



Comptroller of the Currency
Administrator of National Banks

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

PUBLIC DISCLOSURE

August 8, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Downey National Bank
Charter Number 18687

8345 East Firestone Boulevard
Downey, California 90241

The Comptroller of The Currency
550 North Brand Boulevard, Suite 500
Glendale, California 91203

<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 Downey National Bank prepared by The Office of The Comptroller of The Currency, the institution's supervisory agency, as of August 8, 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 Record of Meeting Community Credit Needs."

- The bank's loan to deposit ratio is reasonable given the bank's size, financial condition, and the assessment area's credit needs,
- a majority of loans are within the bank's assessment area,
- the geographic distribution of credit reflects a reasonable dispersion throughout the assessment area, and
- the bank is lending to borrowers of different incomes and businesses of all sizes including small businesses.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Downey 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 were received since the prior examination		

DESCRIPTION OF INSTITUTION:

Downey National Bank (DNB) opened on June 17, 1985. At December 31, 1995, the bank's asset size was \$44 million with \$24 million in loans, \$38 million in deposits, and \$5.4 million in capital. The bank's highly rated and unpledged investment portfolio is available to fund any reasonable lending request. The bank's one office is located on a major street in the commercial and retail area of Downey, California, and offers a full range of services including a drive-up window and an ATM which accepts many major cards. The last CRA examination performed June 1993, received a performance rating of "Satisfactory Record of Meeting Community Credit Needs." The bank's overall condition is satisfactory and no financial or legal impediments exist affecting the bank's ability to meet the credit needs of its assessment area.

The bank's focus is on servicing the financial needs of the small to middle market and sole proprietor business accounts in the local communities. The bank also strives to serve the retail needs of individuals associated with those business accounts. Composition of the bank's loan portfolio as of December 31, 1995 was 61% for commercial purposes and 39% for consumer purposes. However, the volume of consumer loans has been declining as local automobile dealers offer below market interest rates that the bank cannot match.

Competition is intense and includes branches of large multinational banks, savings and thrift associations, credit unions, and mid-sized banks in addition to a number of small community banks.

DESCRIPTION OF DOWNEY NATIONAL BANK'S ASSESSMENT AREA:

The bank's assessment area includes 186 of the 1640 census tracts located in the Los Angeles County Metropolitan Statistical Area (MSA). The assessment area is based on the geographic territory that includes the preponderance of its lending activity. It does not arbitrarily exclude low or moderate-income census tracts. The table below identifies 36 tracts as low- and moderate-income areas, which equates to 19% of the assessment area.

Income Rank of Assessment Area Census Tracts
for the Downey Office Assessment Area

Income Category of Census Tracts	Number of Tracts in Income Category	% of Total	Number of Households in Each Income Category
Low	11	6%	21,806
Moderate	25	13%	61,670
Middle	87	47%	161,869
Upper	60	32%	96,123
Not Reported	3	2%	7

The City of Downey is located approximately twelve miles southeast of downtown Los Angeles. The assessment area encompasses most of the Southeastern section of Los Angeles County and includes the incorporated cities of Downey, La Mirada, Norwalk, Pico-Rivera, Santa Fe Springs, Signal Hill, and South Whittier. Portions of Bell Gardens, Bellflower, Commerce, Long Beach and Whittier are also included. The area contains a population of slightly over one million individuals. The 1990 census for the Los Angeles County MSA reflects a median family income of \$39,035. The assessment area's median monthly gross rent is \$667, and median housing value is \$179,300. These numbers are based on 1990 data and are not reflective of increased housing costs, even after recessionary erosion, and inflation over the past six years.

Overall, the local economy is starting to recover from the Southern California recession that was caused in part by major cutbacks in the aerospace and defense industries. Most small businesses supporting these industries scaled back operations and have not rehired. Additionally, the consolidation of the financial industry has resulted in job losses in the banking, finance, insurance and real estate industries. Area business people expect no measurable recovery in these industries in the foreseeable future.

The health industry is expanding, and has provided a number of jobs for technically skilled individuals. Additionally, a number of small businesses are opening in the retail centers located in the assessment area. There are several regional shopping malls and many retail shopping centers and restaurants in this assessment area.

Real estate values eroded during the recession and have not rebounded with the upturn in the economy. However, the cost of both commercial and residential property still exceeds reasonable lending criteria for the assessment area's median family income. The City of Downey operates a low interest-rate program for first-time home buyers. However, based on information from the Downey Board of Realtors, the range of "entry-level" homes in Downey ranges from \$179,000 to \$189,000, which significantly exceeds the MSA's median housing value. There are several privately built senior citizen condominium projects located near major shopping centers, but there are no low-income housing developments located in Downey.

As a part of this examination, we conducted community outreach activities with the Downey Chamber of Commerce and the Downey Board of Realtors. Through these contacts, we were made aware of their perceived need for banks to provide startup seminars to help small businesses become aware of various demands and problems they may encounter in running a business. Other perceived needs include loans for purchasing fixed assets, working capital needs, and venture capital financing. Our contacts state that local banks generally do a good job of meeting community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

DNB's loans as a percentage of deposits are reasonable.

The bank's average loan-to-deposit ratio of 64% for the last eight quarters is satisfactory. It increased from 57% at year end 1993 to 64% at year end 1995. This increasing trend compares favorably to that of ten other similarly sized local banks. These banks are similar in asset size, area and market served. The loan-to-deposit ratio for these similarly sized banks declined for the last eight quarters from 73% to 70% and averaged 71%. These trends are primarily due to the movement of deposits by customers who were unhappy with the recent merging of two major California banks. Two local independent banks have merged as well. The bank has the ability and willingness to make loans, but operates in an area with heavy competition from numerous financial institutions.

A majority of the bank's loans are within its assessment area.

Total # of Loans	Total # of Loans within AA	% of Total Loans	Total Loans by \$ (000's)	Total Loans Within AA by \$ (000's)	% of Total Loans
219	139	63%	\$26,358	\$15,587	59%

The chart above reflects satisfactory lending in the bank's assessment area. As of December 31, 1995, 63% of the number and 59% of the dollars in outstanding loans were in the assessment area. Another 8% of the bank's total dollar volume of loans were in census tracts adjacent to the bank's assessment area.

DNB's lending to borrowers of different incomes and to businesses of different sizes is reasonable.

We determined the bank makes loans to small and medium sized businesses and to individuals with varying income levels.

We evaluated the distribution of the bank's commercial loan portfolio for business purposes. Our review included a sample of commercial loans originated from January 1 to December 31, 1995. We looked at 21 loans that were located within the assessment area. We focused on loans made to businesses with revenues of one million or less and found 14 of 21 loans located in the assessment area met our small business criteria. The majority of these loans were underwritten for amounts less than \$100,000.

Commercial loans Originated to Businesses
Inside Assessment Area during 1995

	# of Loans	% of #	Total Amount (000's)	% of Total Amount
Loans to Small Businesses Inside Assessment Area	14	67%	\$1,775	67%
Loans to Large Businesses Inside Assessment Area	7	33%	\$868	33%

	# of Loans	% of #	Total Amount (000's)	% of Total Amount
Total Loans Inside Area	21	100%	\$2,643	100%

We reviewed a sample of installment loans originated from January 1 to December 31, 1995, and concentrated on individuals with incomes 80% or less of the MSA family median. We looked at 13 loans that were located within the assessment area. Of these 13 loans, 1 was made to low and 1 to moderate-income individuals. These two represent 15% of the total loans sampled but is not commensurate with the number of low- and moderate-income families which represent 21% and 18% respectively of the total families residing in the bank's assessment area. Although this number appears low, it is reasonable given the limited volume of consumer loans generated, the geographic distance of low- and moderate income census tracts from the bank, and the intense competition from larger institutions and non-banks.

DNB's geographic distribution of credit within its assessment area is satisfactory.

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

Geographic Distribution of Loans Originated in The Assessment Area from
January Through December 1995

Income Category	# of Tracts	% of Tracts	# of Loans	% of Loans	\$ in Assessment Area (000's)	% of \$ in Assessment Area
Low	11	6%	0	0%	0	0%
Moderate	25	13%	13	19%	\$795	15%
Middle	87	47%	25	36%	\$1,607	30%
Upper	60	32%	31	45%	\$2,891	55%
Not Reported	3	2%	0	0%	0	0%
Total	186	100%	69	100%	\$5,293	100%

The bank's assessment area is comprised of 186 census tracts, of which 11 or 6% of the total are designated low and 25 or 13% as moderate-income. The low-income tracts represent a small percentage of the bank's assessment area and are somewhat remote from the bank. No loans were

made in low-income census tracts, due primarily to their geographic distance from the bank, and the more convenient location of many financial institutions that are closer. The bank funded 19% of the total number and 15% of its total dollar volume of loans in moderate-income census tracts within the assessment area. The percentage of loans made in middle and upper-income categories is proportionate to the population and percentage of census tracts in those income categories.

The bank is in compliance with all antidiscrimination laws.

We found no evidence of prohibited discrimination practices during our March 31, 1996 Fair Lending examination. The bank complies with the provisions of anti-discrimination laws and regulations.

The bank has received no complaints since the last examination.

There are no complaints in the bank's Community Reinvestment Act public file.