



Comptroller of the Currency
Administrator of National Banks

Multinational Banking Department
250 E Street, S. W.
Washington, D.C. 20219

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

September 30, 1996

Bank One Arizona, N.A.
241 North Central Avenue
Phoenix, Arizona 85004

Charter Number 14324

<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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Bank One Arizona, N.A.** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **September 30, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments, and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

“Outstanding record of meeting community credit needs.”

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

“Satisfactory record of meeting community credit needs.”

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

“Needs to improve record of meeting community credit needs.”

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

“Substantial noncompliance in meeting community credit needs.”

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating

Based on the findings presented below, this institution is rated:

“Satisfactory record of meeting community credit needs.”

Evaluation Period: The date of the bank’s previous Public Disclosure is November 9, 1994. This disclosure evaluates the bank’s performance from November 10, 1994 through September 30, 1996.

BANK PROFILE

Bank One, Arizona, N.A. (BOA) is a wholly-owned subsidiary of Banc One Corporation of Columbus, Ohio (BOC). As of September 30, 1996, BOC reported total assets of \$99 billion. BOC operates approximately 1,500 offices in eleven states. The states in which BOC operates banks include: Arizona, Colorado, Illinois, Indiana, Kentucky, Louisiana, Ohio, Oklahoma, Texas, Utah, West Virginia, and Wisconsin.

There are other BOC subsidiaries operating in Arizona. To the extent that the activities of those subsidiaries help meet the credit needs of BOA’s community, they are part of BOA’s CRA performance. These activities are not part of any other financial institution’s CRA performance. BOC subsidiaries operating in Arizona include:

- o Banc One Mortgage Corporation (BOMC) - Provides residential mortgage lending.
- o Banc One Credit Card Services - Issues credit cards nationally.
- o Banc One Leasing Corporation - Provides commercial and equipment leases to businesses.
- o Banc One Community Development Corporation - Provides technical assistance to bank affiliates to facilitate community development lending and makes equity investments in community development projects.

BOA is the largest bank in Arizona with total assets of \$14 billion as of September 30, 1996. There are two other similar size banks in Arizona which operate on a state-wide basis. These are Wells Fargo Bank of Arizona, N.A. and Bank of America, Arizona, both with total assets of approximately \$9 billion as of June 30, 1996. The only other bank with state-wide operations is Norwest Bank Arizona, N.A. with total assets of \$4 billion as of June 30, 1996.

BOA is a full service bank offering a comprehensive menu of consumer, mortgage, and business lending services. The table below reflects the composition of the bank’s loan

portfolio by type of lending product. The table shows that 37% of the bank's loan portfolio is consumer related.

LOAN PORTFOLIO COMPOSITION September 30, 1996		
LOAN TYPE	\$ AMOUNT (In millions)	PERCENTAGE OF TOTAL LOANS
Consumer	\$ 1,684	17%
1-4 Family Residential Mortgages	2,062	20%
Commercial	1,699	17%
Commercial Real Estate	2,412	24%
Other	2,291	22%
Total Loans	\$10,148	100%

Review of BOA's recent earnings record discloses the bank's ability to meet its responsibilities under the CRA.

BOA Earnings Performance \$ in millions			
	12/31/94	12/31/95	9/30/96
Net Income	\$158	\$249	\$202
Return on Average Assets	1.35%	2.02%	2.01%
Peer Banks	1.13%	1.17%	1.23%

BOA's main office is in Phoenix, Arizona, but the bank serves the entire state with a network of 210 banking offices and 3 mobile branches. The mobile branches are dedicated to three Indian reservations. Each county within the state has at least one branch, and the five metropolitan areas of the state each have multiple branches. The branch network is augmented by 359 proprietary automated teller machines (ATMs). For detailed information concerning the distribution of branches and ATMs refer to Assessment Factor G.

COMMUNITY PROFILE

Throughout the evaluation period, the bank has defined its community as the state of Arizona. For analysis purposes, the bank divides the state into six assessment areas. These assessment areas include Arizona's five metropolitan statistical areas (MSAs) and the non-metropolitan remainder of the state. Arizona is unique in that it contains the largest number of Indian reservations of any state, with twenty-one. Indian reservations account for nearly one-quarter of the state's land mass. There are also large areas of desert, mountains, and state and national parks which are sparsely populated.

The chart below provides basic demographic information for each of the bank's assessment areas and for the state overall. Following the chart is a more detailed description of each of the assessment areas.

Community Demographics						
Assessment Areas	Popula- tion (000s)	Median Family Income (000s)	Number of Census Tracts (1)	Percentage of LMI Census Tracts	Number of Owner Occupied Housing Units (000s)	Percentage of Owner Occupied Units in LMI Census Tracts
Phoenix-Mesa MSA	2,238	\$35	490	31%	540	24%
Tucson MSA	667	\$31	115	39%	159	23%
Yuma MSA	107	\$26	24	33%	24	29%
Las Vegas MSA (2)	93	\$34	34	50%	27	42%
Flagstaff MSA	97	\$30	25	32%	18	26%
Non-MSA Areas	463	\$24	122	24%	111	19%
State of AZ	3,665	\$33	810	32%	879	24%

(1) Many of the rural areas of the state are divided in to Block Numbering Areas as opposed to census tracts.

(2) Arizona portion of MSA only.

Description of Delineated Communities

Phoenix-Mesa MSA

This is the largest MSA and population center in the state with 61% of Arizona's total population. Geographically, the MSA includes Maricopa and Pinal counties. Over 94% of the population of this MSA is classified as urban, but the outer fringe of the MSA is an expansive rural area shared by six Indian reservations, military installations, Tonto National Forest, and Estrella Mountain Regional Park. The six Indian reservations include: Salt River Pima-Maricopa, Ak-Chin, Gila River, Ft. McDowell, San Carlos, and Tohono O'Odham.

Phoenix is the trade, transportation, manufacturing, and financial center of the state and serves as a major trade center for the southwestern United States. Phoenix ranks among the top ten cities in growth rates in the western region. The MSA ranked fourth among metropolitan areas for job growth in 1995. As of September 1996, unemployment equaled 3.8% for Maricopa County and 6.3% in the more rural Pinal County. The economy is diversified with services, retail trade, government, and manufacturing accounting for the majority of jobs.

As a result of the large service sector, and its characteristically low pay, a substantial need for affordable housing exists. This is exacerbated by the tremendous growth of the suburban areas of metropolitan Phoenix with a preponderance of economic activity targeting those areas which are upper income.

Tucson MSA

The Tucson MSA consists of all of Pima County. The county is located in southeastern Arizona and extends south to the border of Mexico. Approximately two-thirds of the MSA's population resides in the City of Tucson and incorporated areas of Marana, Oro Valley, and South Tucson. Over half of Pima County consists of Indian reservations, national monuments, parks, and forests. The Indian reservations include: the Tohono O'Odham, San Xavier, and Pascua Yaqui.

Tucson is among the top ten cities for growth in the Western Region of the United States. As of September 30, 1996, unemployment in Pima County was 3.8%. Principal employers include the mining, defense, education, farming, and ranching sectors.

The population growth combined with a decline in new construction of both rental and owner-occupied units over the last several years has tightened the available housing stock. A severe shortage of affordable rental units exists, and the City of Tucson has identified provision of rental housing for low-income residents as its top housing-related priority through 1997.

Yuma MSA

The Yuma MSA is made up of Yuma County and is located in the southwestern corner of Arizona. It is bordered by California on the West and Mexico on the South. The vast majority of the MSA is public land consisting of national wildlife refuges and restricted military installations. As a result, the population is concentrated in and around the California-Arizona border city of Yuma.

Yuma County's unemployment rate stood at 32.8% as of September, 1996. Twenty-one percent of the population over 25 years old have no high school education. According to 1990 U.S. Census data, the largest occupational category in the Yuma MSA is administrative support with 14% of all jobs. Other significant occupational categories are sales and service.

During 1995, the Yuma MSA was classified by the federal government as a "difficult development area" for low-income housing tax credit purposes. Affordable housing is a major need and there are two not-for-profit organizations located in the assessment area that serve housing needs on a sizable scale. Commite de Bienestar helps low-income home buyers purchase lots and build houses with "sweat equity." Home America develops affordable housing in partnership with the Rural Community Assistance Corporation.

Las Vegas MSA

The Arizona portion of the Las Vegas MSA consists of Mohave County. It is located in the northwestern part of Arizona, and is bordered by California and Nevada on the West and Utah on the North. This large, rural MSA includes portions of three Indian reservations and other public land such as the Grand Canyon National Park, Lake Mead National Recreation Area and five significant mountain ranges. The MSA's population is concentrated in Kingman, Lake Havasu, and Bullhead City.

As of September, 1996, Mohave county's unemployment rate was 7.3%. The service sector accounts for 17% of all jobs with precision production/craft and sales as other significant occupational areas. Mobile homes comprise approximately 43% of all year-round housing units in the MSA.

Flagstaff MSA

Located in North-Central Arizona, this MSA consists of Coconino County. The northern part of the county borders Utah, and much of the rest of the county is dominated by the Grand Canyon National Park, Kaibab National Forest, and large parts of four Indian reservations. Flagstaff is the largest city in northern Arizona.

Unemployment in Coconino County was 8.9% as of September of 1996. Tourism is a principal source of employment in the area, in addition to lumber, railroad, and ranching.

Non-Metropolitan Areas

The remaining nine rural counties of Arizona not specifically included in the above MSAs constitute the bank's sixth assessment area. They include: Apache, Cochise, Gila, Graham, Greenlee, La Paz, Navajo, Santa Cruz, and Yavapai counties. Nearly 75% of these non-metropolitan areas are Indian reservations. This area includes the state's two largest Indian reservations, the Navajo and Hopi.

Unemployment in these counties ranged from a low of 5% in Yavapai to a high of 25% in Navajo. The service sector supplies 14% of all jobs in the non-metropolitan area. There is a significant need for affordable housing in rural Arizona, especially on reservation lands. This presents a major challenge to public, private, and non-profit entities to develop

and finance housing due to legal barriers that exist relating to ownership of land. The traditional cash orientation of tribal members and limited telephone service also hamper banking and lending efforts.

Community Credit Needs

Our review included identification of community credit needs throughout the bank's delineated community. This included contact with six public and community group representatives throughout the state. These contacts provided information about community credit and service needs, and feedback on BOA's CRA performance. In addition to these personal contacts, we reviewed information obtained through 21 contacts made by other financial institution regulators within the bank's market during the past two years. We analyzed this information in conjunction with demographic data to identify the following community credit and service needs:

- Loans and technical assistance for small businesses.
 - Start up loans through micro loan programs
 - Business and banking education
- Affordable housing financing.
 - Mortgages for single family residences
 - Flexible underwriting standards
 - Down payment assistance
 - Closing cost assistance
 - Construction and permanent financing of multi-family housing
- Loans for the rehabilitation of 1-4 family residences.
- Loans for the rehabilitation of multi-family properties.
- Special lending programs and services to Native Americans
 - Mortgage and consumer lending
 - Access to basic banking services
- Consumer education on banking products and services.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Conclusion - Management has effectively identified the credit needs of its community.

Supporting Detail - Management has identified community credit and service needs through the use of ascertainment calls, community advisory councils, and ad hoc community meetings. Additionally, a comprehensive market analysis was used to develop a 1996 Western Region CRA Plan. The plan targets identified needs and performance weaknesses, and establishes strategic goals and priorities to meet these needs. CRA Plan performance is monitored on a quarterly basis.

Ascertainment calls include interviews of contact people from local municipalities and community-based groups. During 1995, bank representatives made 165 such contacts. Management did not track these calls during 1996, and reported a shift in the focus of calls to developing working relationships with community groups, non-profit developers, and municipal contacts.

Management made use of Community Advisory Councils (CAC) during much of the rating period to solicit input concerning credit needs and feedback on proposed projects. The state was divided into four regions with a CAC for each. The use of CACs was terminated in mid-1996 with a shift in focus to geographically based CRA officers responsible for developing relationships with community contacts.

Ad Hoc Community Meetings were used to supplement ascertainment efforts. These meetings focused on topics such as branch consolidations and closings or small business credit needs. Over 50 of these meetings were held during the past two years.

With the information gathering efforts discussed above, corporate CRA staff developed the 1996 Western Region CRA Plan. The plan included input from the line of business managers, BOMC, BOCDC, and BOC Marketing. This whole process was done in anticipation of the new CRA regulation. Arizona's 1996 CRA goals focused on small business and home equity lending, mortgage loan referrals, rural loan penetration, and distribution of banking services in LMI census tracts.

As a result of the ascertainment efforts described above, management identified the following credit and service needs:

o Loans and technical assistance for small businesses

The bank offers a full range of small business lending products. One product is a small business line of credit that can be accessed by a credit card. The bank has also developed a special loan-by-phone application for small business loans.

The bank has also provided financial support and technical assistance to small business development organizations. These include the Portable Practical Educational Preparation, Inc. (PPEP) which offers micro business lending and Chicanos Por La Causa which has small business loan programs.

o Real Estate Related Financing

BOA offers affordable mortgage products that have more flexible underwriting standards. One city of Phoenix program offers subsidized interest rates. Other BOA products include home refinance, home improvement loans, and home equity lines of credit. These products are geared to meet ascertained needs relating to rehabilitation of LMI single family housing and financing for affordable rental housing. Management has developed simplified application methods allowing customers to apply for all types of mortgage products by phone.

Another significant identified need relates to mortgage financing on Indian Nations. The bank has made recent inroads with a new program under HUD section 184. They have closed three loans and have five more in process.

BOA has also worked closely with, and provided financial support to community and governmental groups and non-profit developers that focus on affordable housing issues for both single family and multi-family housing. This includes Neighborhood Housing Services, Habitat for Humanity, Chicanos Por La Causa, Inc., and PPEP, Inc. as examples.

BOCDC also has positively impacted Arizona LMI housing needs by purchasing Low-Income Housing and Historic Preservation Tax Credits.

o Consumer Loans

BOA offers a wide array of consumer loan products, and has targeted rural LMI areas which mostly consist of Indian Nations. Delivery of consumer loan products on Indian reservations is being accomplished through the operation of three mobile loan production offices. The bank also offers a secured credit card to help individuals establish credit for the first time or reestablish credit after credit problems.

o Consumer Education

BOA has worked with community groups in conducting seminars and forums relating to affordable housing, small businesses, and basic banking services.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

Conclusion - The Board and senior management are involved in the supervision of the bank's CRA Program.

Supporting Detail - The bank has a formal CRA program which was developed in December of 1995. The program identifies goals, objectives, and reporting guidelines, and requires quarterly tracking of performance relative to plan. CRA performance is monitored by the Western Region CRA team, which includes four CRA “market managers” within Arizona, and the Western Region CRA Manager.

During the assessment period, the organizational structure of the CRA function shifted from bank controlled to centralized on a corporate basis. Reporting and analysis was shifted to the corporate level, as well as oversight of the day to day operations of the function. As a result, the Western Region CRA Officer now reports directly to the Corporate CRA Officer. However, the Western Region CRA Officer also reports on the bank’s CRA performance to executive management of the bank and the Public Policy Committee of the Board.

During the evaluation a number of problems were noted with management’s reporting systems. Difficulties were encountered in analyzing the bank’s CRA performance as the reporting systems do not track several aspects of the bank’s performance and significant inaccuracies were noted in lending data for 1996. Documentation of community development loans and investments was weak which hampered determining whether the activities qualified as community development.

Technical compliance with the CRA regulation is weak as two violations of the regulation were noted during the evaluation. One violation related to not maintaining all public comments regarding the bank’s CRA performance in the bank’s Public Comment File. The second violation resulted from the bank’s CRA Statement incorrectly listing the location of the bank’s Public Comment File. The bank’s CRA statement does accurately describes the bank’s products, services, locations, and delineated community.

Management provides appropriate CRA training for all newly hired persons, and existing staff upon request. The CRA staff has attended numerous seminars during the assessment period, most of which dealt with the upcoming changes in the CRA regulation.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Conclusion - Management has developed and implemented a sound marketing plan which effectively informs members of the community of the bank’s credit products and services.

Supporting Detail - The bank’s marketing and advertising efforts are guided by the annual Marketing Plan. The 1996 Marketing Plan was developed by Product Management/Marketing with input from the Community Development Group and the Retail Management. The Plan is for the Western Region, which includes the states of Arizona,

Colorado, and Utah. The 1996 Plan considered the unique demographics of each market area, the economic conditions, competitive environment, and the bank's existing customer base. Management developed key objectives and goals for each market, and specific strategies to accomplish these goals. Strategies identify the marketing approach, timetable, media used, and the estimated budget.

The bank advertises credit products using a variety of media. Business advertisements include, but are not limited to: *The Arizona Women* (quarterly periodical); *Arizona Republic/Phoenix Gazette*; *Arizona Business Gazette*; *Phoenix Business Journal*; *Mesa/Tempe/Scottsdale Tribune*; *Flagstaff Arizona Sun*; and the *Prescott Courier*. Advertising for consumer credit products included the general distribution newspapers above, as well as the *Tribune Group*, *Tucson Star-Citizen*, the *Arizona Daily Sun*, *Prescott Courier*, *Yuma Daily Sun*, and numerous smaller publications. Radio and television media used for consumer credit products covered the Phoenix and Tucson metropolitan areas, as well as markets outside the metropolitan areas.

Marketing efforts that focused on under-served and LMI communities include direct mail, telemarketing, cash register receipts, and internal sales campaigns. Examples of the targeted campaigns during the assessment period include the Summer Solutions loan campaign, Small Business Loan campaign, and the LMI Mortgage Referral campaign. These are briefly described below:

- ▶ The Summer Solutions campaign consisted of direct mail and telemarketing of home equity credit line and consumer products. The campaign generated 494 applications from the targeted geographies which included: Cochise, Gila, Maricopa, Mohave, Pima, and Pinal counties.
- ▶ The Small Business loan campaign focused on targeted areas within the Phoenix and Tucson markets. Management provided employee incentives, and the 1996 campaign resulted in 174 accounts totaling \$6.6 million.
- ▶ The 1996 Mortgage Referral Sales campaign focused on metropolitan and rural LMI areas served by 32 bank branches. Employees were compensated for their mortgage company referrals, and the campaign generated 305 mortgage applications through September 30, 1996.

Special interest media used to reach the Native American communities include the *Arizona Silver Belt* (Globe), the *Apache Moccasin* (San Carlos), the *Gila County Advantage*, the *Gallup Independent* (Gallup), *Navajo Times* (Window Rock), and the *Navajo Hopi Observer* (Flagstaff). Radio stations included those located in Globe, Holbrook, Gallup, and Window Rock.

Media used to reach the Hispanic market included select radio stations in the Phoenix and Tucson areas. And Hispanic publications included *Cambio Magazine*, the *Latino Commerce Directory*, *Chicano Por La Causa*, and the *Hispanic Mexican American program*. Most of

the bank's product literature is available in Spanish, and bilingual employees and services are readily available. The bank also has specialty programs and advertising to reach African American and Asian American members of the community.

Educational/Seminars

The bank sponsored and participated in several seminars to assist members of the bank's community in understanding and applying for credit. Many of the seminars were to assist Native Americans in understanding basic banking services and the HUD 184 loan program to guarantee mortgages on reservations. There was also a program called Twilight Dawn to help Native Americans on reservations to understand and improve their credit records. A limited number of home-buyer and small business seminars were noted.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business loans.

Conclusions - BOA's extensions of credit have addressed a significant portion of the credit needs of its community.

Supporting Detail - The bank has extended a significant volume of consumer, small business and mortgage credit within its community. One overall measure of the volume of a bank's lending in relation to its own size is its loan-to-deposit ratio. BOA had a strong loan-to-deposit ratio of 93% as of September 30, 1996. The ratio has increased from 83% at year-end 1994, and compares favorably to the other banks in Arizona that operate on a state-wide basis. As of June 30, 1996, Bank of America, Arizona reported a loan-to-deposit ratio of 80%, Wells Fargo Bank of Arizona, N.A. reported a ratio of 52% and Norwest Bank Arizona, N.A. had a ratio of 48%.

Residential mortgage lending, for the most part, is not measured by a bank's loan-to-deposit ratio. This is because most of these loans are sold in the secondary market rather than held on the bank's books. A better measure of mortgage lending is the Home Mortgage Disclosure Act (HMDA) aggregate lending data for all mortgage lenders operating within the bank's community. The bank's HMDA lending performance is analyzed in detail in Assessment Factor E, but it is noted briefly that BOA was number two in both home purchase and refinance lending in 1994, and fourth and first, respectively in 1995. The bank ranked first in home improvement lending in both 1994 and 1995 with a 24% market share in 1995.

BOA is the largest small business lender in the state of Arizona. As of June 30, 1996, the bank had 21,631 loans of less than \$1 million outstanding. A number of these loans were made through the bank's business credit card program and were extended nationally, but over 10,000 of these loans are located within the state of Arizona. This is still more than any other bank in the state.

A majority of the bank's consumer lending is within the bank's delineated community. An internal analysis of BOA's consumer portfolio as of December 31, 1995 reflects that 74% of the dollar volume of loans are located within the state of Arizona. The consumer portfolio is defined as direct and indirect instalment loans, credit cards, mortgage loans, home equity loans, lines of credit, and commercial loans for personal financing. BOA also includes in this analysis mortgages made by the bank and sold, but still being serviced by the bank. Student loans are not included in this calculation.

The types of loans offered and extended are responsive to identified needs within the bank's community. BOA, in conjunction with BOMC, provides a full range of credit products. These products are available through bank branches, express offices, Loan-by-Phone and mobile branches in some of the more remote areas. The bank has also developed various business relationships with indirect providers to further expand the types of credit made available to its community. Major credit products include:

- Residential real estate loans, home purchase, refinance, home improvement, home equity, mobile home, and multi-family loans;
- Consumer instalment loans, lines of credit, credit cards, and education loans;
- Various government guaranteed or enhanced programs; and
- Commercial loans, including loans and credit cards for small businesses.

The chart below discloses the bank's lending volumes for 1995 and the first nine months of 1996. The chart reflects that the bank has extended significant volumes of consumer, mortgage, and small business loans over the evaluation period. There are a number of fluctuations in the level of originations that should be explained. First, a change in the definition of refinances in 1996 for HMDA reporting purposes was a major cause of the increase in this category and corresponding decrease in home equity lines and other consumer products. Credit card lending was down significantly in 1996 due to reduced solicitation.

Lending Activity				
LOAN TYPE	1995		9-30-96	
	#	\$(000s)	#	\$(000s)
Home Purchase	4,310	\$362,911	4,318	\$449,799
Home Refinance	2,279	\$177,291	10,457	\$428,366
Home Improvement	3,741	\$43,103	4,315	\$67,077
Home Equity Lines *	7,153	\$188,296	3,764	\$96,454
Consumer - Direct	31,683	\$264,383	15,564	\$132,804
Consumer - Indirect	15,127	\$203,451	21,945	\$297,683
Consumer - Credit Cards	35,225	\$226,449	16,472	\$51,975
Student Loans	31,941	\$59,096	20,656	\$40,413
Small Business Loans	1,398	\$151,842	1,100	\$49,770
Small Business - Credit Cards	2,261	\$8,189	1,316	\$4,413

* The number of home equity lines of credit reported may include some loans that were also reported in home improvement originations.

Below are descriptions of various special products and programs offered by the bank to help meet the credit needs of the bank's community.

Secured Credit Cards

BOA developed a secured credit card product in response to ascertained credit needs. This product is targeted at LMI individuals that have no credit, limited credit, or bad credit histories. Credit limits range from \$500 to \$5000, and are set by the amount of the deposit that secures the account. The bank originated 5,181 accounts with commitments of \$4.2 million in 1995 and 2,220 accounts with commitments of \$1.7 million through the first nine months of 1996.

Student Loan Program

This program provides funds for individuals to obtain a college education and allows deferred payments for up to 6 months after graduation. Below market interest rates are offered through a government subsidy, and all funds are guaranteed by the Federal Family Education Loan Program. BOA is the largest student loan originator in the state of Arizona.

Affordable Mortgage Programs

The bank offers a variety of affordable mortgage products, but the primary one is the Federal National Mortgage Association (FNMA) product titled the “Affordable Dream Mortgage.” This product can be used for the purchase or refinance of owner-occupied property. Underwriting guidelines allow a maximum loan-to-value ratio of 97% and terms of 15, 25, or 30 years. The maximum housing debt and overall debt-to-income ratios are 38% and 40.5%, respectively, and non-traditional credit histories are allowed. Private mortgage insurance is required for the portion of the loan in excess of 80% loan-to-value. Management was unable to provide the number or dollar amount of loans extended under these programs.

The bank also offers a First Time Home buyer’s program within the city of Phoenix. It was offered in conjunction with the city of Phoenix’s subsidized program which is discussed in Assessment Factor J. The bank’s program is not subsidized, but differs from the bank’s other affordable mortgage products in that it does not require private mortgage insurance. BOA committed to the city of Phoenix that they would make \$4 million of credit available through this program. Management was unable to supply us with information concerning the number or dollar amount of mortgages extended under this program.

Mobile Outreach Program

This program is delivered through the bank’s Mobile Banking Offices which provide credit services to three Indian Nations. Products offered include new and used vehicle and personal loans. Underwriting standards are modified to take into account the cultural differences of the applicants. Modifications include requiring less credit history, adjusting credit scoring techniques, approving loans for older vehicles, and waiving net worth requirements for loans less than \$10,000. BOA has originated 161 loans totaling \$480,000 since the last evaluation.

Gila River Indian Community - Special Loan Program

This program was created when the federal government temporarily shut down in early 1996. The shut down impacted many government employees on the Gila River Nation. At the request of tribal leaders, BOA provided short-term loans to individuals that needed to pay bills and meet living expenses. BOA responded promptly by making loans available within 7 days of the request. BOA originated 110 loans totaling \$208,000 under this program. All loans were guaranteed by the Gila River Indian Nation and had a term of twelve months.

Other Loans

BOA originated approximately \$61 million of commercial loans to tribal-owned businesses over the evaluation period. Some of these loans involved special underwriting standards. The bank generally required waivers of sovereign immunity.

Assessment Factor J - The institution's participation in government insured, guaranteed, or subsidized loan programs.

Conclusion - BOA adequately participates in governmentally-insured, guaranteed, or subsidized loan programs for housing, and small business.

Supporting Detail - The bank participates in a variety of publicly insured and subsidized programs to promote housing and small business. The programs include first-time home buyer's assistance with below market interest rates and subsidized home improvement, or rehabilitation loans. The bank has participated in a couple of complex and time-consuming programs, such as the Small Business Administration 504 loan program, and the Office of Public and Indian Housing Section 184 Indian Housing Guarantee Program. To date, the impact of these programs has been limited by the relatively small number of loans generated.

The bank's participation in government supported loan programs is highlighted in the following table. Details of each program follow:

Government Loan Program Participation January 1995 through September 1996		
Program Description:	# Loans:	\$ Loans: (000s)
Small Business Administration		
Guaranteed Programs (11/1/94-10/30/96)	65	19,730
The Office of Public and Indian Housing		
Section 184 Indian Housing Guarantee Program	3	92
City of Phoenix		
Home Improvement Loans	71	530
First-time Home Buyers Program	*	*
State of Arizona		
Low-Income First-time Home Buyers Program	*	*
Bank One Mortgage Company/Bank One Arizona	1,281	106,497
FHA/FMHA/VA Guarantee Programs		
Gila County		
Gila County Community Revitalization Program	13	91
Totals:	1,433	126,940

* Management and the involved public entities were unable to supply numbers for these programs.

Small Business Administration (SBA)

BOA obtained "Preferred" lender status in 1995. The bank participates in the SBA 7(a), 504, Fa\$track, and Low Doc Programs. For fiscal year 1996, BOA was the eighth largest originator of SBA loans in Arizona in dollar amount, and eleventh by the number of loans originated.

The Office of Public & Indian Housing

This program utilizes a Department of Housing and Urban Development (HUD) guarantee for loans made to Native Americans and Indian Housing Authorities. These loans can be for the purchase, construction, or rehabilitation of 1-4 family dwellings on restricted reservation lands. BOA is a leader in this program, in that they actively pursued implementing it and were the first in Arizona to use it. The bank closed its first Section 184 loan in January of 1996.

FHA/FHMA/VA Guaranteed Loan Programs

The bank's mortgage corporation has made numerous FHA/FHMA/VA guaranteed loans in the bank's markets. Totals include 657 loans for \$50 million in 1995, and 624 loans totaling \$56 million for year-to-date September 30, 1996. In 1995, BOA was the 9th largest mortgage originator of government guaranteed mortgage loans in Arizona.

City of Phoenix: Home Improvement Programs

This program provides below market interest rate home improvement loans to a limited number of qualified LMI homeowners. The program is funded by Community Development Block Grant funds and is limited to residents of Phoenix. BOA has participated in this program since it began in 1988, and in September 1995 the bank became the exclusive lender under this program. The bank also provides technical assistance to potential borrowers.

City of Phoenix: First Time Home Buyers Program

This program was funded by a state issued bond which allows below market, fixed rate financing to LMI, first time home buyers. The program also offers relaxed underwriting terms and technical assistance. The bank was unable to supply information concerning the number or dollar amount of loans made under this program.

State of Arizona: Low-Income First Time Home Buyers Program

This program is a partnership with the State of Arizona to provide down payment assistance and below market rate financing. The program is for low-income, first time home buyers. The program was created from a \$50 million bond issue. The proceeds were allocated to 10 lenders statewide, with BOA receiving \$5.5 million. The bank was unable to supply information concerning the number or dollar amount of loans made under this program.

Gila County: Community Revitalization Program

This program assists low-income homeowners with necessary home improvements. Participants receive a portion of their funds through a bank loan, and the remainder in the form of a "forgivable" grant from Gila County. The bank also provides technical assistance to educate potential borrowers prior to application.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

Conclusion - The bank's community delineation is reasonable.

Supporting Detail - Refer to the Community Profile at the front of the report for a detailed description of the bank's community. This delineation includes all of the bank's offices and does not exclude any low- or moderate-income areas.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

Conclusion - The geographic distribution of the bank's extensions of credit is satisfactory.

Supporting Detail - Management performs three types of geographic distribution analysis. They analyze retail lending, mortgage lending subject to HMDA, and small business lending. Management uses these analyses to measure lending performance, set CRA performance goals and to develop marketing and business strategies to reach under served areas. Retail lending reports for 1996 were not available for this evaluation. Further, the bank's analysis of small business lending was limited, as it did not include non-metropolitan areas, or the distribution of the bank's business credit card lending.

The bank's retail distribution analysis includes consumer and credit card lending by the bank and mortgage lending by both the bank and BOMC. Management determines the percentage of households in each census tract that have at least one mortgage or consumer loan product from the bank. This percentage is referred to as the bank's level of penetration of that census tract. Management calculates the overall level of penetration for each assessment area, and then identifies census tracts with a low level of penetration. Low-penetration is defined as census tracts with a penetration level of less than one-half of the average level for that assessment area.

The following table shows that the bank's level of lending penetration is reasonable throughout its community with 85% of all census tracts in Arizona having an acceptable level of penetration. The majority, or 65%, of tracts with low-penetration are LMI areas. However, the bank's overall penetration of LMI tracts is satisfactory, with 70% having an acceptable level of penetration.

1995 Retail Loan Penetration Analysis							
Community and # of Census Tracts	Low-Penetration Tracts			Low-Penetration Tracts that are LMI		LMI Tracts with Low-Penetration	
	#	%	(#)	%	(#)	%	(#)
Phoenix	490	9%	42	83%	35	23%	35
Tucson	115	4%	5	100%	5	11%	5
Yuma	24	25%	6	50%	3	37%	3
Las Vegas	34	35%	12	75%	9	53%	9
Non-MSA	147	37%	54	46%	25	86%	25
TOTAL	810	15%	119	65%	77	30%	77

Note: Flagstaff was not an MSA in 1995.

Management provided reasonable explanations for a number of the LMI tracts that have a low level of penetration. Many of these tracts have sparse populations and are dominated by geographic barriers such as desert, state or national parks, wildlife refuges, and military installations. In the Yuma MSA, a wildlife refuge and military testing grounds explain the majority of low-penetration areas. Similar factors explained most of the low-penetration areas in the Las Vegas and non-metropolitan areas with the additional factor of Indian reservations in these areas. As noted earlier, the state contains the largest number of Indian reservations in the United States, and there are a variety of cultural and legal impediments to lending in these areas.

The Phoenix MSA is the one area that improved lending to LMI areas is warranted. Management's analysis reflects that 23% of Phoenix's LMI areas have a low level of penetration. Some of the MSA's low-penetration areas are explained by geographic and demographic factors, but most are not adequately explained by those factors.

Small Business Lending

The distribution of small business loan originations is reasonable throughout the state of Arizona. The distribution of loans in 1996, the only year in which information was available for the whole state, closely parallels the distribution of the state's population. For example, 61% of the state's population is located in the Phoenix MSA and 65% of the bank's business loans were originated there. Likewise, 13% of the state's population is located in non-metropolitan areas and 10% of business loans were originated there. Similar correlations were noted with the other assessment areas within the state.

The distribution of small business loans to LMI geographies is satisfactory overall; however performance has declined over the past year. The table below shows that the portion of small business loans originated in 1995 in LMI tracts is high and generally exceeds the percent of

LMI geographies located in each MSA. However, the percentage of small business loans originated in LMI tracts decreased from 35% in 1995 to 23% in 1996. This information was only available for the state's MSAs. The largest decline was noted in the Phoenix MSA. Management is aware of this decline in performance and has implemented strategies to improve the volume of small business lending in LMI areas. Distribution for 1995 could not be reviewed in some areas, including the Flagstaff MSA which was not created until 1996, and the Las Vegas MSA for which data was not analyzed by census tract. Also, the bank did not collect information for non-metropolitan areas in a useable format in 1995 and could not provide information on the distribution of lending in non-metropolitan areas for 1996.

Distribution of Small Business Lending *						
MSA	1995			YTD 9-30-96		
	# of Loans	% of LMI Tracts	% of Loans to LMI Tracts	# of Loans	% of LMI Tracts	% of Loans to LMI Tracts
Phoenix	1,079	31%	37%	711	31%	22%
Tucson	223	38%	36%	189	38%	32%
Yuma	58	33%	22%	21	33%	43%
Las Vegas	38	50%	-	40	50%	50%
Flagstaff	-	-	-	32	32%	19%
Non-MSA	-	-	-	107	24%	-
TOTAL	1,398	32%	35%	1,100	32%	23%

* Does not include business credit card loans.

Mortgage Lending

The bank's mortgage lending performance in 1994 is reviewed here as a small portion of 1994 is included in the bank's evaluation period. Also, information concerning the volume of home mortgage lending reported by all lenders for 1994 under the Home Mortgage Disclosure Act (HMDA) was not available during the last evaluation. However, the focus of the analysis is on the bank's mortgage lending performance during 1995.

BOA has a strong mortgage lending record. The bank is one of the leading mortgage lenders in the state of Arizona in terms of volume, and its market share in lending to LMI census tracts and to LMI individuals is higher than its overall market share.

For 1994, the bank had the second largest market share in the state of Arizona for home purchase and refinance lending. BOA had the largest market share, by far, in the state for home improvement lending extending 33% of the loans reported. For each of these products, the bank's market share in LMI census tracts was higher than the bank's market share for the community overall. The same is true in terms of lending to LMI individuals without regard to location. The bank's market share in lending to LMI individuals was higher than its overall market share. Though not detailed in the charts below, the bank's market share in each of the state's four MSAs is relatively consistent and reflective of the bank's performance for the state overall. Taken together, this information indicates a strong mortgage lending performance across the state, and particularly in LMI areas and with LMI individuals.

HMDA - 1994						
MARKET SHARE BY CENSUS TRACT INCOME LEVEL - STATEWIDE						
	LMI	RANK	MIDDLE	UPPER	OVERALL	RANK
Home Purchase	6.4	2	6.7	6.0	6.1	2
Home Improvement	46.8	1	33.8	30.9	33.1	1
Refinance	11.4	1	8.4	7.8	8.4	2

HMDA - 1994						
MARKET SHARE BY APPLICANT INCOME LEVEL - STATEWIDE						
	LMI	RANK	MIDDLE	UPPER	OVERALL	RANK
Home Purchase	5.6	3	6.2	6.8	6.1	2
Home Improvement	35.3	1	22.8	22.2	33.1	1
Refinance	12.3	2	11.6	10.1	8.4	2

The bank's mortgage lending performance in 1995 was also strong. As indicated in the next three tables, BOA was the fourth largest home purchase lender in the state, continued to rank first in home improvement lending, and improved to first in refinance lending. The tables disclose information concerning the bank's market share for the state overall, in each of the state's four MSAs, and in the remainder of the state which is not in MSAs. This area is labeled as "Other." Note that for home improvement lending, only the bank's overall market

share was available for the Vegas MSA, and that no information was available for the remainder of the state (Other).

The bank's 1995 mortgage lending performance was again noteworthy not only for the volume of lending, but for the degree to which it penetrated LMI census tracts. It is also noted that the bank attained relatively consistent market shares across the entire state. In lending to LMI census tracts, the bank's market share is higher than its overall market share for each product, and in each MSA, with the exception of home purchase lending in the Tucson and Vegas MSAs. This information is indicative of strong performance in lending to LMI geographies.

HMDA - 1995						
HOME PURCHASE LENDING						
MARKET SHARE BY CENSUS TRACT INCOME LEVEL						
	LMI	RANK	MIDDLE	UPPER	OVERALL	RANK
Statewide	5.8	5	7.0	5.0	5.6	4
Phoenix	5.4	5	6.3	4.5	5.3	3
Tucson	5.4	7	6.7	4.9	5.5	4
Yuma	8.4	5	4.1	4.5	4.8	4
Vegas	16.3	2	16.0	26.7	16.4	3
Other	26.7	2	21.5	19.3	9.1	4

HMDA - 1995						
HOME IMPROVEMENT LENDING						
MARKET SHARE BY CENSUS TRACT INCOME LEVEL						
	LMI	RANK	MIDDLE	UPPER	OVERALL	RANK
Statewide	36.6	1	24.5	20.9	23.5	1
Phoenix	33.9	1	23.8	20.9	23.8	1
Tucson	36.3	1	27.9	20.5	25.4	1
Yuma	75.0	1	32.9	33.7	49.8	1
Vegas	-	-	-	-	46.3	1
Other	-	-	-	-	-	-

HMDA - 1995 REFINANCE LENDING MARKET SHARE BY CENSUS TRACT INCOME LEVEL						
	LMI	RANK	MIDDLE	UPPER	OVERALL	RANK
Statewide	11.9	1	11.7	8.6	9.5	1
Phoenix	10.9	1	8.6	6.9	7.9	1
Tucson	10.7	2	3.9	9.7	10.3	2
Yuma	14.3	2	7.0	11.3	10.1	3
Vegas	31.1	2	35.0	30.0	17.0	1
Other	33.3	1	37.1	41.5	17.4	2

BOA's mortgage lending by applicant income is similarly strong. Loan penetration to LMI individuals exceeds that of middle- and upper-income individuals in home purchase, home improvements, and refinance loans.

HMDA - 1995 MARKET SHARE BY APPLICANT INCOME LEVEL - STATEWIDE						
	LMI	RANK	MIDDLE	UPPER	OVERALL	RANK
Home Purchase	6.1	4	5.3	6.0	5.6	4
Home Improvement	35.3	1	22.8	22.2	23.5	1
Refinance	13.2	1	11.2	11.4	9.5	1

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

Conclusion - BOA has an adequate record of providing banking services to its community.

Supporting Detail - As of September 30, 1996 the bank had 167 Banking Centers, 43 Express Centers, and three mobile branches. Banking Centers and Express Centers are full service branches. Banking Center hours vary based on customer need with 17% open on Saturdays. Express Centers are located in Fry's Grocery stores and have extended hours of operation. They are open six days a week including Saturdays until 6:00 p.m.

Mobil branches are used to provide loan services to the Navajo, Hopi, and San Carlos Indian reservations. They have a weekly schedule that includes full day stops at a variety of locations. The mobile branches were approved in June of 1996 as full service branches, but they do not presently accept deposits or disperse cash. Branch personnel take applications for unsecured consumer loans of \$5,000 or less. The bank has had a loan originator working on the Navaho and Hopi reservations since November of 1994 and has extended 161 loans for a total of \$480 thousand. It is also noted that the bank has a full-service branch on the Gila River Reservation.

BOA's branch network is supplemented by 359 bank-owned, or proprietary, ATMs and 301 non-proprietary ATMs. Of the proprietary ATMs, 92% are full service. They accept deposits, dispense cash, and allow account inquiries. The non-proprietary ATMs are leased from a financial service institution and are identified as BOA machines. They are located in Circle K convenience stores in the Phoenix and Tucson markets. These machines do not supplement the bank's branch network to the extent that the proprietary ATMs do as they are not full service. Non-proprietary ATMs dispense cash and allow inquiries, but do not accept deposits. The fee structure is also different. BOA customers are charged a fee for cash withdrawals from the non-proprietary ATMs, but it is a smaller fee than non-customers pay. Bank customers do not pay a fee for cash withdrawals from proprietary ATMs. It is noted that the bank's penetration of LMI areas is enhanced by the non-proprietary ATMs as 45% are located in LMI census tracts.

The following chart discloses that the bank's distribution of branches and proprietary ATMs is reasonable in terms of its penetration of LMI areas. The chart compares the percentage of branches and proprietary ATMs located in LMI areas to the percentage of LMI census tracts for the state overall, for each MSA and for the remainder of the state. The fact that there are no branches located in LMI areas in the Flagstaff MSA and Las Vegas MSA is primarily due to the sparse population and unique demographics. These areas include Indian Reservations, National Parks, National Forests, and other public lands.

Branch/ATM Distribution and Comparison to LMI Demographics				
	# Branches/ ATMs	# LMI Branches/ ATMs	% LMI Branches/ATMs	% LMI Geographies
Total for Arizona	213 / 359	58 / 103	27 / 29	32
Phoenix MSA	120 / 220	36 / 65	30 / 30	31
Tucson MSA	39 / 70	15 / 30	38 / 43	39
Yuma MSA	4 / 6	2 / 3	50 / 50	33
Flagstaff MSA	6 / 10	0 / 0	0 / 0	32
Las Vegas MSA	5 / 14	0 / 0	0 / 0	50
Non-MSA	39 / 39	5 / 5	13 / 13	24

Alternative Delivery Mechanisms

Alternative delivery systems play an important role in the delivery of products and services to the bank's community. Telephone banking is the primary alternative delivery system used by the bank. Loan-By-Phone allows Arizona residents to apply for consumer loans through a toll-free telephone number. All of the bank's personal loan products and credit lines are available, and the applicant receives an answer within 30 minutes of the request. Consumers can conduct business with Spanish speaking personnel. Management indicated that 77% of the bank's direct consumer loan applications are received through Loan-By-Phone.

Consumers can apply for a mortgage loan or receive product information through the toll-free Home-By-Phone. Small business loan applications can be made through Business Loan-By-Phone.

Consumers can also make deposits and apply for loans through Bank-By-Mail.

Opening and Closing Offices

Since our last review, BOA has closed 38 branch offices. This does not include four branches which were closed temporarily for remodeling. Twelve of the closed branches, or 32% of the total, were located in LMI geographies. The primary reason for the closings was to reduce

branch duplication that resulted from the acquisition of Great American Savings Bank. In most cases, the closed branch assets were consolidated into existing branches located within a two-mile radius of the closed facility. Overall, the community's access to banking services was not significantly diminished by the closings.

Branch closing practices during this period did not include discussions with community leaders and customers prior to the decision to close the branches. This exception to BOA's Branch Closing Policy was due to the number of affected branches, the close proximity of other branches serving the trade area, and the perceived minimal adverse impact on the community.

The bank also opened twelve branches since our last review, including four located in LMI census tracts. Cities with new branches include Scottsdale, Mesa, Gilbert, Peoria, and Sedona. The new branches include the three mobile branches serving the Navaho, Hopi, and San Carlos Indian Reservations. The mobile branches improve access to credit services on the reservations served and are considered innovative. However, access to banking services remains relatively inconvenient for most of the state's reservations.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Conclusion - No practices were identified which are intended to discourage applications for credit.

Supporting Detail - Management affirmatively solicits applications from all segments of the bank's community. BOA developed several initiatives to insure that all segments of its communities are solicited for the various credit products and services offered. This includes special programs to target LMI individuals in under-served markets, as well as programs targeted at minorities. These initiatives, coupled with sound nondiscriminatory loan policies and procedures and a comprehensive corporate training program, diminish barriers to credit access.

Corporate training programs that focus on fair lending laws and principles are required of all employees with customer contact or responsibilities relating to the lending function. The training is titled "Fair Lending: Just Good Business!" and is considered comprehensive. Approximately 3,000 bank employees have received this training over the past two years. Additionally, "Valuing Diversity: The Best from Everyone" was used to sensitize employees to cultural diversity issues with coworkers and bank customers.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

Conclusion - No illegal discrimination or other illegal credit practices were noted.

Supporting Detail - A fair lending examination performed by the Office of the Comptroller of the Currency (OCC) examiners in August of 1996 focused on home equity lines of credit (HECL). Examiners reviewed an extensive sample of approved and denied HECL applications to determine whether similar applicants received similar loan outcomes without regard to their gender. The examination entailed a review of 188 approved HELC applications from male applicants, compared to 77 denied female HELC applicants. The review focused on decisions which overrode the bank's credit scoring system. No instances were identified where applicants were treated differently because of gender or any other prohibited basis.

BOC's Corporate Compliance, Legal, and Audit functions conducted fair lending testing of home improvement loans in 1995 and 1996 in affiliated banks. The 1995 results found no evidence of illegal discrimination or disparate treatment among declined minorities. Results from 1996 fair lending reviews were not made available to us.

First purchase money mortgage loans extended by the bank's affiliated mortgage corporation (BOMC) have not been subjected to a fair lending review. Also, BOMC is not subject to examination by the OCC since it is a holding company subsidiary.

During a portion of the evaluation period, BOMC was operating with an "overage" compensation program. This program allows mortgage representatives flexibility in pricing mortgage loans. Mortgage representatives are allowed to keep a portion of the interest rate charged if an applicant agrees to a higher interest rate than BOMC's standard rate.

Although overage practices are not new to the lending industry, there is recognition that such programs have potential for a disparate impact on applicants on a prohibited basis if not properly monitored. BOMC management recognized this potential problem and discontinued the practice until it was reinstated in March 1995. Under the new program, overages are limited to 1% which significantly limits the size of any overage. Additionally, affordable mortgage lenders are prohibited from assessing overages.

This issue is highlighted because the bank receives credit in this evaluation for mortgage loans made by BOMC. These lending activities are part of the bank's CRA program, but BOMC is not subject to regulation by the OCC. In light of the credit received by the bank for BOMC's lending activities, we are disclosing the existence of the overage program and the lack of fair lending self-testing.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

Conclusion - BOA is generally aware of community development and redevelopment programs within its community and occasionally participates in such programs.

Supporting Detail - The opportunity for participation in community development in Arizona is limited by the modest number of government and non-profit organizations within Arizona engaged in these activities. BOA has made an effort to increase community development opportunities in its community by investing in the Arizona Multibank Community Development Corporation, assisting in the development of Low-Income Housing Tax Credits (LIHTC) project proposals, providing operating support for the Phoenix office of the Local Initiatives Support Corporation (LISC) and by working to increase lending opportunities on reservations. Many of management’s initiatives will require additional time and resources to produce tangible results.

The bank’s participation in community development includes direct loans, investments, charitable donations, and technical assistance. The table below reflects participation in community development through a variety of means. The distribution of activities throughout the state reflects that opportunities are limited outside the metropolitan areas. The volume of activities overall is adequate.

COMMUNITY DEVELOPMENT ACTIVITIES			
Type/Program	Geographic Area	Number (000s)	Dollars
Lending:			
Commercial Loans	All	10	\$45,618
Letter of Credit: Bond Issue	Tucson	1	\$8,400
Investment:			
Arizona Multibank CDC	All		\$3,000
Municipal Bonds	Tucson	3	\$3,700
Contributions/Grants	All	30	\$574
LIHTC	Kingman	1	\$508
Property Donations	Phoenix/Douglas	2	\$101
Services:			
Community Groups (various)	All	28	n/a
Tribal Based Groups	All	9	n/a

COMMUNITY DEVELOPMENT ACTIVITIES			
Totals		84	\$61,901

Following is a more detailed description of the community development activities summarized above:

Commercial Loans

This category includes loans for the construction of affordable housing developments such as Las Palomas Village and Canoa Development. There was also a loan to SW Catholic Health Services, a non-profit health provider which focuses on LMI individuals and funding for neighborhood revitalization efforts in LMI areas.

Letter of Credit - Bond Issuance

An \$8.4 million letter of credit was extended as credit support for a Pasqua Yacqui Indian Tribe bond issuance used to fund a health care facility and to provide educational services on the reservation. The letter of credit was vital to the success of the bond issuance as the Tribe has no taxing authority. The bank also purchased \$3.7 million of the bond issue for its own investment portfolio. See “Municipal Bonds” below for details.

Arizona Multibank Community Development Corporation (AMCDC)

This is a multi-bank community development corporation which extends loans directly to small businesses and farms that do not qualify under traditional bank underwriting standards. BOA provided \$3 million of the initial capitalization of \$10 million for this entity. During the rating period, AMCDC extended 70 loans for a total of \$2.9 million.

Municipal Bonds

The bank purchased for its own account \$3.7 million in municipal bonds issued by the Pasqua Yacqui Indian Tribe. The bond proceeds were used to construct tribal-based health care facilities and provide educational services.

Contributions and Grants

The bank provided 30 grants with community development purposes during the rating period. The grants totaled \$574 thousand and were made to community groups across the state. This amount represented approximately 8% of the bank’s total contributions during the rating period and is considered modest overall.

LIHTC

This amount represents the tax credit portion of the financing of an affordable housing project in Kingman, Arizona. The bank committed to purchase LIHTC’s on five other projects during the rating period, but only one of them is still viable.

Property Donations

A former branch and one parcel of real estate owned by the bank were donated to community organizations to be used for community development purposes. The parcels had a combined market value of \$101 thousand.

Services

A variety of outreach activities related to the provision of financial services were performed throughout the rating period. The activities occurred throughout the state and the topics included affordable housing, lending to small and Native American businesses, and economic development.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions, and other factors.

Conclusion - BOA's efforts to meet community credit needs are consistent with its size and resources.

Supporting Detail - BOA has sufficient resources to meet the credit needs of its community. It remains the largest banking company in the state, in asset size, deposit share, and branch network. The bank also has access to additional resources through its corporate affiliates, including Banc One Mortgage Company, Banc One Capital Corporation, and Bank One Community Development Corporation. BOA demonstrates a willingness to support the development and implementation of programs and products to meet community growth and redevelopment needs. There are no legal impediments or local economic conditions which limit the bank's efforts.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Conclusion - BOA has engaged in a variety of other activities that contribute to meeting the community's credit needs.

Supporting Detail - Other activities include sponsoring home ownership, small business, and credit education activities. The bank also provides financial assistance to a variety of community organizations which support the needs of LMI individuals and geographies.

BOCDC has invested \$12.5 million in the National Equity Fund over the last four years. The fund is operated by LISC and is used for equity investments in community development projects around the country. LISC's primary purpose is to help organize and support local community development organizations.