



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

November 13, 2007

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

City First Bank of D.C., National Association  
Charter Number: 22968

1432 U Street, NW  
Washington, DC 20009

Office of the Comptroller of the Currency

Washington DC Metro Satellite Office  
395 E Street, SW, Suite 850  
Washington D.C. 20024

**NOTE:** This document is an evaluation of this 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. 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.

## **INSTITUTION'S CRA RATING: This institution is rated Outstanding.**

The major factors supporting the institution's rating include:

- The bank's average loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance;
- A majority of bank's loans were originated in the bank's assessment area;
- The bank's record of lending to businesses of different sizes exceeds the standard for satisfactory performance;
- The geographic distribution of small business loans exceeds the standards for satisfactory performance;
- The bank has had no consumer complaints regarding its community reinvestment performance; and
- The bank's community development performance demonstrates an excellent responsiveness to the community development needs of its assessment area.

## **SCOPE OF EXAMINATION**

This Small Bank examination assesses the bank's performance under the lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area through its lending activities. In addition to the lending test, City First Bank of D.C., National Association requested a review and an evaluation of their performance in community development lending, qualified investments, and community development services.

The evaluation period for the lending test is January 1, 2005 through September 30, 2007, as this is representative of the bank's lending strategy since the last Community Reinvestment Act (CRA) examination. Based upon the bank's business strategy and the loan balances outstanding at September 30, 2007, we determined the bank's primary loan product was small business lending. Therefore, conclusions regarding the bank's lending performance are based on small business lending. To perform the lending test, we utilized a lending report generated by the bank to select a random sample of twenty small business loans that were originated or purchased during the evaluation period.

The evaluation period for the Community Development (CD) test is March 20, 2001 through November 13, 2007. The CD test evaluates the bank's responsiveness to the community development needs of its assessment area through their CD lending, qualified investments, and community development services. To perform the community development test, we reviewed all of the CD loans, qualified investments,

and CD services submitted by management to ensure that they met the regulatory definition for community development.

## **DESCRIPTION OF INSTITUTION**

City First Bank of D.C., National Association (CFB) is a Community Development Financial Institution (CDFI) headquartered in Washington D. C. As of September 30, 2007, CFB had total assets of \$122 million and tier one capital of \$15 million. CFB opened on November 24, 1998, and is wholly owned by CFBanc Corporation, Inc., a one-bank holding company. CFB has one wholly owned subsidiary, City First New Markets Advisors (CFNMA), which was created to administer the New Market Tax Credit (NMTC) transactions. CFNMA has ten subsidiaries, and each of the ten subsidiaries was developed for a NMTC transaction. Subsidiary activities were considered in the Community Development evaluation.

CFB's primary mission is to strengthen and promote investment in the neglected and underserved communities in Washington, D.C. CFB accomplishes this by providing credit, banking services, and access to financial education for individuals, organizations and businesses. The bank's primary customers are small businesses and nonprofit organizations that are involved in the delivery of education, community services, or affordable housing to low- and moderate-income individuals and families.

CFB offers a full range of banking and financial services, including specialized products that are designed to support their Community Development mission. The bank has three primary lending niches. The first is commercial real estate lending for the acquisition and renovation of affordable housing and urban retail and office locations. The second is nonprofit facility and working capital lending for day care centers, homeless shelters, charter schools, special-needs housing, and faith-based organizations. The third is small business lending including lines of credit, term loans, letters of credit, and SBA guaranteed loans. Deposit products and services include checking and savings accounts with no fees and minimal deposit balance requirements and certificates of deposit and money market accounts.

All of the bank's products and services are available at CFB's only full service branch located at 1432 U Street, NW, Washington D.C. as well as electronically through the internet. This is the bank's sole branch, and it is located in a moderate-income geography surrounded by low- and moderate-income census tracts. Branch hours are offered Monday through Friday and Saturday morning. In addition, CFB has an Automated Teller Machine (ATM) onsite that is available 24 hours a day. There have been no branches opened or closed, and there were no mergers or acquisitions since the last CRA evaluation.

As of September 30, 2007, CFB reported net loans of \$74 million and had a net loans and leases to total assets ratio of 61%. The loan portfolio composition is as follows:

<b>Loan Portfolio Summary by Loan Product September 30, 2007</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Home Loans	24.93%
Business Loans	44.63%
Construction and Development Loans	22.56%
Farm Loans	0.00%
Consumer Loans	0.07%
Other Loans (non-profit loans)	7.82%

During the evaluation period, CFB was under a Formal Agreement relating to safety and soundness. Therefore, significant time, staff effort, and financial resources were dedicated to correcting and resolving the deficiencies. In turn, new business development and overall loan production was hindered. Even though considerable effort was directed toward the Formal Agreement, the bank remained dedicated to and focused on meeting the credit needs of their community.

The bank was rated Outstanding at its last CRA examination, dated March 19, 2001.

## **DESCRIPTION OF ASSESSMENT AREA**

CFB's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. The bank has one assessment area (AA) that includes all 188 census tracts located in Washington, D.C. These 188 census tracts are located within the Washington-Arlington-Alexandria, DC-MD-VA-WV MSA 47894, which is part of the Washington-Arlington-Alexandria, DC-MD-VA-WV MSA 47900.

Based on the 2000 Census information and the 2004 updated MSA definitions and boundaries, there are 59 low-income geographies (31.38%), 62 moderate-income geographies (32.98%), 21 middle-income geographies (11.17%), 39 upper-income geographies (20.74%), and 7 geographies (3.72%) that were not assigned an income classification.

The 2000 U.S. Census reported the total population of the AA at 572,059. Within the AA, there were 248,590 households and 115,963 families. There were 66,567 households in low-income geographies, 83,811 households in moderate-income geographies, 25,022 households in middle-income geographies, 73,132 households in upper-income geographies, and 58 households in geographies where an income classification has not yet been assigned.

There were 274,845 housing units, of which, 36.83% were owner-occupied housing units, 53.53% were rental-occupied housing units, and 9.64% were vacant housing units. The median housing cost was \$186,158.

The 2000 median income was \$71,100, and the 2006 updated MSA median family

income was \$88,200. Of the 115,963 families in the AA, approximately 40% are low-income, 18% are moderate-income, 15% are middle-income, and 27% are upper-income. Approximately 17% of families are below the poverty level.

Based on the housing values and the updated median family income, there is a lack of affordability for a low-income individual or family to purchase a home. According to the above, the average median housing value is \$186,158, and a low-income family earns less than \$44,100.

According to the 2006 business demographics, there are a total of 57,172 businesses within the AA. There are 11,703 businesses located in low-income geographies (20.47%), 14,030 businesses located in moderate-income geographies (24.54%), 3,683 businesses located in middle-income geographies (6.44%), 21,994 businesses located in upper-income geographies (38.47%), and 5,762 businesses (10.08%) located in geographies where an income classification has not yet been assigned. Approximately 64% of businesses reporting have revenues less than \$1 million, 7% of businesses reporting have revenues greater than \$1 million, and 28% of business did not report revenue information.

The current local economy is characterized as diversified and growing. Key sectors driving the economy continue to be the federal government, technology, construction, international business, and hospitality. Some of the major employers include the U. S. Government (both civilian and military), Federal Home Loan Mortgage Company (Freddie Mac), Lockheed Martin, Corp., and MCI, Inc. According to the Bureau of Labor Statistics, the September 30, 2007 unemployment rate for Washington D.C. was 5.7%, while the national unemployment rate was 4.7%.

Banking competition in Washington D. C. is very strong. CFB competes with larger national, regional, and local banking institutions who offer small business credit cards and who have extensive branch network systems. According to the June 30, 2007 FDIC Summary of Deposit Market Share report, CFB had a .34% deposit market share, ranking it 20<sup>th</sup> among 35 institutions in the market. Major competitors are: Wachovia (30.67% market share, 30 offices), Suntrust (17.66% market share, 27 offices), Bank of America, NA (12.44% market share, 30offices), PNC Bank, NA (8.32% market share, 31 offices), and Citibank, NA (8.22% market share, 14 offices).

During our examination, we reviewed two recent community contacts with local organizations. The contacts identified the need for affordable housing services and small business support. As far as affordable housing needs, access to credit, favorable terms, and education on the mortgage application process were identified as the primary credit needs. As for small businesses, the identified credit needs are small business loans and financial literacy on how to build credit and credit repair.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

CFB's performance under the lending test is Outstanding. CFB was found to have excellent penetration among businesses of different sizes. The bank's geographic distribution of business loans reflects an excellent dispersion throughout census tracts of different income levels. All criteria of the lending test are documented below:

#### Loan-to-Deposit Ratio

CFB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition and credit needs, and it meets the standards for satisfactory performance. The bank's net loan-to-deposit ratio averaged 74% over the 27 quarters since the last CRA examination. This ratio ranged from a quarterly low of 59% to a quarterly high of 88% during the time period.

There are no other CDFIs of similar size located in Washington D. C. for comparison purposes. However, the bank's net loan-to-deposit ratio does compare favorably with other national financial institutions of similar size. The average net loan-to-deposit ratio for national institutions of similar size was 78% over the same 27 quarters, and the ratio ranged from 58% to 86%.

#### Lending in Assessment Area

A majority of CFB's small business loans were made within the bank's assessment area. Based on our loan sample, 80% of the number and 65% of the dollar amount of small business loans were originated within the bank's AA. The following table details the bank's lending within the AA by number and dollar amount of loans.

Loan Type	Number of Loans				Total	Dollars of Loans				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Business Loans	16	80%	4	20%	20	3,223	65.39%	1,706	34.61%	4,929

Source: Sampled business loan data 1/1/05-9/30/07

#### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

CFB's record of lending to businesses of different sizes exceeds the standard for satisfactory performance. The distribution of loans to businesses reflects an excellent penetration among businesses of different sizes. The percentage of small loans to small businesses (businesses with gross annual revenues of \$1 million or less) exceeds the percentage of small businesses in the AA. The following table details the bank's performance in lending to businesses of different sizes.

<b>Table 2A - Borrower Distribution of Loans to Businesses in the Washington DC AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	64.48%	7.39%	28.13%	100%
% of Bank Loans in AA by #	75%	25%	0%	100%
% of Bank Loans in AA by \$	86%	14%	0%	100%

Source: Sampled business loan data 1/1/05-9/30/07; Dun & Bradstreet data

### Geographic Distribution of Loans

The geographic distribution of small business loans exceeds the standards for satisfactory performance. The bank’s geographic distribution of business loans in the AA reflects an excellent dispersion throughout census tracts of different income levels. The percentage of small loans to businesses in both low-and moderate-income geographies exceeds the percentage of businesses in the respective geographies. There were no conspicuous gaps identified within CFB’s AA. The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

<b>Table 3A - Geographic Distribution of Loans to Businesses in the Washington DC AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Business	20.47%	25%	24.54%	40%	6.44%	15%	28.47%	20%

Source: Sampled business loan data 1/1/05-9/30/07; Dun & Bradstreet data

### Community Development Loans, Qualified Investments, and CD Services

CFB’s community development activities exceed the standards for satisfactory performance. CFB has demonstrated an excellent responsiveness to the community development needs of the AA, considering its performance context and the needs and opportunities within the AA.

In recognition of the bank’s high levels of community development lending, investments, and services in distressed communities of Washington D. C. and in other CDFIs throughout the United States, CFB received a total of \$2.5 million in Bank Enterprise Awards (BEA) during the evaluation period. The awards were provided through the CDFI Fund of the Treasury Department, and were granted based on the bank’s high level of community development activities. The community development loans and investments the bank received recognition for are included in the following community development loan and qualified investment totals.

## Number and Amount of Community Development Loans

CFB's record of community development lending is excellent. During the evaluation period, CFB originated 115 qualified community development loans totaling \$75 million in their AA, and 9 qualified community development loans totaling \$5.9 million outside their AA. These loans were made to 56 for-profit or non-profit organizations that are dedicated to the purchase, development, or renovation of affordable housing for low- and moderate-income individuals as well as community services targeted to low- and moderate-income individuals. The following highlights some examples of the types of community development loans originated in the AA:

- CFB extended a \$2 million loan to non-profit community based Community Development Corporation. The proceeds of the loan were used to finance the renovation of three buildings into 96 multi-family affordable housing units. The units are located in low-income communities and will be rented to low- and moderate-income individuals.
- Three loans for a total of \$3.9 million were extended to a local developer for the purpose of constructing and renovating multifamily rental housing units for low- and moderate-income individuals. This developer has built or preserved over 1,600 affordable housing units, including nine projects in Washington D.C. The affordable housing units are primarily for low- and moderate-income seniors.
- CFB extended two loans totaling \$800 thousand to a non-profit community based organization to construct and rehabilitate properties. The organization provides child care, educational, and vocational training to more than 700 low-income children and families.
- A \$1.2 million line of credit was extended to a local organization that serves as a conduit for federal and local funds dedicated to providing rent subsidies and financing for various agencies that support local homeless shelters and the homeless population. Currently, there are 200 units receiving rent subsidy from this organization. The line of credit serves to bridge the gap of expected income from the HUD Shelter Care Plus Program.

## Number and Amount of Qualified Investments

CFB's record of qualified investments is excellent. During the evaluation period, CFB made 44 grants and donations totaling \$111 thousand to organizations that provide economic development, affordable housing, and community services to low- and moderate-income individuals. In addition, CFB has \$1.1 million in certificate of deposits at eleven community development credit unions located outside of the bank's AA.

## Extent to Which the Bank Provides Community Development Services

CFB provides an excellent level of qualified community development services within its assessment area. Bank management and employees provided financial and technical expertise to eleven separate and qualified community development organizations. Their community development services focused on small business and economic development, affordable housing, and community services targeted to low- and moderate-income individuals and families. The following details the community development services that were provided during the evaluation period:

- One employee provides financial expertise by serving as a Board Member of a local non-profit educational school that serves low- and moderate-income families.
- A bank employee provides financial expertise by serving on the Fundraising Committee of a local non-profit educational school that serves low-income and at-risk children.
- A bank officer provides financial expertise by serving as a Board Member and assisting with fundraising efforts for a local health care foundation that assists with health care expenses for low-income, uninsured patients.
- One employee provides financial expertise by serving on the Board of Directors for a non-profit educational school that serves low- and moderate-income children with mental disorders.
- A bank officer provides financial expertise by serving as the Treasurer and Chair of the Finance Committee for a non-profit community music school that serves and provides scholarships to low- and moderate-income children.
- The CRA Officer provides financial and technical expertise by serving on the Board of Directors of a local Economic Development Corporation that provides financing to small and disadvantaged businesses that cannot meet traditional bank credit standards.
- The CRA Officer provides financial and technical expertise by working with a local advisory committee that provides financing and technical assistance to Community Development Corporations, educational providers, affordable housing developers, and social service providers that serve low- and moderate-income individuals and families.
- One employee provided financial expertise by speaking at two different small business lending workshops.
- One employee provides financial expertise by serving on the Board of Directors and the Loan Committee of a local Community Investment Fund that provides financing to for-profit and non-profit developers of affordable rental and for sale

housing targeted to low- and moderate-income individuals and families.

In addition to the above, CFB provides a significant community development service through their participation in the New Markets Tax Credit Program (NMTC). NMTC is a federal program that was conceived by Congress and the White House in the late 1990's and serves as a vehicle to fuel commercial development in low-income communities. The goal of the NMTC program is to provide a reduction in federal tax liability to investors who are willing to finance commercial development in low-income communities. CFB was one of the first NMTC recipients and has been an industry leader since 2002. As part of their community development service, CFB plays the critical role of selecting projects to receive the NMTC financing, helping to identify investors and lenders, and structuring the terms and conditions of financing to insure that the maximum possible subsidy is provided to the borrower. In addition, CFB is responsible for the audits, tax filings, cash distribution, monitoring and reporting to the CDFI Fund and the IRS. During the evaluation period, a total of \$163 million in NMTC allocations were awarded.

### **Responses to Complaints**

CFB has not received any CRA complaints during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.