

PUBLIC DISCLOSURE

September 20, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**15773 K Street
Mojave, CA 93501**

**Comptroller of the Currency
550 North Brand Boulevard, Suite 500
Glendale, California 91203**

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 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 **September 20, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in an MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of the applicants, the amount of loan requested, and the disposition (e.g., approved, denied, withdrawn).

Median Family Income (MFI) - The median family income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Low-Income - Income levels that are less than 50 percent of the MFL.

Moderate-Income - Income levels that are at least 50 percent and less than 80 percent of the MFL.

Middle-Income - Income levels that are at least 80 percent and less than 120 percent of the MFL.

Upper-Income - Income levels that are 120 percent or more of the MFL.

Scope of the Examination

The review period for this evaluation is September 1, 1996 through August 20, 1999. We used bank generated information which we tested for accuracy. The Mojave assessment area carries most of the weight of MDB's CRA rating. As of the examination date, 88 percent of MDB's loans are domiciled in this assessment area. Management states the Helendale branch caters mostly to deposit service needs. The Helendale branch opened in August 1995.

Institution's CRA Rating

The institution is rated "Satisfactory."

The bank's lending performance throughout its two assessment areas is satisfactory, based upon the following criteria:

- C Lending to borrowers within the assessment areas meets the standard for satisfactory performance.
- C Lending to borrowers of different incomes and to businesses of different sizes is satisfactory.
- C The bank's loan-to-deposit ratio for the last twelve quarters is satisfactory given its size, financial condition, and the credit needs of the assessment areas.
- C We found no evidence of discriminatory practices, and the bank is in compliance with Fair Lending laws and regulations.
- C The bank received no complaints pertaining to CRA since the last performance evaluation.

MDB's CRA performance was rated "satisfactory" at the last evaluation, which occurred in September 1996.

Description of the Institution

Mojave Desert Bank, N.A. (MDB) is a \$33 million community bank that opened in 1991. It is headquartered in the Kern County community of Mojave, California, which is 75 miles northeast of Los Angeles. Branch offices are located 65 miles southeast in Helendale, and 15 miles north in California City. Helendale is in San Bernardino County. Since February 1998, MDB has been the only bank in Mojave. MDB offers traditional deposit services and loan products. The Mojave branch has two Automated Teller Machines (ATMs) that provide deposit and withdrawal services. A non-proprietary ATM in California City is located at a gasoline service station and only dispenses cash. The Helendale branch has one ATM that also only dispenses cash.

As of June 30, 1999, net loans accounted for 50 percent of MDB's total assets. Automobile loans and business loans (mostly commercial real estate) are the two major loan categories. MDB offers both direct and indirect (i.e., contracts purchased from dealerships) automobile loans. MDB has no legal impediments to lending, other than its size. The following table offers further details about the two major categories of loans.

LOANS OUTSTANDING BY MAJOR PRODUCT TYPE

Loan Type	Number of Loans	Percent of Total Number	Outstandings	Percent of Total Outstandings
Automobile	870	88	7,828,151	56
Business	113	12	6,283,888	44
Total	983	100	14,112,039	100

Description of Assessment Areas

MDB has two assessment areas within two California MSAs. The Mojave assessment area is in the Bakersfield MSA, and the Helendale assessment area is in the San Bernardino County MSA.

Mojave Assessment Area

The Mojave assessment area consists of seven census tracts, of which none are low-income. Within the assessment area is California City, and the towns of Mojave, Boron, Rosamond, and North Edwards. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The assessment area population is 28,867. The 1990 U.S. Census median family income for the assessment area is \$31,714. The 1999 Department of Housing and Urban Development (HUD) estimated median family income for the assessment area is \$38,700.

MOJAVE ASSESSMENT AREA CENSUS TRACT DISTRIBUTION

Census Tract Type	Number of Tracts in Assessment Area	Percent of Assessment Area by Number
Low-Income	0	0
Moderate-Income	1	14
Middle- Income	5	72
Upper-Income	1	14
Total	7	100

The local economy has improved and is now stable after experiencing an economic recession in the early and mid-1990s. Real estate values are improving, and commercial construction is increasing. Primary industries in the assessment area are government, aerospace, retail services and trade, and financial services. Major employers are Edwards Air Force Base, Marconi Flight Systems, and AVTEL Flight Test Inc. Competition in the assessment area consists of a community bank in Rosamond, and a community bank branch and credit union in California City.

During this examination, we considered information received from three prior community contacts and two new contacts. These included two economic development corporations, two small business development centers, and one county economic development department. All contacts stated a need for small business loans. Other needs included residential construction lending and credit counseling.

Helendale Assessment Area

The Helendale assessment area consists of three census tracts. The Helendale population primarily resides in the planned urban development of “Silver Lakes.” A large portion of the assessment area is uninhabited desert. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The 1990 U.S. Census median family income for the assessment area is \$37,274. The 1999 HUD estimated median family income for the assessment area is \$47,200. The following table is a breakdown of the census tracts within the assessment area by income category:

HELENDALE ASSESSMENT AREA CENSUS TRACT DISTRIBUTION

Census Tract Type	Number of Tracts in Assessment Area	Percent of Assessment Area by Tract Type
Low-Income	0	0
Moderate-Income	2	67
Middle-Income	1	33
Upper-Income	0	0
Total	3	100

Helendale is primarily a bedroom and retirement community. Primary industries in the Helendale assessment area include government, retail services and trade, and manufacturing. The local economy is currently experiencing growth in light industry and residential home construction. Major employers include the Silver Lakes Association and retail service providers. Much of the labor force living in Helendale commutes to Victorville and Barstow. A factor in attracting residents and businesses to Helendale is the former George Air Force Base. This facility is being converted to a commercial airport. Opportunities are anticipated for related employment and residential construction lending within the assessment area. MDB is the only financial institution in Helendale, although one non-local community bank has an ATM. Competition primarily comes from community banks and branches of large banks in Victorville and Barstow.

Conclusions with Respect to Performance Criteria

Loan-to-Deposit Ratio

MDB's loan-to-deposit ratio is satisfactory given the bank's size and financial condition, and the credit needs of MDB's assessment areas. MDB had an average loan-to-deposit ratio of 65 percent for the twelve quarters ended June 30, 1999. Four community banks of similar asset size and geographic location had loan-to-deposit ratios that averaged 59 percent during the same period.

Lending in the Assessment Areas

MDB's lending within the assessment areas is satisfactory given the bank's size, financial condition, and the credit needs of the bank's assessment areas. Based on a sample of 192 loans originated during the review period, the majority were made to borrowers within the assessment areas. This is illustrated in the table below.

LOANS ORIGINATED WITHIN THE ASSESSMENT AREAS

Total Loans Originated by Number and Dollar Amount	Number and Dollar Amount of Loans Made Within the Assessment Areas	Percent of Sampled Loans Made Within the Assessment Areas
192	124	65
\$1,699,843	\$1,163,966	68

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Mojave Assessment Area

MDB’s loans are reasonably distributed among borrowers of different incomes. Distribution among low- and moderate-income borrowers is comparable to the demographics of the assessment area. Based on our sample of 40 automobile loans, MDB originated 20 percent by number and 19 percent by dollar volume to low-income borrowers. In addition, MDB originated 25 percent by number and 17 percent by dollar volume to moderate-income borrowers. The table below illustrates the distribution.

AUTOMOBILE LOANS TO INDIVIDUALS OF DIFFERENT INCOMES

Borrower Income Level	Number of Loans	Percent of Total Number	Loan Dollars	Percent of Total Dollars	Percent of Families Within the Assessment Area by Income Level
Low-Income	8	20	89,659	19	17
Moderate-Income	10	25	77,544	17	20
Middle-Income	9	23	110,670	24	25
Upper-Income	13	32	182,056	40	38
Total	40	100	459,929	100	100

MDB’s business loans are adequately distributed among businesses of different sizes. Distribution is comparable to the business demographics of the assessment area. Based on our sample of 20 business loans originated in the Mojave assessment area, 65 percent by number and 50 percent by dollar volume were made to businesses with revenues of less than \$1,000,000. This is illustrated in the table below.

LOANS TO BUSINESSES OF DIFFERENT SIZES

Business Revenues	Number of Loans	Percent of Total Number	Loan Dollars	Percent of Total Dollars	Percent of Businesses Within the Assessment Area by Revenues
\$1,000,000 or less	13	65	723,070	50	69
Over \$1,000,000	7	35	722,861	50	31
Total	20	100	1,445,931	100	100

Helendale Assessment Area

Based on our sample of 20 automobile loans, we found reasonable distribution among borrowers of different incomes. Loan volume to moderate-income borrowers exceeds the demographics of the assessment area. However, loan volume to low-income borrowers falls below the demographics of the assessment area. Management explained that almost all loan applications at the Helendale branch come from “Silver Lakes” development residents, most of whom are not low-income borrowers. Also, overall loan volume in the Helendale branch is relatively low, since many “Silver Lakes” residents are retirees that tend to have fewer financing needs than other segments of the population.

Of the 20 automobile loans in our sample, MDB originated 15 percent by number and 9 percent by dollar volume to low-income borrowers. In addition, MDB originated 50 percent by number and 41 percent by dollar volume to moderate-income borrowers. This table below illustrates these figures.

AUTOMOBILE LOANS TO INDIVIDUALS OF DIFFERENT INCOMES

Borrower Income Level	Number of Loans	Percent of Total Number	Loan Dollars	Percent of Total Dollars	Percent of Families Within the Assessment Area by Income Level
Low-Income	3	15	60,900	9	38
Moderate-Income	10	50	278,800	41	17
Middle-Income	3	15	142,800	20	20
Upper-Income	4	20	204,000	39	25
Total	20	100	686,500	100	100

MDB’s business loans are reasonably distributed among businesses of different sizes. Based on a sample of 20 business loans, 13 percent by number and 45 percent by dollar volume were made to businesses with revenues of \$1,000,000 or less. This distribution falls in line with business demographics in the assessment area. Refer to the table below for details.

LOANS TO BUSINESSES OF DIFFERENT SIZES

Business Revenues	Number of Loans	Percent of Total Number	Loan Dollars	Percent of Total Dollars	Percent of Businesses Within the Assessment Area by Revenues
\$1,000,000 or less	13	65	362,673	45	70
Over \$1,000,000	7	35	448,532	55	30
Total	20	100	881,205	100	100

Geographic Distribution of Loans

Mojave Assessment Area

The geographic distribution of automobile loans is reasonable. Based on a sample of 40 automobile loans, 23 percent by number and 22 percent by dollar volume were made in the assessment area’s one moderate-income census tract. This compares favorably to the moderate-income census tract percentage for the assessment area. This is illustrated in the table below.

GEOGRAPHIC DISTRIBUTION OF AUTOMOBILE LOANS

Census Tract Type	Percent of Total Census Tracts	Number of Loans	Percent of Total Number	Loan Dollars	Percent of Total Dollars
Low-Income	0	0	0	0	0
Moderate-Income	14	9	23	101,096	22
Middle-Income	72	31	77	358,833	78

Upper-Income	14	0	0	0	0
Total	100	40	100	459,929	100

Based on a sample of 20 business loans, MDB’s distribution of business loans is reasonable. MDB originated 55 percent by number and 60 percent by dollar volume in the assessment area’s one moderate-income census tract. Our findings are illustrated below.

GEOGRAPHIC DISTRIBUTION OF BUSINESS LOANS

Census Tract Type	Percent of Total Census Tracts	Number of Loans	Percent of Total Number	Loan Dollars	Percent of Total Dollars
Low-Income	0	0	0	0	0
Moderate-Income	14	11	55	589,341	60
Middle-Income	72	9	45	393,229	40
Upper-Income	14	0	0	0	0
Total	100	20	100	982,570	100

Helendale Assessment Area

MDB’s geographic distribution of automobile loans reflects less than satisfactory dispersion throughout the Helendale assessment area. Based on a sample of 20 automobile loans, MDB did not originate any in either of the two moderate-income census tracts. All sampled loans were made to borrowers in the assessment area’s one middle-income census tract. Again, management attributes the dispersion problem to virtually all of their loan applications coming from the “Silver Lakes” development.

GEOGRAPHIC DISTRIBUTION OF AUTOMOBILE LOANS

Census Tract Type	Percent of Total Census Tracts	Number of Loans	Percent of Total Number	Loan Dollars	Percent of Total Dollars
Low-Income	0	0	0	0	0
Moderate-Income	67	0	0	0	0

Middle-Income	33	20	100	202,166	100
Upper-Income	0	0	0	0	0
Total	100	20	100	202,166	100

MDB’s geographic distribution of business loans reflects less than satisfactory dispersion throughout the Helendale assessment area. All 10 business loans we sampled were made in the assessment area’s one middle-income census tract. Management explained that limited business loan opportunities exist. In fact, the Helendale assessment area accounts for only 17 of the 72 business loans in MDB’s loan portfolio. Management is attempting to increase business lending in this assessment area. The table below highlights our findings.

GEOGRAPHIC DISTRIBUTION OF BUSINESS LOANS

Census Tract Type	Percent of Total Census Tracts	Number of Loans	Percent of Total Number	Loan Dollars	Percent of Total Dollars
Low-Income	0	0	0	0	0
Moderate-Income	14	11	55	589,341	60
Middle-Income	72	9	45	393,229	40
Upper-Income	14	0	0	0	0
Total	100	20	100	982,570	100

Record of Compliance with Antidiscrimination laws

We found no evidence of any discriminatory practices during our Fair Lending examination. MDB complies with the provisions of anti-discrimination laws and regulations. We reviewed a sample of 58 automobile loan applications (41 approvals; 17 denials) received between January 1, 1999, and September 20, 1999.

Responses to Complainants

MDB has not received any complaints pertaining to CRA during this evaluation period.