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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**April 6, 1998**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Central Valley Bank, NA  
Charter Number 17257**

**537 W. Second  
Toppenish, WA 98948**

**Comptroller of the Currency  
1501 4th Avenue, Suite 1190  
Seattle, WA 98101**

<p><b>NOTE:</b> 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>
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## 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 **Central Valley Bank, NA** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 6, 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**”.

A majority of the bank's loans are in its assessment area and reflect both a reasonable geographic distribution and reasonable dispersion among businesses of different sizes. Central Valley Bank (CVB) demonstrates a reasonable loan-to-deposit ratio given the bank's size, its capacity to lend, and the market in which it operates. CVB has received no written complaints with respect to the CRA since the prior OCC examination.

### **DESCRIPTION OF INSTITUTION:**

Central Valley Bank, N.A. is a community bank headquartered in Toppenish, Washington with offices in Yakima, Union Gap, and Wapato. The bank is a subsidiary of Washington Independent Bancshares, which is the bank's holding company. The bank serves Yakima county, which include the towns of Toppenish, Yakima, Union Gap, Wapato, Zillah, and 10 other cities. The bank is in sound financial condition and has total assets of \$54 million as of December 31, 1997. Gross loans are 64% of the banks assets.

CVB's primary focus is commercial lending. The loan portfolio consists of 40% business and agricultural loans, 57% real estate, and 4% consumer loans. HMDA loans comprised 8% of the total business and real estate loan originations for 1996 and 1997. For this examination, we evaluated CRA performance on commercial lending.

The bank provides traditional agricultural, business, residential real estate, and consumer loan programs and also participates in the Small Business Association (SBA) and the Farm Service Agency (FSA) rural economic and community development programs.

The Farm Service Agency (FSA) guaranteed rural economic development loan program is designed to promote small farm ownership in the bank's assessment area. The program provides lending assistance to individuals to start a farm. The FSA program allows the

farmer to obtain a loan for a longer term on farm real estate with a lower downpayment. CVB is the major FSA lender in its assessment area. The bank originated 62 of the 78 FSA loans.

The mortgage company processes loans originated through the FSA community development program but does not fund or service these loans. The bank processed a total of 23 loans. Two loans were processed for moderate-income borrowers.

**DESCRIPTION OF ASSESSMENT AREA:**

CVB’s assessment area consists of Yakima county, with the exception of 4 census tracts in the northwest corner of the state. The bank excluded these census tracts because they are located a long distance from the nearest branch.

Based on 1990 Census Data, the bank’s assessment area contains 29 census tracts and has a population of 163,277. There are 5,368 businesses and farms in the bank’s assessment area. Small businesses and farms comprise 90% of the total. Table 1 shows the distribution of census tracts, businesses, and farms within the assessment area.

Table 1

<b>INCOME CHARACTERISTIC OF CENSUS TRACTS</b>	<b># AND % OF CENSUS TRACTS</b>	<b>#/% OF BUSINESSES</b>	<b>#/% OF FARMS</b>
Low Income	1 3%	555 12%	7 1%
Moderate Income	10 35%	1,166 24%	91 17%
Middle Income	11 38%	1,865 38%	337 61%
Upper Income	7 24%	1,232 26%	115 21%
<b>TOTAL:</b>	29 100%	4,818 100%	550 100%

Agriculture is the foundation of the economy in the assessment area. Apples, cattle, dairy, hops and grapes are the 5 major agricultural products. Retail business is a distant second to agriculture. Competition is significant, generally from branches of regional financial institutions, credit unions, and other community banks.

We conducted three community contacts in the bank’s assessment area to learn about credit needs within the community. The community contacts represented a county community development organization, a local real estate investor, and a local community development organization. The

organizations indicated the community needs affordable housing and credit for real estate development and construction.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LOAN TO DEPOSIT RATIO:**

CVB's loan-to-deposit ratio is reasonable given the bank's size, its capacity to lend, and the market in which it operates.

We analyzed CVB's loan-to-deposit ratio over the period of January 1, 1996 through December 31, 1997. During these eight quarters, the bank's loan-to-deposit ratio ranged from a high of 82.30% as of June 30, 1996 to a low of 68.45% on March 31, 1997 with an average ratio of 74.80%. The bank's deposits are cyclical due to the agricultural economy.

We compared CVB's performance under this criterion to three banks located in central Washington with total assets between \$34 million and \$105 million. These banks had an average loan-to-deposit ratio over the same period of 73.90%.

### **LENDING IN THE ASSESSMENT AREA:**

CVB is a major business and farm lender. The bank originated 532 loans in the assessment area which comprised 91% of the total loans.

This examination covers the period of 1996 and 1997. We relied on bank data, demographic information, and information from community contacts to evaluate the bank's CRA performance. We sampled 15 loan files to validate the accuracy of the bank's data and found the data to be correct.

Table 2 shows the total number and dollar amount of CVB's business and farm loans originated within and outside it's assessment area.

Table 2

<b>Calendar Years 1996 and 1997</b>				
<b>GEOGRAPHIC LOCATION OF LOANS</b>	<b># OF TOTAL LOANS</b>	<b>% OF TOTAL LOANS</b>	<b>\$ OF TOTAL LOANS (000's)</b>	<b>% of \$ VOLUME OF TOTAL LOANS</b>
Inside A. A.	532	91%	\$51,555	90%
Outside A. A.	55	9%	5,610	10%
<b>TOTAL:</b>	587	100%	\$57,165	100%

**LENDING TO BUSINESSES OF DIFFERENT SIZES AND BORROWERS OF DIFFERENT INCOMES:**

Overall, lending distribution to small businesses and farms is reasonable. The bank originated 243 business loans and 289 farm loans. Seventy four percent of the business loans were originated to small businesses and 84% of the farm loans were originated to small farms.

Dunn and Bradstreet data indicates 74% of the businesses and 65% of the farms within the bank's assessment area are small. The CRA defines a small business/farm as having gross annual revenues of \$1 million or less.

**GEOGRAPHIC DISTRIBUTION OF LOANS:**

Geographic distribution of the bank's loans reflects reasonable dispersion throughout its assessment area. The distribution of small farm and small business loans generally corresponds to the assessment area demographics. Tables 3 and 4 demonstrate the bank's performance in lending to small businesses and farms.

**Geographic distribution of business loans (total originations 1996 and 1997)**

Table 3

<b>INCOME CHARACTERISTIC OF CENSUS TRACTS</b>	<b>% OF TOTAL CENSUS TRACTS</b>	<b>% OF TOTAL BUSINESSES IN CENSUS TRACTS</b>	<b>% OF TOTAL LOANS</b>
Low Income	3%	12%	5%
Moderate Income	35%	24%	30%
Middle Income	38%	38%	51%
Upper Income	24%	26%	14%
<b>TOTAL:</b>	100%	100%	100%

**Geographic distribution of farm loans (total originations 1996 and 1997)**

Table 4

<b>INCOME CHARACTERISTIC OF CENSUS TRACTS</b>	<b>% OF TOTAL CENSUS TRACTS</b>	<b>% OF TOTAL FARMS</b>	<b>% OF TOTAL LOANS</b>
Low Income	3%	1%	1%
Moderate Income	35%	17%	25%
Middle Income	38%	61%	65%
Upper Income	24%	21%	9%
<b>TOTAL:</b>	100%	100%	100%

**RESPONSE TO COMPLAINTS:**

CVB has not received any consumer complaints since our last examination related to its CRA performance.

**RECORD OF COMPLYING WITH ANTIDISCRIMINATION LAWS:**

We did not identify any violations of the substantive provisions of antidiscrimination laws and regulations.