

# **PUBLIC DISCLOSURE**

**March 14, 2005**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Placer Sierra Bank**

**RSSD #33772**

**649 Lincoln Way  
Auburn, California 95603**

**Federal Reserve Bank of San Francisco**

**101 Market Street**

**San Francisco, California 94105**

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

## TABLE OF CONTENTS

INSTITUTION'S RATING .....	1
Institution's Overall CRA Rating.....	1
Table of Performance Test Ratings .....	1
Summary of Major Factors Supporting Rating.....	1
INSTITUTION.....	2
Description of Institution.....	2
Scope of Examination .....	3
Conclusions with Respect to Performance Tests .....	4
FULL-SCOPE ASSESSMENT AREA CONCLUSIONS.....	9
Sacramento .....	9
Los Angeles .....	16
Orange County .....	21
LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS .....	26
APPENDICES	
Appendix A: Glossary of Terms	
Appendix B: CRA Core Tables	
Appendix C: Limited-Scope Assessment Area Market Profiles	

## INSTITUTION'S RATING

**INSTITUTION'S CRA RATING:**  
Placer Sierra Bank is rated "SATISFACTORY"

The following table shows the performance level of Placer Sierra 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>		<b>X</b>
LOW SATISFACTORY		<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 level of community development loans that address articulated needs within the assessment areas;
- A good geographic distribution of small business loans and borrower distribution of home mortgage loans;
- An adequate geographic distribution of home mortgage loans and borrower distribution of small business loans;
- An adequate level of qualified community development investments and grants;
- Delivery systems reasonably accessible to essentially all portions of the assessment area; and
- A relatively high level of community development services.

# INSTITUTION

## DESCRIPTION OF INSTITUTION

Placer Sierra Bank (PSB), with \$1.8 billion in total assets as of December 31, 2004, is headquartered in Auburn, California and has 41 branch locations within California, 32 in Northern California and 9 in Southern California. In 1999 PSB converted from a state savings charter to a state commercial bank charter. Since that conversion, PSB has expanded through a series of mergers and acquisitions, consummating two additional acquisitions during this review period. With its July 2004 merger with Bank of Orange County (BOC), a \$450 million affiliate bank headquartered in Orange, California, PSB expanded out of the Sacramento Gold Country and into Southern California. As a result of this merger, the bank acquired nine new branches and two new assessment areas in Los Angeles and Orange Counties. PSB later acquired the \$331 million Bank of Lodi (BOL) in December 2004, acquiring another nine branches.<sup>1</sup>

Since 1999, PSB has transformed from a thrift that focused on CDs and home loans into a commercial bank originating mortgage, commercial and consumer loans. PSB is now primarily a commercial lender with a focus on small- to medium-sized businesses; however the institution continues to offer a wide range of consumer products with an emphasis on mortgage lending.

Commercial products include:

- Credit cards, term loans, and lines of credit;
- Commercial real estate and construction loans; and
- Small Business Administration (SBA) loans.

Consumer products include:

- A full range of mortgage loans, including home purchase, home refinance, first-time homebuyer, home equity loans and lines, land financing, and construction loans;
- Vehicle and savings secured loans; and
- Personal loans and lines of credit and credit cards.

Below is the December 31, 2004, loan mix as stated on the Consolidated Reports of Condition and Income (Call Report) that details the bank's commercial and mortgage lending emphasis.

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<sup>1</sup> BOL activity will not be considered as part of the scope of this examination as the merger occurred at the end of the evaluation period.

LOAN TYPE	DOLLAR AMOUNT ('000s)	PERCENT OF VALUE
Commercial/Industrial & Non-Farm Non-Residential Real Estate	\$775,309	59.8%
Secured by 1-4 Family Residential Real Estate	\$249,403	19.2%
Construction & Land Development	\$184,317	14.2%
Leases	\$24,545	1.9%
Consumer Loans & Credit Cards	\$11,110	0.9%
All Other	\$51,951	4.0%
<b>Total (Gross)</b>	<b>\$1,296,635</b>	<b>100%</b>

PSB has designated four assessment areas as follows:

- Sacramento - The entire Sacramento-Arden Arcade-Roseville MSA, which includes El Dorado, Placer, Sacramento, and Yolo Counties in their entirety;<sup>2</sup>
- Los Angeles - Los Angeles County in its entirety;
- Orange County - Orange County in its entirety; and
- Nevada-Sierra - Nevada and Sierra Counties in their entirety.

The Los Angeles and Orange County assessment areas are new since the previous evaluation and are the direct result of the BOC merger. The Nevada-Sierra assessment area previously included Plumas County. However, during this review period the bank ceased its operations in this county by selling all five of its branches to a local community bank headquartered in Plumas County.

At the previous examination, dated March 3, 2003, the bank was assigned a satisfactory performance rating. There are no legal or financial impediments preventing PSB from meeting the credit needs of its communities, consistent with its size, business strategy, resources, and the local economic climate.

## SCOPE OF EXAMINATION

The examination covered the period from January 1, 2003, to December 31, 2004, for the lending test, which included a review of small business, home purchase, and home refinance loans. The review of community development loans, investments and services included activity between examination dates (March 3, 2003 through March 14, 2005). In addition, qualified investments made earlier than March 3, 2003, in the Los Angeles and Orange County assessment areas were counted as current period investments due to timing issues stemming from merger and acquisition activity and regulatory mandates with regard to mergers and acquisitions.

<sup>2</sup> In 2004, the Sacramento MSA boundaries were broadened to include Yolo County. This expanded MSA boundary was used in the analysis of PSB lending activity throughout the evaluation period as the definitional change has minimal impact on the analysis and is considered as part of the performance context.

Consistent with PSB's commercial focus and as evidenced by higher volumes of small business loans, small business lending carried greater weight in the evaluation. Home purchase and refinance loans also were reviewed as part of the lending test. However, the level of home purchase and home refinance lending in the Los Angeles and Orange County assessment areas was too limited to conduct a meaningful borrower profile or geographic distribution analysis. Prior to the PSB merger, BOC offered mortgage loans only as an accommodation to its commercial borrowers, so this low level of mortgage lending activity is reasonable. As a result, mortgage lending was excluded from the analysis of these two Southern California assessment areas.

The Sacramento, Los Angeles, and Orange County assessment areas were reviewed using the full-scope examination procedures. Lending volume in the Sacramento assessment area was higher than in the Los Angeles and Orange County assessment areas combined and therefore received greater weight throughout the examination. The limited-scope procedures were chosen for the Nevada-Sierra assessment area due to the low level of activity and resultant limited impact on the overall analysis. These limited-scope procedures are used to determine whether or not performance in this area was consistent with the bank's overall performance.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **LENDING TEST**

Overall performance under the lending test is high satisfactory. The primary basis for the overall performance rating is the strong level of community development lending, the use of innovative and flexible mortgage loan products to meet the credit needs of low-income individuals and geographies, and the strong geographic distribution of small business loans. Conversely, there was a somewhat weak geographic distribution of home mortgage loans. Additionally, performance in the Sacramento assessment area is adequate while overall performance in the Los Angeles and Orange County assessment areas is excellent.

### **Lending Activity**

Overall lending levels are good given the opportunities and competition in the bank's assessment areas. Exhibit 1 below and Table 1 in Appendix B<sup>3</sup> show PSB's lending activity since the previous examination sorted by loan type. Overall, loan volumes in all four assessment areas were commensurate with the bank's share of deposits from that area. Although the bank's market share of small business and home mortgage products is somewhat below its deposit market share, these levels are satisfactory given the bank faces strong competition from large national banks for these products.

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<sup>3</sup> All tables referenced in this document can be found in Appendix B-CRA Core Tables.

EXHIBIT 1				
SUMMARY OF LENDING ACTIVITY				
JANUARY 1, 2003 - DECEMBER 31, 2004				
Loan Type	#	%	\$ ('000s)	%
HMDA Home Purchase	489	23.41	185,357	32.20
HMDA Refinance	352	16.85	70,195	12.19
HMDA Home Improvement	61	2.92	5,378	0.94
HMDA Multifamily	5	0.24	6,170	1.07
<b>Total HMDA-Related</b>	<b>907</b>	<b>43.42</b>	<b>267,100</b>	<b>46.40</b>
<b>Total Small Business</b>	<b>1,182</b>	<b>56.58</b>	<b>308,600</b>	<b>53.60</b>
<b>TOTAL LOANS</b>	<b>2,089</b>	<b>100.0</b>	<b>575,700</b>	<b>100.0</b>

As previously mentioned, home mortgage lending was evaluated in the Sacramento assessment area only. Also, based on low lending volumes, small farm and home improvement loans were excluded from the entire analysis. Multi-family housing loans are considered as part of the community development lending analysis to the extent that they meet regulatory requirements for such consideration.

### Assessment Area Concentration

A substantial majority of loans were made within the designated assessment areas, both by number of transactions and by dollar volume. The following table shows the number and dollar amount of loans extended within the bank's designated assessment areas during the review period. The number and volume of lending outside the assessment areas is slightly inflated due to the inclusion of loans originated in Plumas County prior to the bank's exit of that area. The tables in Appendix B have additional information regarding assessment area lending.

EXHIBIT 2								
LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS								
JANUARY 1, 2003 - DECEMBER 31, 2004								
LOAN TYPE	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
HMDA Home Purchase	414	84.66	164,586	88.79	75	15.34	20,771	11.21
HMDA Refinance	236	67.05	48,275	68.77	116	32.95	21,920	31.23
<b>Total HMDA-Related</b>	<b>650</b>	<b>77.29</b>	<b>212,861</b>	<b>83.29</b>	<b>191</b>	<b>22.71</b>	<b>42,691</b>	<b>16.71</b>
<b>Total Small Business</b>	<b>1,094</b>	<b>92.55</b>	<b>275,496</b>	<b>89.27</b>	<b>88</b>	<b>7.45</b>	<b>33,104</b>	<b>10.73</b>
<b>TOTAL LOANS</b>	<b>1,744</b>	<b>86.21</b>	<b>488,357</b>	<b>86.56</b>	<b>279</b>	<b>13.79</b>	<b>75,795</b>	<b>13.44</b>

## Geographic and Borrower Distribution

The overall distributions of loans among geographies and borrowers of different incomes range from good to adequate. These conclusions are based on a variety of contextual issues that affect the individual conclusions in the separate assessment areas. Therefore, the facts and data supporting individual conclusions are presented within the separate assessment areas.

The geographic distribution of small business loans and the borrower distribution of home mortgage loans are the strengths of the overall performance, with areas of notable performance in each assessment area. Conversely, the geographic distribution of home mortgage loans was the weakest area of the overall performance.

To address the low mortgage loan distributions, the bank worked with Neighborhood Housing Services of Sacramento to develop a flexible mortgage product called *First Time Homebuyer Plus*. This product uses a variety of underwriting guidelines such as low or no down payments, higher debt-to-income ratios, and alternate sources of acceptable credit. The product also uses various sources of financing and incorporates financial counseling to assist low- and moderate-income individuals in buying their first home. To date, PSB has closed 29 loans totaling approximately \$4.7 million under this program with plans to expand the program to its other assessment areas in the near future.

## Community Development Lending

Overall, community development lending is excellent given the high level of lending and strong competition for such opportunities. PSB originated approximately \$50 million in qualifying loans. Lending levels were particularly high in Los Angeles County where qualifying loans supported affordable housing needs as well as the revitalization of low- and moderate-income tracts. Various loans in the Sacramento assessment area enhanced the bank's performance by assisting with the provision of services to low- and moderate-income individuals.

## INVESTMENT TEST

Performance under the investment test is low satisfactory. Placer Sierra Bank provided a sufficient level of investments during the review period and made use of more complicated tax credit investments. Community development investment activities primarily supported affordable housing efforts including a mutual fund with holdings concentrated in affordable housing projects and tax credits that helped fund affordable housing projects throughout the state. Activities benefiting specific assessment areas are addressed under their respective portions of the evaluation.

As shown in Table 8, of its approximately \$7 million in total investment activity, the bank had approximately \$2 million in investments that benefited a broader statewide or regional area. Of the total commitment, approximately \$1.2 million was funded during this review period and consisted of an investment with the California Rural Home Mortgage Finance Agency and a statewide tax credit fund. The remaining \$836 thousand remains on the bank's books as an unfunded commitment.



## SERVICE TEST

Performance under the service test is high satisfactory. Retail banking services are reasonably accessible to essentially all portions of the assessment areas. The provision of community development services is relatively high and helps to build the bank's overall service capacity.

### Retail Banking Services

PSB's services are reasonably accessible to essentially all portions of the assessment areas through a network of 33 branch offices<sup>4</sup> that does not exclude low- and moderate-income census areas. The bank's record of closing branch offices between exams did not adversely affect the accessibility of its delivery systems. Five branches were sold to Plumas Bank and a sixth branch was closed during the review period. The closed branch was located in Rocklin, a large retail area that is served by several banks. Customers of this former branch can also easily be served by three nearby PSB branch offices.

Other services that enhance the availability of delivery systems include 43 branch automated teller machines (ATMs), as well as two stand-alone ATMs, all of which allow business to be conducted in English or Spanish. The bank further enhanced automated services during the review period by joining the *FastBank Free* ATM network which provides free access to over 3,200 ATMs nationwide and by participating in the California Electronic Benefit Transfer (EBT) Project. The California EBT project allows for the automation of government benefit delivery through the use of electronic funds transfer technology. Benefits available through this service include food stamps, CalWORKs funds, and General Assistance. Online fully interactive Internet banking for businesses and consumers is available also.

### Community Development Services

PSB provides a relatively high level of community development services within its designated assessment areas. Fifteen employees provided over 1,150 hours of qualified community development services. Services were provided through the provision of home ownership counseling programs, which targeted first-time homeowners. Additionally, the bank provided budgeting and financial advice seminars, which provide financial literacy training to low- and moderate-income consumers. The bank also focused on providing services, such as bookkeeping and budgeting services, as well as loan review and approval services to community development agencies.

All of the above supported articulated needs within the assessment areas. Participation is primarily focused on groups that provide support services to economically disadvantaged people. Further details regarding these service activities are provided under the assessment area they benefited.

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<sup>4</sup> Branches from the Bank of Lodi merger are not considered in this evaluation.

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

PSB is in compliance with the substantive provisions of the anti-discrimination laws and regulations. Established policies and procedures are designed to ensure compliance with fair lending laws and regulations. Also, the fair lending review performed concurrently with this examination did not evidence that PSB engaged in any type of discriminatory lending practices.

## FULL-SCOPE ASSESSMENT AREA CONCLUSIONS

*For each assessment area where a full-scope review was performed using the examination procedures.*

### SACRAMENTO

#### DESCRIPTION OF OPERATIONS IN SACRAMENTO

The Sacramento assessment area, defined as the Sacramento-Arden Arcade-Roseville MSA, includes the contiguous counties of El Dorado, Placer, Sacramento, and Yolo. The assessment area contains a diverse landscape that reaches from the Central Valley to Lake Tahoe in the Sierra Nevada Mountains. Sacramento and Yolo Counties are in the middle of the Central Valley, extending from the delta lands between the Sacramento and San Joaquin rivers to the foothills of the Sierra Nevada and have an important agricultural role. Placer and El Dorado Counties, located north and northeast of Sacramento, include the grasslands of the Gold Country and the Sierra Nevada Mountain Range. According to the U.S. Census Bureau the total population of the Sacramento MSA as of July 1, 2003, was 1,974,810 with 1,330,711 people residing in Sacramento County, 292,235 in Placer County, 183,042 in Yolo County and 168,822 in El Dorado County.

PSB's presence in the assessment area is concentrated in Placer County where it operates its head offices as well as 20 of its 24 Northern California branches. These branches are located in the cities of Auburn, Foresthill, Granite Bay, Lincoln, Loomis, Meadow Vista, Newcastle, Rocklin, and Roseville. In El Dorado County, PSB operates four branches in the towns of Cameron Park, Cool, El Dorado Hills, and Placerville. The bank has four branches in Sacramento County in Folsom, Orangevale, and downtown Sacramento. The bank currently has no branches in Yolo County.

PSB ranks seventh out of 42 institutions for deposit market share in the Sacramento assessment area with a 2.91 percent of total area deposits.<sup>5</sup> The bank's share of deposits in each county is reflective of its branch structure ranking 3<sup>rd</sup> out of 26 in Placer County with 10.04 percent of area deposits, 9<sup>th</sup> out of 12 institutions in El Dorado County with 2.47 percent, and 13<sup>th</sup> out of 35 institutions in Sacramento County with 1.42 percent.<sup>6</sup> PSB is not ranked in Yolo County as it does not currently operate any offices there. Overall lending market share is lower than deposit market share with PSB originating less than one percent of the home purchase, home refinance, and small business loans in the assessment area.

Exhibit 3 below depicts demographic information based on the 2000 U.S. Census and 2004 Dun & Bradstreet data. This information was used to help develop the performance context for the Sacramento assessment area.

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<sup>5</sup> Federal Deposit Insurance Corporation, *Summary of Deposits*, June 30, 2004 (accessed February 25, 2005); available from <http://www2.fdic.gov/sod>.

<sup>6</sup> Federal Deposit Insurance Corporation, *Summary of Deposits*, June 30, 2004 (accessed February 25 and 28, 2005); available from <http://www2.fdic.gov/sod>.

EXHIBIT 3								
ASSESSMENT AREA DEMOGRAPHICS								
SACRAMENTO								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	29	7.2	24,406	5.4	7,382	30.2	91,390	20.3
Moderate-income	99	24.6	103,746	23.1	16,723	16.1	81,557	18.2
Middle-income	160	39.7	180,580	40.2	11,329	6.3	94,033	20.9
Upper-income	115	28.5	140,425	31.3	3,763	2.7	182,177	40.6
<b>Total AA</b>	<b>403</b>	<b>100.0</b>	<b>449,157</b>	<b>100.0</b>	<b>39,197</b>	<b>8.7</b>	<b>449,157</b>	<b>100.0</b>
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	43,313	13,523	3.3	31.2	26,145	60.4	3,645	8.4
Moderate-income	177,940	74,733	18.3	42.0	90,375	50.8	12,832	7.2
Middle-income	289,794	171,830	42.1	59.3	95,180	32.8	22,784	7.9
Upper-income	203,934	147,635	36.2	72.4	45,877	22.5	10,422	5.1
<b>Total AA</b>	<b>714,981</b>	<b>407,721</b>	<b>100.0</b>	<b>57.0</b>	<b>257,577</b>	<b>36.0</b>	<b>49,683</b>	<b>6.9</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	4,816	7.2	3,879	6.6	624	10.7	313	10.7
Moderate-income	15,714	23.4	13,439	23.0	1,518	26.0	757	26.0
Middle-income	26,730	39.8	23,478	40.2	2,151	36.8	1,101	37.8
Upper-income	19,864	29.6	17,569	30.1	1,550	26.5	745	25.5
<b>Total AA</b>	<b>67,124</b>	<b>100.0</b>	<b>58,365</b>	<b>100.0</b>	<b>5,843</b>	<b>100.0</b>	<b>2,916</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>			<b>87.0</b>		<b>8.7</b>		<b>4.3</b>	

The assessment area has a diverse economic base with government, services, and retail trade serving as the key employers. Government is the largest industry employer within the four-county region, which is chiefly the result of Sacramento serving as the state's capital.

The assessment area contains many of California's fastest growing communities. This growth is attributable to a thriving job market, families moving from the San Francisco Bay Area seeking cheaper housing, and a growing retirement community in the foothills region.<sup>7</sup> The unemployment rate in the MSA which was 5.5 percent in 2003, and 5.3 percent in 2004, remains significantly below the statewide average jobless rates of 6.8 percent and 6.2 percent respectively.<sup>8</sup> In Placer County, Roseville and Rocklin recorded population growth of 6 percent

<sup>7</sup> Precis METRO: Sacramento (West Chester, Pennsylvania: Economy.com, August 2004).

<sup>8</sup> U.S. Department of Labor, Bureau of Labor Statistics website (accessed April 11, 2005); available from <http://data.bls.gov>.

from 2001 to 2002, while the city of Lincoln had the second-fastest one-year growth rate in the state at 15.8 percent. The cities of Elk Grove and Folsom are experiencing rapid growth in Sacramento County whereas Yolo County ranks as the third fastest growing county in the state.<sup>9</sup>

Government provides more than 26 percent of all employment in El Dorado, Placer and Sacramento Counties<sup>10</sup> and about 34 percent of employment in Yolo County.<sup>11</sup> Trade, transportation and utilities also were major area employers, accounting for over 16 percent of total industry employment with a majority of these jobs in retail trade. Professional and business services also were a significant area employer, providing about 12 percent of local payrolls. A significant percentage of the services- and retail-oriented companies in the assessment area can be characterized as small businesses. In fact, based on published reports from Dun & Bradstreet, 87 percent of all businesses in the area earned less than \$1 million in annual revenues. According to community representatives, business credit in smaller dollar amounts remains an important credit need for businesses in this category.

Although average median incomes exceed thresholds that are typically needed to buy a median-priced home by approximately \$6,000 in the Sacramento area, housing costs have outstripped income growth. One of the key drivers of this upward trend is the previously mentioned migration of families and retirees from the Bay Area seeking cheaper housing.<sup>12</sup> This trend coupled with interviews with community representatives, suggest financing for affordable housing is becoming an increasingly important area credit need. House-price appreciation continues to accelerate and has nearly exceeded the record pace set in 1990.<sup>13</sup> Community representatives state that as home prices have gone up, affordability has been strained. These strains can often have a disproportionately negative effect on low- and moderate income families.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SACRAMENTO**

### **LENDING TEST**

Overall performance under the lending test in the Sacramento assessment area is good. The level of community development lending, geographic distribution of small business loans and borrower profile of home mortgage loans are all strong. However, the geographic distribution of home mortgage loans and the borrower distribution of small business loans adequate. It has been noted, however, that PSB also responded to the credit needs of low- and moderate-income

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<sup>9</sup> California Employment Development Department Labor Market Information Division, County Snapshot, Sacramento MSA 2003 (California Employment Development Department, 2003).

<sup>10</sup> California Employment Development Department Labor Market Information Division, County Snapshot, Sacramento MSA 2003 (California Employment Development Department, 2003).

<sup>11</sup> Ibid.

<sup>12</sup> *Locked Out 2004 – California's Affordable Housing Crisis*, California Budget Project, January 2004 (accessed April 5, 2005); available from [www.cbp.org](http://www.cbp.org).

<sup>13</sup> *Precis METRO: Sacramento* (West Chester, Pennsylvania: Economy.com, August 2004).

individuals and geographies by undertaking an innovative and flexible home mortgage product aimed towards low- and moderate-income first time homebuyers.

## **Lending Activity**

Lending activity in the Sacramento assessment area is good. As indicated in Table 1, the percentage of loans made in this assessment area was consistent with the percentage of deposits taken. Tables 2 through 4 present PSB's market share for the number of loans originated.

## **Lending Distribution by Geography**

### *Small Business Loans*

The distribution of small business loans is good. Loans were well dispersed throughout the assessment area with the exception of Yolo County, where the bank has no branch presence. As seen in Table 2, penetration of low-income geographies was particularly strong as lending patterns significantly exceeded the percentage of businesses and the aggregate lending. Small business lending in moderate-income geographies, while still reasonable, was somewhat below the percentage of business entities and aggregate lending.

### *Home Mortgage Loans*

In contrast to the bank's small business lending the geographic distribution of home mortgage loans, both home purchase and refinance, does not compare favorably to the level of owner-occupied housing in the assessment area. However, considering the PSB's branch locations, the high level of competition for such loans, and specialized efforts to reach these geographies, performance is considered adequate. As detailed in Tables 3 and 4, PSB's lending is primarily in middle- and upper-income areas while the level of lending in low- and moderate-income tracts compares unfavorably with the percentage of owner-occupied units and aggregate lending.

The low penetration of loans in low- and moderate-income areas is somewhat mitigated by the bank's branch distribution and efforts to reach these borrowers. PSB's branch offices are heavily concentrated in Placer and El Dorado Counties and the eastern section of Sacramento County while the majority of the low- and moderate-income tracts are concentrated in the northern and western areas of Sacramento County. These circumstances along with the high level of competition in Sacramento make it difficult for the bank to penetrate this market. In addition, PSB initiated an innovative product called *First Time Homebuyer Plus* in an effort to meet the mortgage credit needs of low- and moderate-income communities and buyers. This program partners with local community groups and government housing agencies and uses flexible underwriting guidelines to help low- and moderate-income individuals become new homeowners. It should be noted that the bank's efforts in this area were temporarily hampered by the elimination of Section 8 funds by HUD during the review period, which may have been marginally affected the performance under this component. As noted in the overall conclusions, however, the bank has extended 29 loans for approximately \$4.7 million under this program.

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

### *Small Business Loans*

The borrower distribution of small business loans is adequate. As shown in Table 5, nearly 38 percent of small business loans were extended to businesses with gross annual revenues of \$1 million or less. Although this figure is below the concentration of businesses, it is consistent with the level of aggregate lending to small businesses. Aggregate lending performance to small businesses was just above 36 percent. A little more than 41 percent of PSB's small businesses loans were for amounts of \$100,000 or less, addressing the identified credit need in the assessment area for smaller dollar loans.

### *Home Purchase Loans*

Overall, the distribution of home purchase loans among borrowers of different income levels in the assessment area is good. As detailed in Table 6, distribution among low-income borrowers is below the percentage of low-income families, but more than twice as high as the aggregate distribution. Although, distribution among moderate-income borrowers was lower than the percentage of moderate-income families and aggregate lending overall penetration of economically disadvantaged borrowers is good, particularly in light of the increasing affordable housing issue in the assessment area.

### *Home Refinance Loans*

PSB's distribution of home refinance loans to borrowers of different income levels is excellent. As shown in Table 7, distribution of PSB loans is above aggregate lending levels to both low- and moderate-income borrowers. Distribution is particularly strong in reaching moderate-income borrowers. Over 20 percent of PSB home refinance loans were to moderate-income borrowers while aggregate lent at just below 16 percent and the percentage of families in this income level is 18 percent.

## **Community Development Lending**

PSB's community development lending in the Sacramento assessment area is excellent. As shown in Table 1, PSB funded nine community development loans totaling approximately \$17 million. Eight of the loans benefited organizations that provide services to low- and moderate-income individuals, while one loan was to an affordable housing developer. Of particular note was a \$4.8 million line of credit to a non-profit corporation that provides various business services to small businesses, government agencies, and Fortune 100 companies by employing low- and moderate-income individuals with disabilities. The company also provides vocational training and occupational skill development to developmentally disabled children who would otherwise be unemployable.

## INVESTMENT TEST

PSB made an adequate level of qualified community development investments and grants. As seen in Table 8, the bank had just over \$2 million in qualified investment activity in this assessment area. These consisted of approximately \$33,000 in community development donations whose funds primarily went towards organizations involved in providing affordable housing and services for low- and moderate-income individuals. In addition, there were \$2 million in qualifying investments remaining on the books from the prior review period. This amount was held in a mutual fund that is managed with an investment strategy of targeting qualified investment opportunities in the investors' respective assessment areas. PSB's allocation from the fund helped to finance four multifamily affordable housing projects in Sacramento and El Dorado counties as well as the California Rural Home Mortgage Finance Agency's down payment assistance program for low- and moderate-income families. As mentioned earlier, statewide tax credit investments also served the Sacramento assessment area, meeting the need for affordable housing construction including a 119-unit complex.

## SERVICE TEST

PSB's provision of retail banking and community development services is good.

### Retail Banking Services

Delivery systems provide reasonable access to the bank's products and services to essentially all portions of the assessment area. As seen in Table 9, one branch is located in a low-income census tract while there are no branch offices in moderate-income tracts. All products and services are offered at the bank's 20 branch offices in the Sacramento MSA and business hours do not vary in a way that inconveniences certain portions the assessment area. As mentioned earlier the bank has a network of 45 ATMs throughout its four assessment areas that offer services in English and Spanish. A phone call center and Internet banking are also available.

### Community Development Services

PSB employees provided a relatively high level of community development services. Six employees committed over 730 hours in the assessment area. Qualifying activities met various community development needs in the assessment area. Some of these activities include:

- An employee committed over 75 hours of time to provide technical expertise to a county redevelopment committee. The committee reviews and approves individual loan requests for county and state funded redevelopment programs; typically real estate transactions for residential rehabilitation or acquisition for low- and moderate-income persons.
- Another employee dedicated 120 hours working in conjunction with a regional non-profit organization to present first-time homebuyer education seminars targeted to low- and moderate-income individuals.



- An officer provided 240 hours of technical expertise and training to an organization that provides resources, leadership development skills, workshops, training, and consulting to non-profit organizations in the Sacramento region.
- One employee spent about 32 hours assisting a local affordable housing organization with fundraising and marketing expertise.

## LOS ANGELES

### DESCRIPTION OF OPERATIONS IN LOS ANGELES

The Los Angeles assessment area consists of Los Angeles County in its entirety and is defined as the Los Angeles-Long Beach-Glendale Metropolitan Division of the Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area. Los Angeles County is the most populous county in the nation with a U.S. Census Bureau estimate of 9,871,506 in 2003. The county is also quite large by land area, covering over 4,000 square miles which is larger than the states of Delaware and Rhode Island combined.<sup>14</sup>

PSB's presence in Los Angeles County is the result of the July 2004 merger with BOC. PSB acquired six former BOC branches in the cities of Artesia, Downey, Glendale, Huntington Park, Norwalk, and Santa Fe Springs. The Artesia, Glendale, Huntington Park, and Norwalk branches were acquired by BOC in August 2002 after merging with Cerritos Valley Bank. The BOC branch in Torrance was sold to Bay Cities Bank in September 2002, which was subsequent to the previous BOC CRA examination, but prior to the merger with PSB. No other branches in the assessment area were sold or closed.

The Los Angeles assessment area is characterized by an intense level of competition for financial services. There are 133 FDIC-insured depository institutions, with BOC (now PSB) ranked 72<sup>nd</sup> in deposit balances and with a market share of 0.09 percent.<sup>15</sup> In addition, large national banks dominate the market, creating a competitive environment for community development loans and investments. A high level of competition also exists for small business loans and mortgages in the assessment area with 250 lenders reporting small business loans in the assessment area and 975 mortgage lenders in 2003. The bank ranked 50<sup>th</sup> for small business loans and 684<sup>th</sup> for mortgages during 2003.

Exhibit 4 below offers demographic data based on the 2000 U.S. Census and 2004 Dun & Bradstreet data. This information was used to develop the performance context for the Los Angeles assessment area.

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<sup>14</sup> California Employment Development Department Labor Market Information Division, County Snapshot, *Los Angeles 2003* (California Employment Development Department, 2003).

<sup>15</sup> FDIC *Summary of Deposits*, June 30, 2004 (accessed February 28, 2005); available from <http://www2.fdic.gov/sod>.

EXHIBIT 4								
ASSESSMENT AREA DEMOGRAPHICS								
LOS ANGELES								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	179	8.7	152,357	7.1	60,274	39.6	515,024	23.9
Moderate-income	581	28.3	591,619	27.5	143,264	24.2	355,426	16.5
Middle-income	575	28.0	652,267	30.3	75,230	11.5	375,132	17.4
Upper-income	703	34.2	758,068	35.2	32,458	4.3	908,729	42.2
Tract not reported	16	0.8	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>2,054</b>	<b>100.0</b>	<b>2,154,311</b>	<b>100.0</b>	<b>311,226</b>	<b>14.4</b>	<b>2,154,311</b>	<b>100.0</b>
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	237,505	28,678	1.9	12.1	192,342	81.0	16,485	6.9
Moderate-income	844,083	231,834	15.5	27.5	571,826	67.7	40,423	4.8
Middle-income	981,541	469,348	31.3	47.8	475,616	48.5	36,577	3.7
Upper-income	1,207,754	769,834	51.3	63.7	394,275	32.6	43,645	3.6
Tract not reported	26	0	0.0	0.0	21	80.8	5	19.2
<b>Total AA</b>	<b>3,270,909</b>	<b>1,499,694</b>	<b>100.0</b>	<b>45.8</b>	<b>1,634,080</b>	<b>50.0</b>	<b>137,135</b>	<b>4.2</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	30,811	8.2	25,358	7.9	3,761	9.6	1,692	10.1
Moderate-income	82,158	21.9	69,203	21.6	8,941	22.8	4,014	24.0
Middle-income	103,551	27.5	87,958	27.5	11,021	28.1	4,572	27.4
Upper-income	156,974	41.7	135,831	42.4	14,908	38.0	6,235	37.3
Tract not reported	2,505	0.7	1,673	0.5	650	1.7	182	1.1
<b>Total AA</b>	<b>375,999</b>	<b>100.0</b>	<b>320,023</b>	<b>100.0</b>	<b>39,281</b>	<b>100.0</b>	<b>16,695</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>			<b>85.1</b>		<b>10.4</b>		<b>4.4</b>	

In recent years the economy of Los Angeles County has shown signs of economic vitality. Although rising 0.2 percent from 2002 to 2003, the unemployment rate dropped 0.4 percent to 6.6 percent in 2004. The jobless rate in Los Angeles County has consistently been slightly above the unemployment rate for the state. The improvement in the job market is attributable to a rise in federal defense spending, expanding international trade, a more robust travel and hospitality industry, and stable construction activity.<sup>16</sup>

Los Angeles County has a diverse and relatively stable economic base owing to its status as a hub for business and professional services, healthcare, international trade, manufacturing, and

<sup>16</sup> Precis METRO: *Los Angeles* (West Chester, Pennsylvania: Economy.com August 2004).

global services. The trade, transportation, and utilities industries are the county's largest employers providing over 19 percent of overall employment. Other major industry employers include government, professional and business services, and manufacturing providing 15 percent, 14.3 percent, and 13.3 percent of area jobs respectively. Tourism and entertainment also play a vital role in the assessment area's economy.<sup>17</sup>

Interviews with community representatives, along with demographic and economic information, suggest small business financing remains an area of credit need. Of specific importance are loans in small dollar amounts. As shown in Exhibit 4, Dun & Bradstreet reports that businesses with gross annual revenue of \$1 million or less accounted for over 85 percent of assessment area businesses. Community representatives stated that such businesses require loans in small dollar amounts, though there is a high level of competition for this credit need in the assessment area.

Since 1994, housing in California has been relatively unaffordable. In Los Angeles, the income needed to purchase a median-priced home exceeds the area median income by more than \$19,000. Furthermore, due to a higher rate of poverty and higher housing costs in Los Angeles, a disproportionately large share of homeless residents live on the streets of Los Angeles compared to the US average.<sup>18</sup> This evidence along with information gathered from interviews with community representatives suggests a critical need for affordable housing construction as well as basic services for low- and moderate-income individuals.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LOS ANGELES**

### **LENDING TEST**

Overall performance under the lending test in the Los Angeles assessment area is excellent. The small business loan geographic distribution and community development lending were particularly strong in this assessment area, while the borrower distribution of small business loans was adequate. As home mortgage lending in this assessment area was too low to make substantive conclusions, the geographic distribution and borrower profile performance were based only on small business lending.

### **Lending Activity**

Lending activity in the Los Angeles assessment area is good. As seen in Table 1, the percentage of bank loans is proportionate to the percentage of deposits in the assessment area. The lending level of small business loans is relatively high given the opportunities and considerable amount of competition in this market. Lending levels of home mortgage products are low due to the

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<sup>17</sup> California Employment Development Department Labor Market Information Division, County Snapshot, *Los Angeles 2003* (California Employment Development Department, 2003).

<sup>18</sup> *Locked Out 2004 - California's Affordability Crisis*, California Budget Project, January 2004 (accessed April 5, 2005); available from [www.cbpp.org](http://www.cbpp.org).

previous strategic focus of Bank of Orange County as a business lender. Since the merger in July 2004, PSB has initiated home mortgage products in this assessment area, but these have not been available long enough to build a substantial customer base.

### **Lending Distribution by Geography**

PSB's geographic distribution of loans within the assessment area is excellent. As displayed in Table 2, penetration of low- and moderate-income tracts exceeds the percentage of business entities and aggregate lending performance. Penetration in moderate-income tracts was particularly strong.

### **Lending Distribution by Business Revenue**

Lending distribution by business revenue in the Los Angeles assessment area was adequate. Consistent with the distribution in the Sacramento assessment area, small business lending in Los Angeles was just above aggregate. Bank lending to businesses with gross annual revenues of \$1 million or less was slightly more than 39 percent, while nearly 37 percent of aggregate lending went to businesses of this size. Approximately 40 percent of the bank's small business loans were in amounts of less than \$100,000, addressing the identified area credit need for small dollar loans.

### **Community Development Lending**

PSB's community development lending in the Los Angeles assessment area is excellent. Approximately \$26.5 million was funded in this assessment area for the purpose of financing the construction and rehabilitation of "in-fill" housing in low- and moderate-income areas and for low- and moderate-income families within the Los Angeles County. During the review period the bank originated 27 loans under this program which assisted in the rehabilitation or construction of 244 housing units. Some of the larger projects funded under this program include:

- A \$2.4 million dollar loan to construct 16 single family residences located in a moderate-income geography in the city of Baldwin Park. All of the homes were priced at below market rates. In addition, three of the homes were set aside for moderate-income families.
- A \$2.7 million dollar credit to acquire 18 single family residences and 4 duplex residences in low- and moderate-income areas of Lynwood, Compton, and Los Angeles for rehabilitation and resale as affordable housing to low- and moderate-income buyers.
- A \$7 million loan for rehabilitation and conversion of an existing 77-unit apartment building to condominiums. The property is located in a moderate-income tract and the units are targeted to low- and moderate-income buyers.

In addition to loans originated under the Affordable Housing Program, PSB made a \$1 million working capital line of credit to a local non-profit that deals with alcohol and drug abuse. This organization operates programs that include various outreach and education activities for the homeless and "at risk" adolescents. It also operates the Allen House, a 6-month residential

therapeutic community drug and alcohol treatment center that serves primarily low- and moderate-income persons.

## **INVESTMENT TEST**

PSB's investment test performance in the Los Angeles assessment area is considered adequate. PSB made approximately \$10,000 in qualified donations to support the need for services to low- and moderate-income individuals. Competition for qualified investments is robust and although there were no investments that solely benefited the assessment area, the bank participated in a mutual fund with holdings in an affordable housing revenue bond benefiting the Los Angeles assessment area. The purpose of the bond was to finance second mortgages for low- and moderate-income borrowers. Lastly, the purchase of statewide tax credits, mentioned earlier, reflected favorably on the bank's broader efforts to meet affordable housing needs throughout the regional area; including Los Angeles.

## **SERVICE TEST**

The bank's provision of retail and community development services in Los Angeles is good.

### **Retail Banking Services**

Branch locations are reasonably accessible to essentially all portions of the assessment area with one branch in a moderate-income tract and the remainder in middle-income tracts. Hours do not vary in a way that inconveniences portions of the assessment area and, as seen in Table 9, there were no branch closings in the assessment area during the review period. While five of the six branches offer ATM services in Spanish and English, three of the branches are equipped with drive-up ATMs. In addition, the bank expanded the range of services available at ATMs by participating in the California Electronic Benefit Transfer Project. This service allows for the direct deposit and electronic access to government benefits, many of which support low- and moderate-income individuals.

### **Community Development Services**

PSB employees provided a relatively high level of community development services in Los Angeles given the percentage of bank staff and resources in the assessment area. Four employees dedicated over 300 community development service hours during the review period. These services primarily benefited organizations that provide services to low- and moderate-income individuals which included. One bank employee serves on the board of advisors for the Downey Family YMCA which provides social, health, and fitness programs to LMI individuals. In addition, two employees serve, separately, on the board of directors of the Community Family Guidance Center, which provides mental health services to LMI individuals and the local Chamber of Commerce that primarily serves the technical assistance needs of small businesses.

## ORANGE COUNTY

### DESCRIPTION OF OPERATIONS IN ORANGE COUNTY

The Orange County assessment area consists of Orange County in its entirety and is defined as the Santa Ana-Anaheim-Irvine Metropolitan Division of the Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area. Orange County is the second most populous county in California after Los Angeles. The U.S. Census Bureau estimated the county had 2,957,766 residents in 2003.<sup>19</sup> Orange County is situated along 42 miles of southern California coast with most of the incorporated cities located in the northwest area, stretching south along the coast.<sup>20</sup>

PSB has three branch offices in the assessment area located in the cities of Fountain Valley, Fullerton, and Orange. All three branches in the assessment area were acquired from the merger with BOC in July 2004. There have been no branch openings or closings in the assessment area since the most recent BOC CRA examination.

Similar to the Los Angeles assessment area, Orange County is a market with a high level of competition for financial services. There are 89 FDIC-insured depository institutions, with BOC (now PSB) ranked 28<sup>th</sup> in deposit market share in 2004. A high level of competition also exists for small business loans and mortgages, with 177 lenders reporting small business loans in the assessment area and 811 mortgage lenders for 2003. BOC ranked 26<sup>th</sup> for small business lending and 582<sup>nd</sup> for mortgage loans during 2003.

Exhibit 5 offers demographic data based on the 2000 U.S. Census and 2004 Dun & Bradstreet data. This information was used to develop the performance context for the Orange County assessment area.

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<sup>19</sup> U.S. Census Bureau *Population Quick Facts* (accessed April 6, 2005) available at <http://quickfacts.census.gov/qfd/states/06/06059.html>.

<sup>20</sup> California Employment Development Department Labor Market Information Division, County Snapshot, *Orange 2003* (California Employment Development Department, 2003).

EXHIBIT 5								
ASSESSMENT AREA DEMOGRAPHICS								
ORANGE COUNTY								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	21	3.6	24,782	3.7	6,629	26.7	138,525	20.6
Moderate-income	155	26.9	180,074	26.7	22,929	12.7	120,686	17.9
Middle-income	191	33.1	218,318	32.4	11,625	5.3	139,356	20.7
Upper-income	209	36.2	250,738	37.2	5,711	2.3	275,345	40.9
Tract not reported	1	0.2	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>577</b>	<b>100</b>	<b>673,912</b>	<b>100.0</b>	<b>46,894</b>	<b>7.0</b>	<b>673,912</b>	<b>100.0</b>
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	28,778	7,172	1.2	24.9	21,050	73.1	556	1.9
Moderate-income	262,585	112,294	19.6	42.8	141,112	53.7	9,179	3.5
Middle-income	326,870	192,698	33.6	59.0	123,558	37.8	10,614	3.2
Upper-income	351,250	262,028	45.6	74.6	75,374	21.5	13,848	3.9
Tract not reported	1	1	0.0	100.0	0	0.0	0	0.0
<b>Total AA</b>	<b>969,484</b>	<b>574,193</b>	<b>100.0</b>	<b>59.2</b>	<b>361,094</b>	<b>37.2</b>	<b>34,197</b>	<b>3.5</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	4,740	3.4	3,867	3.3	655	4.1	218	4.2
Moderate-income	40,991	29.4	33,766	28.5	5,662	35.8	1,563	30.2
Middle-income	49,355	35.4	41,864	35.3	5,631	35.7	1,860	35.9
Upper-income	43,593	31.2	38,431	32.4	3,667	23.2	1,495	28.9
Tract not reported	857	0.6	638	0.5	179	1.1	40	0.8
<b>Total AA</b>	<b>139,536</b>	<b>100.0</b>	<b>118,566</b>	<b>100.0</b>	<b>15,794</b>	<b>100.0</b>	<b>5,176</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>		<b>85.0</b>		<b>11.3</b>		<b>3.7</b>		

As the population has increased, Orange County has continued to record steady gains in its labor force. The jobless rate in 2003 and 2004 were 3.8 percent and 3.5 percent respectively, well below the state's unemployment rate for the same years. The county owes recent job growth to increased spending on defense aerospace, an expanding global market for the area's semiconductor makers, and a relatively healthy tourism industry.<sup>21</sup>

The assessment area has a vigorous and mature economy and is home to a diverse array of major industries as well as service organizations. Trade, transportation and utilities is the area's largest industry employer with a majority, about 233,700, in retail and wholesale trade.

<sup>21</sup> Precis METRO: *Orange County* (West Chester, Pennsylvania: Economy.com, August 2004).



Professional and business services, the second largest industry in the county, provides nearly 18 percent of all jobs in the area, while manufacturing is the third largest industry with 13.5 percent of all employment. The construction and leisure/hospitality industries are among the county's fastest growing industries.<sup>22</sup>

Interviews with community representatives, along with demographic and economic information, suggest small business financing remains an area of credit need. Of specific importance are loans in small dollar amounts. As shown in Exhibit 5, Dun & Bradstreet reports that businesses with gross annual revenue of \$1 million or less accounted for 85 percent of assessment area businesses. Community representatives stated that such businesses require loans in small dollar amounts, though there is a high level of competition for this credit need in the assessment area.

Affordable housing construction has persisted as a critical need in Orange County despite a moderate drop in the median sales price.<sup>23</sup> In fact, the county's renters and homeowners continue to face serious housing cost burdens. About 48 percent of renter households, many of which are low- to moderate-income, in Orange County pay more than the HUD recommended 30 percent of their income on shelter.

The high cost of housing along with the lack of new affordable units has led to overcrowding in the assessment area as nearly 15 percent of renter households in the county live in overcrowded conditions. Substandard housing is also a significant problem with nearly 7 percent of Orange County's renter households living in substandard circumstances.<sup>24</sup> These conditions were emphasized in an interview with a local community representative who added that Santa Ana is the most densely populated city in the nation due to severe overcrowding. The community representative added that it is often difficult to initiate affordable housing construction given local opposition to affordable housing initiatives.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ORANGE COUNTY**

### **LENDING TEST**

Overall performance under the lending test in the Orange County assessment area is excellent. The geographic distribution of loans and the level of community development lending were particular strengths in the performance whereas borrower distribution was adequate. As in the Los Angeles assessment area, home mortgage lending was too low to make substantive conclusions in Orange County. Therefore the analysis of geographic distribution and borrower profile relied on small business lending only.

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<sup>22</sup> California Employment Development Department Labor Market Information Division, County Snapshot, *Orange 2003* (California Employment Development Department, 2003).

<sup>23</sup> *Precis METRO: Orange County* (West Chester, Pennsylvania: Economy.com, August 2004).

<sup>24</sup> *Locked Out 2004- California's Affordability Crisis*, California Budget Project, January 2004 (accessed April 6, 2005); available from [www.cbp.org](http://www.cbp.org).

## **Lending Activity**

Lending activity in the Orange County assessment area is good. As shown in Table 1, the percentage of bank loans is proportionate to the percentage of deposits in the assessment area. Similar to the other assessment areas, the lending level of small business loans is relatively high given the opportunities and considerable amount of competition in this market. Lending levels of home mortgage products are low due to the previous strategic focus of Bank of Orange County as a business lender. Since the merger in July 2004, PSB has initiated home mortgage products in the Orange County assessment area, but these have not been available long enough to build substantial volume.

## **Lending Distribution by Geography**

PSB's geographic distribution of loans within the Orange County assessment area is excellent. As displayed in Table 2, penetration of low- and moderate-income tracts exceeds the percentage of business entities and to aggregate lending. Penetration of moderate-income tracts was particularly strong as bank penetration was nearly double the aggregate level.

## **Lending Distribution by Business Revenue**

Distribution of lending among businesses of different sizes is adequate. Performance for this component in this assessment area is similar to performance in the Los Angeles and Sacramento assessment areas. As detailed in Table 5, 37.5 percent of PSB small business loans in Orange County were extended to businesses with gross annual revenues of \$1 million or less. This distribution is commensurate with the aggregate which extended slightly more than 37 percent to businesses of this size. Additionally, a little more than 42 percent of business originations were in amounts less than \$100,000, addressing the identified area credit need for small dollar loans.

## **Community Development Lending**

Community development lending in Orange County is excellent. The bank originated about \$5.9 million in qualified loans during the review period mainly to support affordable housing efforts in the assessment area. These credits included a \$2.85 million loan to an affordable housing developer to support the purchase of a 29-unit apartment complex located in a moderate-income tract and targeted to moderate-income renters. In addition, 3 loans totaling \$1.2 million went towards the rehabilitation of housing in low- and moderate-income areas and about \$315,000 went to an organization that houses and provides services for abused children. Finally, a \$1.5 million loan was originated enabling a local business to expand job opportunities for low-income workers.

## **INVESTMENT TEST**

PSB's performance in this assessment area under the investment test is good. As shown in Table 10, the bank had just over \$1.0 million in new investment activity in Orange County during the review period. This consisted of an investment of \$1 million in a mutual fund

whose investment activities had a community development purpose. In addition, the bank made about \$2,000 available in the form of qualified donations to local organizations that mainly provide services to low- and moderate-income individuals.

In addition to the current period activity, the bank also continued its prior period participation with entities pursuing qualifying investment activities. The mutual fund mentioned earlier directed \$2 million (previously invested) toward various affordable housing revenue bonds and loan pools which continued to benefit the assessment area. They also supported community development needs by providing secondary market financing for affordable housing projects throughout the county. Lastly, as noted earlier, the Orange County assessment area received some direct benefit from investments in statewide tax credits which helped address the need for affordable housing including a 51-unit complex.

## **SERVICE TEST**

PSB's service test performance in the assessment area is good.

### **Retail Banking Services**

Branch locations are reasonably accessible to essentially all portions of the assessment area. Hours do not vary in a way that inconveniences portions of the assessment area and there were no branch closings in the assessment area during the review period. Two of the three branches in the assessment area have ATM access, one of which is a drive-up ATM. ATM services are supplied in English and Spanish and have recently been equipped to provide access to government benefits including unemployment and general assistance. More information pertaining to the location of the bank's branch offices relative to population concentrations may be found in Table 9.

### **Community Development Services**

PSB employees provided a limited level of community development services in Orange County given the percentage of bank staff and resources in the assessment area. Four employees dedicated a total of 50 community development service hours during the review period. These services primarily benefited organizations that provide services to low- and moderate-income individuals. In addition, a fourth employee provided technical assistance to a regional economic development corporation, based in Santa Ana, that focuses on job development and financing for small businesses in Southern California.

## LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS

*For each assessment area where a limited-scope review was performed using the examination procedures.*

Placer Sierra Bank's overall performance in the assessment area receiving a limited review is consistent with overall performance in the assessment areas receiving a full review. The bank currently operates four branches in the Nevada-Sierra assessment area. Facts and data reviewed, including performance and demographic information, can be found in the tables accompanying this report.

ASSESSMENT AREA	LENDING TEST	INVESTMENT TEST	SERVICE TEST
Nevada-Sierra	Consistent	Consistent	Consistent

## APPENDIX A

### GLOSSARY OF TERMS

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

**Block numbering area (“BNA”):** Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Small loans to business:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

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

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

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

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

## APPENDIX B

### CRA CORE TABLES

Page B-1	Table 1	Lending Volume of Reported Loans
Page B-2	Table 2	Geographic Distribution of Small Business Loans
Page B-3	Table 3	Geographic Distribution of Home Purchase Loans
Page B-4	Table 4	Geographic Distribution of Home Mortgage Refinance Loans
Page B-5	Table 5	Borrower Distribution of Small Business Loans
Page B-6	Table 6	Borrower Distribution of Home Purchase Loans
Page B-7	Table 7	Borrower Distribution of Home Mortgage Refinance Loans
Page B-8	Table 8	Qualified Investments
Page B-9	Table 9	Distribution of Branch Delivery System and Branch Openings/Closings



**PLACER SIERRA BANK**

Rated Area: California

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

Evaluation Period: January 1, 2003 to 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>												
LOS ANGELES	14.22	244	65,038	0	0	4	1,490	28	26,555	248	66,528	14.02
ORANGE COUNTY	19.55	336	88,664	0	0	5	5,415	7	5,865	341	94,079	18.73
SACRAMENTO	57.40	475	113,286	0	0	526	174,105	9	16,954	1,001	287,391	58.07
<i>Limited Scope Review</i>												
NEVADA-SIERRA	8.83	39	8,508	0	0	115	31,851	0	0	154	40,359	9.18

**PLACER SIERRA BANK**

Rated Area: California

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

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

Assessment Areas	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>																			
LOS ANGELES	244	22.30	8.61	8.25	29.10	22.00	39.75	27.72	22.54	42.03	6.30	18.85	27.50	47.36	0.00	0.00	0.00	0.00	0.00
ORANGE COUNTY	336	30.71	2.68	3.42	47.92	29.56	36.61	35.59	12.80	31.43	2.78	27.20	34.72	35.30	0.00	0.00	0.00	0.00	0.00
SACRAMENTO	475	43.42	10.11	6.79	16.84	22.69	44.42	40.50	28.63	30.02	5.71	20.32	39.49	34.49	0.48	0.77	0.38	0.53	0.42
<i>Limited Scope Review</i>																			
NEVADA-SIERRA	39	3.56	0.00	0.00	25.64	7.92	48.72	46.74	25.64	45.33	0.00	7.20	42.88	49.92	0.50	0.00	1.99	0.56	0.24

Business entities based on 2004 Dun & Bradstreet data, using 2000 U.S. Census tracts and 2004 MSA changes. Aggregate Lending and Market Share data based on 2003 reported small business lending activity.

**PLACER SIERRA BANK**

Rated Area: California

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

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

Assessment Areas	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>																			
LOS ANGELES	2	0.48	0.00	1.91	100.00	15.46	0.00	31.30	0.00	51.33	3.06	17.95	32.54	46.45	0.00	0.00	0.00	0.00	0.00
ORANGE COUNTY	3	0.72	0.00	1.25	33.33	19.56	0.00	33.56	66.67	45.63	1.34	17.86	30.63	50.17	0.00	0.00	0.00	0.00	0.00
SACRAMENTO	338	81.64	1.78	3.39	5.62	17.85	53.25	42.76	39.35	36.00	4.22	16.05	35.74	43.99	0.16	0.11	0.04	0.24	0.14
<i>Limited Scope Review</i>																			
NEVADA-SIERRA	71	17.15	0.00	0.00	1.41	3.77	53.52	40.92	45.07	55.31	0.00	3.31	30.52	66.17	0.81	0.00	0.00	1.29	0.64

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

**PLACER SIERRA BANK**

Rated Area: California

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

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

Assessment Areas	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>																			
LOS ANGELES	2	0.85	50.00	1.91	0.00	15.46	50.00	31.30	0.00	51.33	1.61	13.29	29.34	55.75	0.00	0.00	0.00	0.00	0.00
ORANGE COUNTY	2	0.85	0.00	1.25	0.00	19.56	0.00	33.56	100.00	45.63	0.81	14.83	31.20	53.16	0.00	0.00	0.00	0.00	0.00
SACRAMENTO	188	79.66	0.00	3.39	0.53	17.85	53.72	42.76	45.74	36.00	2.83	14.62	39.71	42.84	0.06	0.00	0.00	0.07	0.07
<i>Limited Scope Review</i>																			
NEVADA-SIERRA	44	18.64	0.00	0.00	2.27	3.77	65.91	40.92	31.82	55.31	0.00	2.78	30.99	66.24	0.17	0.00	0.25	0.36	0.07

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

**PLACER SIERRA BANK**

Rated Area: California

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

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

Assessment Areas	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>											
LOS ANGELES	244	22.30	39.34	85.11	40.16	20.08	39.75	306,254	36.89	0.00	0.00
ORANGE COUNTY	336	30.71	37.50	84.97	42.26	22.62	35.12	117,661	37.32	0.00	0.00
SACRAMENTO	475	43.42	37.68	87.12	41.05	30.95	28.00	52,111	36.01	0.48	0.50
<i>Limited Scope Review</i>											
NEVADA-SIERRA	39	3.56	53.85	91.36	46.15	28.21	25.64	4,179	38.17	0.50	0.75

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

**PLACER SIERRA BANK**

Rated Area: California

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

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

Assessment Areas	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>																			
LOS ANGELES	0	0.00	0.00	23.91	0.00	16.50	0.00	17.41	0.00	42.18	0.76	4.66	18.76	75.82	0.00	0.00	0.00	0.00	0.00
ORANGE COUNTY	1	0.25	0.00	20.56	0.00	17.91	0.00	20.68	100.00	40.86	1.18	8.49	23.98	66.35	0.00	0.00	0.00	0.00	0.00
SACRAMENTO	336	82.35	5.65	20.20	6.55	18.10	15.18	20.97	72.62	40.73	2.51	12.39	29.43	55.66	0.19	0.23	0.15	0.12	0.23
<i>Limited Scope Review</i>																			
NEVADA-SIERRA	71	17.40	1.41	12.64	2.82	15.20	18.31	19.99	77.46	52.17	0.59	4.23	11.75	83.43	0.96	0.00	0.78	1.40	0.91

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

**PLACER SIERRA BANK**

Rated Area: California

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

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

Assessment Areas	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>																			
LOS ANGELES	1	0.44	0.00	23.91	0.00	16.50	0.00	17.41	100.00	42.18	1.74	7.80	20.29	70.17	0.00	0.00	0.00	0.00	0.00
ORANGE COUNTY	2	0.88	0.00	20.56	0.00	17.91	0.00	20.68	100.00	40.86	2.87	13.20	24.58	59.35	0.00	0.00	0.00	0.00	0.00
SACRAMENTO	181	79.39	8.84	20.20	20.44	18.10	24.86	20.97	45.86	40.73	3.95	15.58	27.70	52.76	0.07	0.12	0.08	0.07	0.06
<i>Limited Scope Review</i>																			
NEVADA-SIERRA	44	19.30	2.27	12.64	25.00	15.20	25.00	19.99	47.73	52.17	1.46	7.26	17.79	73.49	0.20	0.56	0.45	0.37	0.12

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

**PLACER SIERRA BANK**

**Rated Area: California**

**Table 8 - Qualified Investments**

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

Assessment Area	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total	#	\$ (000's)
<i>Full-Scope Review</i>									
LOS ANGELES	0	0	12	10	12	10	<1	0	0
ORANGE COUNTY	1	2,000	6	1,002	7	3,002	24	0	0
SACRAMENTO	1	2,000	29	33	30	2,033	48	0	0
STATEWIDE/REGIONAL	0	0	2	1,164	2	1,164	28	1	836
<i>Limited-Scope Review</i>									
NEVADA-SIERRA	0	0	0	0	0	0	0	0	0

\*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



**PLACER SIERRA BANK**

Rated Area: California

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

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

Assessment Areas	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>																		
LOS ANGELES	14.02	6	18.18	0.00	16.67	83.33	0.00	0	0	0	0	0	0	8.00	29.44	30.88	31.58	
ORANGE COUNTY	18.73	3	9.09	0.00	0.00	66.67	33.33	0	0	0	0	0	0	4.95	30.96	31.84	32.26	
SACRAMENTO	58.07	20	60.61	5.00	0.00	50.00	45.00	0	1	0	0	-1	0	6.69	24.75	39.78	28.78	
<i>Limited Scope Review</i>																		
NEVADA-SIERRA	9.18	4	12.12	0.00	25.00	75.00	0.00	0	0	0	0	0	0	0.00	6.09	41.71	52.19	

# APPENDIX C

## LIMITED-SCOPE ASSESSMENT AREAS

### MARKET PROFILES

All demographic and economic information in this appendix came from one of the following sources:

- 2000 U.S. Census
- 2004 Dun & Bradstreet data
- *Income Limits* (U.S. Department of Housing and Urban Development), available at <http://www.huduser.org/datasets/il.html>
- *Trends in California Real Estate* (California Association of Realtors), January 2005
- *Trends in California Real Estate* (California Association of Realtors), February 2005
- *California County Snapshots* (California Employment Development Department Labor Market Division) available at <http://www.calmis.ca.gov/htmlfile/subject/COsnaps.htm>

MARKET PROFILE								
NEVADA-SIERRA ASSESSMENT AREA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	3,430	12.6
Moderate-income	1	5.3	1,454	5.4	197	13.5	4,125	15.2
Middle-income	9	47.4	10,840	40.0	787	7.3	5,423	20.0
Upper-income	9	47.4	14,838	54.7	551	3.7	14,154	52.2
<b>Total AA</b>	<b>19</b>	<b>100.0</b>	<b>27,132</b>	<b>100.0</b>	<b>1,535</b>	<b>5.7</b>	<b>27,132</b>	<b>100.0</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	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	477	7.9	409	7.4	58	18.5	10	4.9
Middle-income	2,814	46.7	2,547	46.3	148	47.1	119	57.8
Upper-income	2,729	45.3	2,544	46.3	108	34.4	77	37.4
<b>Total AA</b>	<b>6,020</b>	<b>100.0</b>	<b>5,500</b>	<b>100.0</b>	<b>314</b>	<b>100.0</b>	<b>206</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>			<b>91.4</b>		<b>5.2</b>		<b>3.4</b>	
Median Family Income (2000) Nevada & Sierra Counties	42,139		Nevada County Median Housing Value (December 2004)				388,500	
HUD Adjusted Median Family Income for 2005	Nevada 63,600		Sierra County Median Housing Value (December 2004)				379,574	
	Sierra 49,300							
Nevada County Unemployment Rate (2002)	4.5%		Sierra County Unemployment Rate (2002)				11.5%	

The Nevada/Sierra assessment area consists of Nevada County in its entirety and Sierra County in its entirety. Both counties run west from the Nevada border, north of Lake Tahoe, through the Sierra Mountains to the eastern edge of the Sacramento Valley. Sierra County borders Nevada County, while Nevada County shares its southern border with Placer County.

Nevada County's two largest industry employers were government at 20 percent and trade, transportation, and utilities at 18 percent. Government is the largest employer in Sierra County providing 55 percent of all county positions, while services represent the second highest employment sector with almost 29 percent of the workforce.

Data regarding Placer Sierra's deposits, loans, investments and branches may be found in the CRA Core Tables.