



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

April 20, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Valle de Oro Bank, National Association
Charter Number 17676
9832 Campo Road
Spring Valley, California 91977**

**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 CRA performance of **Valle de Oro Bank, National Association (N.A.)**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, **as of April 20, 1998**. 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.”**

Valle de Oro Bank is committed to serving the credit needs of the communities in which it operates. Its lending performance throughout the assessment area is satisfactory.

- The loan-to-deposit ratio is reasonable compared to other San Diego County national banks of similar size.
- The majority of loan originations are within the bank’s assessment area.
- Loans are reasonably distributed among businesses of different sizes and borrowers of different income levels.
- Loans are sufficiently distributed among the various geographies (census tracts) throughout the assessment area.

DESCRIPTION OF INSTITUTION:

Valle de Oro Bank is a full service community bank headquartered in East San Diego County, California. The bank opened in March 1983 and has six offices (Casa de Oro, La Mesa, El Cajon, Santee, Spring Valley, and Rancho San Diego) within the assessment area. The bank provides proprietary automatic teller machines (ATMs) in each of its offices and one offsite cash dispensing machine. As of March 31, 1998, the bank reported total assets of \$215 million. The bank offers a full range of products and services. Competition within the assessment area comes from other community banks, branches of multinational banks, credit unions, and thrifts. The bank’s lending strategy is to provide business, consumer, and real estate loans, with an emphasis on commercial and small business lending.

There are no financial or legal impediments that hinder the bank’s ability to meet the credit needs of its community. Economic trends are positive with unemployment decreasing and real estate values increasing. The bank’s October 1995 CRA rating was “Satisfactory.”

We contacted two local community development agency officials and learned that certain areas within the bank’s assessment area need loans for affordable housing and community redevelopment. Additionally, small business loans are a continuous community credit need.

The following chart reflects the bank’s outstanding loan portfolio by major product type.

**Loans Outstanding by Major Product Type
As of March 31, 1998**

Loan Type	\$ Volume	% Loans by \$
Real Estate	47,820,094	36%
Commercial Loans	42,098,447	32%
Consumer/Installment	28,252,174	21%
Small Business Administration Loans	12,155,282	9%
Construction Loans/Land Development	3,212,189	2%
Total	133,538,186	100%

DESCRIPTION OF VALLE DE ORO BANK'S ASSESSMENT AREA:

The bank's assessment area meets the regulation's requirements and does not arbitrarily exclude low or moderate income geographies. The area comprises 140 census tracts covering the following communities in East San Diego County: Spring Valley, El Cajon, La Mesa, Rancho San Diego, Lemon Grove, Santee, Bostonia, Lakeside, Alpine, Harbison Canyon, Granite Hills, Jamul, Campo and Bonita. This area's population is approximately 820,000 according to the 1990 census information. The median family income for the San Diego County Metropolitan Statistical Area (MSA) based on 1990 census data is \$41,000. The 1997 updated median family income is \$50,800, and the average home value is \$164,890.

Assessment Area Composition by Income Level of Census Tracts

Census Tract Type	# Tracts	% Tracts by #
Low Income	10	7%
Moderate Income	24	17%
Middle Income	77	55%
Upper Income	29	21%
Total	140	100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The performance criteria explained below reflect the bank's commitment to the Community Reinvestment Act.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable compared to other San Diego County national banks of similar size. For the last eight quarters ending March 31, 1998, the bank's loan-to-deposit ratio averaged 68%. During the same period, other San Diego County national banks with total assets between \$100 million and \$250 million reported average loan-to-deposit ratios of 75%.

Lending In Assessment Area

The majority of loan originations are within the bank's assessment area. During 1997, the bank originated 77% of the number, and 51% of the dollar volume of its loans within its assessment area. We prepared the following analysis based on the bank's data, which we tested for accuracy.

**Lending Inside and Outside the Assessment Area
Loan Originations During 1997**

	# Loans	% Loans by #	\$ Loans	% Loans by \$
In Assessment Area	695	77%	38,298,994	51%
Out Of Area	203	23%	37,400,546	49%
Total	898	100%	75,699,540	100%

Lending to Businesses of Different Sizes and to Borrowers of Different Income Levels

Loans are reasonably distributed among businesses of different sizes and borrowers of different income levels.

Lending to Businesses of Different Sizes

Lending activity to businesses of different sizes meets the standards for satisfactory performance. The bank extended a majority (by number) of its small business loans for amounts under \$100,000. In addition, the bank extended a majority of its business loans to businesses with gross revenues less than \$1 million. We used the bank's data, which we tested for accuracy.

**Distribution of 1997 Business Lending by Loan Size
within the Assessment Area**

Business Loan Originations	# Business Loans	% Business Loans (#)	Dollar Volume Business Loans	% Business Loans Dollar Volume
\$0 - \$100,000	142	71%	5,246,618	29%
\$100,001 - 250,000	43	22%	6,688,538	37%
\$250,001 - \$1 Million	15	7%	6,251,500	34%
Total	200	100%	18,186,656	100%

**Lending to Businesses of Different Sizes in the Assessment Area
Sample of 1997 Loan Originations**

	# Business Loans	% Total (#)	\$ Business Loans	% Total (\$)
Loans to Small Businesses (Revenue < \$1 Million)	157	77%	14,872,700	68%
Loans to Large Businesses (Revenue >\$1 Million)	47	23%	6,891,675	32%
Total Business Loans	204	100%	21,764,375	100%

Lending to Borrowers of Different Incomes

The bank meets the standards for lending to borrowers of different income levels within the assessment area. Lending patterns are comparable to demographic data as the following chart reflects. We sampled consumer loans using bank generated data, which we tested for accuracy.

**Distribution of 1997 Consumer/Installment Lending by Borrower Income Level
Within the Assessment Area**

Borrower Income Level	% of Area	Consumer Loans (#)	% of Consumer Loans (#)	Consumer Loans (\$)	% of Consumer Loans (\$)
Low income	21%	5	21%	79,275	16%
Moderate income	19%	9	37%	93,371	19%
Middle Income	24%	6	25%	167,496	33%
Upper income	36%	4	17%	164,063	32%
Total Consumer Sampled	100%	24	100%	504,205	100%

Geographic Distribution of Loans

Loans are sufficiently distributed among the various geographies (census tracts) throughout the assessment area. Lending activity in different income-level census tracts is comparable to demographic information. We used the bank's internal analysis, which we tested for accuracy. The chart below compares the bank's loan originations during 1997 with the percentage of various income-level census tracts in the assessment area.

Lending in Assessment Area - By Census Tract Type

Census Tract Income Type	% of Area	Loans in Tracts (#)	% of Loans (#)	Loans in Tracts (\$)	% of Loans (\$)
Low	7%	13	2%	1,389,215	4%
Moderate	17%	92	13%	6,101,835	16%
Middle	55%	400	58%	20,011,418	52%
Upper	21%	190	27%	10,796,525	28%
TOTALS	100%	695	100%	38,298,993	100%

Responses to Complaints

The bank did not receive any CRA-related complaints since the last CRA 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.