

Public Disclosure

June 30, 1997

Community Reinvestment Act Performance Evaluation

**Industrial Bank, N.A.
Charter # 22850
1900 John Hanson Lane
Oxon Hill, Maryland 20745**

**Comptroller of the Currency
Washington DC Duty Station
1025 Connecticut Avenue, N.W. Suite 708
Washington, D.C. 20036**

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 **Industrial Bank, N.A. (IBNA)** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of **June 30, 1997**. 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 **Outstanding**.

The primary factors supporting the bank's overall rating include:

- IBNA extends the majority of its loans within its assessment area in the Washington, D.C. metropolitan area. In 1996, 83% of all loans originations were in the assessment area and since our last review, 90% of home mortgages originated were inside the assessment area.
- The distribution of loans outstanding, as well as recent loan originations, reflects excellent penetration throughout the assessment area, particularly in low and moderate income census tracts. The bank has loans outstanding in 86% of census tracts in Washington, DC and 74% of the Prince George's (PG) county census tracts. There are loans outstanding in 90% and 78% of low and moderate income census tracts in DC and PG County respectively.
- Lending among borrowers of different income levels and business sizes exceeds the performance of local competitors and demonstrates that a substantial portion of the bank's resources are committed to low and moderate income families and small businesses. During the review period, 60% of residential real estate loans were to low-and-moderate income families and 82% of commercial loan originations were to small businesses.
- IBNA continues to offer products, services and technical assistance designed to meet the financial needs of low and moderate income individuals and small businesses in their community.
- The bank's loan-to-deposit ratio has averaged 47% during the last eight quarters. This ratio is lower than similarly situated banks because the bank: 1) has a large very stable core deposit base, and; 2) makes many small consumer and business loans in response to their customer's needs.

The following table indicates the performance level of **Industrial Bank, N.A.** with respect to each of the five performance criteria.

Small Institution Assessment Criteria	Industrial Bank, N.A. Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio		X	
Lending in assessment area	X		
Lending to borrowers of different incomes and to businesses of different sizes	X		
Geographic distribution of loans	X		
Response to complaints	The bank has not previous	received any examination.	complaints since the

Description of Institution

Industrial Bank, N.A. (IBNA) is a \$236 million minority owned community bank, which has operated in the Washington, DC metropolitan area since 1934. The bank's mission is to make a profit by providing financial services and credit to individuals and small businesses that have traditionally been underserved by other financial institutions.

Historically, the bank served the credit needs of African American residents of the District of Columbia (DC) but, management recognizes that today other minorities and many non-minority small businesses and individuals are among the underserved.

In 1995, the bank formed a holding company, IBW Financial Corporation, and expanded into the adjacent Prince George's (PG) County, Maryland, with the acquisition of John Hanson Savings Bank.

IBNA provides a full range of products and services in response to identified credit needs of the community. Loan products offered include several mortgage products, a variety of small business loans, auto, home improvement, credit card and personal loans. The loan portfolio is comprised of 50% commercial and commercial real estate loans, 45% residential real estate, and 5% consumer loans. At 6/30/97, the bank's deposits totaled \$206 million. Our analysis was based on the bank's 6/30/97 financial data and focused on loans originated since our last review.

Management ensures that bank products and services are accessible and convenient through a network of nine full-service branches, seven in DC and two in PG County. In keeping with the bank's mission, six of the branches are located in low and moderate income areas, and two are in middle income areas. While the American University branch is located in an upper income census tract, the customers of the branch are predominantly college students, as opposed to the affluent residents of upper northwest DC. The branches have evening and Saturday hours and are equipped with ATM's, drive-up windows, free parking, and night depository facilities; each location is accessible via public transportation. IBNA also maintains an ATM at Providence Hospital in northeast DC.

IBNA competes with several community banks and large institutions in the assessment area. However, the bank attempts to provide credit to segments of the community that have historically been underserved by larger institutions in the area. Market research demonstrates that several of the bank's branches are in communities where there are no or few other financial institutions. For example, the bank recently opened a branch at Rhode Island Avenue, N.E. (in a moderate income census tract), in a community that had previously been without a financial institution for nearly three years. Management moved to open this branch at the request of a coalition of community leaders.

There are no legal impediments that prohibit IBNA from meeting the credit needs of their community.

Description of the Assessment Area

IBNA’s assessment area is reasonable and does not arbitrarily exclude low and moderate income areas. The assessment area includes all of Washington, DC and neighboring Prince George’s County, Maryland, which are located within the Washington Metropolitan Statistical Area (#8840). The median family income in the MSA is \$52,807. The chart below reflects income characteristics of the assessment area by census tract.

Assessment Area Characteristics		
Census Tract Type	Number of Tracts	Percentage of Tracts
Lower Income	56	15%
Moderate Income	126	35%
Middle Income	129	35%
Upper Income	53	15%
	364	100%

The population of the assessment area is approximately 1.3 million people. Nearly 50% of this population live in low or moderate income census tracts. The Metropolitan Washington Council of Governments reports that since 1991, the population of DC has declined 8%, while PG County’s population has increased 3% (along with increases in other suburban areas). Further, the bank’s market research indicates that their traditional customer base has gradually shifted to PG County in search of affordable housing.

About half of the families in the assessment area are low and moderate income families. Out of the 307 thousand families in the assessment area, 26% are low income families, 21% are moderate income families, 24% are middle income families and 29% are upper income families.

IBNA serves the credit needs of historically underserved, disadvantaged consumers and small businesses in the Washington metropolitan area. Most of the bank’s loans, deposits, and branches are in low and moderate income areas in the assessment area. The bank’s target market also coincides with neighborhoods and business corridors designated by the DC government as “Underserved Areas”. These are areas that have been under-served by financial institutions and other businesses and are in need of revitalization and redevelopment.

The largest employers in the assessment area are the Federal and local governments, the University of Maryland, NASA Goddard Space Flight Center, and Giant Food Company. With 20 million visitors a year, tourism has become Washington’s second largest income producer. Identified credit needs in the assessment area are affordable housing and small business financing.

Conclusions with Respect to Performance Criteria

Loan-To-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable given the bank's performance context. During the last eight quarters, IBNA's loan-to-deposit ratio averaged 47%. This ratio is below the 72% average ratio for similarly situated institutions during the same period. IBNA has historically maintained a loan-to-deposit ratio of less than 55%. Two main factors contribute to the comparatively low loan-to-deposit ratio:

- ▶ **The bank has a very large, very stable core deposit base.**

IBNA's depositors are extremely loyal and tend to maintain lifelong relationships with the bank. Core deposits averaged \$193 million since our last review. A considerable portion of the bank's deposits are generated from low and moderate income census tracts. For example in 1996, 38% of the deposit accounts opened were from consumers living in low or moderate income census tracts, (\$14 million in over 3 thousand accounts). These depositors are drawn by affordable products and services (see Services) and by branch accessibility. In the nine census tracts where the bank's branches are located, the loan-to-deposit ratio averages 96%. As noted above, six of these branches are in low or moderate income census tracts.

- ▶ **Among the consumers that the bank serves, (particularly low and moderate income borrowers), loan size is small.**

IBNA makes numerous small loans to consumers and businesses in their market place. For example, in 1996 the bank made 175 consumer loans that totaled less than \$2 million. These loans were predominantly auto loans and home equity loans. The minimum consumer loan amount offered is \$1000.00. (The bank also offers an overdraft line of credit for a minimum of \$500.00 and a credit card with a \$250.00 minimum).

The bank makes many small loans to businesses in the community. As of June 1996, 92% of business loans outstanding were originated for less than \$250 thousand, (see chart on page 11). Management's market research also concludes that IBNA's existing customer base is maturing and thus has fewer credit needs.

The bank attracts many depositors from low and moderate income communities with affordable products and services but these customers do not have large credit needs. Therefore, the loan to deposit ratio is lower than other banks in the assessment area.

Lending in the Assessment Area

Lending performance inside the assessment area exceeds satisfactory performance. We reviewed and tested the accuracy of automated loan reports and Home Mortgage Disclosure Act (HMDA) Statement data. Our analysis confirms that a substantial majority of loan originations are within IBNA's assessment area.

IBNA originated 353 loans in the assessment area during 1996 totaling \$21.4 million. These originations accounted for 83% of the number of loans and 66% of the dollar volume of originations during the year. The following table shows the loan originations inside the assessment area during 1996.

Loans Originated in the Assessment Area By Type - 1996				
Loan Type	#of Loans	% of Loan Type	\$ Millions	% of Dollars
Real Estate Loans	80	79%	\$ 8.6	70%
Consumer	175	87%	\$ 1.9	88%
Commercial	98	80%	\$10.4	60%
Total	353	83%	\$21.4	66%

The 1995 HMDA Disclosure Statement indicates that 55 reportable home mortgages totaling \$4.3 million were originated in the assessment area. These amounts represent 92% of home mortgages and 89% of home mortgage dollars originated in 1995. Analysis of 1996 HMDA information indicates that 93 home mortgages for \$7.8 million were originated in the assessment area. These amounts represent 85% of the number of mortgage originations and 75% of that category's dollar amount.

Loan originations during the first half of 1997 demonstrate IBNA's continued effort to serve the credit needs in the assessment area. Through mid-year 1997, 95% (55 loans) of the HMDA loans were originated in the assessment, which accounts for 91% (\$4 million) of the home mortgage dollars originated. During this six months, 80% (84 loans) of commercial loan originations were inside the assessment area. These loans totaled \$19.7 million or 65% of total commercial loan originations.

Other Lending in the Assessment Area

IBNA actively participates in re-development and revitalization projects which benefit low and moderate income individuals in the community. During 1996 the bank extended \$1.6 million to local community development projects and businesses that provide affordable housing to low and moderate income families and seniors and work to revitalize dilapidated buildings and business corridors. Organization and projects to which the bank extended credit recently include the Peoples Involvement Corporation's Neighborhood Development Assistance Program, (which provides technical assistance and financing to small businesses in DC), the Church Association for Community Services, (which provide low-income housing and counseling), two U Street corridor renovation projects (in low income communities), and a low income housing renovation on F Street, SE.

IBNA also has a track record of extending credit to businesses that provide health and human services to low and moderate income individuals in the community such as mental health clinics, senior and child day-cares, drug counseling and treatment centers. During 1996 the bank originated over \$3 million in loans to community service organizations and businesses that benefit low and moderate income individuals. For example the bank extended credit to the National Minority AIDS Council, an advocacy group for minorities with AIDS, the Latin American Youth Center, and the Progressive Life Center which provide family counseling.

IBNA also committed \$1 million to the Columbia Capital Group (CCG). This non-profit entity, which operates through the Neighborhood Development Corporation (NEDCO), was created by DC legislation to improve the success of small businesses in DC. To date the bank has originated three loans under this program, totaling \$94 thousand. (See also Service)

Geographic Distribution of Loans

The distribution of loans reflects excellent penetration throughout the assessment area. As noted above there are 364 census tracts in the assessment area. Overall, the bank has loans outstanding in 86% of census tracts in DC and 74% of the PG county census tracts. In low and moderate income census tracts, penetration is even greater with loans outstanding in 90% and 78% of low and moderate income census tracts in DC and PG County respectively.

IBNA originated loans in 171 census tracts during 1996, which is approximately 50% of all census tracts. Of the 182 low and moderate income census tracts in the assessment area, IBNA originated loans in 88 of those census tracts during 1996.

Geographic Distribution of Total Loans in the Assessment Area- 1996

Census Tract	Number of Loans	% of Loans	\$Millions	% of Dollars
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Low	42	12%	\$ 2.8	13%
Moderate	131	37%	\$ 5.4	25%
Middle	134	38%	\$ 8.9	42%
Upper	46	13%	\$ 4.3	20%
Total	353	100%	\$21.4	100%

Geographic Distribution of Consumer Loans in the Assessment Area - 1996

Census Tract	Number of Loans	% of Loans	\$000's	% of Dollars
Low	21	12%	\$190	10%
Moderate	77	44%	\$726	38%
Middle	61	35%	\$635	33%
Upper	16	9%	\$352	19%
Total	175	100%	\$1,903	100%

Geographic Distribution of Commercial Loans in the Assessment Area - 1996

Census Tract	Number of Loans	% of Loans	\$Millions	% of Dollars
Low	17	17%	\$ 2.3	21%
Moderate	27	28%	\$ 2.4	22%
Middle	35	36%	\$ 3.7	34%
Upper	19	19%	\$ 2.5	23%
Total	98	100%	\$10.9	100%

Geographic Distribution of Real Estate Loans in the Assessment Area - 1996

Census Tract	Number of Loans	% of Loans	\$Millions	% of Dollars
Low	4	5%	\$.3	3%
Moderate	27	34%	\$2.3	27%
Middle	38	47%	\$4.5	53%
Upper	11	14%	\$1.5	17%
Total	80	100%	\$8.6	100%

Lending to Borrowers of Different Income Levels and to Business of Different Sizes

IBNA has an excellent record of extending credit to low and moderate income families and small businesses. Our analysis of the bank's HMDA Disclosure Statement found that IBNA has an excellent record of lending to borrowers of different income levels. During 1995 and 1996 the bank originated 148 home mortgages in the assessment area, for \$12.1 million. As detailed below 60% of the loans and 45% of the loan dollars were extended to low or moderate income families. This performance exceeds the performance of other banks in the market area and demonstrates that the bank's resources are focused on meeting the credit needs of low and moderate income families.

1995-1996 HMDA Loan Originations vs. Market Performance

Family Income Level	% of Loans	Market Performance	% of Dollars	Market Performance
<50% of MSA Median	22%	13%	12%	7%
50-79% of MSA Median	38%	30%	33%	26%
80-119% of MSA Median	20%	27%	22%	28%
>120% of MSA Median	18%	24%	33%	38%

This strong performance continues into 1997. As of June 1997, 55% of the HMDA reportable loans (32 loans), were made to low and moderate income borrowers. These loans totaled \$1.6 million or 37% of 1997 HMDA originations. The bank offers a wide variety of residential real estate products and participates in programs that provide credit to first-time home buyers.

IBNA's record of lending to businesses of different sizes reflects the bank's commitment to meeting the identified credit needs of small businesses. Bank reports indicate that during 1995 and 1996, 82% of commercial loans originated were to businesses with annual revenues less than \$1 million, i.e. small businesses. Small business loan originations totaled \$8.8 million or 53% of commercial loan originations. In 1997, 85% of commercial loans (89 loans) and 36% of commercial loan dollars were to small businesses (\$10.8 million). IBNA's products and services are designed to meet the special credit needs of small businesses. The bank provides credit to small businesses to meet a variety of needs including government contract financing, accounts receivable financing, equipment purchases and business expansion loans. Additionally, lending personnel provide small business borrowers with considerable technical assistance. (See also Service).

The bank participates in the US Small Business Administration (SBA) Loan Guarantee programs and originated 23 SBA loans for \$1.2 million in 1995 and 1996. It is important to note that IBNA makes many, very small loans to meet the needs of businesses in the assessment area. Analysis of commercial loan amounts outstanding as of June 1996

indicate that commercial lending is concentrated in small businesses.

Commercial Loans By Loan Size - 1996

Loan Size	# of Loans	% of Loans	\$ Million	% of Dollars
Less than \$100M	235	68%	\$ 9.9	28%
\$100M- \$250M	84	24%	\$ 13.5	38%
\$250M -\$1MM	28	8%	\$ 12.3	34%
Total	626	100%	\$ 35.7	100%

Based on this performance, the SBA recognized IBNA as a “leading small business lender” in the area (1995) and as a “micro-business-friendly” bank (1996) because IBNA has significant business lending activity in loan amounts under \$250 thousand. As noted above, 319 (92%) of the bank’s commercial loans originated for amounts less than \$250 thousand.

Compliance with Anti-Discrimination Laws

IBNA is in compliance with anti-discrimination laws and regulations. OCC’s concurrent fair lending review did not reveal any substantive violations of anti-discrimination laws and regulations.

Banking Services and Alternative Delivery Systems

IBNA is dedicated to educating consumers regarding financial products and services. Management allocates considerable resources toward informing the public about their own products and service and about banking in general. To that end, IBNA is highly visible in its assessment area in an effort to provide consumers with access to information and technical assistance.

In December 1995, IBNA, along with three other local financial institutions, became a charter member of the Collective Bank Group Inc. (CBG), a non-profit organization composed of over 100 churches (over 40,000 members) in the DC and PG County area. The CBG attempts to stimulate economic viability in communities in the Washington metropolitan area and to increase the availability of financial services to individuals, businesses and non-profit entities in the group. The bank conducted seven CBG “Covenant Days” which feature workshops for first time home -buyers, small business financing, consumer credit counseling and pre-mortgage qualification. Since partnering with the CBG, IBNA has originated \$1.5 million in loans to 6 member churches (an additional \$1.5 million was extended to member churches prior to the organization of the CBG). At year-end 1996 the bank had \$10 million in loans outstanding to area churches.

IBNA continues to participate with numerous organizations and programs designed to educate consumers about bank products and services, and to provide technical assistance

to credit seekers. Lending personnel and senior management participate in these programs as panel members, seminar instructors, and workshop facilitators. For example, the bank's loan officers serve on the loan advisory board of the Columbia Capital Group and evaluate loan requests, and provide technical assistance for the program's small business applicants. (See also Other Lending) The bank also works with organizations such as the DC Chamber of Commerce, the Greater Washington Board of Trade, the IBERO Chamber of Commerce (which serves businesses in the Hispanic community), and the Metro-Washington Banker's Group of Housing and Community Development to provide technical assistance to small business and low and moderate individuals.

Management has also been proactive in developing relationships with organizations and individuals in PG County in order to determine and meet the credit needs in that portion of the assessment area. These organizations include the PG County Chamber of Commerce, the PG County Board of Trade and the PG County Banker's Taskforce. IBNA annually participates in the ACORN Bank Fair, the Fannie Mae Homebuyers Fair, the Howard University Bank Forum, the Howard University Small Business Development Center's "Meet the Money People" for small businesses, and the PG County Chamber of Commerce Trade Fair. These events are focused on making credit information available to low and moderate income individuals including students and first time home buyers, and to small businesses in the assessment area.

The bank offers an array of free or low cost checking accounts and services which attract and retain many depositors. These products include Low Activity Student Checking, Golden Age Checking and free services to Collective Banking Group members. In addition to the nine full service branches, IBNA provides financial services and products through several delivery systems. During 1996, the mortgage loan department was relocated to Oxon Hill, MD, thus becoming more accessible to consumer's seeking housing credit in PG County. Customers may access account information through a 24-hour automated telephone system and information about bank products and services is also available on the bank's web site, www.ibwnet.com.

Investments

IBNA invested \$100 thousand in the Neighborhood Economic Development Corporation (NEDCO) which provides financial and business development resources to local small businesses primarily located in low and moderate income areas in DC.