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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

March 2, 1998

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**BORREGO SPRINGS BANK, NATIONAL ASSOCIATION**  
**Charter Number 23162**  
**547 Palm Canyon Road**  
**Borrego Springs, California 92004**

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

**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.

## 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 **Borrego Springs Bank, National Association (N.A.)**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, **as of March 2, 1998**. 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.**”

Borrego Springs Bank demonstrates commitment to serving the communities in which it operates.

- The loan-to-deposit ratio is comparable with similar banks in Southern California.
- The majority of loan originations are within the bank's assessment areas.
- The bank lends to businesses of different sizes.
- Lending is reasonably distributed in the assessment areas.

**DESCRIPTION OF INSTITUTION:**

Borrego Springs Bank, N.A., is a full-service commercial bank headquartered in Borrego Springs, California. Two of the bank’s four branches are located in San Diego County, California: the headquarters in Borrego Springs, and the La Mesa office which opened in May 1997. The other two branches are located in Imperial County, California: one in Calipatria, and one in Salton City.

The bank has seven automatic teller machines (ATMs). Five of the seven ATMs are within the assessment areas. There is an ATM at three of the four branches: Borrego Springs, Calipatria, and La Mesa. There is a deposit-taking ATM at the San Diego Community Development Corporation headquarters and a nondeposit-taking ATM in Chula Vista. The remaining two ATMs are outside the bank’s assessment areas and do not accept deposits.

There are no financial or legal impediments that hinder the bank’s ability to meet the credit needs of the community. As of January 31, 1998, the bank reported total assets of \$46 million centered in loans. Business lending comprised 81% of the bank’s total loan originations in 1997. Small Business Administration (SBA) loans constitute the primary focus, and the bank is among the highest producers of SBA loans in Southern California. There is strong competition for market share in this niche market. For example, four of the top 100 SBA lenders in the country (including Borrego Springs Bank) are located in San Diego County. The bank also operates five loan production offices that provide SBA loans outside the bank’s assessment areas in addition to those provided within the local areas.

In December 1996, Borrego Springs Bank became the only bank in California to be majority owned by a Native American tribe. There are 18 Indian reservations within the bank’s assessment areas, and several are within close proximity to branch offices.

The following chart reflects the bank’s outstanding loan portfolio by major product type.

**Loans Outstanding by Major Product Type  
As of January 31, 1998**

<b>Loan Type</b>	<b>\$ Volume</b>	<b>% Loans by \$</b>
<b>Small Business Administration Loans</b>	10,189,987	38%
<b>Residential Mortgage</b>	6,316,509	24%
<b>Commercial Real Estate</b>	6,180,532	23%
<b>Commercial Loans</b>	2,997,701	12%
<b>Consumer/Installment</b>	909,669	3%
<b>Total</b>	26,594,398	100%

The last CRA performance evaluation in March 1995 rated the bank “Satisfactory.”

**DESCRIPTION OF BORREGO SPRINGS BANK ASSESSMENT AREAS:**

Borrego Springs Bank has two assessment areas: San Diego County and Imperial County. The *San Diego County Assessment Area* is comprised of the 445 census tracts that constitute the San Diego Metropolitan Statistical Area (MSA). The *Imperial County Assessment Area*, comprised of 29 census tracts, is not located in a designated MSA. The two assessment areas comply with regulatory requirements and do not arbitrarily exclude low- or moderate-income geographies. A description of each area follows.

**San Diego County Assessment Area  
Composition by Income Level of Census Tracts**

<b>Census Tract Type</b>	<b># Tracts</b>	<b>% Tracts by #</b>
<b>Low Income</b>	26	6%
<b>Moderate Income</b>	96	22%
<b>Middle Income</b>	193	43%
<b>Upper Income</b>	117	26%
<b>No Income Reported</b>	13	3%
<b>Total</b>	445	100%

The population of San Diego County is approximately 2,298,016. Median family income is \$39,798 based on 1990 U.S. Census data, and median housing value is \$198,213. The economy in San Diego County is centered in services, tourism, manufacturing, real estate development, and government. Most sectors show positive trends following the prolonged recovery from the last recession. County employment was 2 percent higher in January 1998 than in January 1997. The unemployment rate in San Diego County in January 1998 was estimated at 3.9% compared with 6.6% for California as a whole, reflecting the overall improving economy. The fastest growing sectors were television, audio, and computer manufacturing.

The local economy surrounding the bank’s Borrego Springs headquarters is centered in seasonal tourism and in the small owner/operator businesses that support the tourists and local residents. The local area has seen little economic growth in recent years and has been slow to rebound from the last recession.

**Imperial County Assessment Area  
Composition by Income Level of Census Tracts**

<b>Census Tract Type</b>	<b># Tracts</b>	<b>% Tracts by #</b>
<b>Low Income</b>	1	3%
<b>Moderate Income</b>	15	52%
<b>Middle Income</b>	5	17%
<b>Upper Income</b>	8	28%
<b>Total</b>	29	100%

The population of Imperial County is approximately 109,303. Median family income is \$29,947 based on 1990 U.S. Census data, and median housing value is \$71,265. The economy of Imperial County is primarily agricultural. The construction of a prison in Calipatria resulted in increased retail business activity and residential construction, but there has been little economic growth in that area in recent years. Salton City is primarily a retirement and vacation-home community.

We contacted two community development organizations and determined that there are community credit needs for affordable housing, small business loans, and loans with flexible underwriting criteria for low- and moderate-income borrowers.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

The bank's commitment to the Community Reinvestment Act is reflected in the performance criteria explained below.

**Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is reasonable. For the last eight quarters the loan-to-deposit ratio averaged 70%. This performance is comparable with other local financial institutions having total assets of less than \$100 million. Their ratios averaged 77%. The bank's loan-to-deposit ratio would be substantially higher, exceeding 100%, if SBA loan originations sold on the secondary market were included.

### **Lending In Assessment Areas**

The bank originated a majority of the number and dollar volume of its loans within the assessment areas. We prepared the following analysis based on the bank's data which we tested for accuracy.

### **Lending Inside and Outside the San Diego County and Imperial County Assessment Areas Loan Originations During 1997**

	<b># Loans</b>	<b>% Loans by #</b>	<b>\$ Loans</b>	<b>% Loans by \$</b>
<b>In Assessment Areas</b>	129	61%	20,705,755	70%
<b>Out Of Area</b>	82	39%	8,963,353	30%
<b>Total</b>	211	100%	29,669,108	100%

### **Lending to Businesses of Different Sizes and to Borrowers of Different Income Levels**

Lending to businesses of different sizes in both assessment areas is reasonable. This is reflected in the charts that follow. We used the bank's internal analysis, which we tested for accuracy, to analyze business lending by loan size.

We did not sample residential mortgage loans or consumer products because they did not constitute a significant portion of loan originations.

### **Distribution of 1997 Business Lending by Loan Size San Diego County Assessment Area**

<b>Business Loan Originations</b>	<b># Business Loans</b>	<b>% Business Loans (#)</b>	<b>Dollar Volume Business Loans</b>	<b>% Business Loans Dollar Volume</b>
<b>\$0 - \$100,000</b>	42	42%	2,051,357	11%
<b>\$100,001 - 250,000</b>	25	26%	4,056,534	21%
<b>\$250,001 - \$1 Million</b>	31	32%	13,173,920	68%
<b>Total</b>	98	100%	19,281,811	100%

**Distribution of 1997 Business Lending by Loan Size  
Imperial County Assessment Area**

<b>Business Loan Originations</b>	<b># Business Loans</b>	<b>% Business Loans (#)</b>	<b>Dollar Volume Business Loans</b>	<b>% Business Loans Dollar Volume</b>
<b>\$0 - \$100,000</b>	4	57%	208,741	29%
<b>\$100,001 - 250,000</b>	2	29%	252,695	35%
<b>\$250,001 - \$1 Million</b>	1	14%	255,034	36%
<b>Total</b>	7	100%	716,470	100%

We also sampled 15 business loans to analyze the bank's lending to businesses of different sizes according to annual revenue (13 of 98 loans from the San Diego County Area, and 2 of 7 loans from the Imperial County Area).

**Lending to Businesses of Different Sizes in the San Diego County Assessment Area  
Sample of 1997 Loan Originations**

	<b># Business Loans</b>	<b>% Total (#)</b>	<b>\$ Business Loans</b>	<b>% Total (\$)</b>
<b>Loans to Small Businesses (Revenue &lt; \$1 Million)</b>	12	92%	1,100,150	43%
<b>Loans to Large Businesses (Revenue &gt;\$1 Million)</b>	1	8%	1,482,463	57%
<b>Total Business Loans Sampled</b>	13	100%	2,582,613	100%

**Lending to Businesses of Different Sizes in the Imperial County Assessment Area  
Sample of 1997 Loan Originations**

	<b># Business Loans</b>	<b>% Total (#)</b>	<b>\$ Business Loans</b>	<b>% Total (\$)</b>
<b>Loans to Small Businesses (Revenue &lt; \$1 Million)</b>	2	100%	289,633	100%
<b>Loans to Large Businesses (Revenue &gt;\$1 Million)</b>	-0-	-0-	-0-	-0-
<b>Total Business Loans Sampled</b>	2	100%	289,633	100%

**Geographic Distribution of Loans**

The bank's lending is reasonably distributed in both assessment areas. Lending activity in different income-level census tracts is comparable to demographic information. We used the bank's internal analysis which we tested for accuracy. The charts below compare the bank's loan originations during 1997 with the percentage of various income-level census tracts that comprise each assessment area.

**Lending in San Diego County Assessment Area - By Census Tract Type**

<b>Census Tract Income Type</b>	<b>% of Assessment Area</b>	<b>Loans in Tracts (#)</b>	<b>% of Loans (#)</b>	<b>Loans in Tracts (\$)</b>	<b>% of Loans (\$)</b>
<b>Low</b>	6%	4	3%	1,564,402	8%
<b>Moderate</b>	22%	44	38%	6,569,673	33%
<b>Middle</b>	43%	42	37%	7,103,773	35%
<b>Upper</b>	26%	27	22%	4,735,037	24%
<b>No Income</b>	3%	-0-	-0-	-0-	-0-
<b>TOTALS</b>	<b>100%</b>	<b>117</b>	<b>100%</b>	<b>19,972,885</b>	<b>100%</b>

[Note: The areas where no income is reported consist mainly of the downtown office areas, the San Diego Airport, the San Diego Bay, and various railroad yards and military bases.]



## Lending in Imperial County Assessment Area - By Census Tract Type

Census Tract Income Type	% of Assessment Area	Loans in Tracts (#)	% of Loans (#)	Loans in Tracts (\$)	% of Loans (\$)
Low	3%	1	8%	104,695	14%
Moderate	52%	11	92%	628,175	86%
Middle	17%	-0-	-0-	-0-	-0-
Upper	28%	-0-	-0-	-0-	-0-
<b>TOTALS</b>	<b>100%</b>	<b>12</b>	<b>100%</b>	<b>732,870</b>	<b>100%</b>

### Investments and Services

#### Investments

The bank's \$50,000 capital investment in a local financial institution during 1997 enhances its record of providing credit in the community. The institution was recently formed to provide credit for community development purposes including affordable housing, housing rehabilitation, loans for small business, and job training programs.

#### Services

As described earlier, numerous Indian reservations are within the bank's assessment areas. These communities have historically lacked access to financial products and services. The bank's Board and management have taken significant steps to improve the level of availability of these products and services as highlighted below.

- They are working closely with government agencies, community groups, and other lenders in researching ways to best provide financial services that are requested or needed by the Native American community.
- They recently designed flexible products to help meet the credit needs of Native Americans. For example, the bank has implemented the Tribal Loan Guarantee Program. The program provides small personal loans, collateralized by cash deposited by the tribe, for borrowers with little or no credit history. During 1997, the bank made 13 Tribal Guarantee loans totaling \$11,000 within the assessment areas.
- They formed the first association of banks that are majority owned by Native Americans, the *North American Native Bankers Association*, to research and promote ways to make loans in Indian country.

- They are also devoting time and resources to educate Native Americans on how to obtain credit. They are meeting with the chiefs of various tribes and are providing financial expertise at credit seminars attended by Native Americans in the assessment areas.

### **Responses to Complaints**

The bank has received no CRA-related complaints since the last CRA performance evaluation.

### **Fair Lending Analysis**

The bank is in compliance with Fair Lending laws and regulations. Our fair lending review, conducted along with this examination, found no unusual patterns or discriminatory lending practices.