



**LIMITED PURPOSE**

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Comptroller of the Currency  
Administrator of National Banks

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**PUBLIC DISCLOSURE**

**May 20, 2002**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

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

**585 Pilot Road  
Las Vegas, NV 89119**

**Comptroller of the Currency  
Western District Office  
50 Fremont Street, Suite 3900  
San Francisco, CA 94105**

**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 Satisfactory.**

The conclusions for the three rating criteria are:

- The bank demonstrates a high level of community development (CD) services and qualified investment activity.
- The bank demonstrates occasional use of innovative CD investments and services.
- The bank demonstrates excellent responsiveness to credit and CD needs in its assessment area.
- The bank's violation of the Federal Trade Commission Act, which prohibits unfair or deceptive acts or practices, negatively impacted this rating, but did not result in a less than satisfactory rating.

## **Scope of the Examination**

In evaluating the bank's performance under the CRA, we reviewed community development activities from February 13, 1998, through June 3, 2002. We reviewed the level and nature of qualified investments and community development services. At the prior examination dated February 12, 1998, we rated the bank Satisfactory.

We considered CD activities the bank submitted that benefit areas outside of its current assessment area in the evaluation of its performance. These were considered because they benefited the bank's prior assessment area. In addition, the bank has adequately addressed the needs of its current assessment area.

## **Description of Institution**

First National Bank of Marin (FNBM) is headquartered in Las Vegas, Nevada. The bank has no branches. The bank began operations in San Rafael, California in July 1984 as a full service bank. FNBM maintained a wide range of products until 1995 when it began focusing primarily on one type of product, a partially secured credit card. FNBM received a limited purpose designation from the OCC in June 1996. Limited purpose banks offer only a narrow product line. The bank moved from San Rafael, California to Las Vegas, Nevada in November 1998.

FNBM offers partially and fully secured credit cards to sub-prime borrowers with the ultimate goal of helping troubled borrowers to repair credit and ultimately become eligible for an unsecured credit card. Customer contacts for this product transpire over the telephone, through the mail, and through the Internet. The bank has 806 employees. The majority of the staff consists of customer representatives. There are 17 officers. As of March 30, 2002, FNBM reported total assets of \$230

million and year-to-date net income of \$1.8 million. FNBM is a wholly owned subsidiary of Marin National Bancorp (MNB), which is headquartered in Las Vegas, Nevada. As of March 31, 2002, MNB reported total assets of \$36 million and a year-to-date net loss of \$11 thousand. The bank keeps all of its receivables.

It is important to take into consideration in evaluating the bank's CRA performance, the substantial impact to the bank's net earnings during the evaluation period. The reduction in net earnings is primarily due to the significant amount of monetary restitutions to consumers required by the OCC. The table below shows financial information for the four years since the last CRA examination and through the end of the most recent quarter.

**Table 1: Financial Information (000s)**

	Year-end 1998	Year-end 1999	Year-end 2000	Year-end 2001	Most Recent Quarter-end 3/31/2002	Average for Evaluation Period
<b>Tier 1 Capital</b>	17,189*	28,486*	32,360*	29,675*	30,811*	27,704
<b>Total Income</b>	54,442*	102,376*	170,879*	194,363*	204,896**	145,391
<b>Net Operating Income</b>	9,102*	18,277*	11,065*	2,741*	7,100**	9,657
<b>Total Assets</b>	155,031*	209,129*	192,580*	239,649*	230,203*	205,318

Source: Consolidated Report of Condition and Income and bank reported data.

\* Actual data reported.

\*\*Annualized data reported.

## Description of Assessment Area

FNBM operates in an urban area. The bank has designated a majority of Clark County as its assessment area. The assessment area consists of 110 census tracts and includes the cities of Las Vegas, North Las Vegas, Henderson, and the unincorporated areas of Clark County, which comprise the Las Vegas Valley. The assessment area meets the legal requirements of the CRA. All the census tracts that the bank excluded from its assessment area are on the perimeter of Clark County; none are low- or moderate-income (LMI) census tracts. The table below shows the demographics of the bank's assessment area.

**Table 2: Assessment Area Description**

	Number	Low	Moderate	Middle	Upper
<b>Tracts</b>	110	6%	19%	46%	29%
<b>*Families</b>	181,341	18%	18%	23%	41%
<b>**Businesses</b>	42,883	4%	12%	40%	44%

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data.

\*Represents families by income level.

\*\*Represents businesses by income level of census tract.

Major employers include hotels, gaming, and service-related industries. Government, retail trades, mining, manufacturing, and agriculture are also among the most significant employers. However,

the Las Vegas assessment area and the entire state of Nevada are still dominated completely by the gaming/tourist industry. In September 2001, gaming revenue fell for the first time in years. This was the result of the September 11, 2001, terrorist attack on the United States. The unemployment rate has climbed steadily upward and as of March 31, 2002, was at 6.29%. The area has grown significantly over the last decade and has a population of about 2 million. Housing prices also appreciated significantly with the median existing home price at \$137 thousand. The 2001 HUD updated median family income is \$52,100.

Las Vegas has several community-based organizations with a community development purpose, particularly for small business development or affordable housing. Generally, these organizations have limited expertise in community development activities. The area has a critical shortage of affordable housing units. The rapid influx of people has aggravated the problem. Housing prices and rents have increased substantially faster than income levels. Although there has been significant job growth, most of these jobs are in the service or retail sectors and offer lower pay, often without benefits. The city has a large volume of substandard housing. Estimates are that there are 17 thousand substandard rental units. A large population of homeless people, many with chemical dependency, also puts pressure on city housing resources. These factors contribute to the overall housing need.

Virtually all community contacts commented on the lack of houses or rental units for LMI people. They said that the area's rapid growth far exceeds the number of available housing units. Because most of the new jobs that attract people to the area are minimum wage jobs, there is a widening gap in the ability to afford single-family residences driven up by the demand and general shortage of housing units. There is a great need for affordable multi-family rental units to accommodate the increase in population. Several community contacts commented on the need for start-up financing for small businesses. Some contacts said that small business owners also need technical assistance from the financial institutions to understand basic banking and how to prepare a business plan. We reviewed 12 community contacts made by the OCC and other regulatory agencies during the last two years. These contacts included representatives from local government, economic development organizations, organizations that focus on affordable housing issues, and organizations that provide needed social services to LMI people. We also performed two additional community contacts, one with a community development organization and the other with an affordable housing organization.

There are a number of competing financial institutions in the assessment area. Some of these are significantly larger and have more dedicated resources for community development loans and investments. The larger institutions also have more human resources available to provide community development services. While other institutions are smaller, they also compete for available investments in the assessment area. As a result, there is a high degree of competition and certain limitations as to availability of CD investment opportunities. Since FNBM's business focus is credit cards, the bank lacks employees who have the expertise in community development lending. Therefore, the bank focuses its community development efforts on qualified investments and CD services.

## **Conclusions About Performance**

## **Summary**

FNBM has done an excellent job of serving its assessment area's community development needs through a variety of investments and services. As noted in the table below, the bank invested \$269 thousand in projects and activities that benefit the bank's assessment area. This represents only investments that were still on the bank's books as of the date of this evaluation. In addition, the bank invested an additional \$250 thousand in three investments that matured during the review period. Employees of FNBM have provided numerous hours of qualified CD services. The focus of the bank's qualified investments, grants, and donations was primarily on providing financial education and housing related services for LMI individuals. The focus of the bank's CD services was on providing financial expertise to the community as well as to various community development organizations. These efforts were targeted at specific needs identified through FNBM's needs assessment process.

- FNBM provided a high number of CD services and qualified investments, grants, and donations in response to the bank's research regarding the needs of LMI individuals in its assessment area. Through its investments, grants, and membership on boards of community development organizations, the bank was able to help implement some programs in the community that were not available prior to their implementation. The bank's efforts are significant considering the opportunities available for limited purpose banks in this assessment area and the bank's resources.
- The bank demonstrated innovativeness by placing deposits in commercial banks that have CD lending expertise. The purpose of the funds was to provide community development loans and to promote and finance community development activities that benefit LMI individuals.
- The bank showed excellent responsiveness to the community development needs in its assessment area. Management worked with some community based organizations to implement community development programs that address a critical issue faced by LMI individuals in the assessment area. This included participation in an innovative program, which aims to identify and assist individuals who have been harmed by predatory lending.

## **Qualified Investments**

During the review period, FNBM provided \$269 thousand in qualified investments, grants, and donations to community development organizations. In addition, the bank also provided \$250 thousand in investments, which are not reflected in the tables below since these investments were no longer outstanding as of the date of this examination. All of the investments benefited the assessment area.

**Table 3b: Qualified Investment Activity (000s)**

	<b>Benefits AA</b>
<b>Originated Investments</b>	\$100
<b>Originated Grants</b>	\$169
<b>Prior-Period Investments that Remain Outstanding</b>	\$ 0
<b>Total Qualified Investments</b>	\$269
<b>Unfunded Commitments*</b>	\$ 0

\* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

**Table 4b: Qualified Investment Percentages**

	<b>Benefit AA (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	1%
<b>Total Investments/Average Total Income</b>	.2%

FNBM’s most notable qualified investments, grants, and donations in the assessment area consist of the following:

- \$100 thousand certificate of deposit, which was placed in a commercial bank to be used by a housing center for its advocacy program that assists LMI borrowers who have been harmed by predatory lending.
- \$24 thousand to two organizations that provide programs for LMI youth.
- \$38 thousand to seven organizations that promote affordable housing.
- \$10 thousand to two community development corporations.
- \$8 thousand to two organizations that promote economic development by financing small businesses.

### **Consideration of Activities that Benefit Areas Outside the Bank’s Assessment Area**

FNBM has adequately addressed the needs of its assessment area; therefore we considered activities outside the assessment area. During the review period, FNBM had \$500 thousand in qualified investments on its books that benefited the bank’s prior assessment area in San Rafael, California. These are not included in the tables above since they were not outstanding as of the date of this examination.

### **Community Development Services**

FNBM provide a significant number of ongoing CD services, which are very responsive to the needs of its assessment area. Employees provide credit education for LMI students and serve on committees of various organizations that serve the LMI community. One of the organizations focuses on assisting LMI individuals who have been harmed by predatory lending. A majority of the organizations focus on providing affordable housing and community revitalization. The remaining community development organizations provide services for LMI individuals, including LMI youth. The bank provides CD services in one innovative community development program. Some of the services are complex. In addition, all the services are very responsive to some of the most significant needs in the bank’s assessment area. The bank has succeeded in maintaining a high profile in the assessment area through its memberships on numerous boards and the advisory committees of numerous community development organizations. All of the services benefit the bank’s assessment area. The following table highlights the bank’s CD services:

**Table 7: Community Development Service Activities**

CD Service	Benefits AA	Outside AA
A number of employees provide Credit Card Financial Literacy Education at 8 local high schools, which have a predominantly LMI student population.	X	
The CRA Officer is a member of the board of directors of an organization that provides programs for LMI children and their families. He serves on various committees, including the fundraising and budget and finance committees.	X	
An officer of the bank serves as a committee member of an organization which seeks to revitalize a LMI area of central downtown Las Vegas. The officer provides assistance on financial matters.	X	
Employees of the bank provide financial services for an organization that engages in comprehensive community development projects that promote neighborhood revitalization and economic development.	X	
An officer of the bank serves as a member of a community development organization whose mission is to rebuild whole communities by supporting community development corporations (CDCs). The officer performs the duties of committee oversight and strategic planning in an effort to locate, access, and negotiate funding for four CDCs. This service is considered to be complex because of the expertise and effort needed to negotiate funding.	X	

<p>An officer of the bank serves as a member of a fair housing center. The officer participates by reviewing and assessing individual cases of loan origination and subordination where predatory lending may be present. The officer also reviews financial documents and chronology of events in order to decide on corrective actions and intervention avenues for LMI borrowers who have been harmed by predatory lending. This service is considered to be complex because of the expertise and effort needed to decide the most advantageous course of action for each of the LMI borrowers. It is also considered to be an innovative type of service.</p>	<p>X</p>	
<p>An employee of the bank provides technical assistance on financial matters to a community development organization. The overall mission of the organization is to improve the quality of life for residents of a low-income neighborhood and to foster and promote community-wide interests and involvement in the problems associated with vandalism, drug-related criminal activity, housing deterioration, and unemployment.</p>	<p>X</p>	
<p>An employee of the bank provides technical assistance on financial matters to an organization whose mission is to provide computers and related communication technology to LMI individuals who otherwise might have little opportunity to use or learn to use these technologies.</p>	<p>X</p>	
<p>The CRA officer is a member of the board of directors of an organization whose mission is to assist LMI individuals and families to become self sufficient through direct services, training, and referral. He provides financial expertise as a member of the budget and finance committee and as a member of several fundraising committees.</p>	<p>X</p>	
<p>The CRA Officer is a member of a community development corporation in East Las Vegas. He serves on various committees, including the fundraising and budget and finance committees.</p>	<p>X</p>	

X means yes; Blank means No.

### Compliance with Anti-Discrimination Laws and Regulations

We determined that FNBM had engaged in a number of unfair and deceptive practices during the period covered by this evaluation. As a result, the bank’s Board of Directors signed a *Stipulation and Consent to the Issuance of a Consent Order* and a *Consent Order*, dated December 3, 2001. The *Consent Order* required a significant amount of monetary restitution to consumers, and it required management to change certain practices prospectively. The unfair and deceptive practices leading to the *Consent Order* and the OCC’s determination that the bank had violated the Federal Trade Commission Act, negatively impacted the bank’s CRA rating. Since signing the Consent Order, the

bank has made changes to its solicitations. Consumer complaints have decreased significantly.

An analysis of two years public comments and consumer complaint information for Limited Purpose institutions was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in March 1999. During the March 3, 2002, compliance examination, we reviewed the bank's fair lending policies, procedures, training, monitoring, and compliance audits. We also reviewed for technical compliance with the Equal Credit Opportunity Act/Regulation B. We made some recommendations for enhancements to the bank's program. We did not cite any violations of law or regulation.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate** – Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Assessment Area (AA)** – A geographic area that consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

**Benefit to Assessment Area** – A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity benefits a broader statewide or regional area that includes the bank’s assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

**Block Numbering Area (BNA)** – Statistical subdivisions of counties in which census tracts have not been established. The United States Census Bureau has established BNAs in conjunction with state agencies.

**Census Tract (CT)** – Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

**Community Development (CD)** – Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** – The statute that requires the OCC to evaluate a bank’s record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Geography** – A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Limited Purpose Institution** – An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as limited purpose bank is in effect.

**Median Family Income (MFI)** – The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

**Metropolitan Statistical Area (MSA)** – Area defined by the director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Net Operating Income** – As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments.

**Tier 1 Capital** – The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Total Assets** – Total bank assets as listed in the Consolidated Report of Condition and Income.

**Total Income** – From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income.