



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 6, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Sequoia National Bank
Charter Number 21337**

**65 Post Street
San Francisco, CA 94104**

**Comptroller of the Currency
Western District
San Francisco Field Office
One Front Street Suite 1000
San Francisco, CA 94111**

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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GENERAL INFORMATION

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

This document is an evaluation of the CRA performance of Sequoia National Bank, prepared by The Office of the Comptroller of the Currency, as of **October 6, 2003**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.

Sequoia National Bank (SNB) satisfactorily meets the credit needs of its assessment area, including low-and moderate-income areas, consistent with its resources and capabilities. The following supports this rating:

- The bank has a reasonable loan-to-deposit ratio.
- The bank's lending in its assessment area exceeds the standard for satisfactory performance. A majority of the bank's loans are within its assessment area.
- The bank's distribution of loans to businesses of different sizes reflects, given the demographics of the assessment areas, reasonable penetration among businesses of different sizes. The majority of the bank's loans are to businesses with less than \$1 million in revenues, which confirms the bank's commitment to small businesses.
- The bank's lending to individuals of different incomes reflects reasonable dispersion throughout the assessment areas.
- The bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.

DESCRIPTION OF INSTITUTION

Sequoia National Bank (SNB) is an independent community bank that was established in San Francisco in March 1986. **As of December 31, 2002, Sequoia National Bank had total assets of \$58 million with \$31 million in loans, which represents net loans to total assets of 53%.**

The bank provides general banking services through its San Francisco main office and Portola branch. The San Francisco main office is located in a low-income census tract between the financial district and Union Square. The Portola branch, which opened in August 1999, is located in an upper income census tract in the Portola District of San Francisco. This is the only location with an automated teller machine (ATM).

SNB has designated two primary lending products, which are Commercial Real Estate Loans and Single Family Residential loans, although other consumer products are available upon request.

The bank received a “Satisfactory” rating in its prior CRA evaluation dated August 2, 1999. There are no legal or financial circumstances impeding the bank’s ability to help meet the credit needs of the community.

Types of Loans Outstanding

Loan Type	\$(000's)	Percent
Real Estate Loans	28,159	87.49%
Commercial Loans	3,706	11.51%
Individual Loans	306	0.95%
Other Loans	14	0.05%
Total	32,185	100%

Source: 12/31/02 Report of Condition

DESCRIPTION OF SNB’S ASSESSMENT AREAS

Management and the board have designated two primary assessment areas consisting of San Francisco MSA and Oakland MSA.

The bank’s primary assessment area is the city and county of San Francisco, located in the San Francisco Metropolitan Statistical Area (MSA), comprises 234 contiguous census tracts, which were determined by the 1990 U.S. Census Bureau. Other counties located in this MSA are Marin and San Mateo.

The bank’s secondary assessment area, the Oakland Metropolitan Statistical Area (MSA), comprises 314 contiguous census tracts, which consists of the county of Alameda. Management and the board selected this secondary assessment area due to its close proximity to San Francisco, and their extensive knowledge of this area relative to demographics and economic trends.

The assessment areas meet the requirements of the regulation and do not arbitrarily exclude any low-to-moderate-income geographies. The population of the combined assessment area is 2,258,521, with the Services Industry being the center of activity according to 2002 Business Geodemographic Data.

San Francisco MSA:

San Francisco County

San Francisco is a port city situated on the northern tip of a peninsula bordered by the Pacific Ocean on the west, the Golden Gate on the north, San Francisco Bay on the east, and the San Mateo County line to the south. San Francisco is a portion of the San Francisco MSA, which also includes San Mateo and Marin counties. The city of San Francisco is the financial center of the West and the gateway to Asia. Major employers are United Airlines, the University of California, Oracle Corporation, Macy's, Wells Fargo Bank, and state and local government.

The three largest employment sectors in the San Francisco MSA employ 78% of the civilian workforce: services (41%), finance, non-classifiable establishments (21%), and retail trade (16%) according to the 2002 Business Geodemographic Data. The FDIC State Profile, Division of Insurance and Research, dated Summer 2003, indicated that the San Francisco Bay Area is experiencing its worst economic decline in the past fifty years, in part due to the downturn in the high-tech manufacturing and software sectors, and the collapse of the dot-com industry. Office vacancy rates have risen with the largest increase being in the city of San Francisco. The 2002 Business Geodemographic data show that 89,252 businesses operate within the bank's current assessment area. Of those with reported revenues, 67% have reported annual revenues of \$1 million or less. Approximately 61% employ fewer than ten employees.

SNB faces strong competition from 55 banks operating within the assessment area, and ranks 33rd in deposit market share with 0.09% of the markets deposits. The two largest banks hold a total of 69% of the deposit market share. The competing institutions include, in part, Wells Fargo, Bank of America, Union Bank, Citibank, Bank of the West, National American Bank, and other discount and non-discount securities firms.

Marin County

Marin County is one of the nine bay area counties linked to San Francisco by the Golden Gate Bridge and to the east bay by the Richmond-San Rafael Bridge. The county seat is San Rafael. Marin County is bordered on the north and northeast by Sonoma County and on the west by the Pacific Ocean. The 520 square miles of Marin County offer a wide variety of topography, climate, and vegetation, from the tidal flats of the coastline to the slopes of Mt. Tamalpais.

Many of the employment opportunities in the county are in the lower paying retail trade, food service and accommodations, or personal services sectors. A substantial number of workers holding these jobs must commute from outside the county where they can find affordable housing to match their wages. Employment also consists of movie and video production, computer software, and communications equipment. Marin County residents on average have the highest per capita incomes in the state of California, with a substantial portion derived from sources other than wages; household income is also high. SNB faces very strong competition

from 23 financial institutions operating within the assessment area. The three largest banks hold a total of 47% of the deposit market share. The competing institutions include, Bank of America, Wells Fargo Bank, and West America Bank.

San Mateo County

San Mateo County is located on the Peninsula south of San Francisco International Airport, connected to the city of San Francisco by Highway 101 and is connected to the east side of San Francisco Bay by the San Mateo-Hayward Bridge, one of the longest highway bridges in the country. The county seat of San Mateo County is Redwood City.

The unemployment rate in San Mateo County is 2.2% according to the U.S. Census Bureau, Census 2000. Major employers are Oracle Corporation, San Mateo County, Kaiser Permanente, Electronic Arts and Redwood City School District.

SNB faces strong competition from 36 financial institutions operating within the assessment area. The three largest banks hold a total of 51% of the deposit market share. The competing institutions include, Bank of America, Wells Fargo Bank, and Washington Mutual.

The following table highlights the demographic composition of the bank’s combined assessment areas. The combined assessment areas include portions of San Francisco, Marin and San Mateo Counties.

Demographic Information for SNB’s Assessment Area: San Francisco MSA						
Demographic Characteristics by Number	#	Low	Moderate	Middle	Upper	NA *
Geographies (Census Tract #)	234	25	49	86	71	3
Demographic Characteristics by %	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tract %)	234	11%	21%	37%	30%	1%
Population by Geography	979,339	12.05%	22.89%	37.21%	27.79%	0.06%
Owner-Occupied Housing by Geography	163,829	2.68%	13.80%	40.55%	42.97%	0.00%
Business by Geography	89,252	22.88%	20.55%	31.11%	25.46%	0.00
Farms by Geography	563	8.88%	23.27%	41.03%	26.82%	0.00
Family Distribution by Income Level	214,542	23.03%	18.33%	21.37%	37.27%	0.00
Distribution of Low Income Families in AA	49,400	59.75%	37.28%	18.85%	8.19%	0.00
Distribution of Moderate Income Families in AA	39,329	20.36%	26.09%	20.07%	10.70%	0.00
Median Family Income		\$49,479	Median Housing Value		\$285,283	
<i>Updated HUD Adjusted Median Family Income for 2002</i>		\$79,973	Unemployment Rate (1990 US Census)		3%	
Households Below Poverty Level		8%				

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 1990 U.S. Census and 2002 HUD updated MFI.

The three largest employment sectors in the San Francisco MSA employ 77% of the civilian workforce: services (41%), non-classifiable establishments (21%), and retail trade (15%) according to the 2002 Business Geodemographic Data. The 2002 Business Geodemographic data

show that 89,252 businesses operate within the bank's current assessment area. Of those with reported revenues, 67% have reported annual revenues of \$1 million or less. Approximately 61% employ fewer than ten employees.

During the examination, we made two community contacts with a representative from the Community Development for Housing and Economic Revitalization and a representative from the California Housing Finance Agency. The representative from the Community Development for Housing and Economic Revitalization stated that there is a need for small business lending by the financial community, and for the financial community to provide assistance to small businesses with "How To" Seminars that explain the necessary paper work and documentation required to facilitate acquiring a loan. Additionally, the representative felt that small business loan programs should have special rates targeted specifically to those customers. The representative from the California Housing Finance Agency stated that there is a need for first-time homebuyer financing that targets low-to-moderate income persons.

Oakland MSA:

Alameda County

The secondary assessment area includes Alameda County, and contains 314 census tracts, which were determined by the 1990 U.S. Census Bureau. The assessment area is bordered by San Francisco Bay to the west and north, San Joaquin County to the east, and Santa Clara County to the south. The county of Alameda is considered part of the East Bay, which has traditionally been supported by its transportation and distribution facilities. The region has one of the West Coast's largest container ports, an international airport, and several major trucking lines. Alameda County is only a portion of the Oakland MSA, which also includes Contra Costa County. Major employers are the county of Alameda, Alta Bates-Summit Medical, Bay Area Rapid Transit District, City of Oakland, and Kaiser Foundation Hospitals.

The following table highlights the demographic composition of the bank's assessment area.

Demographic Information for SNB's Assessment Area: Oakland MSA						
Demographic Characteristics by Number	#	Low	Moderate	Middle	Upper	NA *
Geographies (Census Tract #)	314	47	67	120	59	21
Demographic Characteristics by %	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tract %)	314	15%	21%	38%	19%	7%
Population by Geography	1,279,182	12.18%	21.65%	42.53%	22.93%	0.71%
Owner-Occupied Housing by Geography	255,459	5.72%	14.17%	47.82%	32.28%	0.00
Business by Geography	86,113	15.15%	18.76%	42.57%	23.52%	0.00
Farms by Geography	951	9.25%	14.20%	46.58%	29.97%	0.00
Family Distribution by Income Level	311,888	22.83%	18.21%	23.46%	35.50%	0.00
Distribution of Low Income Families in AA	71,200	57.65%	36.34%	17.03%	7.07%	0.00
Distribution of Moderate Income Families in AA	56,797	20.82%	24.84%	19.22%	10.22%	0.00
Median Family Income		\$47,516	Median Housing Value	\$216,971		
<i>Updated HUD Adjusted Median Family Income for 2002</i>		\$74,500	Unemployment Rate (1990 US Census)	3%		
Households Below Poverty Level		9%				

Source: 1990 U.S. Census and 2002 HUD updated MFI. (*) The NA category consists of geographies that have not been assigned an income classification.

The three largest employment sectors in the Oakland MSA employ 73% of the civilian workforce: services (40%), non-classifiable establishments (18%), and retail services (15%), according to the 2002 Business Geodemographic Data. The 2002 Business Geodemographic data show that 86,113 businesses operate within the bank's current assessment area. Of those with reported revenues, 68% have reported annual revenues of \$1 million or less. Approximately 63% employ fewer than ten employees. However, Sequoia NB faces strong competition from 50 banks operating within the assessment area. The three largest banks hold a total of 54% of the deposit market share. The competing institutions include, Bank of America, Wells Fargo, Washington Mutual, and Bank of the West.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Scope of Examination

We evaluated the bank's performance based on loans originated from September 1, 1999, through December 31, 2002. Our evaluation focused on the bank's primary products Commercial Real Estate Loans and Single Family Residential Loans, originated since the last CRA exam. We randomly selected 30 loans for our sample. We used the sampled loans to review the bank's lending in its assessment areas, its geographic and income distribution of loans, and its overall CRA performance. Other consumer loan products were not selected in our sample since the bank is not a major consumer lender.

Loan-to-Deposit Ratio

SNB's quarterly average loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and its assessment area credit needs. Since the last CRA exam, the bank's quarterly ratio averaged 84% over the last 15 quarters ended December 31, 2002. In comparing the bank's ratio to its peer group, the quarterly average ratio of similarly situated peer banks in its assessment areas ranged from 62% to 84% with an average ratio of 75%. At the last examination, SNB's eight-quarter loan-to-deposit ratio average was 87%, and its peer group loan-to-deposit ratio average ranged from 61% to 70%. While the bank's loan-to-deposit ratio slightly decreased, the peer group's ratio increased. For purposes of this examination, we considered similarly situated banks to mean banks of comparable asset size and located in the same MSA that offered like products and services.

Lending in Assessment Area

The bank's lending in the assessment area meets the standard for satisfactory performance.

Lending Within Its Assessment Areas (AA)

	Number of Loans	% By Number	Dollars	% by Dollars
Loans In AA	27	90%	\$5,658,773	94%
Loans Out of AA	3	10%	\$574,109	6%
Totals	30	100%	\$6,232,882	100%

Source: Sample of 30 loans originated from September 1, 1999 to December 31, 2002

As the above table shows, the majority of the bank's loans and other lending-related activities are made to customers who reside within the bank's designated assessment areas. We sampled 30 loans within the assessment areas since the last CRA examination focusing on the bank's two primary loan products of commercial real estate loans and single-family residential real estate loans. As shown in the above table, the bank's volume of loans in the assessment area is low, which reflects the bank's overall volume of loan activity. Sequoia NB has addressed the issue by reassessing its overall assessment areas, and assigning a full time loan development officer to focus attention on increasing the bank's loan volume. Of the 30 loans sampled, the percentage of business loans originated by number and dollar amount to borrowers located within the assessment areas is 90% and 94% respectively.

In the following tables the bank's primary product lines, commercial real estate loans and single-family residential loans, are evaluated separately for performance with in the bank's assessment areas and lending to individuals.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank's distribution of loans to businesses of different sizes reflects, given the demographics of the assessment areas, reasonable penetration among businesses of different sizes.

Businesses with annual revenues of \$1 million dollars or less are deemed to be small businesses.

Revenue Distribution – Commercial Real Estate Loans (San Francisco MSA)

Gross Revenues	Businesses in AA		Number of Loans Originated within AA		Dollar Volume of Loans Originated within AA	
	# of Businesses	% of Businesses	# of Loans	% of Number	Dollar Volume	% of \$ Volume
<\$1,000,000	60,113	67.35%	5	62.50%	\$2,232,000	64.10%
>\$1,000,000	6,591	7.38%	3	37.50%	\$1,250,000	35.90%
Not reported	22,548	25.27%	0.0%	0.0%	0.0%	0.0%
Totals	89,252	100%	8	100%	\$3,482,000	100%

Source: 2002 Business Geodemographic Data and Sample of 8 loans originated within AA from September 1, 1999 to December 31, 2002

As the table above shows, the percentage of small businesses within the San Francisco MSA is 67%. The bank's distribution of loans to businesses with revenues of \$1 million or less is reasonable. Based on our sample, the bank originated 5 loans or 63% of the number of loans to businesses with revenues of less than \$1 million, since the last CRA examination. This percentage closely represents the area demographics. The bank's loan penetration of dollar volume closely mirrors the area demographics. Our sample showed that 64% of the total dollars loaned were to businesses with revenues under \$1 million. This confirms the bank's commitment to meeting the community credit needs of businesses with revenues less than \$1 million as well as those summarized by the community contacts under the description of the assessment area. Refer to the tables above for details.

Lending to Individuals of Different Incomes:

Single Family Residential Loans

During the review period, the bank originated single-family residential loans to borrowers within its assessment areas, with a high penetration among the low-income assessment areas. This reflects the bank's commitment to mortgage lending of single-family residential loans.

Borrower Distribution of Residential Real Estate Loans in San Francisco MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
REL	28%	60%	21%	20%	21%	20%	30%	0%

Source: 2000 Area Assessment Report CRAWIZ Data and Sample of 5 loans originated within AA from September 1, 1999 to December 31, 2002

As the table above shows, the percentage of low-income families is 28%, the bank's loan penetration within low-income families represents 60% of its lending. This significantly exceeds the ratio for the family area demographics, and addresses needs of the community as noted by our community contacts.

Revenue Distribution – Commercial Real Loans (Oakland MSA)

Gross Revenues	Businesses in AA		Number of Loans Originated within AA		Dollar Volume of Loans Originated within AA	
	# of Businesses	% of Businesses	# of Loans	% of Number	Dollar Volume	% Of \$ Volume
<\$1,000,000	59,685	69.31%	9	100%	\$2,176,773	100%
>\$1,000,000	6,595	7.66%	0	0%	0%	0%
Not reported	19,833	23.03%	0	0%	0%	0%
Totals	86,113	100%	9	100%	\$2,176,773	100%

Source: 2002 Business Geodemographic Data and Sample of 9 loans originated within AA September 1, 1999 to December 31, 2002

As the table above shows, the percentage of small businesses within the Oakland MSA is 69%.

The bank's distribution of loans to businesses with revenues of \$1 million or less significantly exceeds the area demographics. Based on our sample, the bank originated 9 loans or 100% of the number of loans to businesses with revenues of less than \$1 million, since the last CRA examination. The bank's loan penetration of dollar volume is in the context of the bank's size and competition. Our sample showed that 100% of the total dollars loaned were to businesses with revenues under \$1 million. This confirms the bank's commitment to meeting the community credit needs of businesses with revenues less than \$1 million. Refer to the tables above for details.

Lending to Individuals of Different Incomes:

Single Family Real Estate Loans

During the review period, the bank originated single-family residential loans to borrowers within its assessment areas. Although the bank did not originate loans within the low-income assessment area, the penetration among moderate-income levels exceeds the area demographics. This reflects the banks commitment to mortgage lending of single-family residential loans.

Borrower Distribution of Residential Real Estate Loans in Oakland MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Single Family Real Estate Loans	23%	0%	18%	40%	23%	60%	36%	0%

Source: 2000 Area Assessment Report CRAWIZ Data and Sample of 5 loans originated within AA from September 1, 1999 to December 31, 2002

As the table above shows, the bank does not have lending to low-income families residing in those income areas. After further analysis of the bank not lending to this group, mitigating factors include the lack of a branch in the area, lack of a loan development officer to focus on targeting the community, and a significant percentage of low-income families that occupy rental housing. Although the bank did not have any originations within low-income families, the

percentage of loans originated in the moderate-income level represents 40% by number of loans to 18% of the moderate-income level families in the assessment area. This is a significant penetration for the area demographics, and addresses needs of the community as noted by our community contacts.

Geographic Distribution of Loans

Based on our sample, the bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. There are no gaps in the bank's distribution of loans. The analysis reflects lending in all tracts in the bank's assessment areas.

Geographic Distribution of Commercial Real Estate Loans (San Francisco MSA)

Tract Income Type	Businesses in Assessment Area		Number of Loans Originated within AA		Dollar Volume of Loans Originated within AA	
	# of Businesses	% of Businesses	# of Loans	% of Number	Dollar Volume	% of Dollar Volume
Low	20,424	22.88%	3	37.50%	\$1,275,000	36.62%
Moderate	18,338	20.55%	2	25.00%	\$840,000	24.12%
Middle	27,766	31.11%	2	12.50%	\$1,052,000	30.21%
Upper	22,724	25.46%	1	25.00%	\$315,000	9.05%
Totals	89,252	100%	8	100%	\$3,482,000	100%

Source: 2002 Business Geodemographic Data and Sample of 8 loans originated within AA September 1, 1999 to December 31, 2000

Commercial Real Estate Loans

As shown in the table above, the bank's distribution of loans to businesses by percentage of number of loans, and dollar volume of loans originated in the low-income geographies was 38%, and 37%, respectively. This exceeds the areas demographics, which shows that 23% of the businesses are located in low-income census tracts. The bank's distribution of business loans by percentage of number of loans, and dollar volume originated in the moderate-income geographies was 25%, and 24% respectively. This exceeds the areas demographics, which shows that 21% of the businesses are located in moderate-income census tracts.

Lending to Individuals of Geographic Distributions:

Single Family Real Estate Loans

During the review period, the bank originated single-family residential loans to borrowers within its assessment areas, with a high penetration among the low-income assessment areas. This reflects the bank's commitment to mortgage lending of single-family residential loans.

Geographic Distribution of Residential Real Estate Loans in San Francisco MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Single Family Real Estate Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
	3%	60%	14%	20%	44%	20%	39%	0%

Source: 2000 Area Assessment Report CRAWIZ Data and Sample of 5 loans originated within AA from September 1, 1999 to December 31, 2002

As the table above shows, the percentage of low-income families represents 3% of families located in the geographic area. The bank's loan penetration within low-income geographies represents 60% of their originations, and moderate-income loan penetration exceeds the 14% family ratio with a lending ratio penetration of 20%. This significantly exceeds the ratio for the area demographics, and addresses needs of the community as noted by our community contacts.

Geographic Distribution of Commercial Real Estate Loans (Oakland MSA)

Tract Income Type	Businesses in Assessment Area		Number of Loans Originated within AA		Dollar Volume of Loans Originated within AA	
	# of Businesses	% of Businesses	# of Loans	% of Number	Dollar Volume	% of Dollar Volume
Low	13,044	15.15%	1	11.11%	\$184,047	8.46%
Moderate	16,156	18.76%	2	22.22%	\$455,000	20.90%
Middle	36,656	42.57%	6	66.67%	\$1,537,726	70.64%
Upper	20,257	23.52%	0	0%	0	0%
Totals	86,113	100%	9	100%	\$2,176,773	100%

Source: 2002 Business Geodemographic Data and Sample of 9 loans originated within AA from September 1, 1999 to December 31, 2002

Commercial Real Estate Loans

As shown in the table above, the bank's distribution of business loans by percentage of number of loans, and dollar volume of loans originated in the low-income geographies was 11%, and 8%, respectively. This level of lending is mitigated by the percentages of loans made in the moderate income tract with 19% of businesses and the bank's distribution of business loans by percentage of number of loans and dollar volume originated in the moderate-income geographies was 22% and 21%, respectively. Also, the geographic distribution of business loans within the middle-income areas represents 43%. The bank originated 71% of its lending to moderate businesses. Although low-to-moderate income has low percentages and penetration, when combined, these percentages mirror the area's assessment demographics.

Lending to Individuals of Geographic Distributions:

Single Family Real Estate Loans

During the review period, the bank did not originate loans to low-income families. However, the bank has originations to moderate-income families within the assessment areas, which exceeds the geographies for moderate-income levels. The originations of lending within the moderate assessment area reflect the bank’s commitment to mortgage lending of single-family residential loans.

Geographic Distribution of Residential Real Estate Loans in Oakland MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Single Family Real Estate Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
	3%	0%	14%	40%	44%	60%	39%	0%

Source: 2000 Area Assessment Report CRAWIZ Data and Sample of 5 loans originated within AA from September 1, 1999 to December 31, 2002

As the table above shows, the percentage of combined low- to moderate-income families represents 17% of families located in low-to moderate- geographies. The percentages of loans originated in the moderate-income level represents 40% of lending to moderate–income families. This is a reasonable penetration for the area demographics.

An analysis of the bank’s low penetration of loans reflects the bank’s overall loan origination portfolio. Although the bank does not have low-income originations to families within its Oakland MSA, our analysis did not reflect that the bank arbitrarily excluded low-income families. Mitigating factors for low loan originations include the lack of a branch within the Oakland MSA and the need for a loan development officer that focuses on targeting all communities. The bank expanded its assessment area to include Oakland MSA due to loans purchased, which included loans within the Oakland MSA. Management is reassessing the bank’s designated assessment areas.

Responses to Complaints

No consumer complaints associated with the bank’s performance under the provisions of the CRA have been made since the last examination.

Fair Lending or Other Illegal Credit Practices Review

An analysis of four years of public comments and consumer complaint information was performed based on our risk-based assessment of Fair Lending. Based on our analysis of this information, we determined that a comprehensive fair lending examination would not need to be conducted in connection with this CRA evaluation. The latest comprehensive fair lending examination was performed in 1999. The objective of this examination was to determine the bank’s compliance with fair lending laws and regulations. We found no evidence of illegal discrimination or other illegal credit practices. There were no violations of the substantive provisions of the anti-discrimination laws and regulations identified. Based on this review, it was determined that the bank’s compliance with fair lending laws is satisfactory.