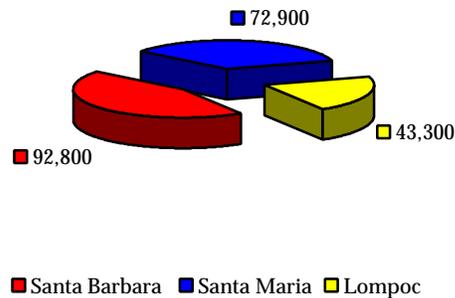
The Santa Barbara assessment area is comprised of 81 census tracts and encompasses most of Santa Barbara County. There is one census tract not included in the assessment area that is largely comprised of the Los Padres National Forest.

The city of Santa Barbara serves as the county seat and is the largest city in the assessment area. Other large communities in the assessment area include the cities of Santa Maria and Lompoc.<sup>8</sup> Large portions of Santa Barbara County are devoted to agricultural use and the Los Padres National Forest with approximately 50 percent of the county's acreage being devoted to these two land uses.

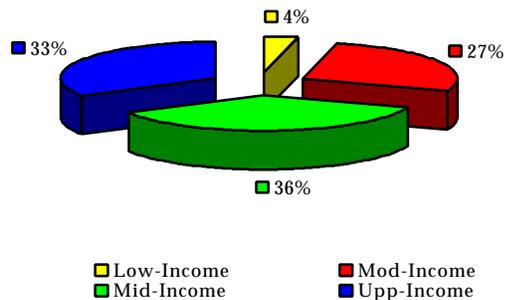
The majority of census tracts in the Santa Barbara assessment area are upper- and middle-

income. There are three low-income census tracts in the assessment area; however, two have zero population and are, therefore, not included in the lending analyses. The other low-income tract is in Isla Vista, which is adjacent to the University of California at Santa Barbara. The Isla Vista area is mainly off-campus housing for students and University staff. Moderate-income census tracts are clustered around the downtown Santa

**Population of Major Cities in Santa Barbara Assessment Area**



**Census Tract Distribution - Santa Barbara Assessment Area**



<sup>8</sup> SOURCE: City/County Population Estimates with Annual Percentage Change, January 1999 and 2000; California State Department of Finance, Demographic Research Unit; p. 11; <http://www.dof.ca.gov/html/Demograp/E-1.htm>.

Barbara area and in northern Santa Barbara County. The 2000 median family income for Santa Barbara County is \$53,500<sup>9</sup> and according to the 1990 census data, 39.9 percent of the families in the assessment area are upper-income, with 22.7 percent considered middle-income. Low-income families comprise 19.5 percent of the families in the assessment area, with moderate-income families representing an additional 18 percent. The distribution of families within each income level of census tract shows that the majority of low- and moderate-income families reside in moderate- and middle-income areas, with the highest concentration of all families residing in middle-income geographies. The distribution of families among the four income geographies is shown below.

<b>Distribution Of Families By Tract Income Level</b>		
<b>Tract Income Level</b>	<b>Total Families</b>	<b>Percentage Of Families</b>
Low-Income	176	.2%
Moderate-Income	24,572	28.2%
Middle-Income	32,296	37.1%
Upper-Income	30,056	34.5%
<b>TOTAL</b>	<b>87,100</b>	<b>100.0 %</b>

According to Dun & Bradstreet data, Santa Barbara is the center of the assessment area's business activity with 51 percent of all businesses located in the Greater City of Santa Barbara region. Santa Maria also has a large business community with 18 percent of all businesses in the assessment area, followed by Lompoc with 5 percent of the businesses.

Employment in Santa Barbara County grew 3.3 percent to 183,400 from May 1999 to May 2000, resulting in an unemployment rate of just 3.9 percent for May 2000. Farm and non-farm sectors contributed equally to this growth, with each adding 2,900 jobs over the year. Farm services represent 75.9 percent of the increase in farm employment, while services, trade, and government account 48.3 percent, 44.8 percent, and 27.6 percent, respectively, of the growth in non-farm employment.<sup>10</sup>

The agriculture industry lost 1,633 jobs in 1998, as sales and earnings per acre each declined by 2.3 percent.<sup>11</sup> However, total farm employment increased 15.8 percent from May 1999 to May 2000, as farm services added 2,200 jobs and farm production accounted for an additional 700 jobs. The farming sector currently represents 10.7 percent of all civilian employment in the county.<sup>12</sup>

The retail sector is expected to grow by 60 percent over the next 10 years. A significant number of jobs were expected to be added in 1999 with the opening of two very large new discount

<sup>9</sup> SOURCE: National Data File with all Counties and County Subparts, Fiscal Year 2000; United States Department of Housing and Urban Development; p. 19; <http://www.huduser.org/datasets/il/fmr00/allst00.txt>.

<sup>10</sup> SOURCE: Santa Barbara-Santa Maria-Lompoc Metropolitan Statistical Area (MSA), Labor Force and Industry Employment, May 2000; State of California Employment Development Department, Labor Market Information Division; [http://www.calmis.cahwnet.gov/file/indcur/satb\\$pr.txt](http://www.calmis.cahwnet.gov/file/indcur/satb$pr.txt).

<sup>11</sup> SOURCE: Santa Barbara County, p. B-20.

<sup>12</sup> SOURCE: Santa Barbara-Santa Maria-Lompoc Metropolitan Statistical Area (MSA).

stores in late 1998, and the completion of several new discount stores in the Camino Real Marketplace in mid-1999.<sup>13</sup> Retail trade, which comprises general merchandise, food stores, eating and drinking places, and other retail trade, grew 3.0 percent to 34,500 from May 1999 to May 2000, and currently represents 21.3 percent of total non-farm employment in the county.<sup>14</sup>

The industrial sector, which comprises durable manufacturing and utilities, has seen declining employment levels for more than a decade. From 1986 to 1998, the manufacturing industries lost 6,000 jobs, partly as a result of reduced defense budgets.<sup>15</sup> The durable goods industries continue to decline, losing 800 jobs from May 1999 to May 2000. The decline is led primarily by lower employment levels in the area of industrial machinery, which lost 700, or 38.9 percent, of its jobs during this period. The industrial sector currently represents 7.6 percent of total non-farm employment.<sup>16</sup>

For March 1999, the top three employers in the county were the University of California, Santa Barbara (8,912), Vandenberg Air Force Base (5,011), and the County of Santa Barbara (4,454). Combined, these employers had 18,377 workers and represented 9.3 percent of total civilian employment. Excluding UCSB, those top twenty employers who are in the education sector (elementary, high schools, colleges) represented an additional 4.8 percent of the total. Including UCSB, the representation nearly doubles to 9.3 percent.<sup>17</sup>

In 1998, small businesses in the assessment area faced the challenge of affordable office and warehouse space. Contacts made within the community stated the lack of affordable space, not financing, is the biggest impediment to developing a successful small business in the assessment area, as evidenced by a commercial vacancy rate of 4.1 percent.<sup>18</sup> The high demand for commercial, industrial, and retail space caused an 18 percent increase in lease rates over the past two years.<sup>19</sup> At the time of the previous examination, a local economist stated that “the Santa Barbara [economy] is vulnerable due to the lack of office and warehouse space, which may cause the defection of growing firms.”

Affordable housing is also a challenge all over Santa Barbara County. For the first quarter of 2000, the median sales price for a single-family residence in Santa Barbara County was \$332,580, a year over year increase of 32.7 percent.<sup>20</sup> Based on conventional underwriting guidelines, the maximum loan amount a moderate-income borrower could qualify for is \$92,264.<sup>21</sup> A loan of this amount would result in a purchase price of \$102,516, which is only 30.8 percent of the median sales price. In addition, the high cost of rental housing in the assessment area makes it

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<sup>13</sup> SOURCE: Santa Barbara County, p. B-16.

<sup>14</sup> SOURCE: Santa Barbara-Santa Maria-Lompoc Metropolitan Statistical Area (MSA).

<sup>15</sup> SOURCE: Santa Barbara County, p. B-19.

<sup>16</sup> SOURCE: Santa Barbara-Santa Maria-Lompoc Metropolitan Statistical Area (MSA).

<sup>17</sup> SOURCE: Santa Barbara County, p. B-12.

<sup>18</sup> SOURCE: Santa Barbara County 1998 Economic Outlook Report, UCSB Economic Forecast Project, p. 591.

<sup>19</sup> Ibid., p. 894.

<sup>20</sup> SOURCE: C.A.R. News Releases, California Association of Realtors Online, p. 3, <http://www.car.org/newsstand/news/may00-6.html>.

<sup>21</sup> SOURCE: Fannie Mae Calculator, <http://www.homepath.com/cgi-bi>. Assumptions: Funds equivalent to 10 percent downpayment, 5 percent for closing costs @ 9 percent for 30 years.

difficult for a moderate-income individual or family to save the \$15,377 needed to cover a downpayment and closing costs.<sup>22</sup>

According to the last public evaluation, the County of Santa Barbara offers affordable housing programs; however, the availability is low in comparison to the demand. In 1998, there were approximately 250 units available through county programs and approximately 30 units were available for sale each year. The city and county have implemented programs that offer real estate developers grants, loans, and building density bonuses to include affordable housing in new developments. Even with these builder incentives, affordable housing programs are not able to fully address the housing needs of low- and moderate-income families in the assessment area.

Some idea of the competitive banking environment Santa Barbara Bank & Trust operates in may be obtained from a review of deposit share data. According to the survey of insured deposits performed by the Federal Deposit Insurance Corporation, as of June 30, 1999, there were twenty financial institutions operating ninety-two branches in Santa Barbara County. Of the \$5.1 billion on deposit at these institutions, Santa Barbara Bank & Trust held approximately 25 percent, the largest marketshare among the twenty institutions. Ranking next in marketshare were Washington Mutual and Bank of America at 14.8 and 13.7 percent, respectively. Thus, although a significant player in the market, in Santa Barbara County, SBBT's closest competitors are institutions that are considerably larger.

## LENDING TEST

The bank's record of lending in the Santa Barbara assessment area shows that the bank is responsive to meeting the area's credit needs. The institution's small business lending and residential real estate financing is commensurate with its capacity and the assessment area's credit needs. In response to the expressed need for affordable housing, SBBT has extended a significant amount of community development loans, which have had a positive impact in the assessment area.

Lending activity during the sample period considered for the Lending Test is illustrated below:

<b>Loan Product</b>	<b>Number of Loans</b>		<b>Dollar Volume (000s)</b>	
Small Business	1,174	51%	\$111,511	31%
Home Purchase	336	15%	\$76,899	22%
Home Refinance	639	28%	\$150,260	43%
Home Improvement	138	6%	\$4,731	1%
Multifamily Housing	12	--	\$11,739	3%
<b>Total</b>	2,299		\$355,140	

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<sup>22</sup> Ibid.

## Lending Distribution by Geography

The bank has extended loans throughout the Santa Barbara assessment area in a manner that is consistent with its business strategy and the lending opportunities available. Overall, and consistent with the bank's lending strategies, its record of small business lending is very strong.

### Small Business Lending

An analysis of SBBT's small business lending revealed that 43 percent of all small business loans reviewed were extended in low- and moderate-income census tracts, which is virtually identical to the distribution of small businesses in these geographies. Dun & Bradstreet business data shows that 44 percent of all small businesses in Santa Barbara County are located in low- and moderate-income areas. Concentrations of small businesses in low- and moderate-income areas exist in both Santa Barbara and Santa Maria. According to Dun & Bradstreet, 66 small businesses are located in the assessment area's low-income census tract. The bank has extended eight small businesses in this tract.

Small business lending distributions for all census tracts are detailed in the table below.

Census Tract Income Level	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	%	#	%	#	%	#	%
Bank Lending	8	1%	495	42%	330	28%	341	29%
Small Businesses	1%		43%		28%		28%	
Census Tracts	4%		27%		36%		33%	

### HMDA Lending

The geographic distribution of the bank's HMDA lending in the Santa Barbara assessment area is detailed in the table below.

Loan Type	Low Income		Moderate Income		Middle Income		Upper Income	
	#	%	#	%	#	%	#	%
Home Purchase	0	--	44	13%	112	33%	180	54%
Home Refinance	1	--	79	12%	184	29%	375	59%
Home Improvement	0	--	21	15%	57	41%	60	44%
Multifamily Housing	2	17%	6	50%	3	25%	1	8%
Families	0.2%		28.2%		37.1%		34.5%	
Census Tracts	4%		27%		36%		33%	

As shown, the bank's home purchase, refinance, and home improvement loans are concentrated in middle- and upper-income geographies. This record of consumer real estate lending is reasonable when considering the contextual data discussed earlier. Namely, the concentration of owner-occupied housing in the assessment area shows that 84 percent of the assessment area's owner-occupied dwellings are located in middle- and upper-income areas. Also, the concentration of UCSB students in the low- and moderate-income areas further inhibits the ability to provide housing-related loans in these areas.

However, the bank did extend 67 percent of its multi-family housing loans in low- and moderate-income census tracts. While the volume of multi-family housing lending is low, these loans do facilitate the availability of rental housing which provides an affordable alternative for housing within the assessment area.

### **Lending Distribution by Business Size and Borrower Income**

The bank’s record of small business and consumer real estate lending shows a reasonable distribution of loans to businesses of different sizes and borrowers of different incomes.

#### **Small Business Lending**

A review of small business loans extended by SBBBT revealed that 72.7 percent were extended to small businesses. Further analysis of these loans to small businesses shows that 84.4 percent were extended in amounts of \$100,000 or less. An additional 9.1 percent of these loans were extended in amounts of \$100,001 - \$250,000. Contacts made within the business community indicated that loans in amounts of \$100,000 or less were the most common credit need of small businesses in the area. In addition, contacts stated that local financial institutions have been responsive in providing credit and meeting the financing needs of small business owners. As illustrated by the high loan concentration to this sector of the market, the bank is actively addressing the needs of small businesses.

#### **HMDA Lending**

The bank’s record of consumer real estate lending shows a reasonable distribution; however, loans to middle- and upper-income borrowers are being extended in proportions near or higher than the proportion of families by income level in the assessment area as shown in the table below.

<b>Loan Type</b>	<b>Low- Income</b>		<b>Moderate- Income</b>		<b>Middle- Income</b>		<b>Upper- Income</b>	
Home Purchase	8	2.7%	26	8.6%	55	18.3%	212	70.4%
Home Refinance	23	3.7%	62	9.9%	140	22.4%	400	64.0%
Home Improvement	9	7.0%	16	12.4%	29	22.5%	75	58.1%
Distribution of Families	19.5%		18.1%		22.6%		39.8%	

The consumer real estate loan distribution is largely due to the high cost of housing in the assessment area, which results in the majority of homeowners and purchasers falling into the middle- and upper-income ranges. The affordable housing example included in this Public Evaluation shows that most low- and moderate-income families in this assessment area cannot qualify for conventional home loan financing due to the high cost of housing. In response to this challenge, SBBT has proceeded with alternatives to conventional financing that include affordable housing programs, community development loans, loan pool commitments which focus on addressing housing-related credit needs, and investment and grant activities.

## **Community Development Lending**

Santa Barbara Bank & Trust has extended a considerable amount of community development loans within the Santa Barbara assessment area. Since the previous CRA examination, the bank has extended 20 community development loans and a letter of credit totaling \$9.3 million.

The majority of the bank's community development loans have been to organizations that develop, rehabilitate, or provide affordable housing in the assessment area. The bank has extended three loans amounting to approximately \$5.3 million to a local housing authority for new affordable housing developments in Santa Barbara County. In addition, the bank granted a loan for about \$2.6 million to local non-profit organization to refinance a 60-unit affordable senior housing complex in the assessment area. Other community development loans were extended to organizations that provide job training, health services and assistance to low- and moderate-income families and individuals.

## **INVESTMENT TEST**

The bank's qualified investment, donation, and grant activity within the Santa Barbara assessment area has significantly increased since the previous examination. Investments made since the previous examination include those bankwide investments previously discussed. In addition, the bank provided \$125,900 in donations, grants, and in-kind donations to qualified community organizations that provide services and assistance to low- and moderate-income individuals and families or benefit small businesses in the assessment area.

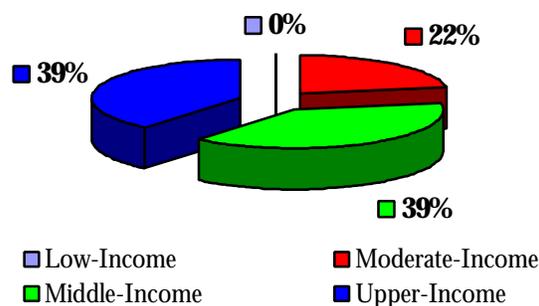
The largest grant recipient was the Women's Economic Ventures (WEV), a CDFI located in Santa Barbara. WEV administers a Small Business Loan Fund (SBLF) on behalf of the Santa Barbara Economic Development Associates (SBEDA). As a charter member of a seven-bank consortium, SBBT continues to support low- and moderate-income small business owners through a \$22,500 grant to this loan fund. Through the support and collaboration of public and private partners, local entrepreneurs are able to borrow up to \$25,000 for fixed asset purchases and other business expenses. Since the previous examination, 20 loans totaling \$220,500 have been granted through this SBLF. Other significant donations supporting community services and affordable housing were made to organizations such as the United Boys and Girls Club and affiliated chapters, Coalition to Provide Housing, and the UCSB Foundation.

## SERVICE TEST

### Retail Banking Services

Santa Barbara Bank and Trust has 18 full-service branches in the Santa Barbara assessment area. The bank's administrative headquarters and main branch are located in downtown Santa Barbara, which is a moderate-income area. The majority of branches are located in middle- and upper-income areas; however, the branch distribution provides access to essentially all persons residing in the assessment area as evidenced by the bank's loan distribution.

**Branches by Income Level of Census Tract**



In addition to branch offices, the bank operates 9 off-site ATMs in the Santa Barbara assessment area. These ATMs are distributed throughout the assessment area with 44.4 percent of the ATMs located in moderate-income areas.

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 and all services are reasonably accessible to the entire assessment area.

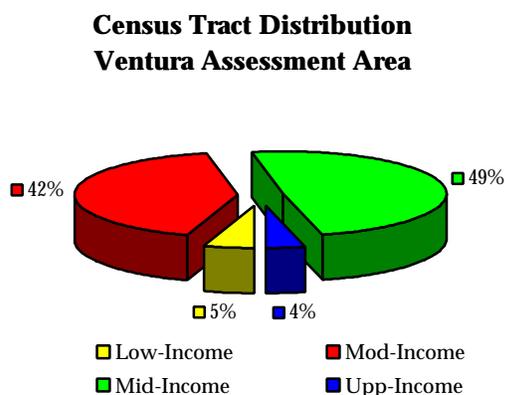
### Community Development Services

Community development services are a key component of the bank's community reinvestment strategy and, measured by time extended, personnel involved, and the nature of services provided, have affirmatively impacted the bank's assessment area. As a long-established institution in Santa Barbara, the majority of community development services provided by the bank are within the Santa Barbara assessment area. Bank employees provided approximately 198 hours per month in CRA qualified services to community organizations throughout the assessment area. Services provided include participating on boards of directors, loan, finance and audit committees. Through these voluntary efforts, the bank provides technical assistance on financial matters to organizations serving low- and moderate-income housing, and small businesses needs, as well as those organizations providing community services to low- and moderate-income individuals. Community groups served by the bank include Cal Coastal Rural Development Corporation, Women's Economic Ventures, Work Inc., Lompoc Housing Assistance Corporation, Habitat for Humanity, Boys and Girls Clubs, Family Service Agency, Food Pantry of Lompoc, and the Salvation Army.

## VENTURA ASSESSMENT AREA

### DESCRIPTION OF OPERATIONS IN VENTURA ASSESSMENT AREA

The Ventura assessment area is comprised of 79 census tracts that cover most of central and northern Ventura County. The bank used the Conejo Mountain Range as the southern edge of the assessment area because it creates a natural boundary to the southern portion of Ventura County. Census tracts of all income levels are disbursed throughout the assessment area with a concentration of low- and moderate-income census tracts in the central coastal region. The majority of the census tracts in the assessment area are moderate- and middle-income with low- and upper-income areas combined comprising less than 10 percent of the assessment area.



The City of Oxnard has the largest population in the assessment area with 160,300 residents. Other smaller communities in the assessment area include Camarillo, Fillmore, Port Hueneme, and Santa Paula.<sup>23</sup> The southern portion of the assessment area is the County's agricultural center with over 100,000 acres of land devoted to agricultural production, while the northern edge of the assessment area includes portions of the Los Padres National Forest.

The fiscal year 2000 median family income for Ventura County is \$68,500, increasing 4.9 percent from a year ago.<sup>24</sup> Additionally, this rate of growth is 1.4 percent greater than the previous period, when median family income grew 3.5 percent. The majority of the families in the assessment area are middle- and upper-income. Low-income families comprise 23.8 percent of the assessment area, with moderate-income families representing 22.1 percent of the total. The distribution of families in the assessment area shows that the majority of families from all income levels reside in moderate- and middle-income areas. The distribution of families among the four income geographies is shown below.

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<sup>23</sup> SOURCE: City/County Population Estimates with Annual Percent Change, January 1, 1999 and 2000, pp. 13-4.

<sup>24</sup> SOURCE: National Data File with all Counties and County Subparts, Fiscal Year 2000; United States Department of Housing and Urban Development; p. 19;  
<http://www.huduser.org/datasets/il/fmr00/allst00.txt>.

<b>DISTRIBUTION OF FAMILIES BY TRACT INCOME LEVEL</b>		
<b>Tract Income Level</b>	<b>Total Families</b>	<b>Percentage Of Families</b>
Low-Income	3270	3.3%
Moderate-Income	39,709	39.5%
Middle-Income	51,355	51.0%
Upper-Income	6,272	6.2%
<b>TOTAL</b>	<b>100,606</b>	<b>100.0 %</b>

According to Dun & Bradstreet data, the cities of Oxnard and Camarillo have the largest concentration of small businesses in the assessment area. The northern portion of the assessment area also has concentrations of small businesses, especially in the Ojai, Santa Paula, and Fillmore areas.

Employment in Ventura County grew 3.9 percent to 290,600 from April 1999 to April 2000, resulting in an unemployment rate of just 3.5 percent for April 2000. Ninety-one percent of the gain was due to growth in the non-farm industries, in particular business services, trade, retail, construction, and manufacturing. Although federal government employment shrank 5.7 percent to 8,200 as a result of lower employment in the Department of Defense, increases in local education and city government more than offset this decline.<sup>25</sup>

As housing prices continue to rise in Ventura County, housing affordability is further limited. During the first quarter of 2000, the median selling price for a single-family home in Ventura County was \$279,280, reflecting an increase of 13.6 percent from a year ago.<sup>26</sup> Given that the fiscal year 2000 median income for Ventura County is \$68,500, the maximum income for a moderate-income family is \$54,800. Using conventional underwriting standards, the maximum loan amount for which a moderate-income borrower would qualify would result in a purchase price of \$131,255, which is only 47 percent of the median selling price of homes in Ventura County.<sup>27</sup> In addition, the cost of rental housing in the assessment area makes it difficult for moderate-income individuals and families to save the \$19,688 required for down payment and closing costs for a home in their affordability range.<sup>28</sup>

Some idea of the competitive banking environment that SBBT operates in may be obtained from a review of deposit share data. According to the survey of insured deposits performed by theFCIC, as of June 30, 1999, there were 30 financial institutions operating 129 branches in Ventura County. Of the \$7.1 billion on deposit at these institutions, SBBT held approximately 3.8 percent, ranking fifth among the 30 institutions. Ranking ahead of SBBT in order of market share were Bank of America, Washington Mutual, Wells Fargo Bank, and California Federal

<sup>25</sup> SOURCE: Ventura Metropolitan Statistical Area (MSA), Labor Force and Industry Employment, April 2000; State of California Employment Development Department, Labor Market Information Division, [http://www.calmis.cahwnet.gov/file/lfmonth/vent\\$prn.txt](http://www.calmis.cahwnet.gov/file/lfmonth/vent$prn.txt)

<sup>26</sup> SOURCE: C.A.R. News Releases.

<sup>27</sup> SOURCE: Fannie Mae Calculator, <http://www.homepath.com/cgi-bi>. Assumptions: Funds equivalent to 10 percent downpayment, 5 percent for closing costs @ 9 percent for 30 years.

<sup>28</sup> Ibid.

Bank. Thus, in Ventura County, SBBT has a comparatively small market share and its closest competitors are institutions considerably larger than it is.

## LENDING TEST

Santa Barbara Bank and Trust’s lending in the Ventura assessment area is generally responsive to the credit needs of the community. In addition to its direct lending activities, the bank has developed and participated in innovative and flexible lending programs to meet the specific needs of low- and moderate-income homeowners in the assessment area.

Lending activity during the sample period considered for the Lending Test is illustrated below. As previously noted, the Ventura market is relatively new to the organization and lending levels in this assessment area are considerably lower than in the Santa Barbara assessment area.

Loan Product	Number of Loans		Dollar Volume (000s)	
	#	%	\$	%
Small Business	382	52%	\$35,888	38%
Home Purchase	105	14%	\$19,194	20%
Home Refinance	196	27%	\$36,236	39%
Home Improvement	46	6%	\$1,390	1%
Multifamily Housing	3	--	\$1,295	1%
<b>Total</b>	732		\$94,003	

## Lending Distribution by Geography

The Ventura assessment area contains the bank’s highest concentration of low- and moderate-income geographies. The bank has extended loans in census tracts of all income levels with a particularly strong level of small business lending in low- and moderate-income tracts.

### Small Business Lending

A review of the bank’s small business lending distribution shows that the majority of small business loans were extended in moderate- and middle-income areas. Dun & Bradstreet business data for the assessment area indicates that 90 percent of all small businesses in the assessment area are located in moderate- and middle-income census tracts. Small businesses are concentrated in the City of Oxnard, which also contains the low-income census tracts in the assessment area. Dun & Bradstreet Data indicated that there are 766 businesses in low-income tracts, and the bank has extended 21 loans in these areas. Small business lending distributions for all census tracts are detailed in the table below and demonstrate the bank’s strong record of lending in all income tracts, particularly the low- and moderate-income areas.

Census Tract Income Level	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	%	#	%	#	%	#	%
Bank Lending	21	5%	161	42%	190	50%	10	3%
Small Businesses	7%		36%		54%		3%	
Census Tracts	5%		42%		40%		4%	

## HMDA Lending

The geographic distribution of the bank's HMDA lending in the Ventura assessment area is detailed in the table below.

Loan Type	Low Income		Moderate Income		Middle Income		Upper Income	
	#	%	#	%	#	%	#	%
Home Purchase	0	--	25	24%	68	65%	12	11%
Home Refinance	1	1%	60	31%	116	59%	19	10%
Home Improvement	0	--	18	39%	27	59%	1	2%
Multifamily Housing	0	--	1	33%	2	67%	0	--
Families	3.3%		39.5%		51.0%		6.2%	
Census Tracts	5%		42%		40%		4%	

As shown, the bank's home purchase, refinance, and home improvement loans are concentrated in middle- and upper-income geographies. However, the bank has extended a considerable number of loans in the area moderate-income tracts. Loans extended in middle- and upper-income areas represent 76 percent of the bank's home purchase loans and 69 percent of the home refinance loans reviewed. The bank's record of consumer real estate lending is reasonable when considered in light of the previously noted contextual information about the assessment area. In particular, 65 percent of the assessment area's owner-occupied dwellings are located in middle- and upper-income areas. In addition, due to their location in the downtown area of Ventura, there are relatively few home loan opportunities in the low-income areas.

In addition, the bank extended one of the three multifamily housing loans in a moderate-income census tract. These multifamily housing loans facilitate the availability of rental housing which provides an affordable alternative for housing within the assessment area.

## Lending Distribution by Business Size and Borrower Income

The bank's record of small business and consumer real estate lending shows a reasonable distribution of loans to businesses of different sizes and borrowers of different incomes.

## Small Business Lending

A review of small business loans extended by SBBT revealed that 63.6 percent were extended to small businesses. Further analysis of these loans to small businesses shows that 84.8 percent were extended in amounts of \$100,000 or less. An additional 9.9 percent of these loans were extended in amounts of \$100,001 - \$250,000. Contacts made within the business community indicated that loans in amounts of \$100,000 or less were the most common credit need of small businesses in the area. In addition, contacts stated that local financial institutions have been responsive in providing credit and meeting the financing needs of small business owners. As illustrated by the high loan concentration to this sector of the market, the bank is actively addressing the needs of small businesses.

## HMDA Lending

The bank’s record of consumer real estate lending shows a reasonable distribution. Home improvement loans are being extended to low- and moderate-income borrowers in manner similar to the distribution of families; however, home purchase and refinance loans to middle- and upper-income borrowers are being extended in proportions near or higher than the proportion of families by income level in the assessment area as shown in the table below.

<b>Loan Type</b>	<b>Low- Income</b>		<b>Moderate- Income</b>		<b>Middle- Income</b>		<b>Upper- Income</b>	
Home Purchase	1	1%	16	16%	26	26%	58	57%
Home Refinance	17	9%	26	14%	45	24%	103	54%
Home Improvement	8	20%	9	22%	13	32%	11	27%
Distribution of Families	18.4%		18.9%		25.2%		37.5%	

The consumer real estate loan distribution is largely due to the high cost of housing in the assessment area, which results in the majority of homeowners and purchasers falling into the middle- and upper-income ranges. The affordable housing example included in this Public Evaluation shows that most low- and moderate-income families in this assessment area cannot qualify for conventional home loan financing due to the high cost of housing. In response to this challenge, SBBT has proceeded with alternatives to conventional financing that include affordable housing programs, community development loans, loan pool commitments which focus on addressing housing-related credit needs, and investment and grant activities.

### **Community Development Lending**

Since the previous examination, the bank has increased its community development lending activity in the Ventura assessment area, and extended four community development loans totaling \$3.2 million.

The majority of these loans provided financing for affordable housing projects for low- and moderate-income families and individuals, resulting in 26 single-family residences and nine rental units. Other community development initiatives included providing a letter of credit to an architectural firm to support the construction of a 107 single-room complex in Oxnard for low- and moderate-income individuals.

### **INVESTMENT TEST**

The bank’s qualified investment, donation, and grant activity within the Ventura assessment area has significantly increased since the previous examination. Investments made since the previous examination include those bankwide investments previously discussed. In addition, the bank also provided \$5,850 in donations, grants, and in-kind donations to qualified community organizations that provide services and assistance to low- and moderate-income individuals and families or benefit small businesses in the assessment area. Organizations supported by SBBT include Boys and Girls Clubs, Cabrillo Economic Development Corporation,

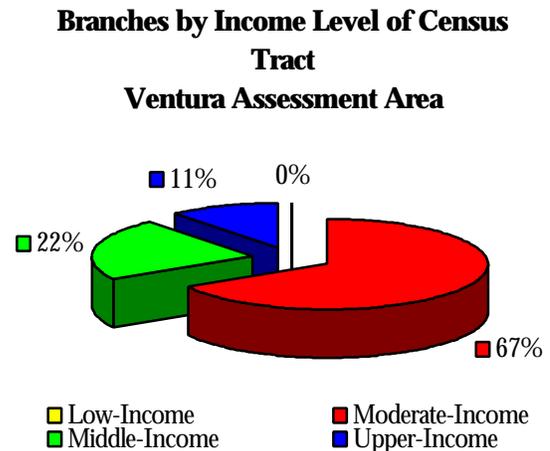
Interface, Child Development Resources, Turning Point Foundation, and Ventura County Economic Development Association.

## **SERVICE TEST**

### **Retail Banking Services**

SBBT began operations in Ventura County in 1995 with the opening of branches in Ventura, Camarillo and Oxnard. The bank has expanded its presence in this area with the acquisition of Citizens Bank of Santa Paula on September 29, 1997, and the opening of branches in Camarillo and Port Hueneme in early 1998.

Currently, the bank has 9 full-service branches and 2 off-site ATMs in the Ventura assessment area. These branches are located in moderate-, middle-, and upper-income areas and each offers similar services and hours of operation. The off-site ATMs are located the Camarillo Factory Outlet Mall, which is located in a middle-income census tract.



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 and all services are reasonably accessible to the entire assessment area.

### **Community Development Services**

Santa Barbara Bank & Trust provides a reasonable amount of CRA qualified community development services in the Ventura assessment area. Approximately 23 hours of community services per month are provided to community organizations. Through these voluntary efforts, the bank provides technical assistance on financial matters to organizations serving low- and moderate-income housing and small businesses needs, as well as those organizations providing community services to low- and moderate-income individuals. Organizations served by the bank include Boys and Girls Clubs throughout the assessment area, Ventura County Economic Development Association, Cabrillo Economic Development Corporation, and the Economic Development Collaborative of Ventura County.

## **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).

**Community Development  
Service**

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>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>Households</b>	Defined by the U.S. Bureau of Census as all persons occupying a housing unit.
<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>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.