



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

December 1, 1997

Community Reinvestment Act Performance Evaluation

**Gold Country National Bank
Charter Number 20862**

**317 4th Street
Marysville, CA 95901**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, CA 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 CRA performance of **Gold Country National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 1, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated **Satisfactory**.

Gold Country National Bank's record of lending to small businesses within its community is good. The bank's loan to deposit ratio is reasonable and the geographic distribution of the bank's credit extensions is also reasonable. A majority of the bank's loans are within the bank's assessment area.

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

Small Institution Assessment Criteria	Gold Country 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 previous Public Evaluation.		

Description of Institution

Gold Country National Bank (GCNB) is a retail banking institution providing general banking services to the residents of Sutter, Yuba and portions of Butte counties of central California. The bank operates four offices located in the communities of Brownsville, and Marysville in Yuba County and the communities of Yuba City, and Live Oak in Sutter County. The bank plans to open an additional branch in the small Butte County community of Gridley in the first quarter of 1998.

As of September 30, 1997, the bank had \$38 million in assets, \$26 million in loans and \$36 million in deposits. The bank's market focus is small business and small farm lending, with 23% commercial and farm loans guaranteed through the Small Business Administration (SBA) or the Farmer Services Agency (FSA). The bank offers conforming residential mortgages which

are sold through the secondary market. GCNB offers a residential mortgage product that is designed for residential property that does not meet the underwriting requirements of the secondary market.

The bank participates in lending programs with the Economic Development Corporation (EDC), a nonprofit corporation whose primary goal is economic development in Yuba and Sutter counties. The bank has originated five loans totaling \$283,000 that are 100% guaranteed by the EDC. Applicants must be involved in job creation or job retention.

The bank is an active Small Business Administration (SBA) and Farm Service Agency (FSA) lender. During 1996 and 1997, the bank originated 26 FSA guaranteed loans for a total of \$3,847,000. The bank originated 14 SBA loans for a total book balance of \$1,047,930 during the same time period.

As of September 30, 1997, 32% of the bank’s loan portfolio consisted of real estate, divided evenly between residential real estate and commercial real estate, 32% in commercial loans, and 30% in agricultural loans. The agricultural loans include loans secured by farm land, equipment, and crop production loans.

The bank received a rating of “Satisfactory record of meeting community credit needs” as a result of the last evaluation in September, 1994.

The bank’s four offices are located in the following census tracts.

Branch Address	County	Census Tract	Income Level
1040 Colusa Avenue Yuba City	Sutter	502	Moderate
317 4th Street Marysville	Yuba	401	Middle
9942 Broadway Live Oak	Sutter	507	Moderate
16850 Willow Glen Road Brownsville	Yuba	411	Middle

Description of the Yuba City Metropolitan Statistical Area (MSA)

The bank’s assessment area includes all of the Yuba City MSA and a portion of Butte County which will surround the planned Gridley branch. The portions of Butte County are contiguous with the Yuba City MSA. The community’s population base is primarily located in Marysville

(Yuba County) and Yuba City (Sutter County). These two cities are located on opposite banks of the Feather River in the center of the MSA. Within the Yuba City MSA, six of 24 census tracts are moderate income census tracts. There are no low income census tracts in the MSA. The two census tracts in Butte county included in the bank's assessment area are middle income.

The 1996 HUD adjusted Median Family Income for the Yuba City MSA is \$28,904 and the median house price was \$79,750. According to the 1990 census the population of the Yuba City MSA was 122,643. While there are no low income census tracts located within the MSA, 20% of families within the MSA are low income.

The local economy is based on government, agriculture, food processing, and timber industries. The largest employer is the Beale Air Force Base with roughly 10% of employment including enlisted personnel and the civilian workforce. The vast majority of land in Sutter County is farm land. A significant portion of the population of Yuba City and Marysville commute to jobs in the Sacramento area. Major crops include plums, peaches, walnuts, rice and almonds. Food processing is also a significant employer.

Refer to the table below for information on census tract distribution by income. The moderate income census tracts include Beale Air Force base and census tracts in the Marysville and Yuba City suburban areas.

Income Level	# of Census Tracts in Yuba City MSA and two Butte County tracts.	% of Census Tracts	% of Population with Tracts
Low Income	0	0.00%	0.00%
Moderate Income	6	23.08%	31%
Middle Income	15	57.69%	53%
Upper Income	5	19.23%	22%
TOTAL	26	100%	100%

GCNB's assessment area complies with the regulation and does not arbitrarily exclude any low- and moderate-income areas.

Conclusions with Respect to Performance Criteria:

Loan to Deposit Ratio

- o **The bank's loan to deposit ratio is reasonable.**

GCNB's loan to deposit ratio during the eight quarter period from 9/30/95 through 6/30/97 averaged 76.15%. This ratio is slightly above the average for similar banks and is reasonable when compared to eight similarly situated banks based on asset size and location. The average loan to deposit ratio of the eight similarly situated banks was 70% during the same time period. The loan to deposit ratios for the eight banks range from a high of 81% to a low of 50%. As of 9/30/97, the bank's loan to deposit ratio was 72%. This information was obtained from Consolidated Reports of Condition.

Lending in the Assessment Area

- o **A majority of loans extended by GCNB are within the assessment area.**

Scope of analysis:

Since the beginning of 1996, the bank has collected census tract location information for commercial and instalment loans at origination. The bank continues to collect census tract information for residential loans in accordance with Home Mortgage Disclosure Act (HMDA). The bank's HMDA reports for 1996 and the year to date and the commercial loan information from bank reports was used to determine the number of loans made in the community. The dollar volume for residential loans is based on original balances. The dollar total for commercial and instalment loans is based on the outstanding balance as of November 30, 1997.

The table below summarizes the bank's lending within the assessment area for the period.

Loan Type	# of Loans in Assessment Area	%of Loans in Assessment Area	Dollar Volume of Loans in Assessment Area	% Dollar Volume of Loans in Assessment Area
Residential loans	49	84.48%	\$3,493,000	78.58%
Commercial and instalment loans	185	85.65%	\$10,253,000	66.07%

Lending to Borrowers of Different Incomes

- o GCNB's lending to small farms and small business is good and mortgage lending to borrowers of different incomes is reasonable.

Small business and small farm lending is the bank's primary focus and commercial and farm loans represent a substantial majority of the bank's loan portfolio. Accordingly, loans to businesses was given the most weight under this factor.

During the period 1996 through November 1997, the bank made eight SBA loans totaling \$682,000 and 26 FSA loans totaling \$3,847,000 within their assessment area. These loans are loans to small businesses and small farms. Additionally, a random sample of 30 commercial loans within the bank's assessment area from in 1996 and 1997 reflects significant lending to businesses with annual revenues less than \$1 Million. The result of the sampling is set forth in the table below. This table shows the number, dollar amount, and percentage by number and dollar amount of loans to businesses with annual revenue more than \$1 million, loans to businesses with annual revenue above \$500 thousand but less than \$1 million, and loans to businesses with annual revenue less than \$500 thousand.

Commercial Loans to Businesses of Different Sizes			
Size of Business	> \$1 Million	< \$1 Million > \$500 Thousand	< \$500 Thousand
# and (%)	2 7%	7 23%	21 70%
\$ and %	\$134,000 11%	\$290,000 23%	\$823,000 66%

A review of the bank's mortgage loan production for 1996 and 1997 indicates a reasonable distribution of loans among borrowers of different income levels. The table below shows the number, dollar amount and percentages of these loans by various income levels. The percentage of families within the bank's assessment area at various income levels is also set forth for comparison.

Distribution of Mortgage Loans by Borrower Income				
Category	Low Income < \$14,452	Moderate Income \$14,452 to \$23,123	Middle Income \$23,124 to \$34,684	Upper Income > \$34,6854
# of Loans %	2 4.17%	3 6.25%	7 14.58%	36 75.00%
\$ of Loans %	\$82,000 1.84%	\$156,000 4.56%	\$427,000 12.49%	\$3,418,000 80.54%
# of Families %	6,456 20.28%	5,928 18.63%	6,416 20.16%	13,027 40.93%
# Census tracts %	0 0%	6 23.08%	15 57.69%	5 19.23%

Geographic Distribution of All Loans

- o **The geographic distribution of the bank’s loans is reasonable dispersed among census tracts of various income levels.**

The distribution of commercial and instalment loans from January 1996 to November 1997 representing 185 loans within the bank’s assessment area totaling \$10 Million is reflected in the following table.

Lending Distribution of Commercial and Instalment Loans by Census Tract			
Income Characteristic	# of Loans	\$ of Loans	% Tracts in Assessment Area
Low Income Tract	0	0	0
Moderate Income Tract	27.57%	35.50%	23.08%
Middle Income Tract	44.86%	37.67%	57.69%
High Income Tract	27.57%	26.83%	19.23%

The distribution of mortgage loans as listed in 1996 HMDA report and the year to date 1997 HMDA reports shows the following distribution. The bank made 49 mortgage loans within the bank’s assessment area during the time period with a dollar volume of \$3.4 million.

Lending Distribution of Mortgage Loans by Census Tract			
Income Characteristic	# of Loans	\$ of Loans	% Tracts in Assessment Area
Low Income Tract	0	0	0
Moderate Income Tract	29.17%	37.21%	23.08%
Middle Income Tract	41.67%	35.28%	57.69%
Upper Income Tract	29.17%	27.50%	19.23%

Other Information

Gold Country National Bank did not receive any complaints regarding its CRA performance since the last examination.

During the course of this examination, we found no evidence of discriminatory credit practices. We did not identify any practice which would discourage members of the community from applying for the types of credit offered by the bank. No violations of Fair Lending regulations are identified during the examination.

The bank is developing two affordable housing projects through the Rural Opportunity Resource Center, a nonprofit corporation that uses state grant funds to assist affordable housing development. When funded the two projects will result in credit extensions of \$530,000 for affordable housing.

The bank has received preliminary approval for a subsidy through the Federal Home Loan Bank of San Francisco for affordable housing funds. The project is to redevelop the old Odd Fellows building in Live Oak for senior housing and retail space. The project sponsor is the Rural California Housing Corporation, a nonprofit corporation that specializes in affordable housing. The project will result in a \$65,000 subsidized loan.