

# **PUBLIC DISCLOSURE**

**May 31, 2005**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Desert Community Bank  
RSSD #155263**

**12530 Hesperia Road  
Victorville, California 92392**

**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'S RATING

**INSTITUTION'S CRA RATING:**  
Desert Community Bank is rated "SATISFACTORY"

The following table shows the performance level of Desert Community Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	LENDING TEST*	INVESTMENT TEST	SERVICE TEST
OUTSTANDING			
HIGH SATISFACTORY			<b>X</b>
LOW SATISFACTORY	<b>X</b>	<b>X</b>	
NEEDS TO IMPROVE			
SUBSTANTIAL NONCOMPLIANCE			

\*The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

The major factors supporting the institution's rating include:

- An excellent geographic distribution of small business lending;
- An adequate geographic distribution of home purchase and refinance lending;
- An adequate level of community development loans and services;
- An adequate level of qualified community development investments; and
- A good level of community development services.

# INSTITUTION

## DESCRIPTION OF INSTITUTION

Headquartered in Victorville, California, Desert Community Bank (DCB) is a full service financial institution with total assets of \$471.2 million as of December 31, 2004. The bank offers a full range of banking products and services through eight offices and 22 automated teller machines that serve the San Bernardino County communities of Adelanto, Apple Valley, Barstow, Hesperia, and Victorville, as well as the mountain community of Wrightwood.

Although the bank has a distinct commercial focus, its lending activities are divided into three primary segments composed of commercial, home mortgage, and consumer lending. Commercial credit products are designed to serve small-to medium sized retailers, manufacturers, distributors, contractors, and service businesses. Products include loans for inventory, equipment, accounts receivable, construction and SBA financing. The bank offers home purchase and refinance loans as well as home improvement and auto loans. The bank also offers a full range of commercial and consumer deposit accounts.

Consistent with the bank's business focus, commercial loans represent a majority of the loan portfolio, as data from the December 31, 2004 Consolidated Report of Condition and Income illustrated in the table below.

LOAN TYPE	DOLLAR AMOUNT ('000s)	PERCENT OF VALUE
Commercial/Industrial & Non-Farm Non-Residential Real Estate	\$167,896	56.0%
Construction & Land Development	\$75,662	25.2%
Consumer Loans & Credit Cards	\$39,215	13.0%
Secured by 1-4 Family Residential Real Estate	\$13,132	4.4%
Leases	\$4,002	1.3%
All Other	\$203	0.01%
<b>Total (Gross)</b>	<b>\$300,110</b>	<b>100.0%</b>

DCB received a satisfactory performance rating at its March 31, 2003 Community Reinvestment Act examination. There are no legal or financial impediments that would inhibit the bank's ability to meet the credit needs of its communities, consistent with its business strategy, size and resources, and local economic conditions.

## DESCRIPTION OF ASSESSMENT AREA

DCB's assessment area is composed of a portion of San Bernardino County which is also part of the Riverside-San Bernardino Metropolitan Statistical Area. The assessment area includes 48 census tracts, commonly known as Victor Valley, and is located in San Bernardino's High Desert corridor between Los Angeles and Las Vegas. The High Desert area incorporates the cities of Adelanto, Apple Valley, Barstow, Hesperia, Lucerne Valley, Oak Hills, Phelan, Spring Valley Lake, and Victorville.

Deposit information from the Federal Deposit Insurance Corporation shows that DCB garnered 18.6 percent market share, ranking the bank first out of thirteen financial institutions operating in the area.<sup>1</sup> Competition for lending is more intense. DCB garnered 2.8 percent of the market share, ranking the bank 12<sup>th</sup> out of 43 community banks, national banks and commercial lenders operating within San Bernardino County.<sup>2</sup>

Exhibit 1 depicts certain demographic information obtained from the 2000 U.S. Census and 2004 Dun & Bradstreet data. This information was used to help develop the performance context for the assessment area.

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<sup>1</sup> Federal Deposit Insurance Corporation, *Summary of Deposits*, June 30, 2004; (accessed May 18, 2005); available from <http://www.fdic.gov>.

<sup>2</sup> Ibid.

EXHIBIT 1								
ASSESSMENT AREA DEMOGRAPHICS								
VICTOR VALLEY ASSESSMENT AREA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	4.2	1,728	2.3	607	35.1	18,147	24.3
Moderate-income	12	25.0	22,342	29.9	4,584	20.5	14,008	18.7
Middle-income	29	60.4	44,816	59.9	4,078	9.1	16,263	21.7
Upper-income	4	8.3	5,909	7.9	248	4.2	26,377	35.3
Tract not reported	1	2.1	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>48</b>	<b>100</b>	<b>74,795</b>	<b>100.0</b>	<b>9,517</b>	<b>12.7</b>	<b>74,795</b>	<b>100.0</b>
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	3,457	1,056	30.5	1.6	1,604	46.4	797	23.1
Moderate-income	33,002	17,160	52.0	25.4	12,523	37.9	3,319	10.0
Middle-income	63,512	43,256	68.1	64.1	14,119	22.2	6,137	9.7
Upper-income	8,705	5,986	68.8	8.9	1,358	15.6	1,361	15.6
<b>Total AA</b>	<b>108,676</b>	<b>67,458</b>	<b>62.1</b>	<b>100.0</b>	<b>29,604</b>	<b>27.2</b>	<b>11,614</b>	<b>10.07</b>
Income Categories	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	464	5.8	413	5.8	26	5.3	25	7.1
Moderate-income	2,493	31.1	2,199	30.7	187	38.5	107	30.5
Middle-income	4,424	55.3	3,993	55.7	241	49.6	190	54.1
Upper-income	595	7.4	546	7.6	21	4.3	28	8.0
Tract not reported	28	0.3	16	0.2	11	2.3	1	0.3
<b>Total AA</b>	<b>8,004</b>	<b>100.0</b>	<b>7,167</b>	<b>100.0</b>	<b>486</b>	<b>100.0</b>	<b>351</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>		<b>89.5</b>		<b>6.1</b>		<b>4.4</b>		

During the review period, the Riverside-San Bernardino economy remained one of the strongest nationwide with job growth and industrial production growth well ahead of the U.S.<sup>3</sup> The unemployment rate fell from a high of 5.9 percent in 2002 and 2003 to 5.6 percent in December 2004, which is below the state unemployment rate of 5.7 percent.<sup>4</sup> Construction, transportation, utilities and health service industries accounted for the bulk of the job gains.<sup>5</sup>

<sup>3</sup> Economy.com's *Précis*: METRO, Riverside-San Bernardino-Ontario, CA MSA. December 2004.

<sup>4</sup> Ibid.

<sup>4</sup> California Employment Development Department, Labor Market Information Division (accessed June 23, 2005); available from <http://www.labormarketinfo.edd.ca.gov>.

<sup>5</sup> Ramage, James. (October 11, 2003). County Jobless Rate Drops, But Not Far Enough, *Daily Press* (accessed June 23, 2005); available from <http://www.vvdailynews.com/2001-2003>.

In 2003, the United State Marine Corps. Air Ground Combat Training Center, Stater Brothers Markets and Loma Linda University Medical Center were the largest employers with a combined total of approximately 26,689 individuals on their payrolls.<sup>6</sup> As of 2004, Wal-Mart became the third top employer in the area, reporting 7,550 payrolls.<sup>7</sup> Government and trade industries combined represented almost 40percent of total employment.

The housing market remained strong with 27 subdivisions under construction and 5,000 homes under development in the third quarter of 2004.<sup>8</sup> While the average price for an area home jumped 44 percent from \$171,000 in 2003 to \$247,000 in 2004,<sup>9</sup> the California Association of Realtors indicates that the area remains the most affordable region in the state to buy a home. For example, 42 percent of California households can afford to buy a median-priced home in the area, compared to only 19 percent who can afford to buy a home in the broader statewide area.<sup>10</sup> Furthermore, economists indicate that the housing market is the most balanced between supply and demand among southern California metro areas.

Based on 2000 Dun and Bradstreet data, businesses with gross annual revenues of \$1 million or less comprise 90 percent of the total businesses across all industry sectors. This information, along with interviews with community representatives, indicated that small business financing, particularly loans in small dollar amounts, continues to be an area credit need. Community contacts indicated that the market for small business loans was competitive as numerous banks serve this market.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### SCOPE OF EXAMINATION

DCB's CRA examination was conducted using the large bank performance criteria. The period of review for the lending, investment and service test was January 1, 2003, through December 31, 2004. Loan products considered were small business, home purchase and home refinance loans. Small business and home refinance loans received equal weighting in the analysis, while home purchase lending carried lesser weight given the lower volume of this type of lending. Home improvement lending was also submitted for consideration; however, loan volumes were insufficient to draw meaningful conclusions.

<sup>6</sup> Economy.com's Précis: METRO, Riverside-San Bernardino-Ontario, CA MSA, August 2003.

<sup>7</sup> Economy.com's Précis: METRO, Riverside-San Bernardino-Ontario, CA MSA, December 2004.

<sup>8</sup> Losi, Gretchen. (September 10, 2004). Jobs key to local growth, *Daily Press* (accessed May 18, 2005); available from <http://www.vvdailypress.com/2004>.

<sup>9</sup> Ramage, James. (December 15, 2004). Catching the Wave. *Daily Press* (accessed May 18, 2005); available from <http://www.dailypress.com>.

<sup>10</sup> Ibid.

## LENDING TEST

Overall lending performance under the lending test is low satisfactory. DCB demonstrated good responsiveness to community credit needs and a high percentage of the bank's loans were extended within the bank's assessment area. While the level of lending to small businesses and to low-and moderate-income individuals is good overall, the geographic distribution of these products is only adequate. The bank also made an adequate level of community development loans.

### Lending Activity

Overall lending levels reflect good responsiveness to assessment area credit needs given the opportunities and the level of market competition. As shown in Exhibit 2 and Table 1 in Appendix B<sup>11</sup> the bank made a high level of small business, home purchase and home refinance loans. Despite competition from other lenders in the market the bank has maintained a solid lending performance in the assessment area.

EXHIBIT 2 SUMMARY OF LENDING ACTIVITY JANUARY 1, 2003 - DECEMBER 31, 2004				
Loan Type	#	%	\$ ('000s)	%
HMDA Home Purchase	150	12.2	26,600	12.3
HMDA Home Improvement	41	3.3	4,750	2.2
HMDA Refinance	568	46.1	89,271	41.4
HMDA Multi-Family	3	.2	2,446	1.1
<b>Total HMDA-Related</b>	<b>762</b>	<b>61.8</b>	<b>123,067</b>	<b>57.1</b>
<b>Total Small Business</b>	<b>471</b>	<b>38.2</b>	<b>92,461</b>	<b>42.9</b>
<b>TOTAL LOANS</b>	<b>1,233</b>	<b>100.0</b>	<b>215,528</b>	<b>100.0</b>

### Assessment Area Concentration

The vast majority of small business and home mortgage loans by both number and dollar volume were made within the assessment area. Exhibit 3 demonstrates the actual percentage of lending within the assessment area by product type. The tables in Appendix B contain additional information regarding assessment area lending.

<sup>11</sup> All CRA tables referred to in this evaluation are located in Appendix B - CRA Core Tables.

EXHIBIT 3								
LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREA								
JANUARY 1, 2003 - DECEMBER 31, 2004								
LOAN TYPE	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
HMDA Home Purchase	135	90.0	22,315	83.9	15	10.0	4,285	16.1
HMDA Refinance	543	95.6	84,040	94.1	25	4.4	5,231	5.9
<b>Total HMDA-Related</b>	<b>678</b>	<b>94.4</b>	<b>106,355</b>	<b>91.8</b>	<b>40</b>	<b>5.6</b>	<b>9,516</b>	<b>8.2</b>
<b>Total Small Business</b>	<b>422</b>	<b>89.6</b>	<b>83,016</b>	<b>89.8</b>	<b>49</b>	<b>10.4</b>	<b>9,445</b>	<b>10.2</b>
<b>TOTAL LOANS</b>	<b>1,100</b>	<b>92.5</b>	<b>189,371</b>	<b>90.90</b>	<b>89</b>	<b>7.5</b>	<b>18,961</b>	<b>9.1</b>

### Lending Distribution by Geography

The geographic distribution of lending is adequate. The distribution of small business lending is a strength in the bank's performance, while the distribution of home purchase and refinance lending is not as strong.

#### *Small Business Loans*

The distribution of small business loans is excellent. There were no significant lending gaps and loans were dispersed throughout all census tracts within the assessment area. As seen in Table 2, small business lending was strongest in low- and moderate-income census tracts, with a higher percentage of lending in these census tracts than either the percentage of businesses or the aggregate market.

#### *Home Refinance Loans*

The geographic distribution of home refinance lending is adequate. As seen in Table 4, the bank's lending reached each type of census tract category although the bank's lending fell below the aggregate market's performance, particularly in moderate-income census tracts. In light of market competition for these loans from larger banks and other nonbank mortgage originators this performance is reasonable.

#### *Home Purchase Loans*

The geographic distribution of home purchase loans is also adequate. As seen in Table 3, the bank had reasonable levels of lending in low income census tracts and middle-income census tracts and very strong performance in upper-income census tracts. Lending levels in moderate-income census tracts fell below the aggregate market. However, this performance is reasonable given that a number of lenders arranged exclusive marketing contracts with developers building homes in moderate-income areas. These arrangements limited the bank's access to borrowers purchasing homes in these areas.

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

The distribution of lending to borrowers of different income levels and businesses of different sizes is good. The distribution of small business and refinance lending were the strengths in the bank's performance, while the distributions of home purchase loans were not as strong.

### *Small Business Loans*

The distribution of borrowers reflects good penetration among businesses of different sizes. As shown in Table 5, approximately 55 percent of all small business loans were extended to businesses with gross annual revenues of \$1 million or less. This performance exceeded the aggregate and resulted in higher market share for loans to small businesses than the bank had overall. The bank's loans in smaller dollar amounts were also reasonable and helped address the demand for smaller dollar loans.

### *Home Refinance Loans*

The distribution of home refinance loans is good. As shown in Table 7, the bank had a reasonable distribution of lending to borrowers of all income levels. The percentage of lending to low-and moderate-income borrowers was consistent with the performance of the aggregate market. In addition, the bank's level of lending to moderate-income individuals was consistent with the percentage of moderate-income families in the assessment area. Moreover, the bank's market share of low-income borrowers exceeded its overall market share.

### *Home Purchase Loans*

The distribution of home purchase loans is adequate. Loans were extended to borrowers of various income levels. The bank's performance in reaching moderate-income borrowers fell somewhat below the aggregate market as well as the percentage of moderate-income borrowers. Performance in reaching low-income borrowers also fell somewhat below the aggregate market and performance was weaker when compared to the percentage of low-income families in the assessment area.

## **Community Development Lending**

The bank made an adequate level of community development loans. As seen in Table 1, the bank extended a total of 15 loans totaling \$2.7 million. These loans helped address critical community development issues in the bank's communities. One loan helped address affordable housing issues, eight loans financed a flexible mortgage program for low-to moderate income first-time home buyers, and six loans financed various community development service providers.

## **INVESTMENT TEST**

DCB's performance under the investment test is low satisfactory based on an adequate level of qualified community development investments and grants. Table 8 illustrates that the bank has a total community development investment portfolio of \$1.5 million. This includes 10 prior

period investments totaling \$49,000, 18 current period investments and grants totaling \$1.1 million and \$3 million in unfunded commitments.

Current period investments primarily addressed the need for revitalization and stabilization of low- to moderate-income areas, which is a critical need in the bank's assessment area. Highlights of these investments include an investment in a local community development consortium which provides working capital loans for small business entrepreneurs that cannot qualify for conventional financing. The bank also invested in state tax bonds that will help revitalize low- to moderate-income areas and create affordable housing projects within its communities.

The unfunded commitment will provide a local economic development organization with funds to support its down payment assistance program. The program is available to first time home low- to moderate-income homebuyers. Donations and grants were provided to organizations and events that helped low- and moderate-income students and promoted economic development efforts. Prior period investments received nominal consideration given the limited volume and impact of the investments.

## **SERVICE TEST**

Performance under the service test is high satisfactory. Retail banking services are accessible to essentially all portions of the bank's assessment area and bank representatives provide an adequate level of community development services.

### **Retail Banking Services**

DCB operates eight branches throughout the assessment area which includes a new branch opened in Victorville, California in December 2004. Of the total branches, four branches are located in moderate-income areas resulting in a distribution of branches that is similar to the distribution of the population as can be seen on Table 9. The branch locations are readily accessible to all portions of the assessment area. Each branch offers all of the bank's products and services and hours and services do not vary in a way that inconveniences certain portions of the assessment area. Alternative delivery systems include an automated phone system that is accessible in English and Spanish and Internet banking. The phone system allows customers to obtain account balances and transfer funds between accounts. Internet banking services include online bill payment and account funds transfers as well as up to date information on account balances.

### **Community Development Services**

DCB provides an adequate level of qualified community development services. During the examination period, 18 employees performed services for 23 organizations averaging over 11.3 hours per month. Several bank officers have continually served long terms as directors and executive committee members of organizations that address affordable housing issues, small business development, and the stabilization or revitalization of low- and moderate-income communities.

Highlights of community development services include:

- Six employees provided 45 hours of assistance to a training program that helps individuals build knowledge of banking and financial services.
- One employee participates in a weekly educational radio broadcast that reaches the community at large. Specific topics include economic outlook, banking and financial services, tax information and financial guest speakers.
- Two employees donated 56 hours to a community development corporation that provides low- to moderate-income individuals with assistance and education on financial matters as well as job training.
- Eight employees provided 28 hours of service to six schools located in low-to moderate-income areas. These services provided financial education to low-to moderate-income students.
- Two employees dedicated 14 hours serving on a loan committee for a business development corporation in San Bernardino that helps support small businesses.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Although the bank's policies affirm its commitment to comply with the fair lending laws and regulations, violations of the substantive provisions of anti-discrimination laws and regulations were identified at this examination. These violations, however, did not negatively impact the bank's ability to extend home mortgage or small business credit within its designated assessment area and, thus, did not negatively impact the bank's overall CRA performance.

## APPENDIX A

### GLOSSARY OF TERMS

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize:

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on:
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full-scope review:** Performance under the lending, investment, and service tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

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

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

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

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

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

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

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a

MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

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

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## APPENDIX B

### CRA CORE TABLES

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**Desert Community Bank**

Rated Area: California

**Table 1 - Lending Volume of Reported Loans**

Evaluation Period: January 1, 2003 through December 31, 2004

Assessment Area	% of Rated Area Loans	Small Business Loans		Small Farm Loans		All HMDA Loans		Community Development Loans		Total Reported Loans		% of Rated Area Deposits
		# Loans	\$ (000's)	# Loans	\$ (000's)	# Loans	\$ (000's)	# Loans	\$ (000's)	# Loans	\$ (000's)	
<i>Full-Scope Review</i>												
VICTOR VALLEY	100.00	422	83,016	0	0	719	110,916	15	2,754,583	1,141	193,932	100.00

**Desert Community Bank**

Rated Area: California

**Table 2 - Geographic Distribution of Small Business Loans**

Evaluation Period: January 1, 2003 through December 31, 2004

Assessment Area	Total Loans from Bank		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate Lending (%)				Market Share (%)					
	# Loans	% Rated Area Total	Bank Loans (%)	Business Entities (%)	Bank Loans (%)	Business Entities (%)	Bank Loans (%)	Business Entities (%)	Bank Loans (%)	Business Entities (%)	Low	Mod	Mid	Upp	Overall	Low	Mod	Mid	Upp	
<i>Full-Scope Review</i>																				
VICTOR VALLEY	418	100.00	8.85	5.82	45.45	31.26	42.82	55.47	2.87	7.46	4.25	30.45	56.83	8.47	3.92	6.87	6.22	2.89	1.08	

Business entities based on 2004 Dun & Bradstreet and demographic data. Aggregate Lending and Market Share data based on 2003 reported small business lending activity.

**Desert Community Bank**

Rated Area: California

**Table 3 - Geographic Distribution of Home Purchase Loans**

Evaluation Period: January 1, 2003 through December 31, 2004

Assessment Area	Total Loans from Bank		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate Lending (%)				Market Share (%)					
	# Loans	% Rated Area Total	Bank Loans (%)	Owner Occ Units (%)	Bank Loans (%)	Owner Occ Units (%)	Bank Loans (%)	Owner Occ Units (%)	Bank Loans (%)	Owner Occ Units (%)	Low	Mod	Mid	Upp	Overall	Low	Mod	Mid	Upp	
<i>Full-Scope Review</i>																				
VICTOR VALLEY	135	100.00	0.74	1.57	18.52	25.44	57.04	64.12	23.70	8.87	1.47	34.04	57.31	7.17	0.45	0.38	0.21	0.41	1.85	

Owner occupied units based on 2004 demographic data. Aggregate Lending and Market Share data based on 2003 reported HMDA lending activity.

**Desert Community Bank**

Rated Area: California

**Table 4 - Geographic Distribution of Home Mortgage Refinance Loans**

Evaluation Period: January 1, 2003 through December 31, 2004

Assessment Area	Total Loans from Bank		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate Lending (%)				Market Share (%)					
	# Loans	% Rated Area Total	Bank Loans (%)	Owner Occ Units (%)	Bank Loans (%)	Owner Occ Units (%)	Bank Loans (%)	Owner Occ Units (%)	Bank Loans (%)	Owner Occ Units (%)	Low	Mod	Mid	Upp	Overall	Low	Mod	Mid	Upp	
<i>Full-Scope Review</i>																				
VICTOR VALLEY	543	100.00	0.55	1.57	15.65	25.44	63.35	64.12	20.44	8.87	1.10	25.66	60.83	12.40	1.07	0.95	0.70	1.10	1.71	

Owner occupied units based on 2004 demographic data. Aggregate Lending and Market Share data based on 2003 reported HMDA lending activity.

**Desert Community Bank**

Rated Area: California

**Table 5 - Borrower Distribution of Small Business Loans**

Evaluation Period: January 1, 2003 through December 31, 2004

Assessment Area	Total Small Business Loans		Businesses with Revenue <= \$1 Million		Originations Regardless of Revenue Size			Aggregate Lending (%)		Market Share (%)	
	# Loans	% Rated Area Total	Bank Loans (%)	All Businesses (%)	<= \$100K	> \$100K and <= \$250K	> \$250K and <= \$1 Million	All Loans	Loans to Revenue <= \$1 Million (%)	All Loans	Loans to Revenue <= \$1 Million (%)
<i>Full-Scope Review</i>											
VICTOR VALLEY	422	100.00	54.50	89.54	57.11	17.06	25.83	5,503	36.93	3.94	5.95

Business entities based on 2004 Dun & Bradstreet and demographic data. Aggregate Lending and Market Share data based on 2003 reported small business lending activity.

**Desert Community Bank**

Rated Area: California

**Table 6 - Borrower Distribution of Home Purchase Loans**

Evaluation Period: January 1, 2003 through December 31, 2004

Assessment Area	Total Loans from Bank		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending (%)				Market Share (%)					
	# Loans	% Rated Area Total	Bank Loans (%)	Families (%)	Bank Loans (%)	Families (%)	Bank Loans (%)	Families (%)	Bank Loans (%)	Families (%)	Low	Mod	Mid	Upp	Overall	Low	Mod	Mid	Upp	
<i>Full-Scope Review</i>																				
VICTOR VALLEY	125	100.00	1.60	24.26	15.20	18.73	28.00	21.74	55.20	35.27	5.24	20.97	36.35	37.45	0.49	0.26	0.29	0.43	0.70	

Income classification of families based on 2004 demographic data. Aggregate Lending and Market Share data based on 2003 reported HMDA lending activity.

**Desert Community Bank**

Rated Area: California

**Table 7 - Borrower Distribution of Home Mortgage Refinance Loans**

Evaluation Period: January 1, 2003 through December 31, 2004

Assessment Area	Total Loans from Bank		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending (%)				Market Share (%)					
	# Loans	% Rated Area Total	Bank Loans (%)	Families (%)	Bank Loans (%)	Families (%)	Bank Loans (%)	Families (%)	Bank Loans (%)	Families (%)	Low	Mod	Mid	Upp	Overall	Low	Mod	Mid	Upp	
<i>Full-Scope Review</i>																				
VICTOR VALLEY	490	100.00	4.49	24.26	14.49	18.73	26.53	21.74	54.49	35.27	5.95	16.63	30.18	47.24	1.31	1.67	1.11	1.10	1.46	

Income classification of families based on 2004 demographic data. Aggregate Lending and Market Share data based on 2003 reported HMDA lending activity.

**Desert Community Bank**

Rated Area: California

**Table 8 - Qualified Investments**

Evaluation Period: January 1, 2003 through December 31, 2004

<i>Assessment Area</i>	<i>Prior Period Investments*</i>		<i>Current Period Investments</i>		<i>Total Investments</i>			<i>Unfunded Commitments**</i>	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total	#	\$ (000's)
<i>Full-Scope Review</i>									
VICTOR VALLEY	10	49	18	1,134	28	1,246	100	1	3,000

\*Investments made in a previous evaluation period that are outstanding as of the examination date.

\*\*Legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Desert Community Bank**

Rated Area: California

**Table 9 - Distribution of Branch Delivery System and Branch Openings/Closings**

Evaluation Period: January 1, 2003 through December 31, 2004

Assessment Area	Deposits	Branches						Branch Openings / Closings						Population				
	% of Rate Area Deposits in AA	# of Bank Branches	% of Rated Area Branches in AA	Location of Branches by Income Level of Geography (%)				# of Branch Openings	# of Branch Closings	Net Change in Location of Branches (+ or -)				% of Population within each Geography				
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp	
<i>Full-Scope Review</i>																		
VICTOR VALLEY	100.00	8	100.00	0.00	37.50	50.00	12.50	1	0	0	0	+1	0	2.60	31.69	58.44	7.22	