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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

February 12, 1998

# **Community Reinvestment Act Performance Evaluation**

**First National Bank of Marin  
Charter Number: 20291**

**1201 Fifth Avenue  
San Rafael, CA 94901**

**Office of the Comptroller of the Currency  
Western District Office  
50 Fremont Street, Suite 3900  
San Francisco, CA 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 CRA performance of **First National Bank of Marin** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 12, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. 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* under the Community Development Test.

- First National Bank of Marin (FNBM) made an adequate level of qualified investments and provided sufficient community development services in relation to its resources and financial constraints during the assessment period. FNBM provided grants to local organizations and deposited funds in a community development bank and a minority owned, small business bank.
- FNBM exhibited adequate responsiveness to credit and community economic development needs given its financial condition. The bank provided credit counseling to small business owners, provided a credit-related seminar, and helped provide low income housing.
- FNBM community development investments and services have not been particularly innovative or complex; however, management's responsiveness to the needs of the community was adequate in light of its managerial and financial resources.

## Description of Institution

First National Bank of Marin opened in July 1984 as a full service bank. FNBM maintained a wide range of products until 1995 when the bank began focusing primarily on one product, a partially secured credit card. With the success of this card, the Board of Directors decided to focus solely on the credit card product.

Because customer contacts for this product transpire over the phone or through mail, FNBM closed its main office to customer traffic on July 1, 1996. The branch now serves as the bank's administrative office and is staffed with only about 16 people. The staff includes a few bank officers and administrative personnel. The bank contracts with outside firms for marketing and collection activities. Effective June 28, 1996, FNBM received designation as a limited purpose institution, for purposes of the Community Reinvestment Act.

The bank uses savings deposit accounts and certificates of deposit to fund the credit cards. The bank's assets total \$128 million with equity of \$12 million. In 1997, the bank reported net income of \$6.6 million, including accounting adjustments. However, in 1996, the bank reported a net loss of \$5.6million.

Earlier in the assessment period, the bank's resources were limited due to operating losses and capital constraints. Also, the bank operated under a Consent Order. This required the Board of Directors and its officers to focus their efforts on improving the financial condition of the bank. We assessed the bank's CRA performance in light of these factors.

## Assessment Area Description

FNBM's assessment area consists of all 51 census tracts in Marin County, California. Marin County is located within the San Francisco Metropolitan Statistical Area (MSA), which includes Marin, San Francisco, and San Mateo Counties. Marin County covers 606 square miles and is directly north of San Francisco. While the majority of tracts are middle- and upper-income, the bank's assessment area contains four moderate-income tracts. These moderate-income tracts include Marin City, the Canal District in San Rafael, Novato, and Dillon Beach. The following table shows the number and percent of census tracts and families by income level within the bank's assessment area:

First National Bank of Marin Assessment Area															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
Census Tracts		Families		Census Tracts		Families		Census Tracts		Families		Census Tracts		Families	
0	0%	8,130	14%	4	8%	9,101	15%	20	39%	12,204	21%	27	53%	29,514	50%

Source: Demographic Data - 1990 U.S. Census

Marin county is one of the most affluent counties in the San Francisco Bay Area. The 1990 U.S. Census Bureau data reported median family income for Marin County at \$59,157 versus \$49,282 for the entire MSA. Incomes throughout the county have increased. Updated information from the Department of Housing and Urban Development (HUD) shows San Francisco MSA's median family income at \$61,300 for 1996. San Rafael Chamber of Commerce reported the average cost of a single-family residence in Marin County at \$365,000 in 1995.

The area's economy is dominated by small and mid-sized businesses, with a high concentration of software companies. Other major employers include government services, insurance companies, financial institutions, hospitals and utility companies. The local banking market is extremely competitive with regional banks, multinational bank branches, and several community banks.

Housing prices and the overall cost of living have made it extremely difficult for low- and moderate-income families to live in Marin although they work in the area. According to local groups, the greatest need is for affordable housing. Multiple families share apartments to afford the high cost. Other needs include subsidized day care, small business financing, and education. Community contacts and area research showed that Marin County has a wide range of organizations that help serve these needs. Community development lending, investment, and service opportunities are available through these groups.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE

We rated the bank as having a **Satisfactory** record of performance under the Community Reinvestment Act. Based upon the guidance provided by the OCC following the last CRA examination, management and the board provided sufficient community development investments and services, and exhibited an adequate responsiveness to credit and community development needs. During the rating period, the bank operated under a Consent Order to improve its financial condition. We considered the bank's limited staff as well as its financial condition during the rating period to reach our conclusions.

We evaluated the bank's qualified investments and community development services since the last evaluation dated December 31, 1996. While the dollar volume is satisfactory, the bank's investments and services do not exhibit innovative or complex characteristics. The bank has not made any community development loans.

### First National Bank of Marin - Qualified Investments

- Community Bank of the Bay (CBB) - In February 1998 and December 1997, FNBM invested at below market rates in two certificates of deposit for \$300,000 and \$100,000, respectively, at this community development bank. CBB's lending activities cover lower income areas in San Francisco and Oakland, as well as in adjacent Bay Area cities such as Richmond, West Berkeley, Marin City, or East Palo Alto. CBB focuses on community development projects that conventional banks will not fund. In December 1997, FNBM arranged a forum with CBB, Marin Family Action, Southern Bible Institute, and Hamilton Credit Union to discuss Marin County credit needs and how CBB can best meet these needs.
- Mission National Bank - FNBM invested a \$100,000 certificate of deposit at a below market rate at this minority-owned, small business bank in December 1997. Mission National Bank presently has three loans to small businesses in Marin County. They plan to make additional small business loans to this area through referrals from FNBM.
- Grants - The bank provided \$4,150 in grants to six different community development agencies in 1997. The largest of these grants for \$2,500 helped Marin Family Action (MFA). MFA advocates for the low and moderate income families in Marin County. MFA was instrumental in obtaining approval to convert Hamilton Naval Base housing into low-income housing. Also, this organization provides credit repair, home ownership, computers and computer classes to their constituents. Other grants for between \$150 to \$500 helped local groups provide food, housing, mentoring and job training to low and moderate income people.

## **First National Bank of Marin - Community Development Services**

- A bank officer provided financial counseling, business planning, and credit counseling to three minority-owned, low-income, small business owners. One of the businesses involves the musical recording of a compact disk. The bank officer helped document the steps needed to pursue this effort, especially the budgeting and financial accounting needed. This information will be used to educate other interested small business owners in this process.
- A bank officer is a board member of, and provides financial expertise to, Southern Marin Bible Institute (SMBI). SMBI is a non-profit educational institute founded in 1980 in Marin City . The school caters to socially and economically disadvantaged people. SMBI is developing a program to provide housing and counseling for low-income people, completing drug rehabilitation programs. The bank officer provided a class on Credit Management and Loans to SMBI students at the bank. She also prepared a budget and helped raise funds for SMBI.
- A bank director provided his expertise in obtaining financing for a group home located in Petaluma, California. This home provides low cost housing for people who were previously homeless but have obtained jobs. Although the home is located in Petaluma, about seven miles north of Novato, it serves the needs of both communities. The home is owned by the Committee on the Shelterless (COTS).

## **Compliance with Anti-Discrimination Laws and Regulations**

We reviewed the bank's compliance with fair lending laws and regulations during our December 31, 1996 examination. We identified no violations of the substantive provisions of the anti-discrimination laws and regulations.