



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**October 27, 2008**

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

Mojave Desert Bank, National Association  
Charter Number 22040

15773 "K" Street  
Mojave, CA 93501

Office of the Comptroller of the Currency

Southern California-North Field Office  
550 North Brand Boulevard, Suite 500  
Glendale, CA 91203-1900

**NOTE:** This document is an evaluation of this 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. 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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

This rating is based on the following factors of the bank's lending performance:

- The bank's average loan-to-deposit ratio is reasonable.
- The bank originates a majority its loans within its assessment area.
- The overall geographic distribution of loans throughout the assessment area is excellent.
- The bank's performance of lending to businesses of different sizes is excellent.

**DESCRIPTION OF INSTITUTION**

Mojave Desert Bank, N.A. (MDB or the bank) is an independent bank that began operations in 1991. It is headquartered in the Kern County community of Mojave, California. The bank has five offices; three are in Kern County, one is in San Bernardino County, and a new branch located in Lancaster County opened in April 2007. Services offered by the bank are the same at all branch offices. The bank owns and operates four ATMs. Customers of the bank can use any other financial institution's ATMs free of charge. The hours of operations at the four branches differ slightly. As of June 30, 2008, MDB reported assets of \$88.3 million, of which \$52.8 million, or 60 percent, were centered in loans.

Approximately 93 percent of MDB's lending is for business purposes. At June 30 2008, the bank's loan portfolio consisted of the following: commercial real estate \$36.9 million (70 percent), business \$12.1 million (23 percent), consumer \$1.5 million (3 percent) and residential real estate \$2.3 million (4 percent).

The bank has no legal or financial impediments that would affect its ability to meet the credit needs of its assessment areas. The bank was rated Satisfactory for CRA performance when last evaluated in November 2003.

**DESCRIPTION OF ASSESSMENT AREAS**

The bank has two assessment areas within two California Metropolitan Statistical Areas (MSAs). The Kern assessment area is in the Bakersfield MSA and the Helendale assessment area is in the Riverside-San Bernardino-Ontario MSA. Both assessment areas meet the requirements of the law and do not arbitrarily exclude low- and moderate-income geographies.

For the purpose of this examination, we did not include Lancaster branch loan performance. This branch was opened in mid-2007, and three year's data is not yet available for review. We

also did not include the limited commercial loan performance in the Helendale area. The number of commercial loans originated within this community was insufficient to provide significant data for analysis. (See comments below under Helendale Assessment Area.)

## Kern Assessment Area

This assessment area is comprised of 11 of the 140 census tracts within the MSA. None of the census tracts within the assessment area is low-income. Within the assessment area are the cities of California City and Ridgecrest and the communities of Mojave, Boron, Rosamond, North Edwards, and Edwards Air Force base. The assessment area population is 54,782. According to the 2000 U.S. Census, the median family income is \$39,403. Updated census data estimates the 2007 median family income increased to \$49,210. Local housing data estimates the 2007 median house price at \$256,800.

The local economy is similar to the state and nation, with signs of slowing and declining home prices. The largest employers in the area are government, service, retail trade, finance, insurance and real estate, construction and manufacturing. The bank's competitors include branches of Bank of America, Union Bank of California, Wells Fargo Bank, and Alta One, a credit union.

We contacted one community organization that stated loans to small businesses are the greatest financial need in the community. Other community needs include financial education and funding school premises projects.

## Helendale Assessment Area

The assessment area is comprised of three census tracts in the Riverside-San Bernardino-Ontario MSA. The area includes two moderate income and one middle income tract. The population of the area is 32,045. Updated census data estimates 2007 median family income at \$59,606 and median house prices at \$387,000. The area has a large population of renters and mobile-home owners in one of the moderate-income tracts, and Silver Lakes, a retiree community located in the middle-income tract. The area's economy is slowing and home prices are declining as they are in other parts of the State. Helendale has two small retail centers and several service businesses within the area.

Helendale is a small rural community. MDB is the only bank in the area. A site visit by examiners verified that the community has limited commercial opportunities. The nearest retail shopping center is over 15 miles away. The bank has originated an insufficient number of business loans in this area to perform an analysis to determine a CRA rating. Thus, the bank's commercial loan performance in the Helendale area was not used to determine the CRA rating.

One community contact was conducted with a local government economic development agency. According to the contact, there is a need for financing small and minority-owned businesses. However, bank management stated that there are limited business credit needs within the community. There is a need for single family construction and improvement loans. MDB has

originated over 20 of these loans. The bank also provides a secure repository for the community’s consumer and business funds.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Scope of Examination

We evaluated the bank’s performance based on loans originated from January 1, 2005 through June 30, 2008. We focused our evaluation on business loans originated by the bank. We sampled business loans for the Kern assessment area only. We determined the business revenue information used in the analysis. The bank is not required to collect revenue information.

### Loan-to-Deposit Ratio

**The bank's average loan-to-deposit (LTD) ratio is reasonable and meets the standards for satisfactory performance.** The bank's average LTD ratio for the 19 quarters ended June 30, 2008, was 68 percent. The bank's LTD ratio is similar to three similarly situated independent, community banks, which had an average ratio of 72 percent for the same period. The bank’s LTD ratio has been steady since 2006. For purposes of this examination, we considered similarly situated banks to be banks of similar asset size located near MDB's assessment areas.

### Lending in Assessment Area

**MDB’s lending in its assessment area is satisfactory and meets the standards for satisfactory performance.** A majority of the loans originated by the bank is within its assessment area. Refer to Table 1 below for details.

<b>Table 1 - Lending in Kern Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	30	75%	10	25%	40	\$2,384	62%	\$1,490	38%	\$3,874

*Source: Bank loan originations*

## Geographic Distribution of Loans

**The bank’s distribution of loans to businesses among the geographies in this assessment area is excellent and exceeds the standards for satisfactory performance.**

There are no low-income census tracts in this assessment area. Loans to businesses within the moderate-income geographies exceed the area’s demographics. Refer to Table 2 below for details.

<b>Table 2 - Geographic Distribution of Loans to Businesses in Kern Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans*	0%	0%	10%	20%	29%	3%	59%	77%

*Source: Dunn and Bradstreet and Bank data*

## Lending to Businesses of Different Sizes

**The performance of origination of loans to businesses of different sizes is excellent and exceeds the standards for satisfactory performance.**

A significant number of the loans, as well as the dollar volume, originated by the bank were to businesses that reported revenues of less than \$1 million. Loans to small businesses exceeded the area demographics. Refer to Table 3 below for details.

<b>Table 3 - Borrower Distribution of Loans to Businesses in Kern Assessment Area</b>		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	67%	4%
% of Bank Loans in AA by #	93%	7%
% of Bank Loans in AA by \$	95%	5%

*Source: Dunn and Bradstreet and Bank data*

*\*29% of businesses did not report revenue data*

## Responses to Complaints

The bank has not received any complaints regarding its CRA performance.

## Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices inconsistent with helping to meet community credit needs.