



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**October 24, 2011**

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

Bank of Whittier, National Association  
Charter Number 17548

15141 East Whittier Boulevard  
Whittier, CA 90603

Office of the Comptroller of the Currency

Santa Ana Field Office  
1551 North Tustin Avenue, Suite 1050  
Santa Ana, CA 92705

**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 "Needs to Improve."**

An institution in this group needs to improve its overall record of helping to meet the credit needs of its assessment area (AA). Bank of Whittier's ("BofW" or "bank") lending reflects poor responsiveness to its AA credit needs. The major factors that support BofW's overall rating include:

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and AA credit needs.
- Lending in the AA does not meet the standard for satisfactory performance. The bank granted a substantial majority of the number and dollar volume of its loans outside of its defined AA.
- Lending patterns reflect poor penetration among borrowers of different incomes and reasonable penetration among businesses of different sizes.
- The geographic distribution of residential real estate loans reflects poor dispersion, while the geographic distribution of small business loans reflects reasonable dispersion, when compared to area demographics.

## **SCOPE OF EXAMINATION**

We evaluated BoW's Community Reinvestment Act (CRA) performance using "Small Bank" examination procedures, which consist of a lending test that evaluates the bank's record of meeting the credit needs of its defined AA in Southern California. The bank opened a second full-service branch on June 23, 2011, and designated a second AA in Richardson, Texas. However, we did not evaluate performance in the second AA since the branch was new and had not yet produced a material volume of loans. Furthermore, no loans from the bank's affiliated finance company were included in our evaluation, since the bank does not purchase loans from the affiliate.

Our analysis focused on the bank's two primary loan products: 1) consumer mortgage (1-4 family) loans; and 2) small business loans secured by real estate. Small business lending has historically been BofW's strategic focus; however, in 2009 the bank significantly expanded consumer mortgage lending for purchase, refinance, and home improvement purposes. Consumer mortgage loan volumes far exceeded commercial loan volumes, both by number and dollar amount. As such, consumer mortgage lending received the most weight in the evaluation of overall lending performance.

The consumer mortgage analysis was based on a review of bank-reported Home Mortgage Disclosure Act (HMDA) loan data for 2009 and 2010. Prior to the CRA examination, we performed a HMDA data integrity review and found the data to be reliable. The small business loan analysis was based on a random sample of 20 small business loans originated or purchased between April 1, 2006, and September 30, 2011.

## DESCRIPTION OF INSTITUTION

BofW is a community bank headquartered in Whittier, California. The bank operates two full-service branches, one in Whittier, California, and the other in Richardson, Texas. The Whittier branch serves as the bank's headquarters. The bank also operates a Loan Production Office in Pasadena, California. BofW is a wholly-owned subsidiary of Greater Pacific Bancshares, a privately owned, one-bank holding company.

The bank offers traditional deposit and loan products for both commercial and consumer customers, such as checking and savings accounts, equity lines of credit, and working capital loans. BofW also grants customers online access to account information via the bank's website. Both the Whittier and Richardson branches provide customers with access to an automated teller machine.

BofW has traditionally focused on lending to commercial borrowers, but in 2009 management decided to expand the bank's lending strategy to include consumer mortgages. The consumer mortgage program has gained popularity, with most activity generated through the internet. As a result, residential mortgage originations now account for most of the bank's lending activity. Management has made no effort to market consumer mortgage loans within the AA. The bank does not advertise in print, radio, or other media.

As of September 30, 2011, BofW reported total assets of \$48.6 million, gross loans of \$25.3 million, and total deposits of \$40.0 million. Gross loans represent 52 percent of total assets and are concentrated in commercial loans (secured and unsecured), which comprise approximately 74 percent of gross loans. Approximately 21 percent of gross loans are secured by residential real estate. The snapshot of the loan portfolio in "Table 1" only reflects residential real estate loans that are held on the bank's balance sheet and does not capture the significant volume of residential real estate loans that were originated and then sold into the secondary market. To get a complete picture of the bank's loan portfolio composition and consumer mortgage lending activity, refer to the tables in this Performance Evaluation.

<b>Table 1 - Loan Portfolio Composition</b>		
<b>As of September 30, 2011</b>		
<b>Loan Type</b>	<b>\$ Volume (000)</b>	<b>% of Portfolio</b>
Commercial Real Estate (CRE)	\$15,097	59.7%
Residential Real Estate (RE)	\$5,303	21.0%
Commercial and Industrial	\$3,492	13.8%
Consumer and Other	\$1,384	5.5%
<b>Total:</b>	<b>\$25,276</b>	<b>100%</b>

*Source: September 30, 2011 Call Report of Condition and Income*

There are no financial circumstances, legal constraints, or other factors that hinder the bank's ability to meet the credit needs of its AA. The last CRA examination, conducted as of May 22, 2006, rated the bank's performance as "Satisfactory."

## DESCRIPTION OF AA

BofW's defined AA covers all of Orange and Riverside counties and portions of Los Angeles and San Bernardino counties. Please refer to the bank's CRA Public File for a complete description of the AA boundaries. The AA delineation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Orange County covers 798 square miles and includes 34 cities and several unincorporated areas. The 2010 U.S. Census indicates a population of 3 million in the county. Economic output and employment is well distributed among various sectors. As of December 2010, the largest industries include trade, transportation and utilities, professional and business services, and leisure and hospitality. The major employers include: the Walt Disney Company, the University of California at Irvine, the County of Orange, St. Joseph Health System, and Boeing. The State of California Employment Development Department reported 9.0 percent unemployment in Orange County for August 2011, below the state average of 12.1 percent.

Los Angeles County is a complex, highly diverse urban area that includes 88 cities and a number of unincorporated areas. The 2010 U.S. Census indicates a population of 9.8 million in the county. The largest industries in Los Angeles County are service, retail trade, wholesale trade, finance, insurance and real estate, and manufacturing. International trade is a major driver of the area's economy as well. The top five employers in Los Angeles County are: the University of California at Los Angeles, Kaiser Permanente, Northrop Grumman, Boeing, and the Kroger Company. In August 2011, the Los Angeles County unemployment rate was 12.6 percent.

Riverside and San Bernardino counties are together referred to as the "Inland Empire." The 2010 U.S. Census indicates a combined population of 4.2 million. Major employers in the Inland Empire include: the U.S. Marine Corps, Loma Linda University, Wal-Mart Stores, Kaiser Permanente, and March Air Reserve Base. The unemployment rate in the area was 14.1 percent in August 2011 and notably exceeded the state-wide rate of 12.1 percent. According to Moody's Analytic's December 2010 report, the Riverside-San Bernardino economy is expected to lag behind improvement made in other regions of Southern California.

The bank faces strong competition from other financial institutions within its AA. These include much larger institutions such as Bank of America, JPMorgan Chase, Wells Fargo, and Union Bank of California, in addition to regional banks and other community banks.

Recent contact with community organizations in Los Angeles and Orange counties indicate there are significant credit and community development needs for low- and moderate-income individuals in the AA. The predominant needs include: 1) foreclosure prevention counseling; 2) affordable housing; 3) technical assistance and financing for small businesses; and 4) financial literacy education.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

## LTD Ratio

BofW's LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's LTD ratio averaged 64 percent over the last 22 quarters, with a quarterly low of 51 percent and a quarterly high of 81 percent.

The bank's LTD ratio is acceptable in comparison to other community banks of similar size, location, and product offerings. BofW ranks fourth among a total of five similarly situated banks serving its AA. The other four banks had an average LTD ratio of 77 percent, ranging from a quarterly low of 52 percent to a quarterly high of 92 percent in the 22 quarters since the last CRA examination. It is important to note that BofW sold a significant volume of mortgage loans into the secondary market during the evaluation period. If loans sold on the secondary market were held on the bank's balance sheet, the LTD ratio would be significantly higher.

## Lending in AA

BofW's lending in the AA does not meet the standard for satisfactory performance. A substantial majority of the number and dollar volume of bank loans originated were outside of the bank's defined AA. Of the 383 total loans reviewed, the bank granted only 8 percent of the total number and 11 percent of the total dollar volume within the defined AA. See "Table 2" below for details.

Table 2 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Residential RE – Conventional	9	4.81	178	95.19	<b>187</b>	3,200	7.42	39,915	92.58	<b>43,115</b>
Residential RE – Refinance	14	7.95	162	92.05	<b>176</b>	3,905	9.32	37,932	90.67	<b>41,837</b>
Small Business	8	40.00	12	60.00	<b>20</b>	3,643	40.00	5,369	60.00	<b>9,012</b>
Totals	31	8.09	352	91.91	<b>383</b>	10,748	11.44	83,216	88.56	<b>93,964</b>

Sources: 2009/2010 bank HMDA data; sample of 20 small business loans originated during the evaluation period.

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

### *Residential RE Loans*

BofW's borrower distribution does not meet the standard for satisfactory performance. There were no consumer mortgage loans granted to low-income borrowers. Also, the bank granted only 17 percent of the total number of consumer mortgage loans to moderate-income borrowers.

This reflects poor penetration in comparison to the area demographics. See "Table 3" below for details.

<b>Table 3 - Borrower Distribution of Residential Real Estate Loans</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Conventional and Refinance	6.15	0	27.46	17.39	30.36	34.78	36.03	60.87

Sources: 2000 U.S. Census data; 2009/2010 bank HMDA data.

*Business Loans*

Lending to small businesses meets the standard for satisfactory performance. BofW granted 75 percent of the number and dollar volume of commercial loans to small businesses (revenues of \$1 million or less). This reflects a reasonable penetration in comparison to the area demographics. See “Table 3A” below for more details.

<b>Table 3A - Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	77.4%	5.41%	17.19%	100%
% of Bank Loans in AA by #	75%	25%	0	100%
% of Bank Loans in AA by \$	75%	25%	0	100%

Sources: 2010 Dun & Bradstreet data; sample of 20 small business loans.

**Geographic Distribution of Loans**

*Residential RE Loans*

BofW’s geographic distribution of consumer mortgage loans does not meet the standard for satisfactory performance and reflects poor dispersion compared to area demographics. There were no consumer mortgage loans granted in low-income census tracts. Lending to borrowers in moderate-income census tracts was below the area demographic. See “Table 4” below for more details.

<b>Table 4 - Geographic Distribution of Residential RE Loans</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Conventional and Refinance	1.71	0	16.71	4.35	31.35	34.78	50.23	60.87

Sources: 2000 U.S. Census data; 2009/2010 bank HMDA data.

*Business Loans*

BofW’s geographic distribution of business loans meets the standard for satisfactory perform and reflects reasonable dispersion compared to area demographics. BofW granted no small business loans in low-income census tracts; however, the distribution of small business loans in moderate-income census tracts is consistent with area demographics. See “Table 4A” below for more details.

<b>Table 4A - Geographic Distribution of Loans to Businesses</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Small Business	6.03	0	22.02	25	28.74	37.50	43.21	37.50

*Source: 2000 U.S. Census data; sample of 20 small business loans.*

### **Responses to Complaints**

BofW has not received any complaints about its CRA performance during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

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