



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

Small Bank

Western District
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PUBLIC DISCLOSURE

December 2, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Rancho Santa Fe National Bank
Charter Number 17212
6110 El Tordo
Rancho Santa Fe, California 92067**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

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| <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> |
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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 performance of **Rancho Santa Fe National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 2, 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.**”

Rancho Santa Fe National Bank demonstrates commitment to serving 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 income levels.**
- **Loans are sufficiently distributed among the various geographies (census tracts) throughout the assessment area.**

DESCRIPTION OF INSTITUTION:

Rancho Santa Fe National Bank is a full service community bank headquartered in Ranch Santa Fe, California. The bank opened for business March 3, 1983, and has four offices (Rancho Santa Fe, Golden Triangle, Escondido, Carlsbad) within its assessment area. The bank provides proprietary automated teller machines (ATM's) at the Ranch Santa Fe and Golden Triangle offices. The bank's total assets are \$156 million. The bank offers a full range of products and services. The bank's competitors include community banks, branches of multinational banks, credit unions and thrifts. The lending strategy is to provide business and real estate loans, with emphasis on commercial and small business lending. Consumer lending is minimal.

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 strong economic growth, low unemployment, and low inflation. The bank's September 1995 CRA rating was "Satisfactory".

We contacted two community development agency officials and learned that certain areas within the bank's assessment area need loans for affordable housing. Small business loans are also a continuous community credit need. The following table illustrates the bank's lending composition.

**Loans Outstanding by Major Product Type
As of December 7, 1998**

| Loan Type | \$ Volume | % Loans by \$ |
|--|------------------|----------------------|
| Commercial Loans | 58,536,000 | 55% |
| Construction Loans | 22,704,000 | 22% |
| Real Estate | 16,135,000 | 15% |
| Small Business Administration Loans | 7,551,000 | 7% |
| Consumer | 1,039,000 | 1% |
| Total | 105,965,000 | 100% |

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The area comprises 227 census tracts covering the following communities in north and north east San Diego county: Oceanside, Carlsbad, San Dieguito, Vista, San Marcos, Escondido, Valley Center, Pauma, Del Mar, Coastal, University, Kearny Mesa, North San Diego, Poway, Miramar, Elliott-Navajo, El Cajon, Santee, Lakeside and Ramona. This area's population is approximately 1,380,000 according to 1990 U.S. Census Data. The median family income for the San Diego County Metropolitan Statistical Area (MSA) based on 1990 U.S. census data is \$39,800. The 1998 updated median family income is \$50,800, and the average home value is \$220,653.

**Assessment Area
Composition by Income Level of Census Tracts**

| Census Tract Type | # Tracts | % Tracts by # |
|--------------------------|-----------------|----------------------|
| Low Income | 2 | 1% |
| Moderate Income | 30 | 13% |
| Middle Income | 110 | 48% |
| Upper Income | 85 | 38% |
| Total | 227 | 100% |

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our conclusions are based on the bank's lending activity from January 1, 1997, through December 7, 1998. We used loan data provided by the bank. We sampled a number of loans to confirm the accuracy of the information and to determine the income and revenue of borrowers. Our sample included business loans originated in the assessment area. The performance criteria explained below reflects the bank's commitment to the Community Reinvestment Act.

Loan-to-Deposit Ratio:

The loan-to-deposit ratio is reasonable when compared to other San Diego county national banks of similar size. For the last eight quarters ending June 30, 1998, the bank's loan-to-deposit ratio averaged 77.4%. During the same period, other San Diego county community banks with total assets between \$100 million and \$250 million reported average loan-to-deposit ratios of 73%.

Lending in Assessment Area:

The majority of loan originations are within the bank's assessment area. During the assessment period, the bank originated 83% of the number and 77% of the dollar volume of its loans within its assessment area. We prepared the following analysis of the bank's lending activity since January 1997.

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

| | # Loans | % Loans by # | \$ Loans | % Loans by \$ |
|---------------------------|---------|--------------|------------|---------------|
| In Assessment Area | 322 | 82% | 77,196,000 | 78% |
| Out of Area | 73 | 18% | 21,350,000 | 22% |
| Total | 395 | 100% | 98,546,000 | 100% |

**Lending Inside and Outside the Assessment Area
Loan Originations During 1998**

| | # Loans | % Loans by # | \$ Loans | % Loans by \$ |
|---------------------------|---------|--------------|-------------|---------------|
| In Assessment Area | 300 | 84% | 96,203,000 | 77% |
| Out of Area | 56 | 16% | 29,487,000 | 23% |
| Total | 356 | 100% | 125,690,000 | 100% |

**Lending Inside and Outside the Assessment Area
During Assessment Period**

| | # Loans | % Loans by # | \$ Loans | % Loans by \$ |
|---------------------------|---------|--------------|-------------|---------------|
| In Assessment Area | 622 | 83% | 173,399,000 | 77% |
| Out of Area | 129 | 17% | 50,837,000 | 23% |
| Total | 751 | 100% | 224,236,000 | 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 activity to businesses of different sizes meets the standards for satisfactory performance. During the assessment period, the bank extended 46% of its small business loans (by number) in amounts under \$100,000. In addition, the bank extended 48% of its business loans to businesses with gross revenues less than \$1 million.

**Distribution of 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 | 347 | 46% | 17,288,000 | 8% |
| \$100,001-\$250,000 | 176 | 24% | 31,431,000 | 14% |
| \$250,000-\$1 Million | 228 | 30% | 175,517,000 | 78% |
| Total | 751 | 100% | 224,236,000 | 100% |

**Lending to Businesses of Different Sizes in the Assessment Area
Sample of Loan Originations during assessment period**

| | # Business Loans | % of Total (#) | \$ Business Loans | % Total (\$) |
|---|-------------------------|-----------------------|--------------------------|---------------------|
| Loans to Small Businesses (Revenue < \$1 Million) | 364 | 48% | 77,082,000 | 34% |
| Loans to Large Businesses (Revenue > \$1 Million) | 387 | 52% | 147,154,000 | 66% |
| Total Business Loans | 751 | 100% | 224,236,000 | 100% |

We did not sample consumer loans as this type of lending represents a minor percentage (1%) of the bank's lending activity.

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 the demographic information. We used the bank’s internal analysis, which we tested for accuracy. The chart below compares the bank’s loan originations during the assessment period with the percentage of various income-level census tracts in the assessment area. The bank’s performance with regards to lending in low- or moderate- income census tracts is favorable.

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 | 1% | 4 | 1% | 270,000 | 1% |
| Moderate | 13% | 161 | 25% | 39,521,000 | 22% |
| Middle | 48% | 180 | 29% | 57,031,000 | 33% |
| Upper | 37% | 287 | 45% | 76,577,000 | 44% |
| Totals | 100% | 632 | 100% | 173,399,000 | 100% |

COMMUNITY DEVELOPMENT INVESTMENTS AND ACTIVITIES

The bank is a member of the Banker’s Small Business Community Development Corporation (CDC). Banker’s Small Business CDC’s mission is to provide financing to small businesses, particularly those owned by women and minorities and/or located in low- to moderate-income census tracts. During the assessment period, the bank committed \$34M for loan pools generated by the CDC.

Bank management participates in a number of community development activities. The activities include membership in the following organizations:

- Banker’s CDC - A bank officer has served on the CDC’s Board of Directors for nine years.
- Lender’s Community Reinvestment Association (LCRA) - A bank officer has been on the organization’s Board of Directors for several years. LCRA provides a conduit for interested civic and community groups to have direct access to San Diego bank management and to facilitate the exchange of information regarding credit products.
- California Small Business Development Center (CSBDC) - A bank officer has done pro-bono consulting work for this organization since 1996. The CSBDC program advises

small businesses on marketing, growth management, and planning. The program's emphasis is the creation and retention of jobs.

- North County Economic Development Council (NCEDC) - The bank's president served on the organization's steering committee and currently serves on the Board of Directors. NCEDC was formed to improve economic opportunities, community services, and housing for north San Diego county (North County) residents. The objective is to unify the cities within North County to operate as one economic entity in order to collectively attract businesses into the area.

Additionally, bank President James A. Boyce serves on the Board of Directors of the Mira Costa College Foundation. The Foundation administers scholarships for needy students and assists in funding capital projects such as child care facilities.

RESPONSE TO WRITTEN COMPLAINTS

The bank has not received any CRA related complaints since the last CRA performance evaluation.

RECORD OF COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

The bank is in compliance with Fair Lending laws and regulations. Our fair lending review, conducted concurrent with this examination, found no evidence of disparate treatment or discriminatory lending patterns.