



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

March 23, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

DANA NIGUEL BANK, NATIONAL ASSOCIATION
Charter Number 17546
34180 Pacific Coast Highway
Dana Point, California 92629

Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (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 performance of **Dana Niguel Bank, National Association (N.A.)**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, **as of March 23, 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: This institution is rated **“Satisfactory.”**

Dana Niguel Bank demonstrates commitment to serving the communities in which it operates.

- The loan-to-deposit ratio is reasonable.
- A substantial majority of loan originations are within the bank's assessment area.
- The bank exceeds the standards for lending to businesses of different sizes and borrowers of different income levels.
- Lending is reasonably distributed in the assessment area.

DESCRIPTION OF INSTITUTION:

Dana Niguel Bank is a commercial bank headquartered in Dana Point, California. The bank opened in December 1982. As of December 31, 1997, the bank reported total assets of \$33 million. The bank offers a range of commercial and consumer services to individuals, small businesses, government entities, and nonprofit organizations. It focuses, however, on providing loans to businesses. As of December 31, 1997, 73% of the bank’s loans were to businesses. Because of its small size and strong competitive market, the bank does not offer purchase money residential real estate mortgages. The bank has an automatic teller machine (ATM) on the premise. The bank has no other branches.

There are currently no financial or legal impediments that hinder the bank’s ability to meet the credit needs of the community. However, the bank is one of the smallest independent banks in southern Orange County, and competition is strong given the numerous larger banks that have branches in the area. Economic trends are positive with unemployment decreasing and real estate values increasing.

Dana Point maintains a local trade of mostly retail businesses that rely heavily on tourism. We contacted two local community development agency officials and determined that certain areas need loans for affordable housing and housing rehabilitation. In addition, small business loans are a continuous community credit need. The last CRA performance evaluation in March 1996 rated the bank as “Satisfactory.”

The following chart reflects the bank’s outstanding loan portfolio by major product type.

**Loans Outstanding by Major Product Type
As of December 31, 1997**

Loan Type	\$ Volume	% Loans by \$
Commercial Loans	8,615,956	62%
Consumer/Installment	1,611,190	12%
Small Business Administration Loans	1,541,143	11%
Construction Loans	1,401,241	10%
Conventional Real Estate	631,759	5%
Total	13,801,289	100%

DESCRIPTION OF DANA NIGUEL BANK’S ASSESSMENT AREA:

The bank’s assessment area includes 58 census tracts which the chart below summarizes by income level. The median family income for the Orange County Metropolitan Statistical Area (MSA) based on 1990 census data is \$51,269. There are about 350,000 residents, with only 2% below poverty level. However, the median housing values average about \$242,000 which makes affordable housing a problem for many residents.

The bank’s assessment area complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The assessment area includes the communities of Dana Point, Coto De Caza, Laguna Hills, Lake Forest, Laguna Beach, Laguna Niguel, Mission Viejo, Rancho Santa Margarita, San Clemente, and San Juan Capistrano.

**Assessment Area
Composition by Income Level of Census Tracts**

Census Tract Type	# Tracts	% Tracts by #
Low Income	0	0%
Moderate Income	7	12%
Middle Income	21	36%
Upper Income	30	52%
Total	58	100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The performance criteria explained below reflect the bank’s commitment to the Community Reinvestment Act.

Loan-to-Deposit Ratio

The bank’s loan-to-deposit ratio is reasonable. For the last eight quarters the bank’s loan-to-deposit ratio averaged 50%. Although this ratio is lower than the 78% average for ten other Orange County financial institutions with total assets of less than \$100 million, all except one of these institutions is located outside the bank’s assessment area. These institutions do not directly compete with the bank. The bank faces strong competition from much larger institutions that have branches in the area and provide most of the communities’ credit needs. In addition, low commercial loan demand in the market area, and a decline in construction loan demand because of adverse weather conditions, have impacted the bank’s lending activity. The bank’s ratio would also be slightly higher if SBA loan originations sold on the secondary market were included.

Lending In Assessment Area

The bank originated a substantial majority of the number and dollar volume of its loans within the assessment area. We prepared the following analysis based on the bank's data, which we tested for accuracy.

Lending Inside and Outside the Assessment Area Loan Originations During 1997

	# Loans	% Loans by #	\$ Loans	% Loans by \$
In Assessment Area	64	85%	5,642,372	92%
Out Of Area	11	15%	479,166	8%
Total	75	100%	6,121,538	100%

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

The bank exceeds the standards for lending to businesses of different sizes as the following chart reflects. We used the bank's data, which we tested for accuracy.

Distribution of 1997 Business Lending by Loan Size within the Assessment Area

Business Loan Originations	# Business Loans	% Business Loans (#)	Dollar Volume Business Loans	% Business Loans Dollar Volume
\$0 - \$100,000	14	88%	451,610	56%
\$100,001 - 250,000	2	12%	355,000	44%
\$250,001 - \$1 Million	0	0%	0	0%
Total	16	100%	806,610	100%

We also sampled 10 business loans to analyze the bank's lending to businesses of different sizes according to annual revenue.

**Lending to Businesses of Different Sizes in the Assessment Area
Sample of 1997 Loan Originations**

	# Business Loans	% Total (#)	\$ Business Loans	% Total (\$)
Loans to Small Businesses (Revenue < \$1 Million)	9	90%	816,610	92%
Loans to Large Businesses (Revenue >\$1 Million)	1	10%	75,000	8%
Total Business Loans Sampled	10	100%	891,610	100%

Lending to Borrowers of Different Incomes

The bank exceeds the standards for lending to borrowers of different income levels within the assessment area, as the following chart reflects. The bank made 65% of its consumer loans (by number) to low- and moderate-income borrowers, although low- and moderate-income families comprise only 26% of the bank's assessment area.

**Distribution of 1997 Consumer/Installment Lending by Borrower Income Level
Within the Assessment Area**

Borrower Income Level	% of Area	Consumer Loans (#)	% of Consumer Loans (#)	Consumer Loans (\$)	% of Consumer Loans (\$)
Low income	11%	5	36%	32,700	23%
Moderate income	15%	4	29%	24,300	17%
Middle Income	23%	2	14%	27,500	19%
Upper income	51%	3	21%	58,800	41%
Total	100%	14	100%	143,300	100%

Geographic Distribution of Loans

The bank's lending is reasonably distributed in the assessment area. Lending activity in different income-level census tracts is comparable to demographic information. We used the bank's internal analysis, which we tested for accuracy. The chart below compares the bank's loan originations during 1997 with the percent of various income-level census tracts in the assessment area.

Lending in Orange County Assessment Area - By Census Tract Type

Census Tract Income Type	% of Area	Loans in Tracts (#)	% of Loans (#)	Loans in Tracts (\$)	% of Loans (\$)
Low	0%	0	0%	0	0%
Moderate	12%	12	19%	1,099,697	20%
Middle	36%	15	23%	791,800	14%
Upper	52%	38	58%	3,750,875	66%
TOTALS	100%	65	100%	5,642,372	100%

Responses to Complaints

The bank has received no CRA-related complaints since the last CRA performance evaluation.

Fair Lending Analysis

The bank is in compliance with fair lending laws and regulations. Our fair lending review, conducted along with this examination, found no unusual patterns or discriminatory lending practices.