

## **PUBLIC DISCLOSURE**

**July 17, 1997**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Far East National Bank  
Charter Number 16407**

**350 South Grand Ave, 41st Floor  
Los Angeles, California 90071**

**Comptroller of the Currency  
550 North Brand Boulevard, Suite 500  
Glendale, California 91203**

**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

This document is an evaluation of the Community Reinvestment Act performance of Far East National Bank, 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 July 17, 1997. 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 (CRA) 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 assessment 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.

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.*

Description of the Institution:

Far East National Bank (FENB) is a community bank that opened in 1974. As of March 31, 1997 the bank had total assets of \$442,000,000. The bank's head office is located in downtown Los Angeles, California. Six branches are located in Los Angeles County, two in Orange County, and two in San Francisco County. Six ATMs are attached to various branch locations.

The bank's overall condition is satisfactory and no financial or legal impediments exist which affect the bank's ability to meet the credit needs of its assessment areas. Management's efforts to meet the credit needs of its community are concentrated in commercial loans to small businesses and community development loans. The bank's primary business focus is business lending, with real estate secured business loans representing 59% of net loans totaling \$289,000,000 as of March 31, 1997. Loans to small businesses represented 27% of the dollar volume of loan originations in 1996. Consumer lending is minimal. The bank faces intense competition from local regional and other Asian community banks.

The last CRA examination was September 30, 1994, at which time the bank was rated Satisfactory.

Description of Far East National Bank's Assessment Areas (AAs):

FENB has designated the counties of Los Angeles, Orange and San Francisco as its three assessment areas. These AAs do not arbitrarily exclude low- and moderate-income geographies.

LOS ANGELES COUNTY ASSESSMENT AREA (LACAA)

The LACAA includes all 1,652 census tracts located in the Los Angeles County Metropolitan Statistical Area (MSA). Based on 1990 U. S. Census data, low- and moderate-income tracts represent 33% of the AA. Low- and moderate-income families, representing 41% of the population (estimated at 9,000,000) reside in these areas. The median family income is \$39,035. Although real estate values are beginning to stabilize, the rate of foreclosures remains high. The California Association of Realtors (CAR) reports that the cost of residential property still exceeds reasonable lending criteria for the area's median family income.

The LACAA has experienced an economic structural change since the early 1990's. Major cutbacks in aerospace and defense industries resulted in the loss of over 500,000 jobs. In addition, the consolidation of the financial industry contributed to job losses in the banking, insurance and real estate industries. However, the October 1996 California Economic Development Report indicates that Los Angeles County is recovering, with 131,000 new jobs in 1995 and 86,500 in 1996. This growth is primarily due to the shift towards service industries, most notably entertainment, computer services and telecommunications. In addition, increased orders for commercial aircraft has improved the aerospace industry. Wholesale and retail trade have also increased, reflecting significant growth in international trade activities which grew by 70% in the past six years, particularly high-tech exports. FENB is active in this area as a Delegated Authority Lender with the U.S. Export-Import Bank (EXIM).

Recent community outreach activities indicate that lending needs in Los Angeles County continue to include affordable housing and assistance for very low income individuals including the elderly and, particularly the homeless. The ratio of nightly homeless people to available shelter is 5:1. Community and economic development priorities include increasing job opportunities and increasing accessibility to venture capital for small businesses. Financing needs include commercial real estate construction, working capital and fixed asset purchases. Overall, our contacts indicate that local banks generally do a good job of meeting community credit needs. FENB actively participates in several community development and SBA projects in the LACAA.

#### ORANGE COUNTY ASSESSMENT AREA (OCAA):

The OCAA includes all 484 census tracts located in the Orange County MSA. Based on 1990 U.S. Census data, low- and moderate-income tracts represent 28% of the AA. Low-and moderate-income families, representing 38% of the population (estimated at 2,400,000) reside in these areas. The median family income is \$51,269. The National Association of Realtors ranked Orange County as the third most expensive housing market in the nation in 1995. However, in seven out of 31 incorporated cities, more than 8% of the population is at the poverty level. The Orange County Homeless Issues Task Force estimates a recent homeless population of 10,000 persons.

The 1994 Orange County bankruptcy resulted in the reduction or elimination of several community, health and social services programs. Local non-profit organizations have expanded services to assist groups affected by the loss of public assistance programs,

but availability of discretionary income for non-profits has also declined. The Orange County economy relies on service, manufacturing, and retail trade industries. Although improving, unemployment remains above national levels.

Recent community outreach activities indicate the need for affordable housing, supportive health and social service programs for the homeless and low income individuals, increased job training and employment opportunities, and neighborhood revitalization. The County has several programs available for banks to participate in. FENB currently is not involved in any such program in this AA. Community contacts include the Orange County Small Business Development Center and the Micro Enterprise Loan Program of Orange County. These sources indicated that local banks do not do a good job of meeting community credit needs.

#### SAN FRANCISCO COUNTY ASSESSMENT AREA (SFCAA):

The SFCAA includes all 152 census tracts located in the San Francisco County MSA. Based on 1990 U.S. Census data, low- and moderate-income tracts represent 43% of the AA. Low- and moderate-income families, representing 49% of the population (estimated at 724,000) reside in these areas. The median family income is \$49,282. A 1995 report prepared by the U.S. Department of Housing and Urban Development (HUD) reported that the limited land supply, coupled with a relatively healthy economy and high quality of life, have made the city one of the Nation's most expensive housing markets. However, according to 1990 U.S. Census data, 28% of all households were considered low income. Further, the availability of habitable housing is minimal due to earthquake damage and the prevalence of unsafe masonry buildings.

The SFCAA economy is improving with unemployment rates declining. Tourism, transportation, finance, high technology, manufacturing and service industries are the primary employers. The State of California Employment Development Department reports that growth is expected in health, engineering and retail industries.

Recent community outreach activities indicate the need for safe, affordable housing, homeless transitional facilities, and increased job training and employment opportunities. Lending opportunities for local banks include participation in community development projects such as the Housing Rehabilitation and Seismic Retrofit/Deferred Loan Payment Programs. Bank funding is strongly needed to finance small business working capital needs.

## 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.

#### **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.*

The bank's ascertainment of community credit needs is satisfactory. Management maintains regular contact with and participates in a large range of government and community groups in the Los Angeles and San Francisco AAs . These contacts include the Southern California Community Development Corporation (SCCDC), California Economic Development Lending Initiative (CEDLI), Los Angeles Community Development Bank (LACDB), The East Los Angeles Community Credit Union (TELACU), Federal Reserve Bank of San Francisco Mortgage Credit Partnership Project, Affordable Senior Housing in El Monte, and several cultural, educational and economic redevelopment agencies throughout both AA's. The bank is a recipient of the Financial Services Advocate Award by the U.S. Small Business Administration and the Los Angeles Chamber of Commerce. The bank's participation in similar activities in the Orange County AA was not noted.

Management formally monitors the bank's CRA activity. The review involves an analysis of loan activity in each AA. These reports are provided to the Board. The Board and management have limited responsiveness toward community credit needs through new product development resulting from these periodic reviews. However, the bank's primary business lending products are reasonably suited to the identified community credit needs. See discussion under assessment factor E.

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.*

The extent of Board participation is generally satisfactory. The Board of Directors participates in the CRA process on a limited basis. Management provides quarterly CRA updates to the Board which involve written and oral presentations. These presentations articulate the bank's CRA activities and serve as educational efforts regarding changes in the regulation. However, Board minutes did not reflect active board discussion of these issues. Policy oversight is limited to approval of the CRA statement and periodic reviews of management's CRA self-assessment presentations.

The Board supports CRA training and generally ensures CRA technical compliance. In 1996, the bank purchased a software program and provided training to enable appropriate tracking and analysis of CRA performance information.

## 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.*

The bank's marketing program is satisfactory. It is primarily implemented through direct officer contacts. Advertisements in community periodicals are limited, but target ethnic communities including low- and moderate-income areas. Community credit needs advertised included specific products such as SBA loans and other small business loan products.

Assessment Factor I: *The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.*

The bank satisfactorily addresses the needs of its community through the origination of business loans. From January 1995 through June 1997, the bank originated 715 loans totaling \$162,000,000 of which



83% by number and 79% by dollar volume were generated inside its assessment areas. Loans originated in low- and moderate-income areas represent 27% by number and 30% by dollar of total originations during this period.

Small business loans were accurately reported in 1996, according to the new CRA regulation. Small business loans, defined as loans less than \$1,000,000, totaled \$25,000,000, of which 59% were to small businesses, defined as businesses having gross annual revenues of \$1,000,000 or less. Of the 92 small business loans originated in 1996, 28% by number and 6% by dollar volume were loans in amounts less than \$100,000.

Assessment Factor J: *The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.*

The bank's participation in governmentally-insured, guaranteed or subsidized loan programs for housing and small businesses is satisfactory. During the period of January 1995 through June 1997, the bank generated 83 SBA loans totaling \$21,000,000. In addition, the bank is actively involved with the Export and Import Bank of the United States (EXIM).

### **III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

#### Reasonableness of Delineated Community (Assessment Area)

The bank's assessment areas meet the purpose of CRA and do not exclude low/moderate income areas. Each of the three AAs are MSAs in which branches are located and in which substantially all the bank's loans are made.

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

FENB's geographic distribution of credit within its assessment areas is satisfactory. The bank has good penetration in all segments of its community, including low- and moderate-income areas. The following tables reflect the geographic composition of census tracts of different income levels for each AA and the distribution of the

bank's loan originations from January 1995 through June 1997 in those areas:

*Los Angeles County:*

Census Tract Type	% AA	#Loans	%Total (#)	Loans (000's)	% Total (\$)
Low / Moderate	33%	114	31%	\$25,720	29%
Middle / Upper	67%	250	69%	\$63,018	71%

*Orange County:*

Census Tract Type	% AA	#Loans	%Total (#)	Loans (000's)	% Total (\$)
Low / Moderate	28%	14	16%	\$10,348	36%
Middle / Upper	72%	73	84%	\$18,205	64%

*San Francisco County:*

Census Tract Type	% AA	#Loans	%Total (#)	Loans (000's)	% Total (\$)
Low / Moderate	43%	31	55%	\$7,454	80%
Middle / Upper	57%	25	45%	\$1,907	20%

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

The bank and its branches are reasonably accessible to all segments of its community. Six out of ten branches are located in low- and moderate-income areas. Office hours accommodate customer convenience needs. All of the branches, with the exception of the Main Los Angeles Office, San Francisco Main office and Newport Beach office are open on Saturday. Credit services listed in the CRA Statement are available at all but two branches. The bank has never closed a branch. Two branches were relocated, but neither were more than 2 miles from the previous locations.

#### **IV. DISCRIMINATION**

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

We found no evidence that the bank discourages applications from any segment of its community.

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

We found no evidence of any discriminatory lending practices during our June 30, 1997 Fair Lending examination. The bank complies with the provisions of anti-discrimination laws and regulations.

#### **V. COMMUNITY DEVELOPMENT**

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

The bank continues to demonstrate a high level of participation in economic revitalization and redevelopment projects. In the last two and half years, the bank has extended \$12,000,000 in community development loans, representing 25% of the bank's equity capital. Examples include a \$4,600,000 construction loan for low cost senior housing in El Monte, California, a \$3,000,000 line of credit to the Alhambra Redevelopment Agency, and a \$758,000 loan to assist a minority owned bank. The bank is an active participant in the East Los Angeles Community Union (TELACU). Since January 1995, the bank has advanced \$2,300,000 in new funds to refurbish a warehouse into a retail shopping center in the East Los Angeles enterprise zone. An additional \$1,300,000 was extended to finance affordable housing projects in the same area.

The bank invested \$424,000 in a \$90,000,000 CEDLI project in San Francisco which provides special financing to small businesses, community and economic development corporations and non-profit lending intermediaries.

The bank has invested \$3,000,000 in tax exempt municipal bonds which qualify as a CRA investment.

The bank's participation in community development and specific projects promoting economic growth is consistent with its size, financial capacity, branch locations, and current local economic conditions. Management maintains good working relationships with government and private sector representatives to identify and express interest in development projects.

*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.*

The bank demonstrates a willingness to explore other activities which contribute to its efforts to help meet community credit needs.