

PUBLIC DISCLOSURE

August 20, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Tehama Bank
RSSD - 877967
239 South Main Street
Red Bluff, California 96080**

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

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION

Institution's CRA Rating: This institution is rated Satisfactory.

Tehama Bank demonstrates an overall satisfactory level of performance under the Community Reinvestment Act, as measured by the small bank performance criteria. The bank maintains a satisfactory loan-to-deposit ratio and extended the majority of its loans inside its assessment areas. Small business and consumer lending patterns exhibited adequate dispersion throughout the area with no conspicuous gaps. Loans to businesses with gross annual revenues of \$1 million or less accounted for a majority of the small business loans originated by the bank. The bank exhibited adequate lending to low- and moderate-income borrowers in its Tehama assessment area and to moderate-income borrowers in the Shasta assessment area. Lending to low-income consumers in the Shasta assessment area, however, was inconsistent with that group's representation in the area. Demographic data suggests further opportunities to lend to low-income borrowers exist in this area.

PERFORMANCE CONTEXT

DESCRIPTION OF INSTITUTION

Tehama Bank ("Tehama") is a \$240 million community bank established on August 30, 1984. The bank's business strategy is to serve all segments of the market place and to provide a variety of credit products. The bank considers the major credit needs of the community to be financing for new and existing small businesses, financing for small farms and agriculture, mortgage and construction loans, and consumer loans, and offers a diverse array of products to meet these needs. The bank's loan portfolio as of March 31, 2001, as shown in the following table, reflects this diversity.

Loan Type	Dollar Amount ('000s)	Percent of Value
Commercial/Industrial & Non-Farm Non-Residential Real Estate	\$71,571	41.2%
Consumer	\$54,678	31.5%
Secured by 1-4 Family Real Estate	\$23,144	13.3%
Construction	\$10,371	6.0%
Farmland & Agriculture	\$8,696	5.0%
States & Political Subs in US	\$1,797	1.0%
Lease Financing	\$3,049	1.8%
All Other	\$422	0.2%
Total Loans (Gross)	\$173,728	100%

Deposit products offered are characteristic of a community bank and include checking, NOW, and money market accounts, as well as certificates of deposit.

Currently, Tehama has six full service branches located in Red Bluff (Main Office), Chico, Los Molinos, Orland, Willows, and Redding (opened September 1998). The bank has two assessment areas with the following characteristics:

- **Tehama Assessment Area**
Tehama, Butte, and Glenn Counties in their entirety.
- **Shasta Assessment Area**
Shasta County in its entirety, plus the two block numbering areas ("BNAs") that form the southern boundary of Siskiyou County.

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.

The bank does not appear to be facing any 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 received a satisfactory rating at its previous CRA examination conducted as of September 20, 1997.

DESCRIPTION OF ASSESSMENT AREAS

Tehama Assessment Area

The Tehama assessment area consists of Tehama, Butte, and Glenn Counties, in their entirety. Butte County is also called the Chico-Paradise metropolitan statistical area ("MSA"¹). The three county area, which contains no low-income census tracts, sits at the northern end of the Sacramento Valley and contains the cities of Red Bluff, Corning, Willows, and Chico. Based upon the 1990 census, the area's 54 census tracts are broken down by income level as follows:

Category	Tract		Population		Percentage of Families
	Number	Percent	Number	Percent	
Moderate-Income	12	22.2%	54,906	21.4%	19.8%
Middle-Income	34	63%	166,164	64.8%	66.8%
Upper Income	7	13%	35,473	13.8%	13.5%
Not Classified	1	1.9%	N/A	N/A	N/A

Per the 2000 census, the three-county area had a combined population of 285,663,² which represents an 11.4 percent increase over the population noted by the 1990 census. The 2001 HUD-adjusted median family incomes for Tehama, Glenn, and Butte Counties are \$34,000, \$40,200, and \$38,500, respectively.³ According to the 1990 census data, which is the most recent available,⁴ families in the assessment area are distributed by income as depicted in the following table, with 12.5 percent of all families living below the poverty level.

Income Level	Percent of Families
Low-Income	21.3%
Moderate-Income	19.3%
Middle-Income	21.9%
Upper-Income	37.6%

Although more affordable than some of the larger metropolitan areas in the state, affordable housing is still a challenge in the area. According to the California Association of Realtors, as of June 2001, only 38 percent of households in the Northern California region could afford to purchase a median-priced home.⁵

In Tehama County, retail trade is the largest industry, followed closely by the government and service industries.⁶ Per bank management, seasonal industries such as agriculture and logging

¹ Please see the glossary for a definition of MSA.

² SOURCE: US Census Data available from the California Department of Finance: www.dof.ca.gov/HTML/DEMOGRAP/SF1Profiles.htm

³ SOURCE: Department of Housing and Urban Development website: www.huduser.org/datasets/il/fmr01/hud01ca.pdf

⁴ Some data from the 2000 census (including income data) is not yet available. Consequently, unless otherwise stated, all demographic data in the report is based on the 1990 census.

⁵ SOURCE: California Association of Realtors Website: www.car.org/newsstand/news/aug01-1.html.

⁶ SOURCE: California Employment Development Department website: www.calmis.ca.gov/file/Cosnaps/tehamSNAP.pdf

are also significant area businesses. Crops grown in the area include timber, almonds, walnuts, olives, plums, peaches, wheat, and rice. Major employers in the area include Wal-Mart Distribution Center, Sierra Pacific Industries Manufacturing, and Bell Carter Foods Olive Processing.

In Butte County, services are the largest employment sector, followed by retail and government.⁷ Glenn County, on the other hand, is primarily agricultural, but does also have significant government and retail trade sectors.⁸ Major crops in Glenn County include rice, almonds, plums, alfalfa, sugar beets, wheat, walnuts, and olives. Livestock, including sheep, cattle, and horses are also raised in the area.

Unemployment rates in the assessment area are generally higher than that of the state as a whole. Recent unemployment rates are reflected in the following table:⁹

Area	Unemployment Rate	
	As of August 2001 (Preliminary)	2000
Tehama County	5.4%	6.9%
Butte County	5.9%	7.0%
Glenn County	9.0%	11.9%
State of California	5.2%	4.9%

According to the California Employment Development Department, each of the three counties are generally characterized by a growing civilian labor force, growth in wage and salary industry employment, and declining unemployment rates.¹⁰ In addition, Glenn County has a strong agribusiness foundation.¹¹ Nevertheless, unemployment rates in the assessment area are generally higher than elsewhere in the state, particularly in Glenn County.

This data suggests a need for home mortgage loans of all sorts and for small business loans. Glenn County's agribusiness sector also suggests the need for agricultural loans. In addition, the growing population and declining unemployment rates would likely indicate an increased demand for consumer loans. However, there may be less demand in Glenn County due to the continued high rates of unemployment.

Tehama enjoys the fifth largest market share of deposits in the combined three county area, but is still faced with significant competition. According to the survey of insured deposits performed by the Federal Deposit Insurance Corporation as of June 30, 2000, within the bank's assessment area, the following banking statistics are applicable:

⁷ SOURCE: California Employment Development Department website: www.calmis.ca.gov/file/Cosnaps/butte.pdf

⁸ SOURCE: California Employment Development Department website: www.calmis.ca.gov/file/Cosnaps/glennSNAP.pdf

⁹ SOURCE: Employment Development Department website: www.calmis.ca.gov

¹⁰ *Id.*

¹¹ *Id.*

Number of Institutions	14
Total Branches Operated	64
Total Deposits (000)	\$2,543,093
Tehama's Market Share	7.8%

The presence of such a wide variety of banking outlets suggests that area consumers and businesses have plenty of options when choosing a financial institution with which to bank.

Shasta Assessment Area

The Shasta assessment area consists of Shasta County, in its entirety, and the southern boundary of Siskiyou County, which is located directly north of Shasta. Shasta County also is called the Redding MSA. The entire assessment area sits just north of Tehama County. As in the Tehama assessment area, the Shasta area contains no low-income census tracts. Major cities in the area include Redding, Anderson, Dunsmuir, and Shasta Lake. Based upon 1990 census data, the area's 31 census tracts are broken down by income level as follows:

Category	Tract		Population		Percentage of Families
	Number	Percent	Number	Percent	
Moderate-Income	5	16.1%	21,392	14.1%	12.7
Middle-Income	20	64.5%	109,687	72.4%	73.2%
Upper Income	4	12.9%	20,503	13.5%	14.2%
Not Classified	2	6.5%	N/A	N/A	N/A

Per the 2000 census, the Shasta and Siskiyou Counties, combined, had a population of 207,557,¹² which is an 8.9 percent increase over the 1990 area population. The 2001 HUD-adjusted median family incomes for Shasta and Siskiyou Counties are \$38,800 and \$32,700, respectively.¹³ According to the 1990 census data, families in the assessment area are distributed by income as depicted in the following table, with 11.2 percent of all families living below the poverty level.

Income Level	Percent of Families
Low-Income	21.8%
Moderate-Income	17.9%
Middle-Income	21.0%
Upper-Income	39.3%

As in the Tehama assessment area, only approximately 38 percent of households can afford to purchase a median-priced home.¹⁴ According to the Shasta County Economic Development Corporation, in 2000, the average costs of new and resale homes in Shasta County were \$157,543

¹² SOURCE: US Census Data available from the California Department of Finance: www.dof.ca.gov/HTML/DEMOGRAP/SF1Profiles.htm

¹³ SOURCE: Department of Housing and Urban Development website: www.huduser.org/datasets/il/fmr01/hud01ca.pdf

¹⁴ SOURCE: California Association of Realtors Website: www.car.org/newsstand/news/aug01-1.html.

and \$121,150, respectively.¹⁵ In Siskiyou County, the average home cost between \$69,000 and \$150,000.¹⁶

In Shasta County, services is the largest industry, followed closely by the retail trade and government industries.¹⁷ Primary industries in Siskiyou County are government, services, and retail trade, respectively. In addition, Siskiyou County's economy is heavily geared toward tourist-related services and forestry; consequently, the labor force is highly seasonal.¹⁸

As in the Tehama assessment area, unemployment rates here are generally higher than that of the state as a whole. Recent unemployment rates are reflected in the following table:¹⁹

Area	Unemployment Rate	
	As of August 2001 (Preliminary)	2000
Shasta County	5.5%	6.9%
Siskiyou County	6.8%	9.5%
State of California	5.2%	4.9%

According to the California Employment Development Department, in Shasta County, the labor market has steadily improved over the last five years and the area is expected to show steady industry employment along with a steady increase in population.²⁰ In Siskiyou County, however, where tourism and recreation are important to the local economy, there have been fluctuations in civilian and nonfarm wage and salary employment. While this area is likely to continue to experience seasonal variations in employment, overall industry and wage growth is expected through 2004. Local unemployment rates, however, are likely to continue to exceed statewide averages.²¹

This data suggests that, as in the Tehama assessment area, there is a need for home mortgage loans of all sorts and for small business loans. The seasonal nature of businesses in Siskiyou, however, may also indicate fluctuating demand for small business loans in that area. In addition, while Shasta County would likely see an increased demand for consumer loans due to the growing population and declining unemployment rates, there may be less of an increase in Siskiyou due to the continued high rates of unemployment and less stable sources of income.

¹⁵ SOURCE: Statistical Profile of Shasta County, Shasta County Economic Development Corporation website: www.shastaedc.org/demographics.htm.

¹⁶ SOURCE: Siskiyou County Economic Development Council website: www.siskiyoucounty.org/realestate.htm

¹⁷ SOURCE: California Employment Development Department website: www.calmis.ca.gov/file/Cosnaps/shastSNAP.pdf

¹⁸ SOURCE: California Employment Development Department website: www.calmis.ca.gov/file/Cosnaps/siskiSNAP.pdf

¹⁹ SOURCE: Employment Development Department website: www.calmis.ca.gov

²⁰ SOURCE: California Employment Development Department website: www.calmis.ca.gov/file/Cosnaps/shastSNAP.pdf

²¹ SOURCE: California Employment Development Department website: www.calmis.ca.gov/file/Cosnaps/siskiSNAP.pdf

As shown in the following table compiled by the Federal Deposit Insurance Corporation as of June 30, 2000, the bank has a lesser presence in the Shasta area than in its other assessment area.²² With only one branch office in the area, the bank faces significant competition and has a market share of less than one percent.

Number of Institutions	14
Total Branches Operated	46
Total Deposits (000)	\$1,597,543
Tehama's Market Share	< 1%

²² Readers should note that these statistics are an approximation since the bank's assessment area includes only a portion of Siskiyou County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Scope of Examination

To evaluate the bank's performance under the Community Reinvestment Act, the bank's performance was reviewed based upon four of the five performance criteria. These include the following:

- The bank's loan volume in comparison to its deposits (Loan-to-Deposit Ratio)
- The bank's lending inside and outside its assessment area (Lending in Assessment Area)
- The dispersion of lending throughout the census tracts or geographic areas within the assessment area (Geographic Distribution of Loans)
- The distribution of lending to borrowers of different income levels and to businesses of different sizes (Lending by Borrower Income and Business Revenue)

The bank's responsiveness to consumer complaints was not evaluated because the bank has not received any CRA-related complaints.

Since the bank's community lending focus is to address a wide variety of credit needs, small business, consumer and home mortgage loans were used as the basis for this evaluation. The sample period for the examination was January 1, 1999, through March 31, 2001. Illustrated below is the distribution of lending activity considered.

Loan Product	Number of Loans		Dollar Volume (000)	
Small Business	437	12.6%	\$68,932	52.9%
Consumer	2,846	82.0%	\$49,136	37.7%
Home Purchase	80	2.3%	\$5,251	4.0%
Refinance	63	1.8%	\$5,796	4.5%
Home Improvement	44	1.3%	\$1,115	0.9%
Total	3,470		\$130,230	

These loans were first used to determine the bank's volume of lending inside its assessment area. Only those loans extended inside the assessment area were included in the evaluation of the two remaining performance criteria. By utilizing only those loans extended inside the bank's assessment area, examiners evaluated the bank's record of meeting the credit needs of its designated community.

Full-scope reviews were conducted for both the Tehama and Shasta assessment areas. During the review period, the Tehama assessment areas encompassed the majority of the bank's branch offices and its lending activity. Given that fact, greater weight was placed on the bank's performance in that area.

Loan-to-Deposit Ratio

Tehama's loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance. This conclusion is based upon an analysis of the bank's level of lending activity in comparison to its deposit base. The bank's net loans are measured against its total deposits over time with the result being compared to local banks based upon their asset size, number of branches, business focus, and geographic location and evaluated within the Tehama's performance context.

A comparison of the average loan-to-deposit ratios for nine area banks shows that the average loan-to-deposit ratio for these banks over the preceding eight quarters ranged from a low of 64.3 percent to a high of 84 percent with an average of 72.6 percent. At 77 percent, Tehama's eight-quarter average loan-to-deposit ratio is at the high end of the range of averages of the comparison group, signifying a level of performance that is generally consistent with the bank's capacity to lend, with the demographic and economic factors in the area, and with local lending opportunities.

Lending in Assessment Area

Tehama's distribution of loans inside and outside of its assessment areas exceeds standards for satisfactory performance. The following table shows the distribution of loans made inside the assessment areas, by loan-type.

Loan Product	Percent Inside by Number		Percent Inside by Dollar	
Home Purchase	52	65.0%	\$4,116	78.4%
Home Improvement	42	95.5%	\$1,065	95.5%
Refinancing	60	95.2%	\$5,709	98.5%
Consumer	2,438	85.7%	\$41,320	84.1%
Small Business	282	64.5%	\$38,568	56.0%
All Loans Reviewed	2,880	82.8%	\$99,510	84.1%

As displayed in the table, for each type of loan reviewed, in terms of both numbers and of dollars, the bank extended a majority of its loans to borrowers within the assessment area. Overall, a substantial majority of all loans were extended inside the area.

Lending Distribution by Geography

The bank's overall geographic distribution of loans reflects a reasonable dispersion throughout the different assessment areas. The lending patterns evinced a satisfactory record of serving the credit needs of consumers and businesses relative to the performance of peers and aggregate lenders in the area, the distribution of moderate-income geographies, and the percentage of businesses and families located in those geographies.

Tehama Assessment Area

Home mortgage and consumer loan patterns are reasonable, with a particularly strong level of home improvement lending in moderate-income tracts. As depicted in the table below, lending patterns compare favorably to the distribution of census tract and families throughout the assessment area.

Loan Product	Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Total Loans	
	#	%	#	%	#	%	#	%
Home Purchase	5	12.8%	33	84.6%	1	2.6%	39	100%
Home Improvement	13	34.2%	24	63.2%	1	2.6%	38	100%
Refinance	9	19.2%	37	78.7%	1	2.1%	47	100%
Consumer	207	12.8%	1,167	72.1%	245	15.1%	1,619	100%
Census Tracts	12	22.2%	34	63.0%	7	13.0%	54	100%
Families	13,297	19.8%	44,860	66.8%	9,052	13.5%	67,209	100%

Similarly, the distribution of small business lending reasonably compares to the distribution of assessment area businesses and to other lenders in the market.

Tract Income Level	Tracts		Tehama Loans		Aggregate Small Business Lending ²³	Businesses	
	#	%	#	%		#	%
Moderate-Income	12	22.2%	20	11.6%	18.7%	2,804	26.2%
Middle-Income	34	63.0%	115	66.9%	60.6%	6,327	59.2%
Upper-Income	7	13.0%	37	21.5%	20.7%	1,564	14.6%
Total	54	100.1%	172	1.3%	100%	10,695	100%

With respect to small business loans, it is worth noting, that two of Tehama County's four moderate-income tracts contain 100 or fewer small businesses. Similarly, in Butte County, three of the county's eight moderate-income tracts also have relatively small concentrations of small businesses (one has approximately 148, while the other two have less than 100 each). Further, five of the county's eight moderate-income census tracts are approximately 15 or more miles away from the area where the bank's Chico branch office is located. The distance between the Chico branch and a significant number of the area's moderate-income tracts, combined with the smaller concentration of businesses in several of the Tehama and Butte County moderate-income tracts, supports the reasonableness of the lesser level of small business lending in these areas.

When these facts are considered, combined with the overall adequate pattern of lending to moderate-income tracts, the performance is deemed adequate.

²³ Reflects the percentage of the number of loans made, not the dollar amount. The same is true throughout this report.

Shasta Assessment Area

The geographic distribution of lending in the Shasta assessment area also is reasonable, particularly when considered in light of the fact that the bank has only one branch in this assessment - its newest branch that opened in September 1998. Consistent with a new location in the process of building its client base, lending patterns do not penetrate all corners of the assessment area, rather, the bank's loans in this area are primarily clustered in the tracts immediately surrounding the branch. Finally, it should also be noted that while the Redding branch is located in a moderate-income tract, that aside from one adjoining tract, the area's other moderate-income tracts are five or more miles away. Given that Redding is one of the area's major metropolitan areas, with a significant presence of competition (of the 38 bank or branch locations in Shasta County, 25 are located in the city of Redding), it is likely that the immediate area offers numerous banking options for area residents and businesses.

As shown in the two tables below, lending patterns reasonably penetrate census tracts of different income levels when considered in light of the contextual factors described above.

Loan Product	Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Total Loans	
	#	%	#	%	#	%	#	%
Home Purchase	2	15.4%	11	84.6%	0	0%	13	100%
Home Improvement	0	0%	2	50.0%	2	50.0%	4	100%
Refinance	3	23.1%	10	76.9%	0	0%	13	100%
Consumer	52	6.3%	614	75.0%	153	18.7%	819	100%
Census Tracts	5	17.2%	20	69.0%	4	13.8%	29	100%
Families	5,318	12.7%	30,752	73.2%	5,958	14.2%	42,028	100.1%

Tract Income Level	Tracts		Tehama Loans		Aggregate Small Business Lending ²⁴	Businesses	
	#	%	#	%		#	%
Moderate-Income	5	17.2%	12	10.9%	13.8%	2,804	26.2%
Middle-Income	20	69.0%	80	72.7%	72.2%	6,327	59.2%
Upper-Income	4	13.8%	18	16.4%	14.0%	1,564	14.6%
Total	29	100%	110	100%	100%	10,695	100%

Although the level of lending is below the level of representation of businesses in those geographies, it does not present cause for concern when it is considered that the bank has only one location in this assessment area.

Home purchase and refinance loans made to moderate tracts exceed the representation of families in those areas. Although no home improvement loans were made in moderate tracts, it does not cause concern in light of the overall lending pattern and the fact that the level of home-improvement lending in the assessment area, in general, was low.

²⁴ Reflects the percentage of the number of loans made, not the dollar amount. The same is true throughout this report.

With respect to consumer lending, although the level of lending is less than the overall representation of moderate-income families in the assessment area, it should be noted that only 2.9 percent of all families within the assessment area reside in the moderate-income tracts immediately surrounding the bank. Further, when viewed as a whole, the bank's overall level of lending in moderate-income geographies is considered adequate.

Lending Distribution by Borrower Income and Business Size

The bank's level of lending to borrowers of different income levels and to small businesses is reasonable when considered in light of assessment area characteristics.

According to Dun and Bradstreet, approximately 88.1 percent of all the businesses in the bank's combined assessment areas are small businesses, that is, business with gross annual revenues of \$1 million or less. Of those small business loans made during the examination period, a majority (57.5 percent) was extended to small businesses, reflecting good penetration among businesses of different sizes.

Using the percentage of businesses in the assessment area as a proxy for the demand for small business loans, the percentage of the bank's loans to small businesses, as compared to the percentage of businesses, would appear to indicate additional opportunities for lending. The performance is, however, consistent with both with the performance of aggregate lenders and with that of other peer banks in the area. Further, a community contact stated that many of the smaller businesses, particularly in the more rural areas, lack the capacity and sophistication needed to obtain loans. This feedback suggests that the actual pool of small businesses to which the bank can lend is much smaller than the Dun and Bradstreet data would suggest.

With respect to home mortgage and consumer loans, the bank's level of lending to moderate-income borrowers approximated the representation of moderate-income families²⁵ in both of the bank's assessment areas, for both consumer and home mortgage lending. However, while home mortgage lending to low-income borrowers in the Tehama assessment area showed adequate levels of performance, the levels of home mortgage lending in the Shasta assessment area and consumer lending in both areas suggests there is room for improvement.

²⁵ The representation of families in the area is used as a proxy to estimate the demand for consumer loans.

Tehama Assessment Area

A majority of the loans made in this assessment area were made to small businesses. This pattern is consistent with the lending patterns of aggregate lenders in the area.

Lending by Business Revenue	Tehama		Aggregate Small Business Lending	
	#	%	#	%
Gross Annual Revenues \$1 Million or Less	25	58.1%	1,548	56.6%
Gross Annual Revenues Greater than \$1 Million	16	37.2%	1,186	43.4%
Revenues Unknown	2	4.7%	N/A	N/A
Total	43	100%	2,734	100%

With respect to consumer loans, the bank's pattern of lending to moderate-income borrowers in the assessment area – for both home mortgage and consumer loans – is comparable to the representation of moderate-income families. The bank's record of home mortgage lending to low-income borrowers, though less than that group's representation in the area, is notable, considering that low-income families in the area earn less than \$20,000 per year.

When broken down by loan type, the bank shows reasonable distribution to low- and moderate-income borrowers for all loan types. The level of home improvement lending to low-income borrowers stands out, however, as it surpasses the representation of low-income families in the area.

Loan Product	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	%	#	%	#	%	#	%
Home Purchase	4	10.3%	8	20.5%	10	25.6%	17	43.6%
Home Improvement	9	23.7%	5	13.2%	6	15.8%	17	44.7%
Refinance	5	10.6%	5	10.6%	10	21.3%	26	55.3%
Consumer	2	3.0%	12	18.2%	12	18.2%	40	60.6%
Families	14,304	21.3%	12,965	19.3%	14,697	21.9%	25,243	37.6%

Although the level of consumer lending to low-income borrowers is significantly less than the representation of low-income families, a review of lending patterns of other community banks in the area show that the level is consistent with peer banks.

Shasta Assessment Area

As in the Tehama assessment area, a majority of the loans made in this assessment area were made to small businesses. Further, the level of lending is consistent with that of aggregate lenders in the area.

Lending by Business Revenue	Tehama		Aggregate Small Business Lending	
	#	%	#	%
Gross Annual Revenues \$1 Million or Less	15	57.7%	1,252	58.7%
Gross Annual Revenues Greater than \$1 Million	9	34.6%	880	41.3%
Revenues Unknown	2	7.7%	N/A	N/A
Total	26	100%	2,132	100%

With respect to consumer loans, while the level of both home mortgage and consumer lending to moderate-income borrowers was consistent with that group's representation in the assessment area, the sample did not reveal any home mortgage or consumer lending to low-income borrowers. While the bank's lesser presence, competition, and the exceedingly low level of income for this group may provide some insight into the performance, it cannot completely explain the lack of lending. In light of the relatively high percentage of low-income residents in the Shasta assessment area, it would appear that opportunities exist to serve this market. Given the bank's overall record of lending to low- and moderate-income borrowers, however, the lack of lending to low-income borrowers in the Shasta assessment area does not present sufficient cause to lower the bank's overall rating for this criterion.

Loan Product	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	%	#	%	#	%	#	%
Home Purchase	0	0%	2	15.4%	4	30.8%	7	53.9%
Home Improvement	0	0%	1	25.0%	1	25.0%	2	50.0%
Refinance	0	0%	3	23.1%	4	30.8%	4	30.8%
Consumer	0	0%	4	16.0%	4	16.0%	17	68.0%
Families	9,178	21.8%	7,512	17.9%	8,815	21.0%	16,523	39.3%

Response to Complaints

Tehama did not receive any complaints relating to its CRA performance during the review period. Accordingly, the bank's performance in responding to complaints is not considered in evaluating its CRA performance.

Compliance with Fair Lending Laws and Regulations

Tehama 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 prohibitive practices.

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	<ol style="list-style-type: none">(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: <ol style="list-style-type: none">(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.
CONSUMER LOANS	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.
FAMILIES	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.
GEOGRAPHIES	Census tracts or numbering area blocks delineated by the U.S. Bureau of Census in the most recent decennial census.
HOUSEHOLDS	Defined by the U.S. Bureau of Census as all persons occupying a housing unit.
HUD ADJUSTED MEDIAN INCOME	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.
INCOME LEVEL	Includes low-income, moderate-income, middle-income and upper-income.
LOW-INCOME	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.
MEDIAN INCOME	See Area Median Income and HUD Adjusted Median Income
METROPOLITAN STATISTICAL AREA (MSA)	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.

MIDDLE-INCOME	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.
MODERATE-INCOME	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.
QUALIFIED INVESTMENT	A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.
REAL ESTATE MORTGAGE LOAN	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.
SMALL BANK	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.
SMALL BUSINESS	Businesses with gross annual revenues of \$1 million or less as defined by the Community Reinvestment Act.
SMALL BUSINESS LOAN	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."
UPPER-INCOME	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.