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**Comptroller of the Currency  
Administrator of National Banks**

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50 Fremont Street, Suite 3900  
San Francisco, CA 94105

## **PUBLIC DISCLOSURE**

**May 31, 1996**

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

**Marathon National Bank  
Charter Number 17915**

**11444 West Olympic Boulevard  
Los Angeles, CA 90064**

**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 **Marathon National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 31, 1996. 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”**.

Marathon National Bank's loan activity, as reflected in its loan-to-deposit ratio, is reasonable considering the size of the Bank, its financial condition, and the credit needs of its assessment area. A majority of the Bank's loans are to borrowers located within its assessment area. The loan portfolio exhibits appropriate lending to borrowers of differing income levels and business size within the assessment area. However, it fails to meet the standards for satisfactory performance with respect to geographic distribution of loans in the assessment area.

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

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b>Marathon National Bank Performance Levels</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does Not Meet Standards for Satisfactory Performance</b>
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	No complaints were received since the prior examination		

## **DESCRIPTION OF INSTITUTION:**

Marathon National Bank (MNB), which opened on August 21, 1983, is located in West Los Angeles. The Bank has a main office and no branch locations or deposit taking automated teller machines. It provides its customers with courier service. As of December 31, 1995, MNB reported total assets of \$87.4 million. The Bank is operating under a Formal Agreement which requires that it increase its capital. Other than this issue, there are no impediments to the Bank's ability to help meet the credit needs within the assessment area. The Bank's prior performance under the Community Reinvestment Act has been satisfactory.

Marathon National Bank is a business bank. Its marketing focus is small business lending. As of December 31, 1995 more than 60% of the loan portfolio is commercial in nature. Consumer loan products are not routinely marketed. Installment and mortgage loans, which account for 16% and 24% of the Bank's portfolio, arise primarily as adjuncts to the commercial loan activity. The preponderance of the mortgage loan portfolio originated prior to 1995. Only two mortgage loans were originated in 1995. Competition among the financial institutions serving the assessment area is intense. It is particularly severe in the Bank's business banking market, with community banks and branches of regional and multi-national banks competing for the available business.

## **DESCRIPTION OF ASSESSMENT AREA**

MNB's assessment area consists of 382 census tracts within the Los Angeles Metropolitan Statistical Area (MSA). The Bank does not arbitrarily exclude low or moderate income tracts from its assessment area. Of the 382 census tracts in the assessment area, 61 are designated as low income and 102 as moderate income. There are 85 middle income tracts and 133 in the upper income bracket. The local economy appears to be improving.

The 1990 census reported a population of 1,817,464 persons residing within the assessment area. The population includes 80,081 unemployed persons, and 209,447 individuals over the age of 65. Rental units account for 66% of the total housing stock, and median monthly rent is \$627. The median housing value is \$279,750, and the 1990 census MSA median family income is \$39,035.

Our four contacts with community organizations indicate that there are requirements in the assessment area for loans to small business, financing of affordable housing and rehabilitation of existing housing stock, and reduced-fee banking services for low-to-moderate income individuals. Our contacts included a municipal community development department, a Latino resource organization, a community corporation and a municipality.

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

### **LOAN TO DEPOSIT RATIO**

The Bank's loan-to-deposit ratio is reasonable given the limitations imposed by its capital level and the intense competition for business loans in its assessment area. Marathon National Bank reports an average loan-to-deposit ratio of 63.6% over the last eight quarters. This ratio compares favorably with banks having similar asset size and business focus within the assessment area. The average loan-to-deposit ratio of five such banks is 61.6%.

**LENDING IN ASSESSMENT AREA**

MNB's record of lending within its assessment area is satisfactory. A majority of the Bank's loans are to borrowers within the assessment area. Of the 395 loans in the commercial, installment and mortgage portfolios, 211 or 53.42% are inside the assessment area and total \$28 million.

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

The Bank's loans are reasonably distributed among borrowers at various income levels within its assessment area, and among businesses of different sizes. More than 60% of the loan portfolio consists of commercial loans to businesses and professionals. A substantial majority, or 76%, of the Bank's 137 commercial loans in its assessment area are for amounts less than \$100,000, and the largest is \$600,000. We reviewed a sample of 20 files in the commercial loan portfolio, and determined that 50% of the loans in our sample are to businesses with gross annual revenues less than \$1 million.

**Commercial loans within assessment area**

Size of Loans	Number of Loans	Percent of Commercial Loans
<\$100,000	104	76%
\$100,000 to < \$250,000	21	16%
\$250,000 to < \$500,000	10	7%
\$500,000 to < \$1,000,000	2	1%
Total	137	100%

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The Bank's loans are not sufficiently dispersed among low- and-moderate-income census tracts throughout its assessment area. The number of loans and dollars loaned in low- and-moderate-income tracts are considerably less than the relationship those tracts bear to the total tracts in the assessment area.

The distribution of loans is impacted by the Bank's business banking focus and its inability to serve the daily cash depository requirements of the many retail businesses in its assessment area due to the lack of convenient branch locations. In January, 1994, a severe earthquake seriously damaged the Bank's main office. For more than two years the main office has been located in temporary quarters on the ninth floor of an office building with minimal signage. This location has inhibited access to the Bank for the low- and-moderate-income borrower. The prior ground floor location had adequate signage, besides being more accessible. Repairs to the permanent quarters are scheduled to be completed by November, 1996. The following tables display geographic distribution of assessment area loans.

**Distribution of loans by numbers within assessment area**

Income Characteristic of Census Tract	Percent of Total Census Tracts	Number of Loans	Percent of Loans
Low Income	16%	7	3%
Moderate Income	27%	26	12%
Middle Income	22%	57	27%
Upper Income	35%	121	58%
Total	100%	211	100%

**Distribution of loans by dollars within assessment area**

Income Characteristic of Census Tract	Percent of Total Census Tracts	Dollars Loaned	Percent of Dollars Loaned
Low Income	16%	\$ 1,100,217	4%
Moderate Income	27%	5,823,652	21%
Middle Income	22%	9,736,900	34%
Upper Income	35%	11,523,840	41%
Total	100%	\$28,184,609	100%

**RESPONSE TO COMPLAINTS**

Marathon National Bank has not received complaints associated with its performance under the provisions of the Community Reinvestment Act within the past two and one-half years.

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

We did not identify any violations of anti-discrimination laws or regulations.