



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 8, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Mojave Desert Bank, N.A.
Charter Number 22040**

**15772 K Street
Mojave, CA 93501**

**Office of the Comptroller of the Currency
Western District
50 Fremont Street, Suite 3900
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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.
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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 **Mojave Desert Bank, N.A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 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.**”

This rating is supported by the bank’s loan-to-deposit ratio which exceeds the standards for satisfactory performance. Also, the bank’s record of lending to borrowers of different incomes and businesses of different sizes exceeds the standards for satisfactory performance.

The following table indicates the performance level of **Mojave Desert Bank, N.A.** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Mojave Desert 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	Not Meaningful		
Response to Complaints	No complaints were received since the last examination		

DESCRIPTION OF INSTITUTION:

Mojave Desert Bank, N.A. (MDB) is a \$15 million commercial bank which opened for business on August 2, 1991. The bank is headquartered in Mojave, California (CA), a high desert community located about 90 miles north of Los Angeles, CA. MDB has one main office and two branches located in two California counties. The main office and one branch are located in Kern County and one branch is located in San Bernardino County. The main office is located in the unincorporated community of Mojave. In August 1995, the bank opened a branch in Helendale, San Bernardino County (65 miles southeast of Mojave). In May 1996, another branch was opened in California City, Kern County (15 miles north of Mojave). MDB has no automated teller machines (ATM). MDB's most recent Community Reinvestment Act Performance Evaluation performed in August 1993, resulted in a rating of "Satisfactory Record of Meeting Community Credit Needs".

MDB's primary competition comes from the Naval Weapons Center Credit Union located in Kern County and a small community bank in California City. Competition also comes from several community banks and branches of major banks in Victorville and Barstow located in San Bernardino County. MDB's focus is on commercial loans to small businesses and consumer loans primarily centered in automobile financing. The loan portfolio at June 30, 1996, consisted of 54% consumer loans, 26% commercial real estate loans, 12% commercial loans and 8% other loan types. The majority of the bank's consumer loan portfolio consists of dealer paper purchased from automobile dealers in Mojave and Lancaster. MDB has no legal impediments to lending, other than its size.

DESCRIPTION OF ASSESSMENT AREAS:

MDB has two assessment Areas (AA's) within two California counties. The Mojave main office and California City branch assessment area consist of seven census tracts within Bakersfield Metropolitan Statistical Area (MSA). The communities located in the assessment area are Mojave, California City, Edwards, Boron, Rosamond, Cantil, and North Edwards. With the exception of California City, all of the communities in the assessment area are unincorporated. The area has one moderate income census tract, five middle income census tracts, and one upper income census tract. The 1990 Census MSA Median Family Income is \$31,174. The 1990 census reported a population of 28,867 of which 15% are retired and 10% receive social security benefits. The assessment area has a housing vacancy rate of 10%, and 44% of the available housing units are rental units. Although, the AA includes no low-income census tracts, 8% of the population live below the poverty level. The primary source of employment in the area is the Edwards Air Force Military Base, the Mojave Airport and a number of fast food restaurants. The AA has been negatively impacted by the reduction in spending by the U.S. Department of Defense (DOD) and a depressed real estate market.

The Helendale assessment area (AA) located in the San Bernardino County MSA consists of three census tracts. The majority of the assessment area is uninhabited desert. This AA also includes portions of Barstow and Victorville (15 miles from Helendale). The Helendale community is clustered in a small area in the middle of the three census tracts. The Helendale population primarily resides in the planned urban development of "Silver Lakes". This area includes luxury homes located primarily adjacent to a golf course or a lake area which offers a variety of recreational activities. The 1990 Census MSA Median Family Income in the area is \$37,274. The 1990 census reported a population of 17,318 of which 10% are over 65 years of age and 21% of the number of households are retired.

The Helendale assessment area has two moderate income tracts and one middle income tract. Although the assessment area includes no low-income census tracts, 18% of the population live below the poverty level and 37% of available housing units are rental. This is primarily due to the inclusion of Barstow and Victorville in the assessment area. The AA includes several light industrial businesses. The majority of the labor force commutes to the Victorville and Barstow for employment. Except for an Automatic Teller Machine of a community bank, the Helendale branch is the only financial institution in the Helendale community. Competition primarily comes from community banks and branches of large banks in Victorville and Barstow.

The bank's designated assessment areas did not arbitrarily exclude any low or moderate-income areas. However, the designated assessment areas were not in regulatory compliance. The assessment area included partial geographies (census tracts). To perform this examination, we adjusted the AA to include whole geographies.

As part of this examination, we reviewed seven reports of community outreach contacts conducted by regulatory agencies within the past two years in the San Bernardino and Bakersfield MSA's. Community contacts included community development organizations, neighborhood housing groups, small business lending departments and housing and development organizations. Through these contacts, we noted that the primary credit needs in the assessment areas are small business loans, business start-up loans, affordable single family homes and mortgages for low- and moderate-income families.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio:

MDB's loan-to-deposit ratio exceeds the standards for satisfactory performance. MDB's loan to deposit ratio exceeds that of similarly situated banks. We considered banks located in the San Bernardino and Bakersfield MSA's as similarly situated. The bank's two year average loan-to-

deposit ratio was 75%, as of June 30, 1996. The two year average loan-to-deposit ratio of the 10 similarly situated banks was 61%, as of June 30, 1996.

Lending in Assessment Areas:

MDB's performance in lending within both assessment areas is satisfactory. The majority of the bank's loans originating between January 1, 1994, and June 30, 1996, were made to borrowers within the bank's assessment areas. This is illustrated in the table below:

Loans Made within both Assessment Areas

Total Loans by # and Dollar Amount	Total Loans Made Within the bank's Assessment Areas	Percent of Total Loans Made within the banks Assessment Areas
998	514	52%
\$13,846M	\$6,353M	46%

The extension of loans within the Mojave main office and California City branch assessment area is reasonable. Loans extended by these branches are 97% of the bank's total loans representing 968 loans or \$13,430M. 48% of these loans by number and 43% by dollar are within the assessment area. Due to low loan demand in the bank's assessment area, the bank purchases automobile paper from dealers who generate a large percentage of business outside of the bank's assessment area.

The bank's lending performance in the Helendale branch assessment area is satisfactory. Since the opening of the Helendale branch in August 1995, the branch extended loans totaling \$408,332 representing 3% of the bank's total loan portfolio. These loans consist of commercial loans extended to the majority of the light industrial businesses in the Helendale assessment area. The low loan demand is primarily due to a lack of consumer loan demand and a limited number of businesses in the assessment area.

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

MDB's extension of credit to borrowers of different incomes and businesses of different sizes exceeds the standards for satisfactory performance. We sampled the bank's primary loan products: direct consumer, commercial and commercial real estate loans. Direct loans represent approximately 50% of the number of loans generated by the bank. We sampled 49 direct loans representing 10% of the direct loans originated by the bank from 1994 to 1996. Our sample included 29 consumer loans generated from the Mojave main office and the California City branch since no consumer loans were generated from the Helendale branch. Our sample of 20

commercial loans included 17 loans generated from the main office and the California City branch and 3 loans generated from the Helendale branch.

Our findings indicate that the bank’s lending activity effectively reached borrowers of various income levels including individuals of low- and moderate-income levels as illustrated in the chart below. Of the loans in our sample, 62% of the consumer loans were made to low- and moderate-income borrowers residing in the assessment area. This compares favorably to the 1990 census report which indicates that 36% of the families within the assessment area are identified as having low - and moderate-incomes.

**Extensions of Credit to Borrowers of Different Incomes
Sample Findings**

Income Level of Borrower	% of Consumer Loans by Income	% of Families Within the Assessment Area by Income
Low Income	28%	16%
Moderate Income	34%	20%
Middle Income	28%	25%
High Income	10%	39%

Loans to businesses of different sizes exceeded the standards for satisfactory performance as illustrated in the chart below. Of the commercial loans sampled, the bank originated a significant majority or 85% of commercial and commercial real estate loans to small businesses (businesses with revenues of \$1M or less).

**Loans to Businesses of Different Sizes
Sample Findings**

Size of Business	Commercial Real Estate loans	Commercial Loans
Revenues of \$1,000,000 or less	100%	73%

Revenues greater than \$1,000,000.	0%	27%
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Geographic Distribution of Loans:

The geographic distribution of loans would not be meaningful because there are no low-income census tracts and only three moderate-income census tracts in the bank's assessment areas . However, the 1990 census reports families of low-and- moderate-income levels residing in both assessment areas.

Response to Complaints:

There were no complaints received since the last examination.

Discriminatory Practices:

We found no evidence of any prohibited discriminatory practices in our fair lending review. The bank complies with the provisions of the anti-discrimination laws and regulations.