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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

March 20, 1997

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Culver National Bank  
Charter Number 18264**

**5399 Sepulveda Boulevard  
Culver City, California 90230**

**Comptroller of the Currency  
50 Fremont Street, Suite 3900  
San Francisco, California 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 Community Reinvestment Act (CRA) performance of **Culver National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 20, 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 “**Satisfactory**”.

- Culver National Bank's loan activity, as reflected in its loan-to-deposit ratio, is reasonable considering the size of the Bank, its financial condition, intense market competition, and the credit needs of its assessment area.
- A majority of the Bank's loans are to borrowers located within the assessment area.
- The Bank's loans are reasonably distributed among borrowers of differing income levels and businesses of different sizes within the assessment area.
- The Bank's loans are reasonably dispersed among low- and moderate-income groups within the assessment area.

The following table indicates the performance level of **Culver National Bank** with respect to each of the five performance criteria.

| SMALL<br>INSTITUTION<br>ASSESSMENT<br>CRITERIA  | Culver National Bank<br>Performance Levels               |   |  |
|---|--|---|--|
|   | Exceeds Standards<br>for<br>Satisfactory<br>Performance  | Meets Standards<br>for<br>Satisfactory<br>Performance | Does Not Meet<br>Standards<br>for<br>Satisfactory<br>Performance |
| Loan-to-Deposit Ratio   |  | X   |  |
| Lending in Assessment<br>Area   |  | X   |  |
| Lending to Borrowers of<br>Different Incomes and to<br>Businesses of Different<br>Sizes |  | X   |  |
| Geographic Distribution<br>of Loans   |  | X   |  |
| Response to Complaints  | No complaints were received since the prior examination. |   |  |

## **DESCRIPTION OF INSTITUTION:**

Culver National Bank (CNB), which opened on June 18, 1984, is located in Culver City, California. The Bank has a main office, one deposit taking automated teller machine at the main office, and no branch locations. There are no affiliate relationships. As of December 31, 1996, CNB reported total assets of \$60 million. The Bank's prior performance under the Community Reinvestment Act has been satisfactory.

Culver National Bank is a community bank. It provides traditional banking services and loans to small businesses, merchants, professionals, and individual consumers in Culver City and the surrounding area. As of December 31, 1996, the loan portfolio consisted of commercial (business) loans (27%), business loans secured with real estate (13%), residential real estate loans (45%), loans to individuals (13%), and other loan types (2%). CNB has no legal impediments to lending. Competition among financial institutions serving the assessment area is intense. There are a number of community banks, branches of regional and multi-national banks, and savings and loan associations competing for the available business.

## **DESCRIPTION OF ASSESSMENT AREA:**

Culver National Bank's assessment area consists of 116 census tracts within the Los Angeles Metropolitan Statistical Area (MSA). The Bank has not arbitrarily excluded low- and moderate-income census tracts from its assessment area. Of the 116 census tracts in the assessment area, one is designated as low-income, and 14 as moderate-income. There are 47 middle- and 53 upper-income tracts. There is one tract for which the 1990 census did not report income information.

The 1990 census reported a population of 506,887 persons residing within the assessment area. The population includes 64,000 individuals over the age of 65, 17,037 unemployed persons, 12,543 receiving public assistance, and 20,564 with incomes below the poverty level. Rental units accounted for 63% of the total housing stock, and median monthly rent was \$698. The median housing value was \$345,050, and the 1990 census MSA median family income was \$39,035.

Southern California's economy has been dominated by the aerospace, defense and real estate industries. However, when the local economy was in recession in the late 1980's, the real estate market suffered major setbacks. The aerospace and defense industries also suffered severely when the defense budget was cut in the early 1990's. Today, the local economy appears to be improving slowly, the unemployment rate is falling, and job opportunities are increasing.

As part of this evaluation, we reviewed four reports of community outreach contacts conducted in the assessment area since January, 1995 by regulatory agencies. Community contacts included a private neighborhood housing organization, a city redevelopment agency, a fair housing council, and a grass-roots community organization. Through these reports, we noted that there are requirements in the assessment area for financing of affordable housing and rehabilitation of existing housing stock, as well as loans to small businesses.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :**

### **LOAN-TO-DEPOSIT RATIO**

Culver National Bank's loan-to-deposit ratio is reasonable given the size of the Bank, its financial condition, intense market competition, and the credit needs of its assessment area. The Bank reported an average loan-to-deposit ratio of 46.60% over the last eight quarters. This ratio compares reasonably with banks having similar asset size and business focus actively seeking customers within the assessment area. The average loan-to-deposit ratio of five such banks is 52.40%.

CNB originates loans to small businesses partially guaranteed by the United States Small Business Administration (SBA). SBA loans totaling \$1,144,417 were originated and sold to investors during 1995 and 1996. Had the Bank elected to hold these loans in its portfolio, its loan-to-deposit ratio would increase to about 49.50%.

### **LENDING IN ASSESSMENT AREA**

Culver National Bank's record of lending within its assessment area is satisfactory. The majority of the Bank's loans originated during 1995 and 1996 are to borrowers within the assessment area. This is illustrated in the table below:

**Loans Originated within Assessment Area - 1995 and 1996**

| <b>Total Loans by Number and Dollar Amount</b> | <b>Total Loans Made Within the Bank's Assessment Area</b> | <b>Percent of Total Loans Made within the Bank's Assessment Area</b> |
|--|---|--|
| 511  | 329   | 64.38%   |
| \$21,287,420                                   | \$13,905,032  | 65.32%   |

### **LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES**

Culver National Bank's loans are reasonably distributed among borrowers of various income levels within its assessment area, and among businesses of different sizes. Commercial loans to businesses comprise 27% of the loan portfolio. Real estate loans for business purposes account for an additional 13%. A substantial majority of the 329 loans originated in the assessment area during 1995 and 1996 were for amounts less than \$100,000, and the largest was \$945,978. We reviewed a sample of 27 loan files and determined that 15 of the borrowers (55%) were small businesses with gross annual revenues less than \$1 million. We also reviewed a sample of 18

consumer loans originated during 1996. Amounts of the loans in this sample were all less than \$35,000 to finance personal expenses and vehicle purchases.

During 1994, the Bank participated with the Culver City Redevelopment Agency in two transactions associated with the purchase and rehabilitation of two apartment buildings for low-income housing. The Bank provided two fully amortizing 15 year loans for \$172,000 and \$80,000, while the Redevelopment Agency provided grants to the not-for-profit organization developing the projects. The Bank does not normally make loans with 15 year maturities. During 1996, the Bank participated in the Culver City Redevelopment Agency's program to rehabilitate building facades in the downtown Culver City redevelopment area. The Bank provided an \$80,000 business loan, of which \$15,000 was used for rehabilitation of the borrower's building.

**Size of Loans Originated within Assessment Area - 1995 and 1996**

| <b>Size of Loans</b>       | <b>Number of Loans</b> | <b>Percent of Loans</b> |
|----------------------------|------------------------|-------------------------|
| <\$100,000                 | 294                    | 89.36%                  |
| \$100,000 to < \$250,000   | 24                     | 7.29%                   |
| \$250,000 to < \$500,000   | 7                      | 2.13%                   |
| \$500,000 to < \$1,000,000 | 4                      | 1.22%                   |
| <b>Total</b>               | <b>329</b>             | <b>100.00%</b>          |

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The Bank's loans originated during 1995 and 1996 were reasonably dispersed among low- and moderate-income block groups within the 116 census tracts in the assessment area. The number of loans and dollars loaned in low- and moderate-income block groups bear a reasonable relationship to the number of low- and moderate-income block groups in the assessment area. A block group is a sub-set of the census tract, made up of blocks which have similar income characteristics. We focused our analysis of geographic distribution of loans on block groups rather than census tracts because there are only one low-income and 14 moderate-income census tracts in the assessment area. On the other hand, there are 11 low-income and 62 moderate-income block groups among the 435 block groups in the assessment area.

**Loans Originated within Assessment Area - 1995 and 1996  
Distribution by Number of Loans within Block Groups**

| <b>Income Characteristics of Block Group</b> | <b>Percent of Total Block Groups</b> | <b>Number of Loans</b> | <b>Percent of Loans</b> |
|--|--------------------------------------|------------------------|-------------------------|
| Low Income                                   | 2.53%                                | 4                      | 1.22%                   |
| Moderate Income                              | 14.25%                               | 22                     | 6.69%                   |
| Middle Income                                | 28.74%                               | 97                     | 29.48%                  |
| Upper Income                                 | 54.48%                               | 206                    | 62.61%                  |
| <b>Total</b>                                 | <b>100.00%</b>                       | <b>329</b>             | <b>100.00%</b>          |

**Loans Originated within Assessment Area - 1995 and 1996  
Distribution of Loans by Dollars within Block Groups**

| <b>Income Characteristics of Block Groups</b> | <b>Percent of Total Block Groups</b> | <b>Dollars Loaned</b> | <b>Percent of Dollars Loaned</b> |
|---|--------------------------------------|-----------------------|----------------------------------|
| Low Income                                    | 2.53%                                | \$ 720,000            | 5.18%                            |
| Moderate Income                               | 14.25%                               | \$ 797,808            | 5.74%                            |
| Middle Income                                 | 28.74%                               | \$ 3,580,447          | 25.75%                           |
| Upper Income                                  | 54.48%                               | \$ 8,806,777          | 63.33%                           |
| <b>Total</b>                                  | <b>100.00%</b>                       | <b>\$ 13,905,032</b>  | <b>100.00%</b>                   |

**RESPONSE TO COMPLAINTS**

Culver National Bank has not received complaints associated with its performance under the provisions of the Community Reinvestment Act within the past two years..

**RECORD OF COMPLIANCE WITH ANTI-DISCRIMINATION LAWS**

We found no evidence of any prohibited discriminatory practices in our fair lending review. The Bank complies with the provisions of the anti-discrimination laws and regulations.