



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

PUBLIC DISCLOSURE

October 24, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**High Desert National Bank
Charter Number 17298**

**17071 Main Street
Hesperia, CA 92340-1096**

**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 **High Desert National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 24, 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**.”

High Desert National Bank is committed to serving the communities in which it operates. Its lending performance throughout the assessment area, including low-and moderate-income census tracts, is satisfactory.

- The loan to deposit ratio is reasonable as compared to similar banks.
- Lending in the assessment area exceeds standards for satisfactory performance.
- Lending to borrowers of different income levels and businesses of different sizes is reasonable.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	High Desert National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
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 received since the last examination		

DESCRIPTION OF INSTITUTION:

High Desert National Bank is a full service commercial bank headquartered in Hesperia, California. The bank has two branches in its assessment area: the main office in Hesperia and a branch in Phelan. There are two automatic teller machine, one at each branch. As of June 30, 1996, the bank reported total assets of \$40 million. The following chart reflects the bank's loan portfolio by major product type.

LOANS BY MAJOR PRODUCT TYPE -As of September 30, 1996

Loan Type	Amount Outstanding	% of Total Loans (\$)
Real Estate	7,023,797	30%
Auto	2,465,085	10%
Commercial & Commercial Real Estate Loans	12,147,918	51%
Consumer	2,042,823	9%
Total Loans	23,679,623	100%

There are no financial or legal impediments to the bank's ability to meet the credit needs of its community. The last CRA performance examination was December 8, 1994 , and the bank was rated "Satisfactory."

DESCRIPTION OF HIGH DESERT NATIONAL BANK'S ASSESSMENT AREA:

The bank's assessment area comprises 18 census tracts within the primary metropolitan statistical area (PMSA) of San Bernardino County. The assessment area includes census tracts located in Adelanto, Apple Valley, George Air Force Base, Hesperia, Mountain View Acres, Oro Grande, Phelan, Pinon Hills, Spring Valley Lake, and Victorville. The area delineation complies with regulatory requirements and does not arbitrarily exclude low-or moderate- income areas.

ASSESSMENT AREA COMPOSITION

Census Tract Type	Number of Tracts in Area	Percent of Assessment Area (#)
Low	0	0.%
Moderate	6	33%
Middle	11	61%
High	1	6%
TOTAL CENSUS TRACTS	18	100%

There are 190,667 residents in the assessment area with a median family income of \$43,400 based on 1990 census data. Median housing value is \$100,400. The area economy has suffered due to the closure of George Air Force Base in late 1990 and layoffs in neighboring counties. Nevada's expanding economy and lack of state tax have lured high desert businesses and residents away. The local unemployment rate is near 10% and experts estimate that commercial/industrial office vacancies are generally near 20% - 25%. We contacted two local community officials and determined that business loans for small business are a significant need in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

The bank's loan to deposit ratio is reasonable. The loan to deposit ratio averaged 58.0% over the last eight quarters and has ranged from 55.8% to 61.4%. This is only slightly below the 61.8 % average of other San Bernardino County banks of similar asset size.

Lending in Assessment Area

The bank's lending within its assessment area exceeds expectations for satisfactory performance. The bank originated a substantial majority of loans within the assessment area. The following chart reflects loans originated between April 1996 and June 1996. We prepared this analysis based on bank-provided data, after testing the data for accuracy.

LENDING INSIDE AND OUTSIDE OF AREA

April 1996 to June 1996

Location	Loans (#)	% Loans (#)	Loans (\$)	% Loans (\$)
In Area	70	84.3%	2,012,455	78.4%
Out of Area	13	15.7%	554,238	21.6%
Total	83	100.0%	2,566,693	100.0%

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

Lending activity to borrowers of different income levels in the assessment area is satisfactory. Loan distribution among the income levels parallels demographic information. We conducted a sample of consumer loan originations to analyze lending to borrowers of different income levels. We sampled 36 of the consumer loans originated from April 1996 through June 1996, representing 64% of total consumer loans by number. We found no indication the bank was purposely excluding low- or moderate- income applicants or treating these applicants in a disparate manner. The following chart reflects the bank's consumer loan activity as compared to the demographics of the four income levels.

CONSUMER LENDING IN ASSESSMENT AREA BY BORROWER INCOME LEVEL BASED ON SAMPLE April 1996 - June 1996

Income Designation of The Borrower	% of Families in the Assessment Area	# of Loans Based on Sample	% of Loans Based on Sample
Low	25%	3	9%
Moderate	19%	6	17%
Middle	25%	11	30%
Upper	31%	16	44%
Total	100%	36	100%

Note: Consumer loans are defined in the regulation as loans to individuals for personal uses (sample includes real estate loans).

The bank's record of extending loans to small business in the assessment area is reasonable. This is reflected in the chart below. We reviewed all new business loans originated in the assessment area from April 1996 through June 1996.

LENDING IN ASSESSMENT AREA BY BUSINESS REVENUES BASED ON SAMPLE

April 1996 to June 1996

Gross Business Revenues	# of Loans	% of Total (#)	Total Loans (\$)	% of Total (\$)
\$0 - \$100,000	4	40%	\$49,793	15%
\$100,000 - \$250,000	4	40%	\$173,723	52%
\$250,000 - \$500,000	1	10%	\$10,100	3%
\$500,000 - \$1,000,000	0	0%	\$0	0%
\$1,000,000 +	1	10%	\$100,000	30%
Total	10	100%	\$333,616	100%

Geographic Distribution of Loans

The bank's lending distribution in the assessment area is acceptable. We used the bank's internal analysis, which we tested for accuracy, and found that lending activity in different income level census tracts is comparable to demographic information. Of the six moderate income census tracts, two are in areas which represent little or no lending opportunities: George Air Force Base, which closed in 1990, and a large census tract in Victorville which contains only 368 families. The chart below compares the bank's loan originations from April 1996 through June 1996 with the percentage of various income level census tracts that comprise the assessment area.

LENDING IN ASSESSMENT AREA - BY CENSUS TRACT TYPE

Census Tract Income Type	# of Census Tracts in Assessment Area	% of Assessment Area	# of Loans Originated	% of Loans Total
Low	0	0%	0	0%
Moderate	6	33%	2	2%
Middle	11	61%	81	98%
Upper	1	6%	0	0%

Responses to Complaints

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

Fair Lending Analysis

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