



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 21, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Sierra National Bank
Charter Number 17510**

**224 West "F" Street
Tehachapi, California 93561**

**Office of the Comptroller of the Currency
Western District Office
50 Fremont Street, Suite 3900
San Francisco, California 94105**

<p>NOTE: 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.</p>

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 Community Reinvestment Act (CRA) performance of **Sierra National Bank** prepared by **The Office of the Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 21, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**Satisfactory.**”

- The loan to deposit ratio meets the standards for satisfactory performance.
- The bank has a substantial majority of its outstanding loans within its Assessment Area.
- The bank has a good record of lending to individuals of low-and moderate-income levels. Our review shows a reasonable distribution of loans made to individuals of all income levels.

The following table indicates the performance level of **Sierra National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Sierra National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the last examination.		

DESCRIPTION OF INSTITUTION:

Sierra National Bank (SNB) is a \$55 million commercial bank which opened in November 1982. Its main office is in Tehachapi, California, which is approximately 40 miles east of Bakersfield, in the high desert of Central California. They operate three additional branches. These are located in Old Towne Tehachapi, a few miles from the main office, and in California City, twenty miles east of Tehachapi. In October 1996, SNB converted a loan production office to a full service branch in Bakersfield.

SNB's primary focus is construction lending to finance the building of single family residences and 1-4 multi-family units. In addition, SNB makes small business commercial loans and consumer installment loans. Their primary lending competition in Tehachapi and California City is from two major institutions and local credit unions. In Bakersfield a large federal credit union and several major and community banks compete with SNB. While Tehachapi is now slowly starting to recover from a prolonged recession, California City's economy is still flat. In Bakersfield, the western section is experiencing a renewed expansion of single family and 1-4 multi-family units. In addition, SNB management has taken steps to become more active in local redevelopment organizations to determine additional credit needs in the Bakersfield area. There are no impediments to lending in SNB's Assessment Area.

DESCRIPTION OF ASSESSMENT AREA:

The bank's Assessment Area meets the requirements of the regulation and does not exclude low and moderate income areas. It consists of the 80 census tracts within the Kern County Metropolitan Statistical Area (MSA). The Assessment Area has four (5%) low income census tracts, located in the heart of downtown Bakersfield. All but three of the 17 (21%) moderate income census tracts are in the old Downtown Bakersfield area. The other three moderate income census tracts are in desert communities that are not heavily populated. In addition, the Assessment Area has 28 (35%) middle income and 31 (39%) upper income census tracts. The population in the area is 400,000.

Tehachapi is primarily a bedroom/retirement community. The largest employer is the California Correctional Facility. The economy has remained flat in recent years due to declines in the local San Joaquin and Antelope Valley economies. California City was adversely impacted by a decision of Edwards Air Force Base to relocate their personnel onto the base's housing facilities. Housing and rental markets have not yet recovered. And in Bakersfield, the area also experienced depressed real estate values from the recession of the early 1990's. However, the local economy is picking up, with renewed construction activity. The 1990 census median housing value for Kern County is \$77,200. The 1995 HUD MSA Median family income is \$36,900.

As part of this examination, we reviewed information from community contacts with local government organizations, small business development corporations and a local title company.

The primary credit needs in the Assessment Area are construction lending and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to deposit ratio:

SNB's eight quarter average loan to deposit ratio of 69% meets the standards for satisfactory performance. The eight quarter average of loan to deposit ratio of three similarly situated institutions ranged from 61% to 75%. We consider the similarly situated banks to be community banks in the high desert area of Kern County that share similar economic conditions with SNB.

Lending in the Assessment Area:

We reviewed bank prepared data that analyzed all loans made within the Assessment Area from January, 1996 to September, 1996 and we tested the accuracy of that information. SNB's performance of lending within their Assessment Area exceeds standards for satisfactory performance. The bank has a substantial majority of its outstanding loan dollars and number of loans made within the Assessment Area. The table below illustrates the loans made as of September 30, 1996.

Loans Made Within the Assessment Area

Total Loans by Dollar Amount and Number	Total Loans Made Within Their Assessment Area	Percentage
\$13,486,766	\$13,121,798	97.29%
217	213	98.16%

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes:

We reviewed all loans made between January, 1996 and September, 1996. Our review consisted of 116 consumer loans (of which 37 are consumer home loans), 77 residential construction loans, and 24 commercial business loans. We focussed on assessing the bank's record of lending to individuals of low- and moderate-income levels and to businesses with annual revenues of \$1 million or less.

We concluded that the bank has a good record of lending to individuals of low- and moderate-income levels and to businesses with annual revenues of \$1 million or less. The following table illustrates our findings.

Extensions of Credit to Individuals of Different Income Levels

Income Level of Borrower	% of Consumer Real Estate and Installment Loans by Income Level	% of Families Within the Assessment Area by Income Level
Low Income	16.83%	3.47%
Moderate Income	17.82%	27.60%
Middle Income	15.84%	33.97%
Upper Income	49.51%	34.96%

This table shows the bank has a reasonable distribution of loans to all income levels. SNB made 34.65% of its consumer real estate (first trust deed and equity loans) and installment loans to low- and moderate-income individuals. This compares favorably with the 31.07% of families represented that are of low- and moderate-income levels.

Extensions of Credit to Businesses of Different Sizes

Size of Business	% of Commercial Loan Portfolio
Revenues of < or = \$1 million	95.04%
Revenues > \$1 million	4.96%

The bank has extended a significant majority of its commercial loans to businesses with annual revenues of \$1 million or less. Commercial business loans comprise 11% of the bank's total loan portfolio. Loans to real estate developers represent 35% of the portfolio.

Geographic Distribution of Loans:

We reviewed SNB's distribution of loans made in their Assessment Area in low- and moderate-income census tracts. We reviewed bank prepared data that analyzed all loans made within the

Assessment Area from January, 1996 to September, 1996 and we tested the accuracy of that information.

SNB's distribution of credit within their Assessment Area in low- and moderate-income geographies is adequate. The table below illustrates our findings.

**Distribution of Loans in Assessment Area
By Income Level Of Census Tract**

Income Level of Census Tracts	# of Loans in Tracts	% of Total Loans in A.A.	\$ Lent in A.A.	% of \$ in A.A.
Low	0	0%	\$0	0%
Moderate	4	1.88%	\$298,000	2.27%
Middle	39	18.31%	\$1,413,392	10.77%
Upper	170	79.81%	\$11,410,406	86.96%

The table shows that the bank's penetration in low- and moderate-income census tracts is low. However, based on SNB's primary lending focus of financing single family residences and 1-4 multi-family units, the public demand is centered in the community growth areas, primarily in the middle and upper income census tracts of Bakersfield. Almost all of the low- and moderate-income census tracts are located in the downtown area of Bakersfield. Local competition is meeting the needs of these individuals, including small business and consumer loans.

SNB supports affordable housing, with 57% of your residential construction loans in amounts less than \$100,000. Our community contacts indicate that the low end prices of new houses range between \$70,000 and 125,000 in your Assessment Area.

Discriminatory Practices:

We completed a concurrent fair lending examination and found no evidence of any prohibited or discriminatory practices. We also found that the bank complies with the provisions of the anti-discrimination laws and regulations.