

# **PUBLIC DISCLOSURE**

**March 4, 2002**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Harris Trust Bank of Arizona  
RSSD - 528568  
6720 North Scottsdale Road  
Scottsdale, Arizona 85253**

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

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

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## **INSTITUTION**

***INSTITUTION'S CRA RATING*** – Satisfactory.

Harris Trust Bank of Arizona's performance under the lending test reflects a good response to assessment area credit needs. A high percentage of the bank's lending has been extended within its assessment areas and lending has reached low- and moderate-income geographies. In addition, lending has adequately been distributed to both low- and moderate-income individuals and businesses of different revenue sizes. Community development lending and services are significant and the bank has made a high level of qualified investments and grants.

The following table indicates the performance level of Harris Trust Bank of Arizona with respect to the lending, investment, and service tests.

<b>Harris Trust Bank of Arizona</b>			
<b>PERFORMANCE LEVELS</b>	<b>PERFORMANCE TESTS</b>		
	<b>Lending Test*</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding			
High Satisfactory	<b>X</b>	<b>X</b>	<b>X</b>
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

*\*NOTE: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.*

## DESCRIPTION OF INSTITUTION

Harris Trust Bank of Arizona, headquartered in Scottsdale, Arizona, is a subsidiary of Harris Bancorp, Inc., Chicago, Illinois, which in turn is owned by the Bank of Montreal, Montreal, Canada. The bank currently operates eight branches, all located in Arizona, and a loan production office in the state of Washington. Seven of the eight branches are located in the Phoenix metropolitan area, with the eighth branch located in the city of Tucson. Since the prior examination, the bank purchased Century Bank and acquired three branches as a result of the merger. The bank defines two assessment areas, which are the Maricopa and Tucson assessment areas.

The bank operates as a “niche” bank with a private banking focus. Primary business lines include residential mortgage loans, trust services, and private banking. The bank’s strategy is to offer a wide range of services to clients who value quality of service over pricing, depth of product range and the convenience of a large retail branch system. The bank had total assets of \$293 million at December 31, 2001. The following table provides an overview of the makeup of the bank’s loan portfolio as of the same date.

<b>Loan Type</b>	<b>Dollar Amount ('000s)</b>	<b>Percent of Total</b>
Secured by 1-4 Family <sup>1</sup>	\$139,477	61.2%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	\$56,992	25.1%
Construction	\$17,197	7.6%
Consumer	\$13,159	6.0%
Farmland & Agriculture	\$225	0.1%
All Other	\$91	.04%
Multifamily	\$79	.03%
Total (Gross)	\$227,220	100%

There are currently no financial or legal constraints that would prevent the bank from meeting community credit needs consistent with its size, financial capacity, and local economic conditions. The bank was rated satisfactory at the prior Community Reinvestment Act examination date June 28, 1999.

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<sup>1</sup> With the exception of home purchase loans to low- and moderate-income borrowers, the bank sells the remaining residential purchase loans to its holding company. In 2001, the bank sold a total of 866 purchase loans totaling \$188 million.

## **SCOPE OF EXAMINATION**

Harris Trust Bank of Arizona's CRA performance evaluation was based on the large bank examination procedures. These procedures contain three performance criteria; the lending, investment and service tests. The lending test consists of a measurement of a bank's lending activity relative to its capacity, competition and local economic factors. The investment test evaluates the level and responsiveness of community development investments and grants in meeting the credit needs of a bank's assessment areas. The service test contains an evaluation of the accessibility and delivery of services, changes in branch locations, reasonableness of hours and services as well as the provision of community development services to the community.

A full-scope review was conducted of the bank's activities within the Maricopa assessment area. The bank's performance under the lending test was based on 767 home purchase, 390 refinance, and 207 small business loans extended during the sample period of January 1, 2000, to September 30, 2001. The sample period for community development lending and for both the investment and services tests was from June 28, 1999, (the date of the previous examination) to March 31, 2002.

A limited scope review was conducted for the Tucson assessment area in order to determine if the bank's performance in this assessment area was consistent with the bank's overall performance. The limited scope review is consistent with the low number of loans extended in this assessment area. Between the periods of January 1, 2000 and September 30, 2001, the Tucson branch originated only 29 home purchase loans, 21 refinance loans, and 3 small business loans.

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

### **LENDING TEST**

Harris Trust Bank of Arizona exhibits a high satisfactory level of performance under the lending test. Despite some weaknesses in the bank's ability to reach moderate-income geographies and individuals with its refinance lending, overall lending patterns were good, particularly in light of the challenges associated with lending to low- and moderate-income census tracts and individuals. Small business lending was reasonably distributed to businesses of different revenue sizes and no conspicuous lending gaps were noted for any product. The bank's performance under this test was enhanced by its use of community development lending and its development of the 100% Community Investment Program.

The 100% Community Investment Program was developed in response to an identified credit need. The program is designed to increase the accessibility and availability of home purchase financing for first time low- and moderate-income homebuyers. Under this program, the bank will extend up to 100% of the property's value. The borrower receives a one-half percentage point interest rate reduction on fixed rate loans while the bank pays \$400 of the closing costs, waives the \$200 documentation preparation fee, and pays for the home inspection fee. Further, no private mortgage insurance is required. The bank extended 19 loans under this program

totaling \$1.3 million in 2000 and 51 loans totaling \$4.4 million in 2001. Since these loans are not saleable on the secondary market, the bank carries the associated credit risk in its loan portfolio. In order to reduce this risk and to help support the borrower's home retention, all first time homebuyers must complete a homeownership course.

### **INVESTMENT TEST**

Harris Trust Bank of Arizona exhibits a high satisfactory level of performance under the investment test. These investment and grants provided needed funds for many different community development organizations in the assessment area.

### **SERVICE TEST**

Harris Trust Bank of Arizona provided a high satisfactory level of community development and retail services during the review period. The bank's retail banking services are reasonably accessible to essentially all portions of assessment areas, including low- and moderate-income areas. Three full-service branches have been added to the branching network and each offers a full range of bank products and services. In addition, the bank hired a bilingual (Spanish-English) mortgage originator in March 2001 to assist the bank in reaching low- and moderate-income borrowers. In fact, the Hispanic population represents 55 percent and 28 percent of the total population living in low- and moderate-income census tracts, respectively. In addition, the bank provides a high level of qualified community development services to organizations throughout its assessment area.

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

The bank is in compliance with the substantive portions of the Fair Housing Act and the Equal Credit Opportunity Act, which set forth the anti-discrimination lending requirements. No violations of a discriminatory nature were noted and no issues exist with regard to the bank's compliance with these laws that would negatively impact its CRA rating.

## **ASSESSMENT AREA SUMMARY**

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

### **DESCRIPTION OF OPERATIONS IN MARICOPA COUNTY ASSESSMENT AREA**

The bank's assessment area is Maricopa County, Arizona in its entirety. Maricopa County is essentially the Phoenix metropolitan area. It is one of two counties, along with Pinal County, that comprises the Phoenix-Mesa Metropolitan Statistical Area. Major cities included in the area are Phoenix, Mesa, Tempe, and Scottsdale. The assessment area consists of 466 census tracts. According to 2000 census data the county had population of 3,072,149, which represents 60 percent of Arizona's total population.

### **Demographics**

The table below illustrates the income distribution of the population, families, and households in the assessment area according to the 1990 Census. Despite significant population growth, the demographic composition of the assessment area has not changed significantly.<sup>2</sup>

<b>Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Families</b>		<b>Households</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Low	27	5.8%	94,721	4.5%	19,500	3.5%	29,281	3.6%
Moderate	108	23.2%	522,145	24.6%	124,438	22.5%	201,610	24.9%
Middle	178	38.2%	855,860	40.3%	228,054	41.2%	337,746	41.8%
Upper	149	32.0%	645,809	30.4%	180,917	32.7%	239,482	29.6%
Unclassified	4	0.9%	3,566	0.2%	0	0.0%	43	0.0%

The data indicates that population, families and households are fairly well distributed in moderate-, middle- and upper-income census tracts with middle-income census tracts containing the greatest percentage of each. Low-income census tracts contain only a very small percentage of the population, families and households. In addition, there are more middle-income families and households in the assessment area than any other income group.

The following chart indicates that the greatest percentage of low- and moderate-income households is located in moderate- and middle-income census tracts, with the greatest percentage located in middle-income census tracts.

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<sup>2</sup> Source: U.S. Census Bureau, Profile of General Demographics Characteristics: 2000, Maricopa County, Arizona

Census Tract Category	Low- Income Households		Moderate-Income Households	
	Number	Percent	Number	Percent
Low-Income	16,219	9.3%	5,961	4.3%
Moderate- Income	67,938	39.1%	48,366	34.9%
Middle-Income	66,149	38.1%	60,798	43.8%
Upper-Income	23,205	13.4%	23,541	17.0%

## Economy

The city of Phoenix is responsible for producing approximately 78 percent of Arizona's gross domestic product.<sup>3</sup> The largest business sectors for Maricopa County and the state of Arizona are services, trade and manufacturing. Construction activities have experienced a substantial increase during recent years, but seem to be slowing as the vacancy rates rise. The county has been successful in attracting high-tech firms, which have contributed the majority share of Maricopa's manufacturing jobs. However, Phoenix's economy has been affected by the national recession, the slowdown in the high tech sector, and the decline in tourism following last year's terrorist attacks. A recent analysis found that Phoenix has gone from one of the fastest growing metropolitan areas in the nation to one of the fastest *slowing* areas.<sup>4</sup> Recently there have been significant job cuts by large area employers such as Motorola.<sup>5</sup> These job losses and the decline in income of the area's largest employer, Honeywell have played a part in the downturn in the local economy.<sup>6</sup>

The unemployment rate of the Phoenix MSA has jumped in the past six months. There has been a 2.7 percent increase in the unemployment rate of Maricopa County from December 2000 to December 2001, and forecasts predict that the rate will continue to rise in the coming year.<sup>7</sup> A community contact reported that an effect of the economic slowdown is fewer start up companies in the Phoenix area due to the tightening of credit standards. The contact also noted that the primary credit need for existing small businesses are small dollar loans, ranging from \$35,000 to \$150,000, to ease cash flow constraints.

## Housing

Traditionally, the Phoenix metropolitan area has had a strong housing market fueled by a healthy economy and an abundance of land. Nearly half of all Phoenix area neighborhoods had at least 40 percent increases in home prices between 1995 and 2001. Despite these rising prices, the average Phoenix home is still more affordable than an average U.S. home.<sup>8</sup>

<sup>3</sup> Source: [www.economy.com](http://www.economy.com)

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Source: Bureau of Labor Statistics, <http://data.bls.gov>

<sup>8</sup> Source: Arizona Central: <http://www.azcentral.com:80/azc-bin/print.php3>



A community contact indicated that housing loans suited to low- and moderate-income buyers are harder to find due to the limited number of loan products targeted to these applicants. In addition, most home loans are for new construction and more effort needs to be focused on providing financing for existing, often more affordable, properties. Hence, there are two problems identified regarding affordable housing. First, there are too few loan products targeted to the low- and moderate-income individuals; and secondly, there are too few affordable homes.

A community contact also indicated that large number of low- and moderate-income households live in more costly middle-income tracts due to the lack of affordable housing in low- and moderate-income census tracts. This lack of affordable housing arises as the population expands outward while little resources are devoted to the inner, older parts of the assessment area. Consequently, inner parts of town tend to be low- and moderate-income census tracts with older housing stock that is often too dilapidated to be inhabited or repaired. Additionally, builders are hesitant to build new homes near the dilapidated older ones.

## **Employment**

Employment level has grown significantly in the past decade and is a main contributor to the assessment area population and housing growth. The assessment area has experienced a 25.8 percent employment level increase from 1996 to 2000.<sup>9</sup> The service industry remains the dominant industry and it include sectors such as retail, tourism and health care. However, the economy is dependent upon manufacturing, including high technology, and construction for residential, commercial, and industrial.<sup>10</sup>

## **Competition**

Harris Trust Bank of Arizona is operating in a highly competitive environment. As of June 30, 2001, the bank's market share accounts for 0.66 percent of total deposits.<sup>11</sup> Three large banks, Bank One, Bank of Arizona, and Wells Fargo Bank, control 70 percent of market with over 453 branches. Community contacts further indicated that while there are opportunities for banks to make community development loans, the market for these loans is highly competitive.

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<sup>9</sup> Source: Arizona's Workforce, a news release from the Arizona Department of Economic Security, Research Administration. DES's website: [www.des.state.az.us](http://www.des.state.az.us).

<sup>10</sup> Source: The Phoenix-Area Major Employers Guide, a guide designed to aid job seekers from the Arizona Department of Economic Security, Research Administration. DES's website: [www.de.state.az.us](http://www.de.state.az.us).

<sup>11</sup> Source: FDIC website: [www.fdic.gov](http://www.fdic.gov)

## **Conclusion**

Although the economy has experienced a near-term slowdown, the long-term economic outlook is favorable and housing remains relatively affordable. Nevertheless, affordable housing loans for low- and moderate-income individuals and micro business loans for small businesses represent particular credit needs within the assessment area. In addition, the economic revitalization efforts are needed to address the older downtown areas. Although community development loans are competed for by a number of other banks, opportunities exist for lenders to promote economic development within the assessment area.

## **LENDING TEST**

Harris Trust Bank of Arizona's overall lending shows good responsiveness to the residential and business credit needs in Maricopa County. The bank has effectively penetrated the assessment area with its home purchase, refinance, and small business lending. Although the distribution of home purchase and refinance lending in low- and moderate-income census tracts was not robust, the bank's performance is good when evaluated in relationship to the unique challenges associated with lending in these geographies. In response to those challenges, the bank developed a flexible lending product specifically targeted to low- and moderate-income borrowers and successfully marketed the product by hiring a bilingual (Spanish-English) mortgage originator who travels to meet clients. In addition, the bank made a relatively high level of community development loans in an effort to increase the availability of affordable housing in the assessment area. The bank's responsiveness to low-income individuals and very small businesses was good as the distribution of both home purchase and refinance lending to low-income individuals exceeded the percentage of low-income individuals in the assessment area. In addition, the bank was responsive to the community's need for smaller dollar business loans as it extended approximately one third of its small business loans in amounts less than \$100,000.

### **Lending Distribution by Geography**

#### **Home Purchase Mortgage Lending**

The distribution of the bank's home purchase lending is reasonable. The percentage of the bank's lending in low-income census tracts was comparable to both the percentage of owner-occupied housing units and the percentage of the market's lending in this tract category. The bank's performance in reaching moderate-income tracts was somewhat less favorable when compared to the same factors. Nevertheless, this performance is good given the obstacles in lending in to these geographies. For example, community contacts indicated that competition, dilapidated housing stock and distrust of financial institutions are obstacles to effectively lending in low- and moderate-income census tracts. In response to these challenges, the bank created the previously described 100% Community Portfolio Program and hired the bilingual mortgage originator to successfully market the product.

Tract Income Level	Owner Occupied Housing Units	Bank Home Purchase Lending		Aggregate Home Purchase Lending	
		Number	Dollar Volume	Number	Dollar Volume
Low	2.1%	1.2%	0.5%	1.0%	0.6%
Moderate	18.8%	7.2%	3.1%	10.6%	6.5%
Middle	43.1%	36.9%	19.1%	42.0%	36.5%
Upper	35.9%	54.8%	77.3%	41.9%	56.4%

### Refinance Lending

The bank was less successful in penetrating low- and moderate-income census tracts with its refinance lending. The percentage of lending in these tract categories fell below both the percentage of owner-occupied housing units and the aggregate market's performance. Nevertheless, the performance is adequate given the previously mentioned challenges associated with lending in both low- and moderate-income census tracts and that the bank has focused its efforts on reaching these communities with its home purchase lending, the bank's major business line.

Tract Income Level	Owner Occupied Housing Units	Bank Refinance Lending		Aggregate Refinance Lending	
		Number	Dollar Volume	Number	Dollar Volume
Low	2.1%	0.3%	0.1%	1.7%	0.9%
Moderate	18.8%	3.1%	1.2%	14.4%	9.0%
Middle	43.1%	26.2%	12.8%	42.0%	34.0%
Upper	35.9%	70.5%	85.9%	42.0%	56.2%

### Small Business Lending

The distribution of the bank's small business lending throughout the assessment area is good. The bank's lending in moderate-income census tracts fell modestly below the percentage of businesses located in these census tracts. Nevertheless, the bank's performance was comparable to the market's performance and both the market and the bank are addressing the credit needs of businesses in this tract category. The bank's performance under this factor is enhanced by its strong performance in low-income census tracts. The bank's lending in low-income census tracts exceeded both the percentage of businesses located in low-income tracts and the market's performance in these census tracts.

Tract Income Level	Business Concentration	Bank Lending		Aggregate Lending	
		Number	Dollar Volume	Number	Dollar Volume
Low	5.5%	9.2%	10.5%	4.8%	5.5%
Moderate	23.0%	15.9%	13.5%	18.0%	23.0%
Middle	36.3%	30.9%	22.8%	35.3%	36.3%
Upper	35.2%	44.0%	53.2%	41.9%	35.2%

## Lending Distribution by Business Size and Borrower Income

Harris Trust Bank of Arizona’s lending to borrowers of different income levels and business of different revenue sizes is good. The bank was successful in reaching both low- and moderate-income borrowers with both purchase and refinance lending, and in extending small business loans to small businesses.

### Home Purchase Lending

As evidenced in the chart below, the bank’s purchase lending showed a strong performance in reaching low- and moderate-income individuals. The percentage of the bank’s lending to low-income individuals exceeded the percentage of families classified as low-income as well as the percentage of aggregate market’s lending to low- and moderate-income individuals. In addition, the percentage of the bank’s purchase lending extended to moderate-income individuals was reasonable as it fell only modestly below the percentage of the assessment area families classified as moderate-income, but exceeded the aggregate market’s performance. As a result, the bank is considered to be addressing the mortgage related credit needs of low- and moderate-income individuals.

Borrower Income Level	Bank Purchase		Aggregate Purchase		Families
	Number	Dollar Volume	Number	Dollar Volume	
Low	9.6%	3.4%	4.8%	2.3%	3.5%
Moderate	17.6%	7.8%	14.7%	9.1%	22.5%
Middle	15.4%	8.5%	19.3%	15.1%	41.2%
Upper	57.4%	80.3%	42.8%	54.3%	32.7%
NA	-	-	18.3%	19.3%	-

### Refinance Lending

The chart below demonstrates that the bank’s overall penetration of lending to low- and moderate-income individuals is adequate given the challenges previously discussed and that the bank focuses on reaching low- and moderate-income individuals through its home purchase lending. The percentage of the bank’s lending to low-income individuals was good as it slightly exceeded the percentage of the assessment area families classified as low-income. However, the percentage of the bank’s lending did fall below the percentage of families classified as moderate-income and to a lesser extent the percentage of the aggregate market’s lending to moderate-income individuals. Nevertheless, the bank is reaching moderate-income individuals with refinance products so the performance is not unreasonable.

Borrower Income Level	Bank Refinance		Aggregate Refinance		Families
	Number	Dollar Volume	Number	Dollar Volume	
Low	4.6%	1.3%	7.4%	4.2%	3.5%
Moderate	13.1%	4.9%	17.5%	11.4%	22.5%
Middle	14.9%	7.0%	21.4%	16.6%	41.2%
Upper	67.4%	86.8%	34.3%	48.6%	32.7%
NA	-	-	19.4%	19.2%	-

### **Small Business Loans**

The bank's lending to businesses of different sizes is good. Dun & Bradstreet data indicates that 84 percent of all businesses within the Maricopa County have gross annual revenues of \$1 million or less (small businesses). The bank extended 44 percent of its small business loans to small businesses, which is substantially similar to the percentage of lending the aggregate market extended to small businesses in the assessment area. In addition, 32 percent of the bank's small business loans are for less than \$100,000, which is responsive to the assessment area credit need of small business loans less than \$100,000.

### **Community Development Lending**

Despite the competitive market, the bank makes a good level of community development loans. The bank extends community development loans to organizations that rehabilitate and sell single family residences to qualified low- and moderate-income borrowers. The bank extended twelve loans totaling \$622,000 to these organizations. Over 50 percent of the loans extended to these organizations were used to help low- and moderate-income individuals purchase homes in moderate-income census tracts. The bank also extended three loans totaling \$472,000 to organizations that provide community services targeted to low and moderate-income individuals.

### **INVESTMENT TEST**

The bank makes a significant amount of qualified investments and grants to help address the needs of the Maricopa County assessment area. The bank has provided \$430,600 in investments and grants to help address the affordable housing needs in this assessment area. In addition, the bank provided \$894,900 in investments and grants for organizations that provide community development services targeted to low- and moderate-income individuals. An additional \$14,200 was provided to organizations that promote economic development.

To specifically address affordable housing needs in moderate-income census tracts, the bank invested in a mortgage back security targeted to low- and moderate-income individuals. Out of the 22 loans in this pool, 16 were extended to low- and moderate-income individuals located in the bank's assessment area. Of those loans, 7 were extended to individuals located in moderate-income census tracts.

## **SERVICE TEST**

### **Retail Banking Services**

The bank's retail banking presence in Maricopa County is considered reasonably accessible to essentially all portions of the Maricopa County assessment area, including low- and moderate-income areas. There are currently seven full-service branches offering a full range of bank products and services with hours that do not vary in ways that inconvenience portions of the bank's communities.

Although the bank's seven branches, ATM's, and branch hours are considered satisfactory in serving the assessment area, management recognized that obstacles exist in reaching low- and moderate-income borrowers, such as, skepticism of financial institutions, lack of sufficient transportation, inability to communicate in English. To proactively address these issues, the bank hired a bilingual (Spanish) mortgage originator. This bilingual mortgage originator travels to meet the people who can't easily travel to one of the bank's branches, and will meet clients outside of business hours. Given that a large percentage of the population living in low- and moderate-income areas is Hispanic, this alternative delivery system directly enhances the bank's accessibility in these geographies.

### **Community Development Services**

The bank provides a relatively high level of CRA-qualified community development services to organizations throughout the Maricopa County assessment area. In line with the bank's strong commitment to build community development relationships, approximately 11 percent of the bank's staff are regularly involved with different community development organizations. For the most part, these employees serve as board members or in key management positions. These organization are reflective of the community's credit needs and are consistent with the bank's business focus of home purchase lending.

## **ASSESSMENT AREA SUMMARIES**

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

### **DESCRIPTION OF OPERATIONS IN TUCSON ASSESSMENT AREA**

The Tucson assessment area consists of one branch serving 22 census tracts, including 2 low-, 6 moderate-, 6 middle-, and 8 upper-income tracts. According to the 1990 Census, the Tucson assessment area population is 135,318 of which 43 percent, 22 percent, 25 percent, and 10 percent, are situated in upper-, middle-, moderate-, and low- income census tracts, respectively. The 1999 projected demographic for the Tucson assessment area indicates a population increase of 27,455 or 20 percent. Dun & Bradstreet data indicate there are a total of 5,733 businesses in the assessment area, of which 5,081 or 88.6 percent are small businesses.

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

The limited scope review of the bank's performance in the Tucson assessment area included a cursory review of the assessment area and all three regulatory tests. Based on this limited review, the bank's lending, investment, and service performance in this assessment area is consistent with the bank's overall performance.

## **GLOSSARY OF FREQUENTLY USED TERMS**

Area Median Income (Median Income)	The median family income for the Metropolitan Statistical Area (MSA) if a person or geography is located in an MSA, or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.
Assessment Area	A geographic area which generally consists of one or more MSAs or one or more contiguous subdivisions, such as counties, cities or towns. Assessment areas also include geographies in which the bank has its main office, its branches and its deposit taking ATMs, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans (including home mortgage loans, small business loans, small farm loans, and any other loans the bank chooses, such as those consumer loans on which the bank elects to have its performance assessed).
Community Development	<ol style="list-style-type: none"><li>(1) Affordable housing (including multifamily rental housing) for low- or moderate-income individuals.</li><li>(2) Community services targeted to low- or moderate-income individuals.</li><li>(3) Activities that promote economic development by financing business or farms, which have, gross annual revenues of \$1 million or less or that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs.</li><li>(4) Activities that revitalize or stabilize low- or moderate-income geographies.</li></ol>
Community Development Loan	A loan that has as its primary purpose community development; and, except in the case of a wholesale or limited purpose bank: <ol style="list-style-type: none"><li>(1) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan; and</li><li>(2) Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).</li></ol>



Community Development Service	A service that has as its primary purpose community development, is related to the provision of financial services, and has not been considered in the evaluation of the bank's retail banking services under CRA.
Consumer Loans	Loans to one or more individuals for household, family or other personal expenditures. A consumer loan does not include a home mortgage, small business or small farm loan. Examples of consumer loans are: Motor Vehicle Loans, Credit Card Loans, Home-Equity Loans, Secured Consumer Loans and Unsecured Consumer Loans.
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.
Family Income	Includes the income of all members of a family that are age 15 and older.
Families	Defined by the U.S. Bureau of Census as all persons occupying a housing unit related to the householder by birth, marriage or adoption. A single person living alone or two or more unrelated individuals occupying the same household are not considered to be a family.
Geographies	Census tracts or numbering area blocks delineated by the U.S. Bureau of Census in the most recent decennial census.
Household Income	Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.
Households	Defined by the U.S. Bureau of Census as all persons occupying a housing unit.
Housing Unit	Includes a house, an apartment, a mobile home, a group of homes, or a single room that is occupied as separate living quarters.

HUD Adjusted Median Income	Based initially on the area median income derived from the most recent decennial census, the Department of Housing and Urban Development adjusts the figure annually for inflation.
Income Level	Includes low-income, moderate-income, middle-income and upper-income.
Low-Income	An individual income that is less than 50 percent of the HUD- adjusted median income or a census tract or block numbering area with a median family income that is less than 50% of the area median income.
Median Income	See Area Median Income and HUD Adjusted Median Income.
Metropolitan Statistical Area (MSA)	An area qualifies as an MSA if it contains a city with a population of at least 50,000 or is defined by the Bureau of the Census as an urbanized area and has a population of 50,000 or more and a total metropolitan population of 100,000.
Middle-Income	An individual income that is at least 80 percent and less than 120 percent of the HUD-adjusted median income, or a census tract or block numbering area with a median family income that is at least 80 and less than 120 percent of the area median income.
Moderate-Income	An individual income that is at least 50 percent and less than 80 percent of the HUD-adjusted median income, or a census tract or block numbering area with a median family income that is at least 50 and less than 80 percent of the area median income.
Owner-Occupied Housing Unit	Includes housing units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.
Qualified Investment	A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Real Estate Mortgage Loan	Defined by the Home Mortgage Disclosure Act (HMDA) as a home purchase loan, home improvement loan or the refinancings for both. A home purchase loan is any loan secured by and made for the purpose of purchasing a dwelling. A home improvement loan is for the purpose, in whole or part, of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which it is located and is classified by the financial institution as a home improvement loan.
Small Bank	A bank that, as of December 31 of either of the prior two calendar years, had total assets of less than \$250 million and was independent or an affiliate of a holding company that, as of December 31 of the prior two calendar years, had total banking and thrift assets of less than \$1 billion.
Small Business	Businesses with gross annual revenues of \$1 million or less as defined by the Community Reinvestment Act.
Small Business Loan	Business purpose loans with original amounts of \$1 million or less as defined by the instructions for the Consolidated Reports of Condition and Income (CALL Report) for entry on schedule RC-C, part II "Loans to Small Businesses."
Upper-Income	An individual income that is 120 percent or more of the HUD-adjusted median income, or a census tract or block numbering area with a median family income that is 120 percent or more of the area median income.