



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

AUGUST 3, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**NARA BANK, NATIONAL ASSOCIATION
Charter Number 21669**

**2727 West Olympic Boulevard
Los Angeles, California 90006-2639**

**Office of the Comptroller of the Currency
550 North Brand Boulevard, Suite 500
Glendale, California 91203**

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| 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. |
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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 (CRA) performance of **NARA BANK, N.A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **AUGUST 3, 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.**”

- The loan-to-deposit ratio exceeds the standard for satisfactory performance.
- Lending in the assessment area meets the standard for satisfactory performance.
- The loans are reasonably distributed among borrowers of different incomes and businesses of different sizes.
- The geographic distribution of loans does not meet the standard for satisfactory performance.
- There were no complaints associated with the bank's performance under the CRA.

DESCRIPTION OF INSTITUTION:

Nara Bank, National Association (Nara) is a \$213 million community bank, established in June 1989. The bank has six offices. Five of these offices were opened between June 1996 and July 1998. In April 1998, Nara established a loan production office in the State of Washington. Nara's corporate and main offices are located in one facility on West Olympic Boulevard in the City of Los Angeles. The bank's other two full-service offices are located in downtown Los Angeles and San Jose. The bank's three in-store offices are located in the California cities of Van Nuys, Torrance, and Glendale. Customers can access their funds 24 hours daily through the bank's automated teller machines (ATMs). With the exception of the downtown Los Angeles office, all of the offices have ATMs attached.

As of June 30, 1998, the bank had \$140 million in loans, comprising 66 percent of the bank's total assets. The loan portfolio is comprised of: 17 percent commercial real estate; 66 percent business; and, 17 percent consumer loans.

There are no financial nor legal impediments to the bank's ability to meet the credit needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS:

Nara has two assessment areas. One assessment area is located in the Los Angeles Metropolitan Statistical Area (MSA) and the other assessment area is in the San Jose MSA. Both assessment areas comply with the requirements of the CRA. Low- and moderate-income census tracts are not arbitrarily excluded from the assessment areas.

Los Angeles Assessment Area:

The Los Angeles assessment area consists of 1,188, or 72 percent, of the census tracts within the MSA. Of the 1,188 census tracts within the assessment area, 134 are designated as low-income and 321 as moderate-income. There are also 336 middle-income and 386 upper-income census tracts within the assessment area. There are 11 census tracts for which the 1990 census reported no income information.

According to the Department of Housing and Urban Development (HUD), the 1996 median family income for the assessment area was \$47,800. Dun and Bradstreet reported a total of 242,100 businesses within the assessment area. Of that number, 74 percent, or 179,713 of these businesses had sales of less than \$1 million. The largest employers within the assessment area include the following industries: service; retail trade; wholesale trade; finance, insurance and real estate; manufacturing; and, construction.

San Jose Assessment Area:

The San Jose assessment area consists of 202, or 52 percent, of the census tracts within the MSA. Of the 202 census tracts within the assessment area, 10 are designated as low-income and 46 as moderate-income. There are also 122 middle-income and 24 upper-income census tracts.

According to the HUD, the 1996 median family income for the assessment area was \$70,200. Dun and Bradstreet reported a total of 36,193 businesses within the assessment area. Of that number, 71 percent, or 25,779 of these businesses reported sales of less than \$1 million. The largest employers within the assessment area include the following industries: service; retail trade; manufacturing; finance, insurance and real estate; wholesale trade; and, construction.

Other Information - Los Angeles and San Jose Assessment Areas:

The bank operates in a competitive environment. There are branches of major commercial banks, savings and loan associations, credit unions, community banks, and other financial service providers competing for the available business within both assessment areas.

As part of this examination, we considered information obtained from ten community contacts. Our contacts indicate that there are needs in the assessment areas for the following: home financing; micro business; retail partnership financing; environmental clean-up; workout; co-lending; and, multi-family loans. There are also needs for investment and credit advice, grants, credit workshops, technical assistance, and full-service banking facilities. Our contacts included: a community housing organization; a community-based development corporation; two non-profit development corporations; two grassroots organizations; two economic development lenders; a community development credit union, and a small business development center.

DEFINITIONS:

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of the census tracts.

Low-Income - Income levels that are less than 50 percent of the MFI.

Moderate-Income - Income levels that are at least 50 percent and less than 80 percent of the MFI.

Middle-Income - Income levels that are at least 80 percent and less than 120 percent of the MFI.

Upper-Income - Income levels that are 120 percent or more than the MFI.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Our conclusions are based on the bank's lending activity from January 1, 1996, through June 30, 1998. We focused our evaluation on the bank's lending activities in the Los Angeles assessment area. The lending activities of the San Jose assessment area would not be meaningful, since this assessment area has been established for less than one year. We used loan data developed by the bank and sampled a number of loans to confirm the accuracy of the loan information. The sample included 50 consumer and 50 business loans funded within the assessment area.

LOAN-TO-DEPOSIT RATIO:

Nara's loan-to-deposit ratio exceeds the standard for satisfactory performance. The bank's loan-to-deposit ratio for the eight quarters ended March 31, 1998, was 69 percent. The average ratio of four similarly situated banks for the same period was 54 percent. For purposes of this evaluation, we considered similarly situated banks as those banks with similar asset size which are located within Nara's assessment area.

LENDING IN ASSESSMENT AREA:

Nara’s lending in the assessment area meets the standard for satisfactory performance. A majority of the bank’s loans are within the assessment area. Of the total loans funded during this review period, 71 percent by number and 77 percent by dollar volume are within the assessment area. Please refer to the table below for details.

Lending Within Los Angeles Assessment Area

| Total Loans by Number and Dollar Volume | Total Loans Made Within Assessment Area | Percent of Total Loans Made Within Assessment Area |
|--|--|---|
| 2,517 | 1,788 | 71% |
| \$197,575,292 | \$152,759,780 | 77% |

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES:

The bank’s consumer loans are reasonably distributed among borrowers of different incomes. Nara extended 6 percent of the loans funded by dollar volume and 10 percent by number to low-income borrowers. Moderate-income borrowers received 42 percent by dollar volume and 49 percent by number of loans funded. Middle- and upper-income borrowers combined, received 52 percent by dollar volume and 41 percent by number of loans funded. Refer to the table below for details.

Lending to Borrowers of Different Incomes Within Los Angeles Assessment Area

| Income Characteristic of Census Tracts | Loan Dollar Volume | Percent of Dollar Volume | Number of Loans | Percent of Numbers |
|---|---------------------------|---------------------------------|------------------------|---------------------------|
| Low | \$854,873 | 6% | 112 | 10% |
| Moderate | \$6,062,371 | 42% | 557 | 49% |
| Middle | \$3,044,147 | 21% | 248 | 22% |
| Upper | \$4,614,712 | 31% | 213 | 19% |
| Total | \$14,576,103 | 100% | 1,130 | 100% |

The bank's business loans are reasonably distributed among businesses of different sizes. The table below shows small businesses received 22 percent by dollar volume and 39 percent by number of the loans funded. For the purpose of this review, we classified businesses with revenues of less than \$1 million as small businesses. In addition to the loans shown in the table below, Nara funded 296 loans totalling \$33,274,917. However, the bank did not collect revenue information from these borrowers. Of the 296 loans, we confirmed that 217 loans, or 73 percent, were for amounts of less than \$100 thousand and another 46 loans, or 16 percent, were for amounts between \$100 - \$250 thousand. This would indicate that Nara actively extends loans to small businesses.

**Distribution of Business of Different Sizes
Within Los Angeles Assessment Area**

| Revenues | Loan Dollar Volume | Percent of Dollar Volume | Number of Loans | Percent of Numbers |
|--------------------------|---------------------------|---------------------------------|------------------------|---------------------------|
| < \$100,000 | \$3,241,273 | 3% | 22 | 6% |
| > \$100,000< \$250,000 | \$4,800,909 | 5% | 29 | 8% |
| > \$250,000< \$500,000 | \$8,560,418 | 8% | 48 | 14% |
| > \$500,000< \$1,000,000 | \$6,652,793 | 6% | 39 | 11% |
| > \$1,000,000 | \$80,138,232 | 78% | 215 | 61% |
| Total | \$103,393,625 | 100% | 353 | 100% |

GEOGRAPHIC DISTRIBUTION:

The bank's geographic distribution does not meet the standard for satisfactory performance. Nara has several conspicuous gaps in their lending throughout the assessment area. Of the 1,177 geographies (census tracts) with reported income, borrowers in only 38 percent of those geographies received loans. Specifically, the bank did not extend any loans to borrowers in 53 percent of the low-income nor to 66 percent of the moderate-income geographies within the assessment area. Also, borrowers in 61 percent of the middle-income and 64 percent of upper-income geographies did not receive loans. Most of the low- and moderate-income geographies without loans are within a five-mile radius of the bank's main office. The table below highlights the loan distribution within the 442 geographies which received loans from the bank.

**Geographic Distribution of Loans
Within the Los Angeles Assessment Area**

| Income Characteristic of Census Tracts | Loan Dollar Volume | Percent of Dollar Volume | Number of Loans | Percent of Numbers |
|---|---------------------------|---------------------------------|------------------------|---------------------------|
| Low | \$66,419,817 | 44% | 497 | 29% |
| Moderate | \$38,989,130 | 26% | 539 | 31% |
| Middle | \$19,682,425 | 13% | 343 | 20% |
| Upper | \$26,049,212 | 17% | 346 | 20% |
| Total | \$151,140,584 | 100% | 1,725 | 100% |

The bank recently developed two loan programs to target these low- and moderate-income geographies. The programs are expected to benefit small businesses and individuals.

RESPONSE TO WRITTEN COMPLAINTS:

Nara did not receive any written complaints associated with its performance under the Community Reinvestment Act.

RECORD OF COMPLIANCE WITH ANTI-DISCRIMINATION LAWS:

We did not identify any violations of the anti-discrimination laws or regulations.