



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

Western District
50 Fremont Street, Suite 3900
San Francisco, California 94105
(415) 545-5900

PUBLIC DISCLOSURE

MARCH 31, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**GOLETA NATIONAL BANK
Charter Number 21699**

**5827 HOLLISTER AVENUE
GOLETA, CA 93117**

<p>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.</p>

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 **GOLETA NATIONAL BANK** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of MARCH 31, 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.**”

- Goleta National Bank's (GNB) lending activity, as evidenced by its loan to deposit ratio, exceeds standards for satisfactory performance.
- Loans are reasonably distributed among borrowers of different income levels and businesses of different sizes.
- GNB's loans are reasonably disbursed among the various geographies (census tracts) throughout the assessment area.
- The bank's record of lending within its assessment area falls short of standards for satisfactory performance. However, when contemplating this weakness other factors should be considered. Please refer to those sections of this evaluation describing the bank's Loan to Deposit Ratio, Lending to borrowers of Different Incomes and Business Sizes, and, Lending in the Assessment Area

DESCRIPTION OF INSTITUTION:

Goleta National Bank (GNB) is an \$81 million community bank, established in 1989. The bank's main and corporate offices are located in Goleta. GNB operates eight Loan Production Offices (LPOs) in the following six Metropolitan Statistical Areas (MSAs) Ventura, Santa Barbara, Kern, Orange, Fresno, and Las Vegas. The bank has one Automated Teller Machine (ATM), located at its main office. However, customers have access to ATMs linked to the Star, Cirrus and Interlink Systems. In March 1997, the bank signed a letter of intent to merge with Los Robles Bancorp, The Holding Company of Los Robles Bank, a \$93 million institution headquartered in Thousand Oaks, California. This merger is expected to be completed by year end.

Goleta National Bank's primary lending focus is small business and real estate loans. The majority of loans originated by the bank are small business and home improvement loans, which GNB sells on the secondary market. As of December 31, 1996, the loan portfolio consisted of approximately 53 percent commercial real estate, 16 percent mortgage, 10 percent real estate construction, 18 percent commercial, 2 percent consumer and 1 percent other loans. Designated as a Preferred Small Business Administration (SBA) lender, the bank is one of the largest SBA lenders in Southern California. This designation allows the bank to approve SBA loans more quickly than financial institutions which do not have such designations. In 1994, the bank began offering Title 1 FHA home improvement loans which the bank sells to the Federal National Mortgage Association (FNMA). GNB retains the servicing on the Title 1 and SBA loans they sell. The bank operates in a competitive banking environment. Competition includes a number of community banks, thrifts, mortgage brokers, credit unions, insurance companies, brokerage companies, and branches of multinational and regional banks.

DESCRIPTION OF ASSESSMENT AREA:

GNB designated the Santa Barbara Metropolitan Statistical Area (MSA) as its assessment area (AA). According to the 1990 census report, the Santa Barbara MSA has a total population of 369,608 with a median family income of \$41,289. The AA has a housing vacancy rate of 6 percent. And 44 percent of the available housing units in the MSA are rental. The AA comprises 82 census tracts, of which one is low-income, 23 are moderate-income, 29 are middle-income, and 27 are upper-income. Additionally, there are two census tracts for which the 1990 census reported no income. Although, the AA includes only one low-income census tract, 10 percent of

the total population live below the poverty level. The one low-income census tract is located in the community of Isla Vista. The University of California is adjacent to Isla Vista, which is primarily a community of students. In the absence of affordable housing, however, Isla Vista attracts a growing number of low-income renters employed in the agricultural and service industries.

The primary industries in the assessment area are agriculture, technology, defense, aerospace research, manufacturing, government, tourism, retail, and related service industries. The economic recession in the early 1990's coupled with the reduction in defense spending, and a soft real estate market has negatively impacted the Santa Barbara MSA. Overall, Santa Barbara County has experienced a decline in employment in the professional job sector, while, employment in the agricultural and service industries has increased.

As part of this examination, we considered information obtained from a city housing authority, a county business development services center, a city community development department, and a federal government housing agency. Our contacts identified needs in the assessment area for affordable housing for the low-income population, transitional housing for migrant farm workers, and home buyers assistance services. Also, there is a need for the rehabilitation of the existing housing stock. Identified credit needs are for start-up business and small business loans, particularly for minority businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Our conclusions are based on the bank's lending activity from January 1, 1995, through December 31, 1996.

LOAN TO DEPOSIT RATIO:

GNB's loan-to-deposit ratio exceeds the standard for satisfactory performance. The bank's average loan-to-deposit ratio for the eight quarters ended December 31, 1996, was 83 percent. This ratio compares favorably to banks with similar business focus, which are located within the Santa Barbara MSA. The average loan-to-deposit ratio for the same period, for six such banks was 64 percent. (The bank funds a portion of its loans from Time Deposits (approximately two to three million dollars) solicited from out of the area. The bank pays a slight premium for these deposits).

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

The bank’s loans are reasonably distributed among borrowers of various income levels and businesses of different sizes within the assessment area. The bank’s primary loan products are Title 1 FHA home improvement and SBA loans. GNB funded 323 Title 1 FHA home improvement loans for which the bank reported income for 316 borrowers. These loans were distributed among borrowers of the various income levels indicated below.

**Borrowers of Different Income Levels
Title 1 FHA Home Improvement Loans (Actual)**

Income Levels	Number of Tracts	Percentage of Total Tracts	Income Distribution of Borrowers	Percentage of Loans in Each Income Level
Low-Income	1	1	38	12
Moderate-Income	23	28	44	14
Middle-Income	29	35	70	22
Upper-Income	27	33	164	50
No Income Reported	2	3	7	2
Totals	82	100	323	100

Small Business Administration Loans

The bank originated \$29 million in SBA loans during the review period. This represented 44 percent of the total loan dollars originated. We sampled 30 of these loans. The results of this sample indicated that loans would generally be for amounts of less than \$1,000,000. And 50 percent of the loans would be for amounts less than \$100,000. The average loan size was \$259,081, and the smallest loan was for \$25,000.

The distribution of the loans originated within the AA reasonably reflects the income levels of the geographies within the AA. Refer to the Chart below for details.

Distribution of Loans by Number in the Assessment Area

Income Characteristics of Census Tracts	Number of Census Tracts	Percent of Census Tracts	Number of Loans	Percentage of Loans
Low-income	1	1	2	0
Moderate-income	23	28	204	27
Middle-income	29	35	205	27
Upper-income	27	33	341	46
No Income Reported	2	3	0	0
Total	82	100	752	100

Distribution of Loans by Dollars in the Assessment Area

Income Characteristic of Census Tract	Number of Census Tracts	Loan Dollars	Percentage of Loans
Low-income	1	121,428	1
Moderate-income	23	7,392,261	33
Middle-income	29	5,771,093	25
Upper-income	27	9,321,347	41
No Income Reported	2	0	0
Total	82	22,606,129	100

LENDING IN THE ASSESSMENT AREA:

GNB's record of lending within its assessment area does not meet the standard for satisfactory performance. The majority of GNB's loans were not made to borrowers within the assessment area. Of the total loans funded, 40 percent of the number of loans and 34 percent of the dollars were extended within the AA. The bank aggressively markets its loan products through loan production offices (LPOs). More loans were funded outside of the bank's AA as a result of the activities of the five LPOs which are located in five MSAs, outside the bank's assessment area. These LPOs, are not licensed branches of the bank. Consequently the LPOs do not qualify for designation as additional assessment areas of the bank.

Loans Made within Assessment Area

Total Loans by Number and Dollar Amount	Total Loans Made Within the Assessment Area	Percent of Total Loans Made Within the Assessment Area
1,886	752	40
65,956,498	22,606,129	34

RESPONSE TO COMPLAINTS:

There were no complaints associated with the bank's performance under the provisions of the CRA since our last examination.

RECORD OF COMPLIANCE WITH ANTI-DISCRIMINATORY LAWS:

The bank's compliance with the anti-discriminatory laws and regulations is satisfactory. This examination did not identify any discriminatory practices.