

# **PUBLIC DISCLOSURE**

September 30, 1996

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**American West Bank  
12-06-0378-0000**

**16861 Ventura Boulevard  
Encino, CA 91436**

**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.**

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **American West Bank** prepared by the **Federal Reserve Bank of San Francisco**, the institution's supervisory agency, as of September 30, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

### **INSTITUTION'S CRA RATING:**

This institution's overall CRA (Community Reinvestment Act) performance is rated **satisfactory** based upon a review of its provision of credit to its community. Evidence was found during the examination that management had taken an affirmative role in identifying and meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following table indicates the performance level of **American West Bank** with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b><u>American West Bank</u></b> <b>PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
Loan-to-Deposit Ratio			X
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints had been received by the bank since the previous examination.		

## **DESCRIPTION OF INSTITUTION:**

American West Bank is a wholly-owned institution located in Encino, California. The bank also has one branch office in Glendale, California. The Glendale office has been open for several years and is located in a moderate-income census tract. The bank's total assets, as reflected in the Consolidated Report of Condition and Income (CALL Report) as of June 30, 1996, totalled \$59.2 million. The bank is primarily a business lender. The bank's loan portfolio indicates the following distribution:

Commercial loans (includes Real Estate/Land Development loans)	91%
Individual/Consumer Loans	9%

The distribution revealed that, not only is American West Bank a business lender it also offers a variety of loan products for an institution of its size and resources. These products include: single-family residential construction loans, consumer personal loans, overdraft lines of credit, credit card loans (through a referral agreement), home loans, small business loans, commercial real estate loans, and Small Business Administration loans. During the period under review, the bank was not operating under any impediments or other constraints which would effect its ability to meet its responsibilities under the Community Reinvestment Act. This is the bank's first CRA examination by the Federal Reserve Bank and under the newly revised CRA regulation. The bank received a rating of satisfactory by its former regulator, the Office of the Comptroller of the Currency.

## **DESCRIPTION OF *San Fernando Valley*:**

The bank's assessment area consists of 313 census tracts located in the San Fernando Valley. This is a large, densely populated area adjacent to the City of Los Angeles. The San Fernando Valley is comprised of a number of towns and suburban areas. According to the 1990 census, the total population is 1.6 million.

The assessment area has a total of 388,708 families. In terms of income distribution, 49% of the families are upper-income, 19% are middle-income, 15% are moderate-income, 17% are low-income, and 7.9% are families below the poverty line. Upper-income for the assessment area is \$54,682 or more, middle-income is \$36,455 up to \$54,682, moderate-income is \$22,784 to \$36,455 and low-income is less than \$22,784. The distribution of income indicates that the average income is slightly above the national average and that the assessment area is more affluent than its neighboring communities.

A representative of the Valley Economic Development Corporation (VEDC) was contacted to discuss community credit needs. The VEDC is a non-profit organization chartered to promote revitalization of small businesses with emphasis on women- and minority-owned businesses in the community by providing consulting services. According to the information obtained from this community contact, there are many opportunities for small business lending in San Fernando Valley, especially loans to Hispanic and women-owned

businesses. The community contact also indicated there is a very compelling need for financial services of all types within the City of Pacoima, which is within the bank's assessment area. The community currently rely on high cost check cashing entities for these services.

According to a study prepared by the Valley Economic Development Center and Stanford Research International, the economic base of the San Fernando Valley is diversified. The composition includes employers from the large industrial/manufacturing industry, the entertainment industry, and a number of small businesses. Seventy-three percent of all businesses have less than 50 employees. Additionally, 70% of all businesses within the San Fernando Valley have annual revenues of less than \$1 million. The majority of employment is in service-related industries which account for 40% of all employees. Manufacturing is second with 18%, and retail trade is third, with 15%.

Additionally, according to this study, small and large businesses are recovering from a recent recession. The recession was caused by the downturn of defense related industries and affected all of the businesses in the Valley along with real estate prices and the unemployment rate. The Valley is undergoing a fundamental transition from aerospace and manufacturing to entertainment and information services. As larger companies continue to decrease in employment while increasing their reliance on outside suppliers, the Valley's future will largely depend on its small businesses to create new employment opportunities.

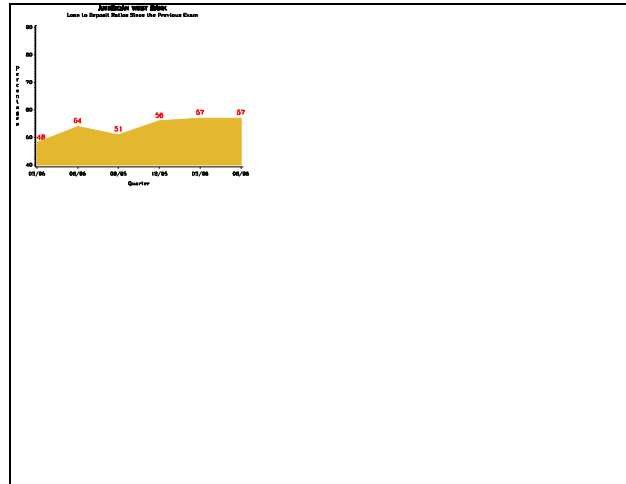
## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

### **LOAN TO DEPOSIT RATIO:**

For the period under review, the bank's average loan-to-deposit rate was 54.8%. The chart below lists the range of values on a quarterly basis. During these quarters, the loan-to-deposit ratio slightly increased.

<u>Quarter Ending</u>	<u>Ratio</u>
March 1995	48.3%
June 1995	53.7%
September 1995	51.3%
December 1995	56.1%
March 1996	56.7%
June 1996	57.1%

A comparison of these ratios with those of similarly situated local banks found that American West Bank's ratio is relatively low. The sample of nine similarly situated banks showed those bank's loan-to-deposit ratio range from 35% to 90%. The national peer group includes commercial banks having assets between \$50 million and \$100 million with two or fewer banking offices in a metropolitan area. The national peer group's loan-to-deposit ratio as of June 30, 1996 is 67.83%



American West that its loan-to-

the bank's goal and the bank is actively promoting loan programs to increase this figure.

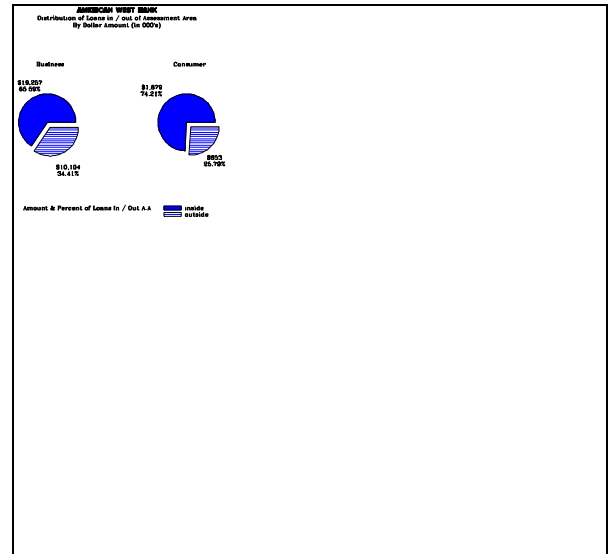
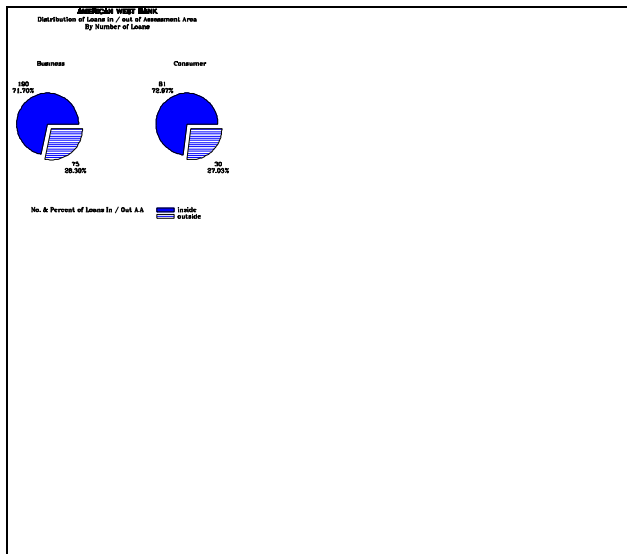
Bank acknowledges

deposit ratio is below

**LENDING IN ASSESSMENT AREA:**

The examiners performed a geographic analysis of the bank's credit extensions using a statistical sample of small business and consumer loans extended from July 1995 to August 1996. As demonstrated by the following graphs, the sampling found that 72% (190 out of 265) of the bank's small business loans were within the assessment area as were 73% (81 out of 111) of the consumer loans.

In terms of dollar amounts, the analysis indicates that 66% (\$19,257M out of \$29,361M) of



the small business loans were inside its assessment area and 74% (\$1,879M out of \$2,532M) of the consumer loans were inside the bank's assessment area.

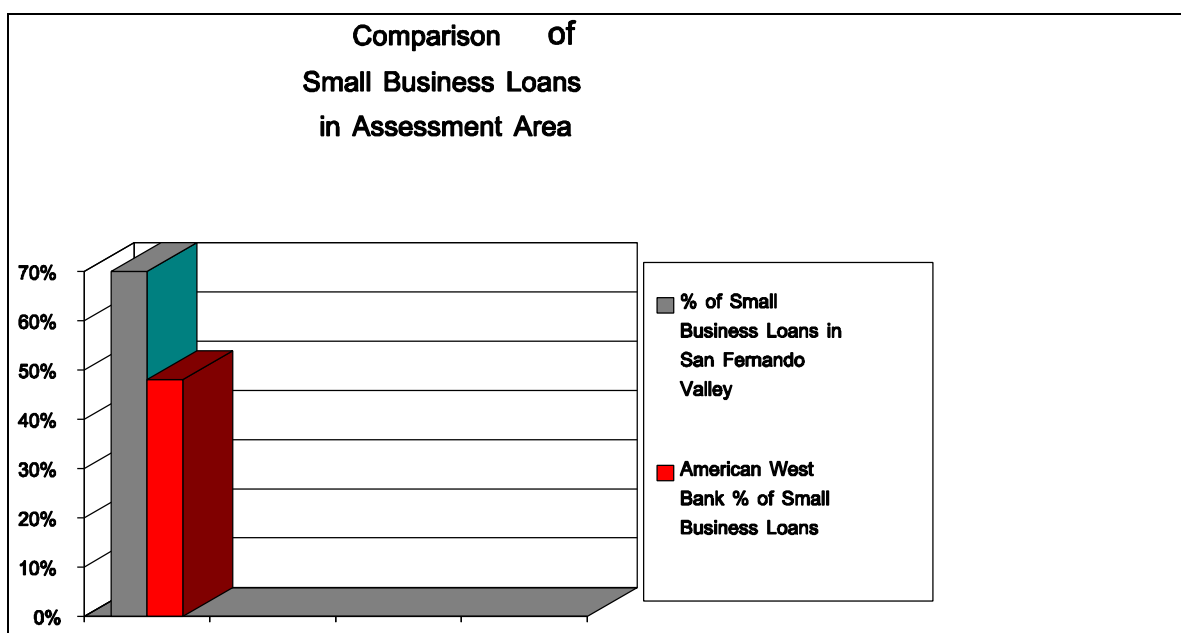
These results are similar to the bank's own analysis of its lending within the assessment area and indicate that the bank's record of lending within the assessment area as compared to outside the assessment area meets the standards for satisfactory performance.

### **LENDING BY BORROWER INCOME AND BY BUSINESS REVENUE:**

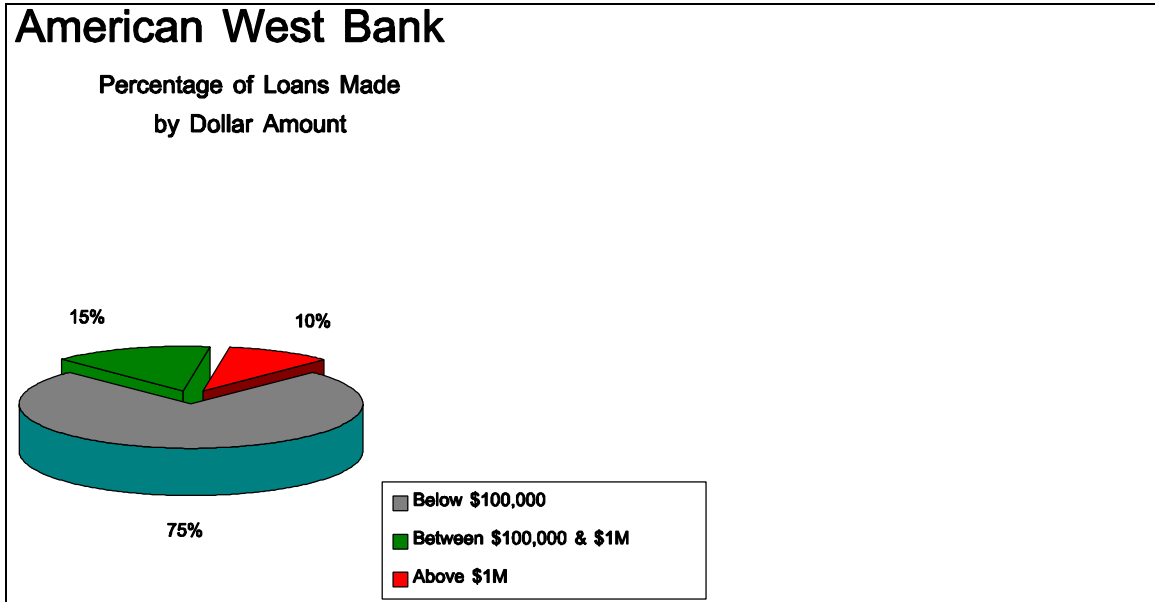
#### **Business Loans**

The examiners performed an analysis of the type of business borrowers to which the bank is extending credit by reviewing the business revenues of such borrowers. This analysis revealed that 48 percent (38 out of 80) of the bank's small business loans are to borrowers with less than \$1 million in annual revenues, and 22 percent (\$1,809M out of \$8,401M) of the dollar amount of the small business loans were to businesses with revenues under \$1 million. The following graph shows that the bank has penetrated the small business market within its community. A recent survey of San Fernando Valley businesses found that 70 percent of all businesses in San Fernando Valley have annual revenues under \$1 million, and the majority of businesses in the assessment area have fewer than 50 employees.

The analysis also found that, in terms of the number of loans 75 percent (60 out of 80) of the bank's business loans were below \$100,000 and 90 percent of the loans were below \$1 million.



These statistics indicate the bank's record of lending to businesses of various sizes in the San Fernando Valley and the bank's penetration of small businesses within the assessment area meets the standards for satisfactory performance.



As previously mentioned above, a review of the bank's loan portfolio found that it offers and extends an array of loan products to serve the financial needs of those not seeking traditional small business loans. The bank is also active in extending Small Business Administration (SBA) loans. During the review period, American West Bank funded a total of 16 SBA Low Doc loans totalling \$1,025,500 with an average loan amount of \$64,100.

Additionally, the bank offers a special business loan product called "cash flow maximizer." This product is aimed at those businesses which would not normally qualify for business credit. Under this program, a business can obtain a loan by using its accounts receivable as collateral. This program benefits small and new businesses that have a low net worth which would otherwise be excluded from the credit market. During the review period, the bank funded 11 loans of this type totaling \$4.8 million.

### **Consumer Loans**

#### **DISTRIBUTION OF CONSUMER LOANS BY BORROWER**

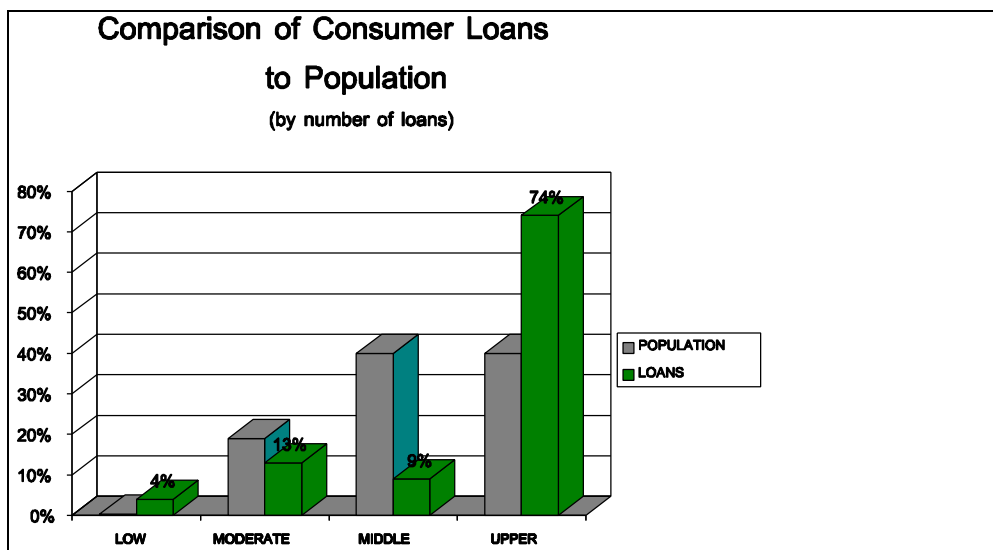


## INCOME LEVEL

	<b>Population</b>	<b>Number</b>		<b>Dollar</b>	
Low	17%	4%	2	2%	\$17,545
Moderate	15%	13%	6	6%	\$57,535
Middle	19%	9%	4	7%	\$68,588
Upper	49%	74%	35	85%	\$840,293

The above table clearly indicates that the bank's record of consumer lending to other than upper-income consumers does not compare with the economic composition of its assessment area. This is most evident by the preponderance of lending in upper-income areas; 49% of the population of the assessment area are upper-income consumers and this segment received 74% of the total number of loans and 85% of the total dollar amount of loans.

Clearly, the bank's record of lending by borrower income and business revenue indicates that the bank is predominately an upper-income lender with limited success in lending to small businesses and non upper-income consumers. The bank has, however, been able to adequately serve moderate income borrowers with 13% of its consumer loans made to that segment, which makes up 15% of the population. To a certain extent, this is explained by the fact that the assessment area is an affluent area with a significant percentage of consumers being upper-income. Additionally, the bank's consumer loan program is structured to be mainly an accommodation to its existing business borrowers. The bank is primarily a business lender and this is evidenced by the composition of its loan portfolio which is composed of mostly business and commercial loans (91%). The bank has had limited success in small business lending through special loan programs specifically targeted to small businesses.



**GEOGRAPHIC DISTRIBUTION OF LOANS:**

The examiners selected a statically significant loan sample in order to perform a review of the geographic dispersion of small business and consumer loans throughout the bank's assessment area. A comparison was made between the income of the various census tracts and the percentage of the total number of loans located within these census tracts as depicted by the following chart. The results find that the majority of the bank's loans are located within upper-income census tracts. However, the bank has also had moderate success in lending in middle-income and moderate-income census tracts. The review also found that there were a number of census tracts without loans, two of which are low-income. However, given the bank's relatively small size, this did not negatively affect the bank's overall performance. The two low-income tracts include one which is an industrial

area and one which is sparsely populated.

**Geographic Distribution (Number of Loans)  
by Income Level of Census Tracts**

	<b>Assessment Area</b>	<b>Small Business Loans</b>	<b>Consumer Loans</b>
<b>Low</b>	1% (2)	0% (0)	0% (0)
<b>Moderate</b>	14% (43)	18% (35)	6% (5)
<b>Middle</b>	38% (120)	17% (33)	19% (15)
<b>Upper</b>	47% (148)	64% (122)	75% (61)

Comparing the total dollar amount of the loans indicates a better penetration of middle- and moderate-income tracts for business loans. However, the analysis indicates that consumer loans are made predominately in upper-income census tracts:

**Geographic Distribution (Dollar Amount of Loans)  
by Income Level of Census Tracts**

	<b>Assessment Area</b>	<b>Small Business Loans</b>	<b>Consumer Loans</b>
<b>Low</b>	1% (2)	0% (0)	0% (0)
<b>Moderate</b>	14% (43)	24% (\$4,575,837)	3% (\$ 53,355)
<b>Middle</b>	38% (120)	24% (\$4,668,569)	13% (\$251,334)
<b>Upper</b>	47% (148)	52% (\$10,012,703)	84% (\$1,574,152)

Although there were a number of census tracts within the assessment area without loans, the bank's lending activity is generally evenly distributed among the different income categories.

The bank's record of business lending in moderate-income census tracts is good. The above statistics indicate that 24% of the business loans are in moderate-income census tracts

while moderate-income census tracts comprise 14% of the assessment area. The bank's record of lending in middle-income census tracts, while not proportionate to the composition of the entire assessment area, is reasonable and demonstrates the bank is lending within these areas. The bank's record of business lending in upper-income census tracts is not unreasonably high; however, the bank's record of consumer lending clearly indicates a strong pattern of lending within these areas.

**DISTRIBUTION OF CENSUS TRACTS WITH NO PENETRATION**

Total No. of Census Tracts	Number and Percent of Census Tracts		Number and Percent with Loans	
Low-Income	2*	1%	0	0%
Moderate-Income	43	14%	14	32%
Middle-Income	120	38%	39	33%
Upper-Income	148	47%	72	48%

\*Note: One of the low-income census tracts is in an industrial area with no population.

The bank's overall record of its geographic distribution of loans is adequate. The distribution of business loans throughout the assessment area is commendable while its record of consumer lending indicates a pattern of lending in largely upper-income census tracts. No loans were made in either of the two low-income census tracts; however, this is not unusual considering that one of the tracts is an industrial area and the other is sparsely populated with less than 1% of the population.

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

The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations such as the Fair Housing Act, the Equal Credit Opportunity Act, and the Home Mortgage Disclosure Act.

The bank has adopted a fair lending policy designed to ensure that consumers are treated fairly and in compliance with applicable fair lending laws and regulations. Additionally, the bank regularly provides senior managers with fair lending training through outside consultants and auditors. Employees are given fair lending instructions and procedures to assist in compliance with the bank's fair lending statements. To monitor compliance, the bank has retained an outside audit firm to perform fair lending audits. The bank also retains an independent company to assist in monitoring the trends/composition of its loan portfolio in order to detect any disparities or adverse trends.