



## **PUBLIC DISCLOSURE**

January 9, 2019

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

Neighborhood National Bank  
Charter Number 22770

3511 National Avenue  
San Diego, California 92113

Office of the Comptroller of the Currency

Santa Ana Field Office  
1551 N. Tustin Ave. #1050  
Santa Ana, California 92705

**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.

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## Overall CRA Rating

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

- Neighborhood National Bank's (NNB or Bank) average loan-to-deposit (LTD) ratio of 63 percent is reasonable given the Bank's size and performance context.
- A majority of NNB's lending is within its assessment area (AA).
- NNB's geographic distribution of business loans reflects excellent dispersion throughout the AA compared to area demographics.
- NNB's distribution of loans to businesses of different sizes reflects reasonable penetration compared to area demographics.

## 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 metropolitan area/AA.

**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 generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. 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 the U.S. Department of Housing and Urban Development (HUD) Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AA(s) or outside the AA(s) provided the bank has adequately addressed the community development needs of its AA(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 CT delineated by the U.S. Census Bureau 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 metropolitan area/AA.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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 core based statistical area that contains an urbanized population of at least 2.5 million. A metropolitan division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The metropolitan statistical area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties 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) 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 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 1 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

NNB is a nationally chartered bank headquartered in San Diego, California. As of December 31, 2018, the Bank had total assets of \$65 million and total equity capital of \$11 million. Neighborhood Bancorp owns 99.5 percent of NNB, and a private investor owns the remaining 0.5 percent. Neighborhood Bancorp is located in National City, California, and provides capital allocation for NNB. Neighborhood Bancorp also has a non-profit affiliate, Neighborhood Opportunities Corporation, which provides financial literacy education.

NNB operates two branches in San Diego County. Management designated all of San Diego County as NNB's AA. NNB did not open or close any branches during the evaluation period, nor did any merger or acquisition activity occur during the evaluation period.

There are no known legal, financial, or other impediments limiting NNB's ability to meet the credit needs of its AA. NNB offers traditional retail depository products. Loan products include commercial real estate and construction loans, Small Business Administration loans, and personal and business loans and lines of credit. The Bank does not currently offer residential loan products. Alternate delivery systems include telephone banking, online banking, courier service, and merchant remote capture.

The Bank's Call Report as of December 31, 2017, reported total assets of \$58 million, total loans of \$38 million, total deposits of \$45 million, and total equity capital of \$10 million. Total loans represented approximately 65 percent of total assets. The following chart summarizes the loan portfolio by major loan type.

<b>Neighborhood National Bank Loan Portfolio Outstanding Balances by Major Product Type As of December 31, 2017</b>		
<b>Loan Type</b>	<b>(000s)</b>	<b>Percent</b>
Commercial Real Estate	\$24,614	65%
Commercial-Industrial	\$ 5,683	15%
Multifamily Residential	\$ 4,879	13%
1-4 Family Residential RE	\$ 2,424	6%
Other/Construction/Consumer	\$ 372	1%
<b>Total</b>	<b>\$37,972</b>	<b>100%</b>

During the evaluation period, NNB operated under a Consent Order relating to safety and soundness concerns, requiring significant time, staff effort, and financial resources to correct certain deficiencies. Nevertheless, NNB remained focused on meeting the credit needs of its community. We took these context factors into account when reaching our conclusions concerning the Bank's CRA performance. The last CRA examination occurred on December 31, 2012, and the Bank received an "Outstanding" rating under the "Small Bank" rating criteria.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

We evaluated NNB's performance within its AA using the small bank CRA full scope procedures. NNB's overall rating is based on the Lending Test, which evaluates the Bank's record of meeting the credit needs of the AA through its lending activities. The evaluation period for the Lending Test was January 1, 2015 through December 31, 2017. We evaluated loans originated in 2015 and 2016 separately from loans originated in 2017, because 2017 demographic information was updated with data collected from the American Community Survey. The Lending Test evaluated commercial loans, as it was determined to be NNB's primary product. NNB does not currently offer residential or consumer loan products. We determined the NNB's lending performance by analyzing total commercial loan originations during the evaluation period.

### **Data Integrity**

We selected a sample of 20 commercial loans that were originated during the evaluation period (2015, 2016, and 2017). We reviewed the commercial loan data fields required by OCC's Data Integrity Validation Guidelines. We did not identify any errors in NNB's reports.

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

We conducted a full scope review of the San Diego County AA. NNB has only one AA. Refer to Appendix B-1 for additional information about the San Diego County AA.

## **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 AA 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 Bank has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this Bank engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the Bank's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

NNB's LTD ratio is reasonable given the Bank's size and performance context. For the evaluation period, January 1, 2015 through December 31, 2017, NNB originated a majority of its commercial loans to borrowers inside the AA. NNB has reasonable penetration among businesses of different sizes and excellent geographic dispersion throughout the AA.

### Loan-to-Deposit Ratio

NNB's LTD ratio is reasonable given its size, financial condition, and the AA's credit needs. NNB's average quarterly LTD ratio was 63 percent for the 26 quarters from June 30, 2012 to September 30, 2018. The ratio ranged from a quarterly low of 46 percent to a quarterly high of 89 percent.

NNB's average LTD ratio is comparable to the average LTD ratio of other banks of similar size operating in southern California. The average LTD ratio for three similarly situated banks was 64 percent over the same period. The ratio ranged from a quarterly low of 40 percent to a quarterly high of 129 percent.

### Lending in Assessment Area

NNB lending staff originated a majority of commercial loans to customers within its AA during the evaluation period. The loan sample included 53 commercial loans originated from January 1, 2015 through December 31, 2017. NNB originated 85 percent by number and 82 percent by dollar in the AA. See Table A below for details.

Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	45	85	8	15	53	22,036	82	4,945	18	26,981
Small Farm										
Consumer										
<b>Total</b>	<b>45</b>	<b>85</b>	<b>8</b>	<b>15</b>	<b>53</b>	<b>22,036</b>	<b>82</b>	<b>4,945</b>	<b>18</b>	<b>26,981</b>

*Source: 1/01/2015-12/31/2017 Bank Data*

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

NNB's distribution of loans to businesses of different sizes reflects reasonable penetration compared to area demographics and meets the standard for satisfactory performance. As shown in Table B, in 2015/2016, NNB originated 66 percent of its commercial loans (by number) to small businesses. As shown in Table C, in 2017, NNB

originated 58 percent of its commercial loans to small businesses in the AA. These numbers are reasonable when compared with the percentage of small businesses in the AA and the peer aggregate numbers.

<b>Table B: AA Distribution of Loans to Small Businesses by Revenues</b>											<b>2015-2016</b>	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
San Diego County AA	21	8,002	100	123,509	87.6	66.7	42.1	5.1	33.3	7.2	0.0	
<b>Total</b>	<b>21</b>	<b>8,002</b>	<b>100</b>	<b>123,509</b>	<b>87.6</b>	<b>66.7</b>	<b>42.1</b>	<b>5.1</b>	<b>33.3</b>	<b>7.2</b>	<b>0.0</b>	
<i>Source: 2015 D&amp;B Data; 01/01/2015 - 12/31/2015 Bank Data; 2015 CRA Aggregate Data            Due to rounding, totals may not equal 100.0</i>												

<b>Table C: AA Distribution of Loans to Small Businesses by Revenues</b>											<b>2017</b>	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
San Diego County AA	24	14,034	100	90,218	87.6	58.3	51.3	5.2	33.3	7.2	8.3	
<b>Total</b>	<b>24</b>	<b>14,034</b>	<b>100</b>	<b>90,218</b>	<b>87.6</b>	<b>58.3</b>	<b>51.3</b>	<b>5.2</b>	<b>33.3</b>	<b>7.2</b>	<b>8.3</b>	
<i>Source: 2017 D&amp;B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data            Due to rounding, totals may not equal 100.0</i>												

## Geographic Distribution of Loans

The geographic distribution of business loans reflects excellent dispersion throughout the AA. As shown in Table D, in 2015/2016, NNB originated 14 percent of its business loans in low-income CTs and 38 percent of its business loans in moderate-income CTs, which compared favorably to the area business demographics of 5 percent of businesses located in low-income CTs and 15 percent of businesses located in moderate-income CTs.

<b>Table D: AA Distribution of Loans to Small Businesses by Income</b>													<b>2015-2016</b>	
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans
San Diego County AA	21	8,002	100	87,166	5.8	14.3	15.5	38.1	35.2	38.1	43.3	9.5	01	0.0
<b>Total</b>	<b>21</b>	<b>8,002</b>	<b>100</b>	<b>87,166</b>	<b>5.8</b>	<b>14.3</b>	<b>15.5</b>	<b>38.1</b>	<b>35.2</b>	<b>38.1</b>	<b>43.3</b>	<b>9.5</b>	<b>0.1</b>	<b>0.0</b>

*Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data  
Due to rounding, totals may not equal 100.0*

As shown in Table E, in 2017, NNB originated 29 percent of its business loans in low-income CTs and 37 percent of its business loans in moderate-income CTs, which compared favorably to the area business demographics of 5 percent of businesses located in low-income CTs and 15 percent of businesses located in moderate-income CTs.

<b>Table E: AA Distribution of Loans to Small Businesses by Income</b>													<b>2017</b>	
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans
San Diego County AA	24	14,034	100	90,218	5.4	29.2	15.1	37.5	35.1	16.7	44.2	16.7	0.2	0.0
<b>Total</b>	<b>24</b>	<b>14,034</b>	<b>100</b>	<b>90,218</b>	<b>5.4</b>	<b>29.2</b>	<b>15.1</b>	<b>37.5</b>	<b>35.1</b>	<b>16.7</b>	<b>44.2</b>	<b>16.7</b>	<b>0.2</b>	<b>0.0</b>

*Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data  
Due to rounding, totals may not equal 100.0*

## Responses to Complaints

Neither NNB nor the OCC received any CRA related complaints during this evaluation period.

## 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 community development loans): 1/01/2015 to 12/31/2017	
<b>Financial Institution</b>		<b>Products Reviewed</b>
Neighborhood National Bank San Diego, CA		Commercial loans
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
San Diego County AA San Diego, CA San Diego-Carlsbad-San Marco MSA #41740	Full-scope	NNB has one AA.

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

### Demographic Information for Full Scope Area: San Diego County AA

#### AA: San Diego 2010 Census 2016 Activity Year

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	628	10	21	36	32	1
Population by Geography	3,095,313	10	22	35	33	0
Housing Units by Geography	1,154,874	9	20	37	34	0
Owner-Occupied Units by Geography	593,945	3	14	39	44	0
Occupied Rental Units by Geography	467,844	15	28	34	23	0
Vacant Units by Geography	93,085	8	22	38	32	0
Businesses by Geography	245,710	6	16	35	43	0
Farms by Geography	4,775	4	16	39	41	0
Family Distribution by Income Level	703,747	22	18	19	41	0
Household Distribution by Income Level	1,061,789	24	16	18	42	0
Median Family Income MSA – 41740 San Diego-Carlsbad, CA MSA		73,560	Median Housing Value			496,417
			Median Gross Rent			1,274
			Families Below Poverty Level			9

Source: 2010 U.S. Census and 2016 D&B Data

Due to rounding, totals may not equal 100.0

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

### Demographic Information for Full Scope Area: San Diego County AA

#### AA: San Diego 2010 Census 2017 Activity Year

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	628	10	23	32	34	1
Population by Geography	3,223,096	9	24	32	35	0
Housing Units by Geography	1,180,806	8	22	34	36	0
Owner-Occupied Units by Geography	579,079	3	15	35	47	0
Occupied Rental Units by Geography	515,078	13	29	33	25	0
Vacant Units by Geography	86,649	7	23	34	36	0
Businesses by Geography	253,037	6	15	35	44	0
Farms by Geography	5,009	4	15	35	44	0
Family Distribution by Income Level	731,328	23	17	18	42	0

Household Distribution by Income Level	1,094,157	25	16	17	42	0
Median Family Income MSA – 41740 San Diego-Carlsbad, CA MSA		75,179	Median Housing Value			458,248
			Median Gross Rent			1,404
			Families Below Poverty Level			11
<i>Source: 2015 ACS Census and 2017 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## DESCRIPTION OF ASSESSMENT AREA

NNB’s AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. In 2014, NNB’s management changed the Bank’s AA from the southern portion of San Diego County to include the entire county of San Diego. The entire San Diego County AA consists of 628 contiguous CTs. The Board of Directors and management believe that NNB can reasonably serve the credit needs of the entire AA. In 2016, San Diego County was comprised of 10 percent low-income CTs, 21 percent moderate-income CTs, 36 percent middle-income CTs, 32 percent upper-income CTs, and 1 percent CTs with no income designation. In 2017, the demographic characteristics changed slightly. The AA had 10 percent low-income CTs, 23 percent moderate-income CTs, 33 percent middle-income CTs, 34 percent upper-income CTs, and 1 percent CTs with no income-designation.

Banking competition in the area is strong with numerous large, regional, and community banks and other financial service providers. NNB competes with other community banks in San Diego. The largest banks offering commercial and consumer financial products include Union Bank, Bank of America, JPMorgan Chase Bank, and Wells Fargo Bank. These large institutions have the advantage of strong brand recognition and can more readily capture market share as a result.

San Diego County includes the entire San Diego-Carlsbad-San Marcos Metropolitan Statistical Area (MSA). It is the southern-most county in California and is bounded by Orange and Riverside Counties to the north, Imperial County to the east, the Pacific Ocean to the west, and Mexico to the south. San Diego County is the second most populous county in California with a population of 3.3 million according to 2017 census data.

San Diego has a varied economic base. Major industries include government, professional, and business services; and trade, transportation, and utilities. Major employers include the University of California, San Diego, the County of San Diego, Naval Base San Diego, City of San Diego, San Diego Unified School District, Sharp Health Care, Scripps Health, and Qualcomm, Inc. According to the 2017 American Community Survey (ACS) five year estimates, the average median housing value was \$458,248. Approximately 49 percent of the housing units are owner occupied. The 2017 ACS five year estimates also reflected an average median family income of \$75,179 in the San Diego County AA. Approximately 13 percent of the households are living below the poverty level.

The consensus amongst local economists, including Alan Gin from the University of San Diego, is that the San Diego County economy will continue to experience a slow and steady recovery over the next few years. San Diego residents continue to face challenges in the variety of jobs created as well as the wages received. Middle-skilled jobs that once formed the broad-base of the middle class are disappearing. Consequently, most of the jobs created are relatively low-skilled and low-paid, such as home nursing and landscaping. The San Diego Association of Governments believes the current economic conditions will continue to impact consumers by job losses, lower wages, and foreclosures. RealtyTrac reported that San Diego County had 3,494 foreclosures filed during 2017. The U.S. Bureau of Labor Statistics estimated that the unemployment rate in San Diego County was 2.8 percent in May 2018 compared with the state unemployment rate of 4.8 percent and the national unemployment rate of 4.5 percent.

Examiners contacted a local non-profit affordable housing organization to determine primary credit needs in the AA. This organization built and owns 35 affordable housing rental complexes, which houses 2,486 families, senior citizens, and individuals. Also, this organization provides financial stability training programs to assist low- and moderate-income (LMI) families and individuals to improve their credit scores and reduce their debts. The organization stated that a primary need in the AA is to provide affordable housing to LMI families and individuals.