
Public Disclosure

February 12, 1998

Community Reinvestment Act Performance Evaluation

**American Investment Bank, N.A.
Charter Number 18174**

**200 East South Temple
Salt Lake City, Utah 84111**

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 CRA performance of **American Investment Bank, N.A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 31, 1997. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. 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."**

- o American Investment Bank, N.A. has provided a satisfactory level of community development loans, investments and services that are not routinely provided by private investors.
- o The bank makes use of innovative or complex loans, investments, and services.
- o American Investment Bank, N.A. exhibits a good responsiveness to credit and community development needs in its assessment area.

Description of Institution

American Investment Bank, N.A. (AIB) is headquartered in Salt Lake City, Utah. The bank received a national charter in 1984 and currently has three offices and 160 employees. Subsequently, the bank's charter was grandfathered to the restrictions of the Competitive Equality Banking Act (CEBA) of 1987. The CEBA charter only allows the bank to make consumer purpose loans. In addition, the bank cannot accept transaction accounts. On January 23, 1996, AIB was designated as a limited purpose institution for the purposes of CRA. Limited purpose institutions are evaluated for CRA compliance under the Community Development Test.

AIB is a wholly-owned subsidiary of Leucadia National Corporation, a diversified financial services holding company. Leucadia provides insurance, banking and related services through subsidiaries in several states.

AIB had total assets of \$202 million on December 31, 1997, which represents only modest growth over a two year period. The bank has historically been profitable. Only the CEBA restrictions serve as a challenge to the bank's CRA activities. The bank is mostly funded through local savings and time deposits. The two primary loan products consist of unsecured credit lines and secured auto loans. The lines of credit are marketed to executives and other professionals throughout the nation. The auto loans are marketed to individuals who have difficulty obtaining credit. These loans are offered through a network of dealerships in several states.

AIB's performance under the Community Reinvestment Act was last evaluated as of January 5, 1996. The bank was rated "Satisfactory Record of Meeting Community Credit Needs."

Description of Assessment Area

AIB defines its assessment area as Weber, Davis, Salt Lake, and Utah Counties and a portion of Summit County. Most of this area comprises the Provo-Orem MSA and the Salt Lake City-Ogden MSA. These two MSA's comprise 77% of Utah's population based on 1990 U.S. Census Data. The following table provides basic demographic information for the two MSA's.

Community Demographics						
Assessment Area	Population (000's) (1)	Median Family Income (2)	Number of census tracts	Percentage of LMI Census Tracts (3)	Number of Owner Occupied Housing Units (000's)	Percentage of Owner Occupied Units in LMI Census Tracts
Provo-Orem MSA	264	\$30,536	51	18%	44	42%
SLC-Ogden MSA	1,072	\$35,239	230	26%	234	16%

(1) 1990 U.S. Census Data

(2) 1990 U.S. Census Median Family Income

(3) low- and moderate-income census tracts have income levels less than 80% of the MSA median

The assessment area has experienced substantial economic growth in the 1990's. As a result, housing costs have steadily risen. The average home price in the Salt Lake City-Ogden MSA was \$152,980 in 1996, almost double the 1990 figure. Rental rates have also risen dramatically. However, wages have not kept pace with increasing real estate prices and rental rates. This situation has made it more difficult for individuals to purchase their own home.

The bank's assessment area is a mix of urban, suburban, and rural areas. Primary employment sectors consist of services, retail trade, government, and manufacturing, in that order. Unemployment remained mostly under 3% for both MSA's in 1997. This outpaced both the State of Utah and national figures. The economic forecast remains positive for the foreseeable future.

The general banking environment in Utah is very competitive. Two regional companies dominate banking activities in the state, but dozens of community banks, thrifts, and credit unions compete for business within AIB's assessment area. Only one other CEBA chartered bank is located in Salt Lake City. Several nationwide finance companies, thrifts, and banks compete with AIB for their two primary loan products.

Community Credit Needs

We identified community credit needs through a review of information recently gathered at meetings between regulatory agencies and various community groups, governmental agencies, etc. We analyzed this information in conjunction with demographic and economic data to identify affordable housing as the most significant credit need in the assessment area. In addition, we identified a need for small business loans and credit education/counseling for both business owners and individual consumers.

Conclusions with Respect to Performance

AIB was evaluated based on its record of community development activities. The CRA defines community development as (1) affordable housing for low- and moderate-income individuals; (2) community services targeted to low- and moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the Small Business Administration's size limits for development and investment companies or have gross annual revenue of \$1 million or less; or (4) activities that revitalize or stabilize low- or moderate-income areas.

Overall, the CRA performance of American Investment Bank, N.A. is satisfactory. Our evaluation period covered all of the bank's community development activities in 1996 and 1997. During that period of time, the bank provided \$4.46 million in community development loans to promote affordable housing. This is a primary credit need within the bank's assessment area. In addition, AIB management had to find an innovative method to comply with the CEBA restrictions on commercial and real estate loans. AIB's investment activities were also targeted to meet the demand for affordable housing. The bank purchased \$3MM in affordable housing bonds and made other direct contributions of money and equipment. Lastly, the bank demonstrated leadership in conducting some community development services. For example, the bank continues to administer a financial counseling program, and bank officers serve on the Boards of nonprofit groups.

The following are highlights of AIB's community development initiatives during the evaluation period.

Loans:

- o Investor Notes - The bank purchased \$4.46 million in investor notes to finance four affordable housing projects: 109-units in Colorado Springs, CO; 101-units in Kennewick, WA; 79 units in Ogden, UT and 108-units in St. George, UT. The loan proceeds were used by individual investors to purchase the tax credits related to these projects. Only the project in Ogden, UT falls within AIB's assessment area. However, the bank also receives positive consideration for the other loans under the Community Development Test.

Investments:

- o Utah State Housing Finance Agency Bonds - The bank purchased a total of \$3MM in Utah State Housing Finance Agency Bonds (USHFAB) during the evaluation period. The proceeds from these bonds are used by the state to provide affordable housing for low-income families and individuals throughout Utah, including the bank's assessment area.
- o Utah Microenterprise Loan Fund (UMLF) - The bank made a \$10M investment in the Utah Microenterprise Loan Fund in May 1997. This brought the bank's total investment to \$20M. The UMLF is a nonprofit entity which makes very small loans to start-up business ventures. Many of these loans are made to low- and moderate-income people.
- o Qualifying Donations - The bank made \$26,220 in qualifying community development donations during the evaluation period. These donations were provided to several different community groups which promote affordable housing, economic development, and education for low- and moderate-income individuals. For example, the bank donated \$9,600 to Junior Achievement of Utah. This organization helps disadvantaged youth learn about economics, banking, and the free enterprise system. The bank also donated \$3,100 to Habitat for Humanity. This organization builds affordable homes for low-income families.
- o In-Kind Contributions - The bank has donated equipment which qualifies as a community development investment. Specifically, the bank donated a computer to the Utah Microenterprise Loan Fund. The bank also donated a computer to the Granite Education Foundation for their Families and Agencies Coming Together (FACT) program. The FACT program helps low-income single mothers become more self-sufficient. Lastly, the bank donated a desk and chairs to Junior Achievement of Utah.

Services:

- o Financial Counseling Program - In 1992, AIB established a financial counseling program for the State Department of Human Services. The program provides credit counseling and budgeting assistance to low-income individuals referred by state social workers. The bank supports the program by allowing qualified employees to assist referred individuals during business hours. The bank also administers the program and has recruited other financial institutions to participate. Designated AIB employees train the other bank's counselors and work with state personnel to promote the program. Twenty-five AIB employees provided 802 hours to this program during the evaluation period.
- o AIB senior management has encouraged employees to use their skills to assist community groups. For example, bank staff helps collect UMLF loans. In addition, the bank has performed numerous services for Habitat for Humanity. For example, the bank's CRA Officer serves on the Board for Habitat. Other bank staff have helped raise money, put together a grant application, service loans, and provide meeting space for this organization. Lastly, a bank officer serves on the Board for Junior Achievement of Utah.

Compliance with Anti-discrimination Laws and Regulations

Concurrent with the CRA examination, we evaluated AIB's compliance with the various antidiscrimination laws and regulations. Our scope included the testing of specific transactions for compliance. Our review did not disclose any violations of the substantive provisions of the antidiscrimination laws and regulation.

Appendix A

SCOPE OF THE EXAMINATION

The examination of the AIB's Community Reinvestment Act performance was conducted in accordance with standard procedures for Limited Purpose Institutions. All community development investments and services in 1996 and 1997 presented by bank management were reviewed in detail to ensure they qualify for consideration under the Community Development Test.