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Comptroller of the Currency  
Administrator of National Banks

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PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT PERFORMANCE  
EVALUATION**

April 8, 1997

U.S. Bank of Washington, N.A.  
Charter Number 14394  
1420 Fifth Avenue  
Seattle, Washington 98101

**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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **U. S. Bank of Washington, N.A., Seattle, Washington** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **April 8, 1997**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessment of financial institutions.

### **Basis for the Rating**

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

## ASSIGNMENT OF RATING

### **Identification of Ratings**

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

## DEFINITIONS

**Low- and Moderate-Income (LMI)**- Income levels which are less than 80% of the median family income for the locality. Levels less than 50% of the median are considered low-income.

**Middle-Income** - Income levels that are equal to or greater than 80% and less than 120% of the median family income for the locality.

**Upper-Income** - Income levels that are equal to or greater than 120% of the median family income for the locality.

## DISCUSSION OF INSTITUTION'S PERFORMANCE

### Institution's Rating

Based on the findings presented below, this institution is rated:

**" Outstanding Record of Meeting Community Credit Needs."**

**Evaluation Period:** This disclosure evaluates the bank's performance from January 1, 1994, through December 31, 1996.

### Bank Profile

U.S. Bank of Washington, N.A. (USBW) is a wholly owned subsidiary of U.S. Bancorp (USB). It had about \$9.7 billion in total assets as of December 31, 1996, and it is the second largest commercial bank in Washington with about 8% of the banking market. USBW is headquartered in downtown Seattle and operates 197 full service branches statewide. At year-end 1996 the bank had more than \$7.6 billion in total loans. As seen from the accompanying table, business lending accounts for the majority of its outstandings.

Loan Type	12/31/96
Business	\$3.1 billion
Real Estate Residential	\$0.7 billion
Real Estate Nonresidential	\$2.4 billion
Consumer	\$1.0 billion
Agricultural	\$0.4 billion
Total loans	\$7.6 billion

### Community Profile

USBW has defined twenty-eight of Washington's thirty-nine counties as its delineated community. The bank excluded the counties of San Juan, Mason, Pacific, Waikikum, Lewis, Skamania, Klickitat, Columbia, Ferry, Stevens, and Pend Oreille from its delineated community. Ninety-six percent of the state's population live in the bank's delineated community. The vast majority of the state's economic and agricultural activities occur within the delineated community. This profile will describe Washington as a proxy for the

delineated community since it represents most of the state and information is not readily available that would cover the bank's exact delineated community.

Washington ranked 15th in population among all states in 1995 with approximately 5.5 million inhabitants, based on updated U.S. Census Bureau data. The strong Washington economy continues to attract in-migration from other areas of the country. As a result, Washington ranked tenth in percentage population growth for all states. The statewide unemployment rate as of December 1996 was 5.0% as compared with the national unemployment rate of 5.3%.

Washington's economy grew slowly in the early 1990's primarily due to the cyclical downturn in the aerospace industry, which dominates manufacturing in Washington. However, a resurgence in orders for Boeing and a dominant share of the computer software industry have combined to increase population, income, and employment growth.

The median sales price for a home in the Seattle MSA in the second quarter of 1996 was \$164,000. Statewide, price changes for existing home sales increased 4.2% for the twelve months ending June 1996 and 22.9% for the past five years.

<b>DELINEATED COMMUNITY - 28 OF 39 COUNTIES IN WASHINGTON</b>			
Median Income	Population	LMI Families	LMI Census Tracts
\$35,518	4,661,662	37%	22%

USBW has 197 branches in the community, of which forty-seven (24%) are in LMI census tracts.

<b>SEATTLE MSA</b>			
Median Income	Population	LMI Families	LMI Census Tracts
\$41,500	2,033,156	36%	21%

The Seattle MSA contains 44% of the community's total population, and 41% of the total LMI families. Based on 1990 Census Bureau information (latest for which census tract data is available), the percentage of LMI families is higher than the percentage of LMI census tracts at both the state and Seattle MSA level.

## I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

**Assessment Factor A:** Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **USBW's ascertainment program is extensive and produces effective results.**
- **USBW has taken affirmative action to address community credit needs that they identified through their ascertainment program.**

USBW determines the needs of its community through employee involvement in community organizations and activities, information received from community forums, and market research. It maintains an extensive demographic database for purposes of identifying and regularly monitoring the demographic characteristics of its community. Management uses this resource to remain knowledgeable about the community's income, ethnic, household and business characteristics. Bank management continually monitors its community's demographic characteristics and lending patterns to ensure they are meeting credit needs.

On an ongoing basis, the Community Investment Department, product managers, and bank management evaluate the needs assessment findings. The Board reviews follow-up actions taken to address the identified needs. The bank held twelve community forums in rural and metropolitan areas of the state. The forums target community leaders and community groups and include bank management and directors. In 1994 and 1995 the bank commissioned studies to learn the needs of small businesses and farms.

USBW determined the primary needs include credit products for established and start-up businesses, less restrictive lending criteria, creation of affordable housing and construction financing, providing education on basic banking and how to purchase and maintain a home for first-time homebuyers.

Following are examples of actions the bank has taken to address the community's needs:

### Credit Products for Established and Start-up Businesses

The bank is the third largest lender in providing governmentally insured or guaranteed loans through the Small Business Administration and participates in several small business loan consortiums designed to provide start-up financing for small businesses.

In 1995, USB developed and introduced the U.S. Simply Small Business Loan Program for businesses with credit needs of \$35,000 or less. This program streamlines the application process, provides a credit decision within four business hours, and access to funds within

seventy-two hours. The bank originated a significant volume of loans with this program, as

detailed under Assessment Factor I.

The bank participates in a Linked Deposit Loan Program. This program was developed in response to the needs of minority and women entrepreneurs to access low-cost capital. Through this program, the State Treasurer, who administers the program, links the deposit of state funds to loans made by the bank to qualified business enterprises and the borrower receives below-market rates.

#### Less Restrictive Lending Criteria

USBW continues to offer the Consumer Opportunity Loan Program and the HomePartners Home Loan Program . The Consumer Opportunity Loan Program offers direct secured installment loans with higher debt-to-income ratios, a lower minimum monthly discretionary income, extended loan terms, and more flexible credit history requirements such as rent or utility payments, if the applicant does not have a reported credit history. The bank expanded the HomePartners Home Loan Program in 1994. This program includes four loan products with more flexible underwriting requirements. Assessment Factor I provides a more detailed description of this program.

#### Creation of Affordable Housing and Construction Financing

In late 1996, the bank created a lending unit to focus exclusively on construction and rehabilitation financing for multi-family affordable housing and public/private partnerships that revitalize distressed neighborhoods.

To help LMI borrowers purchase a home at a lower mortgage rate, USBW participates in the Washington State Housing Finance Commission State Bond program. This mortgage product offers a lower interest rate and a reduced monthly mortgage payment. Loan volumes are detailed under Assessment Factor I.

The bank has provided construction and permanent financing for several large affordable housing projects through direct lending, by providing financing to facilitate the issuance of bonds for the projects and tax credit investments. Assessment Factor H describes the bank's performance in addressing the community's affordable housing needs.

#### Educational Needs

The bank works with local, regional, state government, and small business resource centers across the state to provide training for small businesses. During 1994 through 1996, USBW sponsored and participated in several small business and farm seminars and conducted a number of homebuyer seminars. The bank also provided and participated in basic banking education seminars in partnership with local school districts, colleges, universities, and nonprofit organizations.

Our evaluation of USBW's performance included contacts with community-based organizations. In addition, we reviewed information generated from other community contacts conducted by the OCC and other regulatory agencies. We found the bank's ascertainment process is effective in determining community credit needs.

**Assessment Factor C:** The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- **The Board and senior management exercise policy oversight and have taken an active role in evaluating and enhancing the bank's CRA performance.**

The Social Responsibility Committee, a subcommittee of the Board of Directors, oversees and directs all activities relating to compliance with CRA. The Committee meets quarterly and presents their findings to the full Board.

The committee conducts an annual review of the CRA Statement and CRA Policy and regularly monitors bank performance in meeting corporate goals. Management provides the Social Responsibility Committee with reports of performance in relation to bank goals for ascertaining credit needs, addressing credit needs, and marketing products and services. The committee receives periodic reports and an annual report on lending distribution and penetration within its community. Management uses this information to establish marketing strategies for reaching all segments of the bank's community.

Directors and senior managers personally participate in activities designed to develop, improve, and enhance the local community. They are aware of community needs and direct the bank's efforts in community development activities. For example, directors have served on the board and various committees of nonprofit organizations engaged in helping to meet affordable housing and economic development needs and fund raising events in support of providing affordable housing. Directors also participate in the bank's community forums held around the state to assess credit needs.

Our review of USBW's CRA Statement showed that it meets regulatory requirements. They expanded the CRA Statement to include a description of the bank's CRA process.

## **II.      MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

**Assessment Factor B:** The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **The Board and senior management established a comprehensive marketing**

**program.**

- **Marketing strategies are designed to reach all segments of the bank's delineated community, including low- and moderate-income geographies.**

Management considers lending performance distribution and strategically places advertisements to ensure they reach all segments of the bank's community. The bank's Application Tracking System (ATS) gives management comprehensive reports that illustrate lending performance. The system tracks applications that the bank receives, approves and denies geographically (by zip code, county, state and beginning in 1996 by census tract), by the borrower's income level and/or size of business and farm. Bank management reviews this information along with community demographics to determine its performance in reaching corporate goals. It then establishes and uses marketing strategies to reach targeted segments of its community. For example, based on such a geographic analysis, in October 1995 the bank directed a pre-approved consumer installment loan offer to LMI communities across the state.

The bank advertises its products and services through a variety of mass media vehicles, including television, radio, print, outdoor billboard, direct mail, and in-branch product brochures. Special media is targeted at particular segments and/or neighborhoods, e.g., ethnic minority media, foreign language publications, community newspapers, and radio stations targeting farmers.

USBW announces new products through media advisories and makes people aware of products and services the bank offers by providing and participating in educational seminars and programs for first-time homebuyers, small businesses, and consumers. During 1994 through 1996, the bank conducted the following seminars and/or educational forums:

#### Homebuyer Seminars

These seminars, targeted to first-time and LMI homebuyers, give participants information about how to prepare for home ownership and how to qualify for a home loan. The bank also describes the various loan programs that the bank offers. USBW provided this information to 740 potential homebuyers through forty-eight seminars.

#### Small Business and Small Farm Seminars and Conferences

This is a series of meetings conducted throughout the state designed to offer local small business owners the opportunity to gather information and learn about resources that are available to them. Topics include how to start a business, how to access credit, and the types of public and private programs that exist to support small businesses. The bank sponsored and participated in seventy-five small business and small farm seminars.

#### Basics Banking Seminars

The bank provides written material describing the basics of banking in a brochure that includes a step-by-step guide on planning a financial future, shopping for the right bank, opening an account for the first time, what credit is and how to establish and safeguard credit. USBW distributes the brochures to nonprofit organizations and seminar participants. In partnership with local school districts, colleges, universities, and nonprofit organizations, the bank participated in ninety-three basic banking education seminars with more than 7,400 individuals attending.

**Assessment Factor I:** The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **USBW has made strong efforts to address a significant portion of the housing, small business, and consumer credit needs of its communities.**
- **The bank offers a comprehensive array of loan products and demonstrated strong performance in lending to consumers and small businesses.**
- **USBW makes a significant volume of loans within its delineated community and loan volumes are adequate given the institution's resources and community needs.**

### **Aggregate Lending Performance**

USBW has shown a very strong commitment of lending to its community by offering a comprehensive array of loan products designed to meet community credit needs. This commitment is reflected in a very high loan to deposit ratio of 100%. USBW has been a consistent producer of very high loan volumes. Further strength of USBW's commitment is reflected in the 138,374 loan originations totaling in excess of \$6.6 billion as detailed in the following table (data reflects only loans originated or purchased within the delineated community).

<b>AGGREGATE ORIGINATIONS BY LOAN TYPE FOR THE EVALUATION PERIOD</b>		
<b>PRODUCT</b>	<b>\$Volume of Loans* (Mil)</b>	<b># of Loans*</b>
Residential	\$1,041	8,247
Home Improvement	\$73	3,504
Rehabilitation	\$131	226
Small Business	\$3,212	18,102
Small Farm	\$725	5,001
Consumer(1)	\$1,471	103,294
<b>Total:</b>	<b>\$6,653</b>	<b>138,374</b>

\* Special credit-related program volumes are included in the table.

(1) Does not include credit card data for 1996 as the bank suspended collection of this data January 1, 1996 in preparation for the new data collection requirements under CRA reform.

In addition, USBW has made almost all of its loans within its delineated community, both in terms of number of loans and dollar volume. The bank originated 98% of the total number of loans within its community and 97% of the dollar volumes.

### **Residential Lending Activity**

Mortgage lending volumes, although still strong, decreased following the sale of the bank's mortgage loan subsidiary. USB sold its mortgage loan subsidiary U.S. Bancorp Mortgage Company (USBMC) in August, 1994 to Mellon Mortgage Company. The bank sold the subsidiary as a part of a major initiative, to improve the bank's overall financial and operating performance. As part of the sale agreement, USBW was subject to a two-year non-compete clause, which expired on August 31, 1996. The clause prohibited USBW from soliciting business from realtors, except in connection with its affordable housing and CRA related home loan products.

To continue to meet the needs of LMI homebuyers, USBW has originated loans through its branch structure and through an affiliate, U.S. Bancorp Home Loans. USBW also will continue its commitment to affordable housing through a new unit at the holding company level that will specialize in community development lending.

USBW offers the following special credit-related products to address the needs of LMI

individuals:

The HomePartners Home Loan Program was first introduced in 1991 and expanded in 1994. The program includes four mortgage loan products. Each product offers flexibility in areas of downpayment, debt-to-income ratios, and credit history. Specific products offered under this program are the HomePartners FHA, the HomePartners Affordable Gold, HomePartners 97%, and HomePartners U.S.

The HomePartners FHA and HomePartners 97% products offer flexible terms and allow the seller to pay for pre-paid loan costs which are normally the purchasers' responsibility. The HomePartners U.S. offers the most flexibility. Besides offering more flexible terms than the other HomePartner products, the program waives the requirement for private mortgage insurance that is often required for low downpayment mortgage programs.

The bank originated a total of 673 loans with HomePartners U.S. for \$64 million, thirty-four loans for \$2.7 million with HomePartners Affordable Gold, four loans with the HomePartners 97% and 167 loans through the HomePartners FHA product for \$14 million. We considered the performance in originating loans with the HomePartners FHA product in the Assessment Factor J that describes participation in government guaranteed or sponsored loan programs.

### **Small Business Lending**

USBW has responded aggressively to the identified needs of small business owners by developing or participating in innovative loan programs. Those programs include the following:

**U.S. Simply Small Business Loan Program.** This program was developed and introduced in October 1995 to respond to frequently identified needs of small business and farm owners for an easy to apply, quick turnaround business loan. Since introduction, the bank has originated 1,947 loans under this program for \$49 million.

**Commercial Opportunity Loan Program.** This program was developed in response to the needs of businesses without an extensive history. Loans under this program are available to ethnic minorities, women, or businesses in economically distressed areas. The program provides flexibility as to collateral requirements, terms of the loan, and the bank's internal "risk rating" of the borrower so that those not eligible for conventional financing may be eligible for an Opportunity Loan. Over the evaluation period, the bank has originated 358 loans for \$8.6 million under this program.

**Linked Deposit Program.** USBW participates in this program designed to allow minority and women entrepreneurs access low-cost capital through the linking of state funds to loans originated by the bank. The bank is a lead lender under this program. During this evaluation period, USBW originated seventy-two loans for \$4.6 million.

## Consumer Lending

Effective January 1, 1996, the bank suspended the collection of bank card data, which in 1995, accounted for 22% of total consumer loan originations. Thus, the total loan originations listed for consumer loans in the table on the above Aggregate Lending table do contain credit card originations for 1996.

USBW offers a number of consumer loans under the Consumer Opportunity Loan Program. They designed this program to meet the needs of LMI borrowers in accessing consumer credit for personal, family, and household needs. The program offers higher debt-to-income ratios, extended terms, and more flexible credit history requirements. Over the evaluation period, the bank originated 1,366 Consumer Opportunity Loans for \$5.5 million.

Management introduced secured credit cards in 1995. They designed this credit card, secured by a time deposit, for customers with little or no credit history or for customers seeking to repair bad credit history.

**Assessment Factor J:** The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- **USBW actively participates in governmentally guaranteed, or sponsored programs.**
- **The bank remains the top Student Loan Program lender in Washington and is the third largest lender of Small Business Administration (SBA) loans in the Seattle District Office of SBA.**

USBW has originated more than \$531 million in government guaranteed or sponsored loans over the evaluation period. The bank is the top student loan lender for Washington and originates the largest volume of loans through the Washington Bond Program. USBW produces the third largest volume of SBA loans for the Small Business Administration Seattle District Office. The bank originated fewer FHA and VA loan originations due to the sale of the bank's affiliate, U.S. Bank Mortgage Company. The following table illustrates the bank's performance:

AGGREGATE LOAN ORIGINATIONS BY LOAN TYPE FOR THE EVALUATION PERIOD		
Loan Program	\$ Volume of Loans (MIL)	# of Loans
FHA/VA	\$191	1,850
SBA	\$63	332
FmHA	\$2	11
STUDENT	\$265	79,973
WA Bond Program	\$10	123
<b>Total:</b>	<b>\$531</b>	<b>82,289</b>

### III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

#### **Reasonableness of Delineated Community:**

- **The bank's delineation is reasonable and meets the purpose of CRA.**

USBW has designated twenty-eight of the thirty-nine counties in Washington as its delineated community. These counties represent about 95% of the state's 1990 Federal census population. This delineation meets the purpose of CRA and does not arbitrarily exclude low- and moderate-income neighborhoods. The eleven excluded counties include fifteen moderate-income tracts and no low-income tracts. The Board of Directors reviews and approves the delineation annually.

**Assessment Factor E** - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- **The geographic distribution of loan originations is reasonable and generally consistent with the demographic patterns and identifiable loan demands within the bank's communities.**
- **The geographic distribution of its mortgage products for 1994 and 1995 significantly exceeded market averages.**

- **USBW conducts thorough and well-documented analyses of the geographic distribution of its major loan products.**
- **The bank uses their geographic analyses to identify communities that may benefit from additional marketing or targeted lending strategies and products.**

USBW analyzes the geographic distribution of its consumer and business credit applications and originations quarterly. In addition, the bank conducts more in depth analyses of HMDA data quarterly and annually, including distribution by race/national origin and income level. This analysis also considers denials. All analyses consider the distribution between LMI and non-LMI areas for each of the twenty-eight counties currently served by USBW throughout Washington. The bank also conducts a quarterly analysis of loan penetration within each county.

Management uses these analyses throughout the year in assessing the bank's CRA performance within each market. The Board's Social Responsibility Committee also reviews them annually. The demographics of and competition within the markets are considered within this process. The analyses are also used in developing written strategies and plans for strengthening CRA performance including targeted outreach or advertising efforts and focused lending strategies for various business units. As an example, the 1995 CRA Action Plan included a direct mail lending campaign targeted to LMI areas throughout the state.

The following tables reflect the distribution of CRA business and farm, consumer and HMDA originations in 1996 for the bank's entire delineated community. Aggregate levels are consistent with performance at the MSA and non-MSA levels. Historical demographic analyses have been done at the Zip Code level. These analyses show that the bank's level of penetration into LMI areas has been steadily increasing over the last three years and exceeds market demographics for each loan (by the number of loans made) category. While the analysis for 1996 is based on census tracts, the distributions are consistent with the bank's historical ZIP code analysis. Overall, the Zip Code analyses for the last three years show consistent and reasonable penetration of LMI census tracts and throughout the bank's delineated community.

Our analysis of loan originations in LMI geographies for the year ending December 31, 1996, revealed that the bank has exceeded market demographics for all types of lending by count. Except consumer loans, this also holds true for the total dollar volume of originations. While business originations are the highest of any one category at 27.8%, they most closely mirror market statistics of 26.1%. Small farm and HMDA loans at 22.7% and 16.5%, exceeded market demographics by the highest percentages. Small farm penetration exceeds the demographic community makeup by some 44%. HMDA loan penetration exceeded its demographic comparison (number of households in a particular geography) by 29%. In summary, USBW shows a very high level of lending into LMI geographies.

<b>CRA LOAN DISTRIBUTION-1996</b>						
Delineated Community Loan Product	(1) % of LMI CTs	% Total Bus., Farms, Pop. or HH's in LMI CTs	% of <b>Originations</b> , by count, within:		% of <b>Originations</b> , by \$, within:	
			LMI CTs*	Non-LMI CTs*	LMI CTs*	Non-LMI CTs*
Small Business	21.3	26.1	27.8	72.2	30.5	69.5
Small Farm	18.4	15.8	22.7	77.3	22.3	77.7
Consumer	21.3	18.7	19.9	80.1	15.5	84.5
HMDA	20.5	12.8	16.5	83.5	16.4	83.6

(1) Excludes census tracts with no small farms, businesses , population or households. For Consumer Loan Pop. refers to total population while for HMDA reportable loans, HH's refer to the percent of owner occupied households in LMI census tracts.

\* The demographic information was provided by PCI Services, Inc.

Our analysis of USBW's residential lending revealed that these loans are also reasonably distributed throughout the delineated communities, with a heavy emphasis in LMI areas for the years 1994-1996. See the table below for details. Our analysis also included a review of the 1994 and 1995 HMDA Aggregate (all HMDA reporting institutions) Loan Application Register (LAR) data reported in the bank's delineated community (for MSA's only). USBW's performance in LMI areas significantly exceeded the average for all HMDA reporters. The bank exceeded the market averages in 1994 by 39% and again in 1995 by 65%. In addition, the bank's performance exceeded all other major mortgage lenders. This is based on the volume of originations in LMI areas as a percent of all originations.

HMDA Aggregate LAR data for 1996 was not available for review at the time of this evaluation. However, USBW's 1996 HMDA data reflects that the bank's mortgage origination distribution has remained consistent with its performance over the prior two years, although it is down from 1995. Throughout all three years the bank has consistently lent above the percent of owner occupied households in LMI census tracts. Also, for 1996 data is now available for non MSA areas. The bank's distribution in these geographies is also reasonable and significantly exceeds demographic statistics.

1994 - 1996 HMDA REPORTABLE ORIGINATIONS *										
Type of Census Tract	1994 Bank MSA	1994 Market MSA	1995 Bank MSA	1995 Market MSA	1996 Bank MSA	1996 Bank State	1990 US Census-% HH's MSA's (1)		1990 US Census-% HH's State	
							CT	OO	CT	OO
LMI	14.9	10.7	19.3	11.7	17.9	16.5	21.5	13.0	20.5	12.8
Middle	66.1	61.2	62.3	65.2	60.7	61.1	60.3	64.9	62.0	65.7
Upper	19.1	22.5	18.4	23.0	21.4	22.3	18.2	22.1	17.5	21.5

\* For 1994 and 1995 all reported data is based on MSA's only. Beginning in 1996 data is available for all areas, including non MSA's. The bank uses updated income information provided by PCI Services, Inc.

(1) Excludes census tracts with no owner occupied households. CT refers to a census tract while OO refers to owner occupied households.

As previously mentioned, it is also important to note that while USB did sell its mortgage subsidiary, it still generates a significant volume of lending that supports the above analysis. In 1994, the last year of production for the mortgage subsidiary, USBW was the number four mortgage lender, per the aggregate HMDA LAR, throughout all MSA's Washington. In 1995, without the mortgage subsidiary, the bank still ranked as the tenth lender. While not available yet, the bank should still be one of the top lenders in 1996 since the number of originations increased more than 16% compared with 1995.

**Assessment Factor G:** The institution's record of opening and closing offices and providing services at offices.

- **US Bank's offices are accessible to all segments of its community.**
- **USBW's closure of branches during this evaluation period had not adversely affected its ability to provide banking services to its community, including LMI neighborhoods.**

USBW's 197 branches are located in all major markets in Washington and in many small rural communities. Operating hours are competitive with other financial institutions in Washington. In addition, 56% of the bank's offices are open Saturdays with twenty-one supermarket sites open Sunday. USBW has 452 automated teller machines, with 190 at non-

branch locations. Most of the ATM's offer Spanish and English directions. The bank also offers consumer, mortgage, and small business loan services through a 1-800 telephone number.

USBW closed twelve branches and opened forty-nine during the last three years. Five of the closures and twenty-eight of the openings were the result of the bank's merger with West One Bank in June 1996. The remaining closures and openings occurred before this merger and were the result of consolidating existing branch markets that overlapped. Three moderate-income markets were involved in the closures. The branch closures did not adversely impact the communities.

USBW took appropriate actions when assessing the impact on the community when the bank closed the offices. USBW sought community input regarding the closures to ensure that any potential adverse impact on the community would be addressed. The proximity to other USBW branches and alternative delivery systems, such as ATM's, was considered to lessen the impact on customers. They also performed demographic research and financial analysis.

#### **IV. DISCRIMINATION**

**Assessment Factor D: Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).**

- **USBW actively solicits credit applications from all segments of its community.**
- **We found no practices intended to discourage applicants for any type of credit listed on the bank's CRA Statement.**

The Board and management have implemented effective policies, procedures, and training programs to ensure the bank does not illegally discourage or prescreen applicants. USBW's compliance management system provides an extensive and ongoing review of the bank's performance in providing access to credit to all applicants.

The following highlights efforts initiated by the Board and management to ensure all loan applicants have an equal opportunity to obtain a loan:

- ▶ Adopted a Fair Lending Policy that clearly sets forth USBW's commitment to fair lending.
- ▶ Reviewed and revised underwriting guidelines and procedures.
- ▶ Centralized underwriting decisions, including declines.
- ▶ Implemented a three-tier review structure for residential declines.

- ▶ Adopted a Quality of Assistance Checklist to guide loan officers and underwriters through areas where their assistance may enable a marginal applicant to qualify.
- ▶ Provided fair lending training to all employees, and specialized training in quality of assistance and underwriting discretion for USBW's loan originators and underwriters.
- ▶ Conducted self-assessment activities including ongoing quality control reviews, comparative file reviews, and matched-pair testing.

**Assessment Factor F:** Evidence of prohibited discriminatory or other illegal credit practices.

- **Our evaluation revealed no evidence of prohibited or illegal credit practices.**

USBW is in substantial compliance with all provisions of anti-discrimination laws and regulations including the Equal Credit Opportunity Act and the Fair Housing Act. We noted technical violations of the Home Mortgage Disclosure Act. Management initiated corrective action to correct the violations and established controls to prevent future violations.

We conducted a fair lending examination at the bank's Retail Finance Center in Portland, Oregon. This center processes home improvement loans for USBW as well as other affiliated banks. We evaluated compliance with anti-discrimination laws through a review of 247 home improvement loan applications processed between January 1, 1996 and October 31, 1996. Our sample included denied applications from 20 American Indians, 10 African-Americans, and 30 Hispanics. We compared these files with approved applications from 187 Whites. Our file comparison process did not detect any indication of illegal discrimination.

## V. COMMUNITY DEVELOPMENT

**Assessment Factor H:** The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **USBW has maintained a leadership position with its participation in community development and redevelopment programs.**
- **USBW made a significant volume of financial contributions in support of community development activities.**
- **USBW continues to establish productive partnerships with community groups**

**and organizations.**

USBW’s commitment to community reinvestment is demonstrated through a variety of investment and other financial contributions. Total commitments to community development and redevelopment projects and programs exceed \$169 million.

The following table summarizes the majority of the community development and redevelopment activities the bank is engaged in:

<b>COMMUNITY DEVELOPMENT ACTIVITIES (1994 - 1996)</b>		
Activity:	# of Projects and/or Housing Units*	Funded \$ (Millions)
Affordable Housing Projects	29	\$68.2
	2,136*	
Loans/Investments in/through CDC’s and other Community Development Projects	24	\$1.0
American Tribal Community Development	5	\$31.6
Tax Credit Investments	734*	\$20.3
Loans/investments through bond programs	1597*	\$ 46.4
Community Development Grants/Donations	435	\$2.2
Total Community Development Activities	493	\$169.7
	4467*	

\* These totals are for the number of housing units provided. Those numbers without a \* are project or individual totals.

**Community Development Lending**

USBW participated in several large affordable housing projects. The bank provided \$68.2 million in construction/permanent financing for twenty-nine affordable housing projects. The projects provide 2,136 units of affordable housing.

HomeSight - One example of a creative partnership was with HomeSight, a nonprofit developer of affordable single-family housing in the Central and Southeast areas of Seattle,

two predominately LMI neighborhoods. HomeSight began the largest revitalization effort ever undertaken in these areas, to revitalize and stabilize the communities after housing was destroyed when Interstate 90 was expanded. The project provides 155 new single family homes. USBW provided a construction line of credit at a below market rate, permanent financing, and a \$1,000 sales price reduction grant for downpayment assistance. The bank's financial support, with funds from the National Community Development Initiative, and the blended construction interest rate resulted in additional savings of approximately \$1,500 per unit for the homebuyer. The bank also provides a construction line of credit to HomeSight at 2% below the prevailing market rate.

Washington Community Reinvestment Association (WCRA) - The bank is the second largest contributor and was a founding member of the WCRA. It is a nonprofit multi-bank mortgage banking corporation that provides long-term financing for the development of affordable multi-family housing for LMI persons throughout Washington.

In 1996, USBW was instrumental in ensuring the continued operation of WCRA when the fund was exhausted. The bank committed to provide \$4 million in funding for a new \$22 million pool initiated by WCRA and purchased ten multi-family affordable housing loans totaling \$17.3 million. During 1994 through 1996, USBW's \$3 million contribution helped finance twenty-one projects throughout Washington. The projects provided 972 affordable housing units.

State Housing Finance Commission - The bank provided a total of \$43.9 million in letters of credit to facilitate the issuance of Washington State Housing Finance Commission tax exempt bonds. The bond proceeds provide funding for eight affordable multi-family housing projects. The projects provide 1,509 units of affordable housing. The housing is located in the bank's communities of Mt. Vernon, Bellingham, Kennewick, Olympia, Tukwila, Des Moines, and Southeast Seattle.

Native American Tribal Lending - Bank management and staff have maintained ongoing and targeted contacts with many Native American Tribes in Washington. Through these contacts, USBW has taken a leadership role in assisting tribes to establish banking relationships and meet a variety of their credit needs. USBW has also provided various Washington tribes and their members with deposit products, loans, and financial assistance to support the creation of their own banking programs. Since 1994, USBW has maintained relationships with five different tribes and has extended more than \$31.6 million in community development lending to the tribes.

Other - USBW provided \$8.5 million to construct a 211-bed nursing home facility for LMI persons. The facility is in the Greenwood neighborhood of Seattle. The bank applied for and received two grants totaling \$330,000, from the Federal Home Loan Bank's Affordable Housing Program in support of two of the projects that the bank financed.

## **Community Development Investments And Contributions To Groups And Organizations Engaged in Community Development**

Seattle Community Small Business Loan Program - USBW is a founding member of the Seattle Community Small Business Loan Program, which is a cooperative effort involving five banks and the City of Seattle to offer small business loans and technical assistance for existing and start-up businesses in Central, Southeast, and the International Districts of Seattle. USBW funded four loans for \$89,000.

In 1995, the bank also took a leadership role in working with the City of Seattle and members of the Program to initiate a review process of the Program's role within the community. USBW contributed \$45,000 to support the Program's operational costs. From this review, the program participants decided to focus their efforts on the creation of a "One Stop Capital Shop" facility. The facility is scheduled to begin its operations later this year, as a Small Business Development Company featuring a full service business assistance center, and a \$7 million dollar development lending company.

Pierce County Community Investment Corporation - Pierce County Community Investment Corporation is a multi-bank community development corporation that provides gap financing to small businesses in Pierce County, Washington. The corporation is designed to promote community development in LMI areas and help LMI individuals. USBW was a founding member and participates in the consortia with six other lenders. The corporation originated eight loans totaling \$380,000. USBW funded two loans for \$104,000.

Spokane Area Small Business Loan Program - The program is a \$3.6 million cooperative effort among the City of Spokane, the Small Business Administration, and Spokane area lenders, to finance small businesses and promote small business growth in Spokane County. Nine lenders participate in the program. USBW's contribution of \$562,000 funded fifteen loans. They originated a total of forty-two loans for \$1.6 million through this consortia.

Cascadia Revolving Fund - Cascadia is a nonprofit community development loan fund that provides financing and technical assistance to firms in rural and urban communities throughout Washington. The bank invested \$100,000 in the loan fund through a below market interest rate, single-payment loan. USBW also provided \$17,500 to support operations.

### **Tax Credit Investments**

The bank purchased two bonds totaling \$2.53 million issued under the Washington State Housing Finance Commission's Streamlined Tax-Exempt Placement Program (STEP) to develop two apartment complexes with a total of eighty-eight units of affordable housing in Tacoma and Renton. The STEP program makes below-market mortgages available to nonprofit and for-profit developers of affordable housing units.

## **Contributions**

Bank contributed \$15,000 to the King County Housing Partnership. The Partnership is a cooperative effort among developers, lenders and public agencies within King County to create solutions to the affordable housing crisis for working families in King County. The Partnership's mission is also to educate developers about the advantages of developing housing for LMI families.

The bank contributed \$45,000 to the Puget Sound Local Initiatives Support Corporation (LISC). LISC provides financial and technical assistance to community development and housing organizations.

USBW committed \$150,000 toward capitalizing the Washington Community Development Loan Fund. The bank disbursed \$100,000. The loan fund provides pre-development financing and technical support to nonprofit and public organizations engaged in housing and community development activities for Washington.

The bank contributed \$33,000 to the Spokane Neighborhood Action Programs (SNAP), for downpayment assistance offered as part of the HomePartners FHA mortgage loan program. USBW also contributed \$28,000 for the mortgage default counseling service and the organization's foreclosure prevention revolving loan fund. SNAP is a nonprofit social service organization that provides opportunities, resources, and services to LMI persons to encourage self-sufficiency.

USBW contributed \$35,000 to the Washington Association for Community Economic Development (WACED). The bank's contribution provided downpayment assistance grants and support for operations. WACED serves as USBW's nonprofit partner in offering the HomePartner FHA mortgage program.

In 1995, the bank provided a \$10,000 zero interest-rate line of credit to the Spokane chapter of Habitat For Humanity for purchasing land for future development. Habitat for Humanity is a charitable organization that provides home-ownership opportunities. Volunteer labor builds, rehabilitates and donates materials. Eligible families must contribute at least 500 hours of "Sweat Equity" to qualify for a home. The homes are sold at no profit and without interest.

## **Educational Assistance Contributions**

The bank took a leadership role in the creation of the Community Home Ownership Center (CHOC) and contributed \$10,000. CHOC promotes and supports home ownership by providing information through referral services, education, and counseling for all members of the community with emphasis on LMI individuals and families.

USBW contributed \$8,500 to the Community Housing Resource Center in Vancouver,

Washington. The center is a nonprofit, public/private partnership organized to provide free education, counseling and referral services to LMI first time homebuyers in Clark County.

USBW contributed \$100,000 to Momentum, which is an economic development effort to increase employment, per capita personal income, and improve the quality of life in the greater Spokane area.

The bank contributed \$37,500 to New Visions, a \$1 million economic development campaign sponsored by the Yakima County Development Association to enhance long-term growth.

### **Community Development through lending to the Public Sector and Non-Profits**

The bank has underwritten 126 bond issues for a total of \$376,880. The bonds contributed to community development by providing funding for schools, affordable housing, infrastructure development, and other public services. USBW provided 263 loans to nonprofit organizations for a total of \$121.4 million.

**Assessment Factor K:** The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- **We did not identify any constraints on USBW's ability to help meet the credit needs of its delineated communities.**

USBW is Washington's second largest commercial bank with total assets of about \$9 billion as of year end 1996. The bank is headquartered in Seattle and has displayed a leadership role in promoting economic growth and revitalization within the state. Bank management and members of the board have established good working relationships with business and community leaders to help meet the state's credit and housing needs. USBW faces no material impediments to prevent it from actively participating in its delineated community.

Refer to the introduction section for a current profile of USBW and its community.

**Assessment Factor L:** Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- **USBW has engaged in other meaningful activities that contribute to its efforts to help meet the community's credit needs.**

Such activities include providing homebuyer, financial and small business training sessions. Bank staff also provide technical expertise to groups and organizations engaged in community development through their participation on boards, advisory committees, loan committees and marketing committees.