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Comptroller of the Currency  
Administrator of National Banks

SMALL BANK

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## **PUBLIC DISCLOSURE**

**May 18, 1998**

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

**American Independent Bank, N.A.  
Charter Number 18092**

**1644 West Redondo Beach Boulevard  
Gardena, California 90247**

**Comptroller of the Currency  
Southern California North Field Office  
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| <b>NOTE:</b> | <b>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.</b> |
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## 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 **American Independent Bank, N.A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 18, 1998**. 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**".

American Independent Bank, N.A. is committed to serving the communities in which it operates. Its lending performance throughout the assessment area is satisfactory.

- During 1996, 1997 and the first three months of 1998, 65 percent of the number of loans originated were to borrowers within the bank's assessment areas.
- Lending to borrowers of different incomes and to businesses of different sizes is satisfactory.
- The bank's loan-to-deposit ratio for the last eight quarters is equivalent to the loan-to-deposit ratio of similar banks and meets the standard for satisfactory performance.
- The geographic distribution of loans reflects less than satisfactory dispersion throughout the assessment areas.
- The bank has received no CRA related complaints since the last performance evaluation.

## DESCRIPTION OF INSTITUTION:

American Independent Bank, N.A. (AIB) opened on February 1, 1984. The bank's main office is in Gardena, California with one branch in Burbank, California. AIB has one deposit taking Automated Teller Machine in each branch office. As of March 31, 1998, AIB reported total assets of \$37 million and total deposits of \$33 million. The bank's performance at the last Community Reinvestment Act examination as of April 8, 1996, was Satisfactory.

American Independent Bank, N.A. is a community bank. The principal focus of AIB is on small business lending. They provide traditional banking services and loans to small businesses, merchants, professionals and individual consumers in the Gardena and Burbank areas. Since the bank's primary focus is on servicing the financial needs of local small businesses, consumer loans are usually only extended to accommodate existing commercial banking relationships. As illustrated by the following table, commercial loans account for over 88% of the bank's total lending.

### LOANS BY MAJOR PRODUCT TYPE - March 31, 1998

| Loan Type              | Amount Outstanding*(\$ 000's) | % of Total Loans |
|------------------------|-------------------------------|------------------|
| Commercial Loans       | 10,912                        | 45%              |
| Commercial Real Estate | 10,483                        | 43%              |
| Consumer               | 2,767                         | 12%              |
| Total                  | 24,162                        | 100%             |

\*Includes commitments to lend of \$2,106.

The bank's main office is located in downtown Gardena, California. The Burbank branch is approximately 30 miles north, in downtown Burbank. AIB has no legal impediments to lending. There is substantial competition among financial institutions serving both the Gardena and Burbank assessment areas. There are a number of community banks, branches of regional and multi-national banks, and savings and loan associations, all competing for the available business in both communities.

## DESCRIPTION OF THE ASSESSMENT AREAS:

Management has designated two assessment areas as the communities surrounding the Gardena and Burbank branches, both situated in the Los Angeles Metropolitan Statistical Area (MSA). The assessment areas consist of 248 census tracts, all within Los Angeles county. The following chart represents a breakdown of the census tracts within the assessment areas by income category:

**ASSESSMENT AREA COMPOSITION**

| <b>Census Tract Type</b>          | <b>Number of Tracts in Area</b> | <b>Percent of Assessment Area (#)</b> |
|-----------------------------------|---------------------------------|---------------------------------------|
| Low-income (Less than \$19.5)     | 19                              | 8%                                    |
| Moderate-income (\$19.5 - \$31.2) | 67                              | 27%                                   |
| Middle-income (\$31.2 - \$46.8)   | 84                              | 34%                                   |
| Upper-income (More than \$46.8)   | 77                              | 31%                                   |
| NA                                | 1                               | 0%                                    |
| Total                             | 248                             | 100%                                  |

The 1990 census for Los Angeles County’s MSA reflects a median family income of \$39,035. Although the bank identifies Gardena and Burbank as two separate assessment areas, we combined our analysis of lending performance data from the two branches, since they are both in the same MSA.

The Gardena branch is located in the South Central and South Bay areas of Los Angeles county and includes the cities of Gardena, Hawthorne and Lawndale. The area also includes portions of Carson, Compton, El Segundo, Inglewood, Lynwood, Manhattan Beach, Redondo Beach and Torrance. It also includes the unincorporated communities of Alondra, West Athens, Del Aire, Florence-Graham, Westmont, West Compton and Willowbrook. The southern Los Angeles county economy is slowly recovering from the recession of the early 1990's. In the Gardena area, numerous small businesses servicing the aerospace industry became dormant during the recession. Over the past eighteen months, many local aerospace sub-contractors have started up again. Although jobs with local defense contractors have been permanently reduced, commercial aircraft manufacturing has prospered following Boeing Company’s acquisition of McDonald Douglas. The bank services a number of the small foundries and machine shops that cater to the local aerospace/aircraft industry. Local single family residential real estate prices have also rebounded sharply over the past year with increases ranging from 10 to 25 percent. Occupancy rates for commercial properties have also improved. The median housing value is \$205,720 in this area.

The Burbank branch is located in a suburban area, northwest of downtown Los Angeles and services the cities of Burbank, Glendale, Sun Valley and portions of La Crescenta-Montrose, North Hollywood and Los Angeles. Burbank’s dominant industry is centered in the motion picture and television production business. Disney Studios is one of the major local employers, along with numerous small service businesses and contractors servicing the film production companies. Downtown Burbank’s large redevelopment project, completed in the early 1990's, helped bring a broad mix of retail, manufacturing and restaurants to the area. The median housing value in this area is \$289,758.

We reviewed the results of five community contacts conducted by various agencies and updated our previous contact with a city government office. This agency believes that the Gardena community could benefit from better availability of more flexible types of commercial loans, such as minimum documentation small business loans. The agency also cited a need for lower interest rate products to spur community development as well as secondary marketing of residential loans. Another agency commented that recent large bank mergers and acquisitions have created a void in the general banking and credit needs in some areas of Los Angeles. Specifically, they perceive that the post merger entities are not as willing as their predecessors to provide low-income housing loans; loans for commercial projects; small business loans and full service banking facilities in low- and moderate-income neighborhoods. This apparent void presents opportunities for more participation by local financial institutions in community development, other credit-related projects and financing programs, particularly in the low- and moderate- income areas of Los Angeles.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

**Lending in Assessment Area**

Lending within the assessment areas is satisfactory. A majority of loans, by volume and dollar, were originated in the assessment areas. We reviewed a listing provided by management of 425 commercial and consumer loans made between May 1, 1996 and March 31, 1998. Our analysis was based on data provided by the bank, which we tested for accuracy. The following table reflects the geographic distribution of the loans we reviewed.

**LENDING INSIDE AND OUTSIDE OF ASSESSMENT AREAS**

| <b>Total Loans by Number and Dollar Amount</b> | <b>Total Loans Made Within the Assessment Areas</b> | <b>Percent of Total Loans Made Within the Assessment Areas</b> |
|--|---|--|
| <b>425</b>                                     | <b>278</b>  | <b>65%</b>   |
| <b>\$25,875</b>                                | <b>\$16,835</b>                                     | <b>65%</b>   |

**Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

AIB's loans are reasonably distributed among borrowers of various income levels within its assessment areas, and among businesses of different sizes. Our analysis of the bank's overall lending performance focused on the bank's business lending because the majority of the loan portfolio is centered in business loans. Consumer loans are primarily made to accommodate the bank's business borrowers. In the 22 months since the last CRA examination, 88 percent of total loans originated were made for business purposes. Commercial loans to businesses comprise 45 percent of the outstanding loan portfolio. Real estate loans for business purposes account for an additional 43 percent. Of the 278 loans made in the assessment areas, 252 were business loans. A substantial

majority of business loans were for amounts less than \$100,000, and the largest loan was \$800,000. We reviewed a sample of 30 business loan files and determined that over 60 percent of loans were made to businesses with revenues under \$1 million. In addition, 50 percent of these loans were in amounts of \$50,000 or less. The only Home Mortgage Disclosure Act (HMDA) reportable loan made during the period was outside the assessment areas. The following tables depict the distribution of business loans made by revenue and loan size:

**DISTRIBUTION OF BUSINESS LOANS BY REVENUE**

|  | <b># of Loans Reviewed</b> | <b>% of Loans Reviewed</b> |
|--|----------------------------|----------------------------|
| <b>Loans to Small Businesses (Revenues &lt;\$1MM)</b>  | 19                         | 63%                        |
| <b>Loans to Large Businesses (Revenues &gt; \$1MM)</b> | 11                         | 37%                        |
| <b>Total Loan Sample Reviewed</b>                      | 30                         | 100%                       |

**DISTRIBUTION OF BUSINESS LOANS BY SIZE**

| <b>Size of Loans Originated</b> | <b># of Loans</b> | <b>% of Loans</b> |
|---------------------------------|-------------------|-------------------|
| <b>Loans &lt;100M</b>           | 173               | 68%               |
| <b>Loans &gt; 100&lt;250M</b>   | 57                | 23%               |
| <b>Loans &gt; 250&lt;500M</b>   | 18                | 7%                |
| <b>Loans &gt; 500&lt;1000M</b>  | 4                 | 2%                |
| <b>Loans &gt;1000M</b>          | 0                 | 0                 |
| <b>Totals</b>                   | 252               | 100%              |

**Geographic Distribution of Loans**

The bank's geographic distribution of loans reflects less than satisfactory dispersion throughout the assessment areas. Thirty-five percent of the census tracts in the bank's assessment areas are designated as low- or moderate-income. Approximately 35 percent of families living in the assessment areas, reside in low- and moderate-income census tracts. However, only 12 percent (by number of loans) and 5 percent (by dollar amount) of loans were made in low- and moderate-income tracts. As a result of a limited product mix, that excluded consumer and mortgage products, AIB was unable to penetrate the community's consumer neighborhoods. Over the last two years the bank attempted to increase its Small Business Administration lending, by utilizing a loan referral consultant.

The consultant only referred two SBA loans during this period and management decided to terminate the program.

The distribution of the bank's loans are primarily clustered in the geographies immediately surrounding the bank's Gardena and Burbank branches. Traditionally the bank has done little advertising. Many of their business loans are repeat borrowings and new customers are often obtained by referrals. AIB plans to enhance its efforts to penetrate the lower income geographies in their market through a renewed business development calling program. Also, AIB became a member of Operation HOPE two years ago and the bank seeks qualified loan referrals through that organization. Although the dispersion of loans throughout the assessment areas is less than satisfactory, we found no evidence of any deliberate attempt to exclude potential loan applicants from these areas. The following table illustrates the dispersion of loans among different income levels:

**LENDING IN THE ASSESSMENT AREAS - BY CENSUS TRACT TYPE  
MAY 1, 1996 TO MARCH 31, 1998**

| <b>Census Tract Income Type</b> | <b>% of Total Families in Census Tract</b> | <b>% of Tracts in Assessment Areas</b> | <b># of Loans Originated</b> | <b>% of Total Loans (#)</b> | <b>\$ Amount of Loans Made</b> | <b>% of Total Loans (\$)</b> |
|---------------------------------|--|--|------------------------------|-----------------------------|--------------------------------|------------------------------|
| <b>Low</b>                      | 7%   | 8%                                     | 5                            | 2%                          | \$242M                         | 2%                           |
| <b>Moderate</b>                 | 28%  | 27%                                    | 29                           | 10%                         | 895M                           | 5%                           |
| <b>Middle &amp; Upper</b>       | 65%  | 65%                                    | 244                          | 88%                         | 15,698M                        | 93%                          |
| <b>Total</b>                    | 100%                                       | 100%                                   | 278                          | 100%                        | \$16,835M                      | 100%                         |

**Loan-to-Deposit Ratio**

AIB's loan-to-deposit ratio is reasonable given the bank's size, financial condition and operating environment. Its average loan-to-deposit ratio for the eight quarters ended December 31, 1997 is 67 percent. This compares to a 70 percent average loan-to-deposit ratio for seven similarly situated banks in the Gardena and Burbank areas.

**RESPONSES TO COMPLAINTS:**

The bank has received no CRA related complaints since the last performance evaluation.

**FAIR LENDING ANALYSIS:**

The bank complies with Fair Lending laws and regulations. Our fair lending review, conducted along with this evaluation, found no unusual patterns or discriminatory lending practices.