



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# **INTERMEDIATE SMALL BANK**

## **PUBLIC DISCLOSURE**

May 15, 2017

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

New Omni Bank, National Association  
Charter Number 16840

1235 South Garfield Avenue  
Alhambra, CA 91801-5037

Office of the Comptroller of the Currency  
Los Angeles Field Office  
550 North Brand Boulevard Suite 500  
Glendale, CA 91203-1985

**NOTE:** This document is an evaluation of this 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. This evaluation is not, and should not 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.

## **Table of Contents**

<b>OVERALL CRA RATING .....</b>	<b>3</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>8</b>
<b>SCOPE OF THE EVALUATION.....</b>	<b>9</b>
<b>DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....</b>	<b>10</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....</b>	<b>11</b>
LENDING TEST .....	11
COMMUNITY DEVELOPMENT TEST.....	14
<b>APPENDIX A: SCOPE OF EXAMINATION.....</b>	<b>16</b>
<b>APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS .....</b>	<b>17</b>

## **Overall CRA Rating**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The factors which support this rating are as follows:

- The bank's loan-to-deposit ratio is more than reasonable given its size, financial condition and the credit needs of its assessment area (AA).
- The bank originated a majority of its loans within its delineated AA.
- Overall, the distribution of borrowers reflects reasonable penetration of loans to borrowers of different incomes and businesses of different sizes.
- Overall, the geographic distribution of the bank's loans reflects reasonable dispersion in low- and moderate-income (LMI) census tracts in the Los Angeles County AA.
- The bank's community development performance demonstrates good responsiveness to community development needs in its Los Angeles County AA through community development loans, qualified investments, and community development services.
- In addition, the distribution of the bank's branches and service delivery systems provide reasonable accessibility to individuals of different incomes within the bank's AA.

## **Definitions and Common Abbreviations**

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**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 the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. 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.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and

typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in ‘loans to small farms’ as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

New Omni Bank, N.A. is an intrastate full-service community bank headquartered in Alhambra, California. New Omni was chartered in February 1980 as a minority depository institution with the name Monterey Park National Bank. The name was changed to Omni Bank, N.A. in 1990 and then to New Omni Bank, N.A. in May 2011. The bank is primarily controlled by CKH Capital, Inc., a one-bank holding company, which is also headquartered in Alhambra, California.

The bank operates two full service branches. The main branch is located in Alhambra, California in a moderate-income census tract and the other branch is located in Rowland Heights, California in a middle-income census tract. The bank does not have automated teller machines (ATMs) or offer drive-up teller access.

As of December 30, 2016, the bank had total assets of \$436.7 million, total deposits of \$327.1 million, total loans of \$329.8 million, and tier one capital of \$47.4 million. Total loans represent 76 percent of total assets. The bank's primary lending products are 1-4 family residential loans and commercial loans, including commercial real estate, commercial and industrial loans, and construction and land development loans. The table below details the composition of the loan portfolio.

Loan Portfolio Summary	
<i>Loan Category</i>	<i>% of Outstanding Dollars</i>
Construction & Land Development	5.90%
Commercial Real Estate	38.89%
Commercial & Industrial	2.05%
1-4 Family Residential	47.56%
Multifamily	5.07%
Consumer	0.53%
Total	100.00%

There are no financial impediments that would affect the bank's ability to meet the credit needs of the AA. New Omni received a "Satisfactory" rating under the small bank CRA procedures at the prior CRA examination, dated July 22, 2013.

# **Scope of the Evaluation**

## **Evaluation Period/Products Evaluated**

This performance evaluation (PE) assesses the Community Reinvestment Act (CRA) performance of New Omni Bank, National Association (New Omni Bank, N.A. or New Omni) using Intermediate Small Bank CRA examination procedures. We performed a full-scope examination of the bank's sole assessment area, the Los Angeles County assessment area (AA). For the bank's lending test, we evaluated all home purchase and home refinance loans reported on the bank's Home Mortgage Disclosure Act Loan Application Register (HMDA LAR) from January 1, 2015 through December 31, 2016. The bank did not originate or purchase any home improvement loans. We also reviewed a random sample of 60 commercial loans. In concluding on the bank's performance, we placed equal weight on home mortgage and commercial loans. For the community development test, we evaluated New Omni's community development (CD) activities from July 23, 2013 through May 15, 2017. This includes CD loans, services, and investments/donations.

## **Data Integrity**

Prior to this CRA evaluation, we tested the accuracy of New Omni's publicly filed information on home mortgage loans. The data we reviewed was collected and reported by the bank over the evaluation period. The testing indicated no substantive inaccuracies in the data. Therefore, we concluded that the data could be relied upon for this examination. In addition, CD loans, investments and services made or rendered during the evaluation period were reviewed to determine their eligibility for consideration. In this review, we included all activities found to meet the definition of CD.

## **Selection of Areas for Full-Scope Review**

The bank has designated the Los Angeles Metropolitan Statistical Area (MSA) as its AA. Please refer to the table in appendix A that provides demographic data for the Los Angeles MSA.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices.

The OCC will consider any evidence of discriminatory or other illegal credit practices relative to this institution that other regulators may provide to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation.

# Conclusions with Respect to Performance Tests

## LENDING TEST

The bank's performance under the lending test is satisfactory. Overall, New Omni's lending activity reasonably meets the credit needs of its delineated AA. The bank exceeds the standard for satisfactory performance on one test and meets the standards for satisfactory performance on three tests.

### Loan-to-Deposit Ratio

New Omni's loan-to-deposit (LTD) ratio exceeds the standard for satisfactory performance. The bank's LTD ratio is more than reasonable given its size, financial condition and the credit needs of its AA. The quarterly average LTD ratio for the previous 16 quarters ending March 2017 was 103 percent.

The bank's average LTD ratio compares favorably to other financial institutions of similar size, AA demographics and/or lending products. For the purpose of this evaluation, we compared seven similarly situated banks. The average LTD ratio for these institutions was 83 percent. The LTD ratios ranged from 51 percent to 107 percent.

### Lending in Assessment Area

New Omni's lending in the AA is reasonable and meets the standard for satisfactory performance. The majority of the bank's loans were made within the bank's delineated AA, both by number and dollar volume. The bank originated or purchased 63 percent of the number of loans and 73 percent of the dollar volume of loans in its Los Angeles County AA. See Table 1 for details.

Table 1 - Lending in Los Angeles County AA

Loan Type	Number of Loans				Dollars of Loans				Total	
	Inside		Outside		Inside		Outside			
	#	%	#	%	\$ (000's)	%	\$ (000's)	%		
Home Mortgage Loans	146	61.09	93	38.91	239	163,537	74.58	55,743	25.42	219,280
Loans to Businesses	43	71.67	17	28.33	60	36,031	66.70	17,987	33.30	54,018
Total Loans	189	63.21	110	36.79	299	199,568	73.02	73,730	26.98	273,278

Source: HMDA data and business loan sample

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

Lending to borrowers of different incomes, including low- and moderate-income individuals and businesses of different sizes is reasonable. The bank's poor distribution of home mortgage loans to borrowers of different incomes was positively offset by excellent distribution of loans to businesses of different revenue sizes.

## Residential Real Estate Loans

Overall, the bank's distribution of residential home loans in the Los Angeles County AA reflects poor penetration of loans to low- and moderate-income borrowers. This is after considering performance context factors. The data reflects the percentage of home purchase loans to low-income borrowers is substantially below the percentage of low-income families in the AA. The bank did not originate or purchase any home purchase loans to moderate-income borrowers. In addition, the bank did not originate or purchase any home refinance loans to low-income borrowers. Furthermore, distribution of home refinance loans to moderate-income borrowers is substantially below the demographic comparator.

The otherwise very poor performance is mitigated by the low inventory of affordable single family residences for sale in the Los Angeles County AA during the review period. In addition, the high cost of living in the AA and a lower median family income, which has not kept pace with the cost of living in the AA, further limit the bank's ability to make home mortgage loans to low- or moderate-income borrowers. A low-income family in Los Angeles County earns \$31,194 or less and a moderate-income family earns \$31,200 to \$49,914. These factors make it difficult for most low- and moderate-income families to qualify for any type of home mortgage loan product. See Table 2 below. Also see Description of Assessment Area.

Table 2 - *Borrower Distribution of Residential Real Estate Loans in Los Angeles County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	8.01	.93	29.43	0.00	28.26	3.74	33.92	71.96
Home Refinance	8.01	0.00	29.43	2.56	28.26	0.00	33.92	38.46

*\*Note: There was no income information available for 23.36% of Home Purchase borrowers and 58.97% of home refinance borrowers*

## Small Business Loans

New Omni's distribution of loans to businesses of different sizes reflects excellent penetration of loans to businesses that are small (businesses with annual revenues less than or equal to \$1 million). The percentage of the bank's loans, based on both number and dollar volume, exceeds the percentage of businesses with annual revenues of \$1 million or less in the AA as noted in Table 2A below.

Table 2A - Borrower Distribution of Loans to Businesses in Los Angeles County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	86.81%	6.21%	6.98%	100%
% of Bank Loans in AA by #	90.70%	9.30%	0.00%	100%
% of Bank Loans in AA by \$	92.61%	7.39%	0.00%	100%

*Source: Business loan data sampled from 2016 and U.S. Census Data*

## **Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion throughout the Los Angeles County AA. The distribution of home mortgage loans in LMI census tracts is adequate, while the distribution of loans to businesses in LMI census tracts is excellent.

### Residential Real Estate Loans

The geographic distribution of residential home loans in the Los Angeles County AA reflects reasonable dispersion of home mortgage loans in LMI geographies. Dispersion of home purchase loans in both low- and moderate-income census tracts is very poor. However, dispersion of home refinance loans in both low- and moderate-income census tracts is excellent. See Table 3 below.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Los Angeles County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	2.13	0.00	16.61	5.61	28.64	17.76	52.61	76.64
Home Refinance	2.13	17.95	16.61	25.64	28.64	23.08	52.61	33.33

*Source: HMDA data for 2015 and 2016 and U.S. Census Data*

### Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion of loans to businesses in LMI census tracts in the Los Angeles County AA. The percentage of New Omni's loans to businesses in both low- and moderate-income census tracts exceeds the percentage of businesses in these census tracts. See Table 3A below.

Table 3A - Geographic Distribution of Loans to Businesses in the Los Angeles County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	6.40	9.30	18.12	27.91	25.27	34.88	48.94	27.91

*Source: Business loan data sampled from 2016 and U.S. Census Data*

## **Responses to Complaints**

The bank did not receive any CRA related complaints during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

New Omni's community development performance demonstrates good responsiveness to community development needs in its AA through community development loans, qualified investments, and community development services, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's Los Angeles County AA. The bank's CD activities directly responded to some of the identified community development needs, which include CD services for LMI, affordable housing, and small business development.

### **Number and Amount of Community Development Loans**

During the evaluation period, the bank made 13 community development loans totaling \$17.037 million in the Los Angeles County AA. This represents a high volume of community development loans and reflects excellent responsiveness to the needs within the bank's AA. The majority of the loans (94 percent) promoted economic development in LMI areas and supported job creation and job retention for LMI individuals. The remaining six percent of the loans provided affordable housing for LMI individuals. One of the investments provided 64 affordable rental units for LMI, which is responsive to the critical need for affordable rental housing for LMI in this AA.

In addition, the bank provided an additional \$2.030 million in CD loans which benefited areas outside the bank's AA.

### **Number and Amount of Qualified Investments**

The bank made 11 investments/donations totaling \$37.8 thousand in the Los Angeles County AA. This represents an adequate level of responsiveness to the CD needs in the AA. The majority of the investments (88 percent) helped provide services to LMI individuals. These services include after-school tutoring, education, child care, health care, legal services, immigrant worker education, low-income housing, food distribution, senior services, and violence prevention, all targeted to LMI. Nine percent of the donations helped provide affordable housing for LMI and three percent was provided to organizations that develop small businesses.

In addition, the bank made an investment totaling \$1.593 million in a nationwide fund that benefits low-income areas including some low-income areas within the bank's AA.

### **Extent to Which the Bank Provides Community Development Services**

#### ***Retail Banking Services***

The distribution of the bank's branches and service delivery systems provide reasonable accessibility to individuals of different income levels in the bank's AA. One of the bank's branches, representing 50 percent of the total branches, is in a moderate-income census tract. In comparison, demographic data indicates 29 percent of the population lives in moderate-income census tracts. The other full-service branch is located in a middle-income census tract. Lobby hours at both locations are Monday through Thursday from 9:30 a.m. to 5:00 p.m. and Friday from 10:00 a.m. to 6:00 p.m. The bank does not operate ATMs or offer drive-up

teller access. However, the bank does offer night deposit drop boxes at its two branch locations. In addition, the bank offers online banking services.

### ***Community Development Services***

During the review period, bank employees contributed 140 hours of qualified community development services. This represents an adequate level of responsiveness to the CD service needs in the Los Angeles County AA. All of the services focused on providing financial education to small businesses and LMI youth, which is a stated need in the Los Angeles County AA.

### **Responsiveness to Community Development Needs**

Overall, New Omni demonstrated good responsiveness to the CD needs in its AA through CD lending, investments, and services. The bank's CD loans primarily focused on economic development and providing jobs for LMI. The qualified investments were responsive to the need for affordable housing as well as services to LMI, which is an obvious need in an area with a high cost of living and a low median family income. The CD services provided financial literacy education to small business owners and LMI youth.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (01/01/15 to 12/31/16) Investment and Service Tests and CD Loans: (07/23/13 to 05/15/17)	
<b>Financial Institution</b>		<b>Products Reviewed</b>
(New Omni Bank, NA Alhambra, CA)		Home purchase loans, home refinance loans, commercial loans, CD loans, CD services, and CD investments/donations.
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
NA		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Los Angeles MSA	Full-Scope	

## Appendix B: Community Profiles for Full-Scope Areas

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### Los Angeles Metropolitan Statistical Area (MSA)

The bank has designated the Los Angeles Metropolitan Statistical Area (MSA) as its AA. The MSA includes Los Angeles County. Based on the 2010 U.S. Census data, Los Angeles County consists of 2,346 census tracts; nine percent are low-income, 29 percent are moderate-income, 27 percent are middle-income, and 34 percent are upper-income. New Omni Bank, N.A., has two branch locations within the Los Angeles County AA and does not operate any ATMs. Los Angeles County is one of five counties in the Los Angeles-Orange-Ventura-San Bernardino-Riverside Combined Statistical Area (CSA). The City of Los Angeles is the most significant city in the AA. Surrounding cities consist of Burbank, Glendale, Pasadena, Alhambra, Vernon, Carson, Long Beach, Torrance, Inglewood, Santa Monica, Calabasas, and numerous other smaller cities. As of July 2016, Los Angeles County had an estimated population of 10.1 million making it the most populous county in the United States. The table below provides demographic data for the Los Angeles MSA.

Demographic Information for Full Scope Area: Los Angeles MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	2,346	8.99	28.64	26.77	34.02	1.58
Population by Geography	9,818,605	8.01	29.43	28.26	33.92	0.39
Owner-Occupied Housing by Geography	1,552,091	2.13	16.61	28.64	52.61	0.01
Business by Geography	683,317	6.40	18.12	25.27	48.94	1.27
Farms by Geography	6,616	3.19	16.40	26.74	53.02	0.65
Family Distribution by Income Level	2,170,227	24.05	16.43	17.64	41.88	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	878,478	13.64	41.84	26.84	17.67	0.01
Median Family Income HUD Adjusted Median Family Income for 2016 Households Below Poverty Level	61,622 62,400 14%	Median Housing Value Unemployment Rate (2010 US Census)	526,439 4.39%			

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2016 FFIEC updated MFI

### Economy

If Los Angeles County were a country, its economy would be the 19th largest in the world. The county is home to a variety of businesses, with more minority- and women-owned businesses than any other county in the U.S. It is the top international trade and manufacturing center in the country. Tourism and hospitality, professional and business services, direct international trade, entertainment (including motion picture and

television production), and wholesale trade and logistics all contribute significantly to local employment. Emerging industries are largely technology driven, and include biomedical, digital information technology, and environmental technology. Important components of the local industry include apparel, computer and electronic components, transportation equipment, fabricated metal, and food. Fueled by trade with the Pacific Rim countries, the ports of Los Angeles and Long Beach combined are the busiest container ports in the U.S.

Los Angeles County is home to 13 of the 500 largest U.S. corporations. Those companies include Walt Disney Company, Amgen Inc., Aecom, Health Net Inc., Molina Healthcare Inc., Farmers Insurance Exchange, Jacobs Engineering, Edison International, CBRE Group Inc., Reliance Steel & Aluminum Company, Live Nation Entertainment, A-Mark Precious Metals, Avery Dennison Corp., and Mattel Inc. The largest employers are Los Angeles County, the Los Angeles Unified School District, the federal government, the City of Los Angeles, the University of California, Los Angeles, Kaiser Permanente, the state of California (non-education employment), Northrop Grumman Corporation, the University of Southern California, Target Corporation, Kroger Company, Bank of America, Cedars-Sinai Medical Center, Providence Health & Services, Boeing Company, and the Walt Disney Company. The unemployment rate (not seasonally adjusted) as of March 2017 was 4.2 percent, which was lower than the unemployment rate for the state of California at 5.1 percent and the national unemployment rate at 4.6 percent.

#### Housing and Opportunities for Home Mortgage Lending

Los Angeles County has historically been one of the most expensive markets in the U.S. Consequently, the county's homeownership rate is one of the lowest in the country, with more than half of the population of Los Angeles renting rather than owning a home. A recent report by the California Association of Realtors shows the percentage of home buyers who can afford to purchase a median-priced, existing single family residence in California is 32 percent. Although the economic environment of Los Angeles County continues to show positive signs of growth, home affordability remains an ongoing concern. This is based on the high cost of housing combined with a lower median family income. The area's steep home price growth and climbing interest rates have priced many buyers out of the market. First-time home buyers, foreign buyers, and institutional investors increased the demand for single family residences. This and low inventory triggered bidding wars and caused the median sales price to increase during the review period. In 2016, the National Association of Realtors reported a median sales price of \$507,100 for an existing single family residence in Los Angeles County. Further, a recent report produced by Zillow states that Los Angeles County is still the least affordable county in the U.S. to buy or rent a home. A 2014 UCLA study declared Los Angeles to be the least affordable rental market in the country, considering the cost of rent as well as income and cost of living. All of these factors limit the ability of financial institutions to make home mortgage loans, not only to low- and moderate-income borrowers, but also to middle-income borrowers.

### Opportunities for Commercial Lending

During the evaluation period, the opportunities to originate small business loans improved due to an improving economy. Business Demographic Summary data from Dunn and Bradstreet for 2016 reflects there are over 689,000 businesses in the Los Angeles County AA. Over 82 percent of those businesses have annual revenues of less than \$500,000. Further analysis of the data shows a significant percentage (73.56 percent) are small or micro businesses with only 1-4 employees. Although lending opportunities exist, the competition for strong business borrowers is a significant factor in the origination of these loans.

### Competition

Competition for both deposits and loans is intense in the Los Angeles County AA. Based on the June 2016 FDIC Deposit Market Share report, 108 financial institutions competed for deposits in the Los Angeles County AA. The competition for loans is even more intense. Peer Mortgage Loan Data indicates that in 2015, 645 lenders competed for home purchase loans, 719 lenders competed for home refinance loans, and 154 lenders competed for multi-family loans in this AA. Peer Small Business Data for 2015 for those institutions required to report indicates that 181 lenders competed for small business loans.

### Community Contacts

Contacts with community organizations that operate in the Los Angeles County AA confirmed there are many community development needs and opportunities, including the following:

- Affordable housing, especially for LMI families;
- Education for LMI borrowers focusing on how to qualify for mortgages;
- Financial literacy education for LMI youths and families;
- Small business loans, particularly loans with rates and terms more favorable than those offered through nontraditional lending sources; and
- Technical assistance and education of small business owners on how to operate a business and obtain favorable financing