



## **PUBLIC DISCLOSURE**

**October 13, 1998**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Founders National Bank of Los Angeles  
Charter Number 22394**

**3910 W. Martin Luther King Boulevard  
Los Angeles, CA 90008**

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

<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 **Founders National Bank of Los Angeles** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 13, 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: "SATISFACTORY"**

- The bank originated a substantial majority of its loans to borrowers within the assessment area.
- The geographic distribution of the bank's loans is reasonable.
- The bank's distribution of loans to borrowers of different income levels and businesses of different sizes is consistent with the community demographics.
- The bank's average loan-to-deposit ratio compares favorably with the average loan-to-deposit ratio for other similarly-sized financial institutions.
- We performed a concurrent fair lending examination and found no evidence of discriminatory lending practices or disparate treatment.
- The bank has received no written complaints associated with its CRA performance.

## **DESCRIPTION OF INSTITUTION:**

Founders National Bank of Los Angeles (FNBLA) is a \$103 million dollar commercial bank organized in January 1991. FNBLA is the only African-American owned commercial bank in California. Its corporate office is in the Crenshaw District of Los Angeles, approximately five miles southwest of downtown Los Angeles. FNBLA has four branches within the Central and South Central Los Angeles areas. The bank closed its Gardena branch in August 1996 and opened a branch in Lynwood in December 1997. During October 1998, the bank closed its Western Boulevard branch. These closures have not adversely affected the availability of credit or banking services in the assessment area. Furthermore, the Crenshaw/Stocker and Hoover Street branches are within proximity of the closed branches.

The bank's primary lending focus is consumer and small business lending. The bank participates in the federal Small Business Administration loan program, the California State Pacific Coast Regional loan program, and the Los Angeles County Metropolitan Transit Authority loan program. As of June 30, 1998, the bank's loan portfolio consisted mostly of multifamily real estate loans (57 percent), commercial loans (35 percent), and consumer loans (8 percent) which reflects the bank's prior business strategy. The bank does not originate single family residential mortgage loans; however, it refers potential mortgage loan applicants to other financial institutions.

The bank has no financial or legal impediments that will affect its ability to help meet the credit needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA:**

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income areas. The assessment area includes the following cities and communities in Los Angeles County: Hollywood, Beverly Hills, Culver City, Westmont, Manhattan Beach, Redondo Beach, Hermosa Beach, Santa Monica, Glendale, Pasadena, Rosemead, South El Monte, El Monte, Temple City, Alhambra, Monterey Park, Montebello, Pico Rivera, City of Commerce, Huntington Park, Maywood, Bell, Bell Gardens, Cudahy, Walnut Park, Florence, South Gate, Lynwood, Compton, Carson, Downey, Bellflower, Paramount City, Lakewood, Long Beach, Wilmington, Inglewood, Ladera Heights, Hawthorne, Gardena, Lawndale, Torrance, and Lomita.

The assessment area includes 923 census tracts. Refer to the table below for details.

<b>ASSESSMENT AREA CHARACTERISTICS</b>				
Income Level of Census Tract	Number of Census Tracts	Percentage of Total Census Tracts	Number of Families	Percentage of Families
Low	133	14%	138,584	13%
Moderate	304	33%	391,204	36%
Middle	241	26%	290,884	27%
Upper	237	26%	260,604	24%
N/A*	8	1%	0	0%
Total	923	100%	1,081,276	100%

\* The 1990 census did not report income information for these tracts.

The Department of Housing and Urban Development's 1998 adjusted median family income for the assessment area is \$49,800. Dun and Bradstreet reported that within the assessment area, there are 138,000 businesses with annual revenues of less than \$1 million. More than 21,000 businesses have annual revenues exceeding \$1 million.

The Southern California economy and real estate markets have slowly recovered from the recession of the early 1990s. Specifically, the Central and South Central areas experienced a slower recovery. The largest employers in the assessment area represent the finance, insurance, real estate, services, and wholesale/retail trade industries.

Competition within the assessment area is strong. The assessment area has a large concentration of branches of major commercial banks, savings and loan associations, community banks, credit unions, and finance companies.

We considered comments provided by local community organizations. Our contacts included a community development bank, a nonprofit housing organization, an advocacy group, a local civic organization, and an economic development organization. According to the information provided by these organizations, the primary credit needs in the assessment area are affordable housing and small business loans.

**DEFINITIONS:**

**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.*

**Low-Income:** *Income levels that are less than 50 percent of the MFI.*

**Moderate -Income:** *Income levels that are at least 50 percent, but less than 80 percent of the MFI.*

**Middle-Income:** *Income levels that are at least 80 percent, but less than 120 percent of the MFI.*

**Upper-Income:** *Income levels that are 120 percent or more of the MFI.*

**Small Business:** *A business with annual revenues of less than \$1 million.*

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

*Our analysis is based on the bank's lending activity between July 1, 1996 and June 30, 1998. We used bank-prepared data. To confirm the accuracy of the bank-prepared data, we reviewed a random sample of 82 loans (21 percent) that originated during the same period. Also, we obtained borrower income and business revenue levels from the sample.*

**LENDING IN THE ASSESSMENT AREA:**

**Lending within the assessment area meets the standard for satisfactory.**

A substantial majority of the total number of loans and 48 percent of the loan dollars are within the assessment area. Refer to the table below for details.

<b>LOANS WITHIN THE ASSESSMENT AREA</b>		
<b>Total Loans by Number and Dollar Amount</b>	<b>Total Loans Made Within the Assessment Area</b>	<b>Percentage of Numbers and Dollars in Assessment Area</b>
529	384	73%
\$38,819,263	\$18,638,423	48%

**GEOGRAPHIC DISTRIBUTION OF LOANS:**

**The geographic distribution of loans within the assessment area is reasonable.**

The bank extended 9 percent of the total number of loans and 12 percent of the dollar volume to borrowers residing in low-income census tracts. The number and dollar volume of loan originations in moderate-income census tracts were 33 percent and 13 percent, respectively. The bank's geographic distribution of loans is similar to the demographic composition of the assessment area. See the table below for details.

<b>ASSESSMENT AREA GEOGRAPHIC DISTRIBUTION</b>			
<b>Income Level of Census Tract</b>	<b>Percentage of Assessment Area</b>	<b>Penetration by Number of Loans (%)</b>	<b>Penetration by Dollar Amount of Loans (%)</b>
Low	14%	9%	12%
Moderate	33%	33%	13%
Middle	26%	35%	27%
Upper	26%	23%	48%
Total	99%*	100%	100%

\* Excludes the eight census tracts for which the 1990 census did not report income.

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

**Lending to borrowers of different income levels is satisfactory.**

Based on our sample of loans, the bank extended 15 percent of the number of loans to low-income borrowers. Also, the bank originated 24 percent of the number of loans to moderate-income borrowers. The bank's distribution of loans to low- and moderate-income borrowers compares favorably with the composition of low- and moderate-income families living in the assessment area. See the table on the next page for details.

<b>DISTRIBUTION OF LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS</b>			
<b>Income Level of Borrower</b>	<b>Number of Loans Sampled</b>	<b>Percentage of Loans Sampled</b>	<b>Percentage of Families Within the Assessment Area</b>
Low	8	15%	13%
Moderate	13	24%	36%
Middle	8	14%	27%
Upper	26	47%	24%
Total	55	100%	100%

**Lending to businesses of different sizes is satisfactory.**

Based on our sample of loans, the bank originated 56 percent of the number of business loans to businesses with revenues of less than \$1 million. Additionally, 13 of those loans (87 percent) were in amounts of \$100,000 or less.

<b>LOANS TO BUSINESSES OF DIFFERENT SIZES</b>				
<b>Business Revenue</b>	<b>Number of Loans</b>	<b>Percentage of Loans Sampled</b>	<b>Dollar Amount of Loans</b>	<b>Percentage of Dollar Amounts</b>
\$1 Million or less	15	56%	\$858,652	21%
Over \$1 Million	12	44%	\$3,319,473	79%
Total	27	100%	\$4,178,125	100%

**LOAN-TO-DEPOSIT RATIO:**

**The bank's average loan-to-deposit ratio meets the standard for satisfactory performance.**

FNBLA's eight-quarter average loan-to-deposit ratio for the period ended March 31, 1998, was 70 percent. This ratio compares favorably with the average loan-to-deposit ratio of 65 percent for other similarly-sized institutions.

**DISCRIMINATORY PRACTICES:**

We conducted a concurrent fair lending examination and found no evidence of discriminatory lending practices or disparate treatment. The bank complies with the provisions of the anti-discrimination laws and regulations.

**REVIEW OF COMPLAINTS:**

The bank has not received any written complaints associated with its CRA performance.