



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

August 5, 2013

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Simplicity Bank  
Charter Number 715954

1359 North Grand Avenue, Suite 200 Covina, CA 91724

Office of the Comptroller of the Currency

550 North Brand Boulevard, Suite 500 Glendale, CA 91203-1985

**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, 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.

**INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."**

**The Lending Test is rated: "Satisfactory."**

**The Community Development Test is rated: "Satisfactory."**

The following major factors support the institution's rating:

- The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and business strategy.
- The bank originated a substantial majority of its loans within its delineated assessment areas (AAs).
- Lending among borrowers of different income levels, given the bank's product mix, reflects reasonable distribution.
- The geographic distribution of loans reflects reasonable distribution.
- The bank provided an adequate level of community development activities given performance context factors.

## **Scope of Examination**

This examination evaluates the CRA performance of Simplicity Bank (Simplicity). Formerly regulated by the Office of Thrift Supervision (OTS), this is the bank's first CRA examination conducted by the Office of the Comptroller of the Currency (OCC). We performed intermediate small bank (ISB) CRA procedures that included an evaluation of CRA activities under the Lending Test criteria, as well as an evaluation of lending, investments, and services under the Community Development (CD) Test.

**Lending Test:** The substantial majority of the bank's loan originations during our Lending Test evaluation period (calendar years 2010 and 2011) were residential mortgage loans. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). As part of our evaluation, we tested it and found that the data was reliable. As a result, all residential loans originated and purchased during the evaluation period were used in evaluating the bank's lending performance.

**Community Development Test:** We considered all qualifying CD activities since the bank's prior CRA examination, from January 2009 through April 30, 2013.

## **Description of Institution**

Simplicity, formerly known as Kaiser Federal Bank, is a federally chartered stock savings institution headquartered in Covina, California. The bank is a wholly owned

subsidiary of Simplicity Bancorp Inc., which is a single-bank holding company. The bank was originally founded in 1953 as a credit union to serve the banking needs of Kaiser Permanente Hospital employees. The credit union retained its charter until 1999 when it converted to a mutual savings bank under the name Kaiser Federal Bank. In November 2012, the bank changed its name to Simplicity as part of a broader business strategy to operate as a community bank serving the financial needs of all customers within its communities.

Simplicity currently operates six branches in Los Angeles County and one branch in San Bernardino County. The bank has branches in various locations throughout Los Angeles County: Downey, Harbor City, and Pasadena (all in upper-income census tracts), Glendora and Los Angeles (both in middle-income census tracts), and Panorama City (in a moderate-income census tract). The one branch in San Bernardino County is located in Fontana (in a moderate-income census tract).

The bank closed two branches in the past year. In September 2012, the bank closed the Riverside branch (located in a middle-income census tract) and in June 2013, the Santa Clara branch (located in a moderate-income census tract) was also closed. These branches were closed due to low loan demand, strong competition, and other operating constraints.

The bank offers a variety of traditional loan products to meet the credit needs of its community, with an emphasis on single-family and multifamily residential lending. Auto loans are the bank's primary consumer loan product. Additionally, the bank offers various deposit products and account services through their branch locations and online banking. Branches are open for business Monday through Thursday 9:00am – 5:00pm and Friday 9:00am – 6:00pm. The bank has automated teller machines (ATM) at all branch locations.

As of March 31, 2013, Simplicity reported total assets of \$882 million, total loans of \$722 million, total deposits of \$679 million, and total equity capital of \$132 million. The following chart summarizes the loan portfolio by major loan type:

Simplicity Bank Outstanding Balances by Major Product Type as of March 31, 2013		
Loan Type	(\$000's)	Percent
1-4 Family Residential RE	342,136	47.4
Multifamily Residential RE	277,261	38.4
Commercial RE	66,661	9.2
Automobile	23,042	3.2
Consumer	12,817	1.8
<b>Total</b>	<b>721,917</b>	<b>100%</b>

There are no financial or legal factors that impede the bank's ability to meet the credit needs of the communities it serves. Simplicity received a "Satisfactory" rating under the ISB rating criteria at the prior CRA examination conducted by the OTS in July 2009.

## **Description of Assessment Areas**

Simplicity has three designated AAs. Two of the AAs are Combined Statistical Areas (CSA): the Los Angeles-Long Beach-Riverside CSA and the San Jose-San Francisco-Oakland CSA. The other AA is the San Diego-Carlsbad-San Marcos Metropolitan Statistical Area (MSA). The AAs meet regulatory requirements, have whole census tracts, and do not arbitrarily exclude low- or moderate-income geographies.

### **Los Angeles-Long Beach-Riverside CSA**

The Los Angeles-Long Beach-Riverside CSA (LACSA) is comprised of the entire Counties of Los Angeles, Orange, Ventura, San Bernardino, and Riverside. The Greater Los Angeles Area surrounds the urban core of Los Angeles County and encompasses the urbanized areas from Ventura County to the southern border of Orange County, and the Pacific Ocean to the Coachella Valley in the Inland Empire. As of the 2010 United States Census, it is home to nearly half of all California residents. The estimated population is 17.9 million based on the Census. The LACSA is made up of the following geographies: Los Angeles-Long Beach-Glendale Metropolitan Division (MD), Santa Ana-Anaheim-Irvine MD, Riverside-San Bernardino-Ontario MSA, and Oxnard-Thousand Oaks-Ventura MSA.

The LACSA consists of 3,373 census tracts: 7 percent are low-income; 28 percent are moderate-income; 32 percent are middle-income; and 32 percent are upper-income tracts. Approximately 1 percent of the geographies are not designated to a specific income level. The 2000 Census median housing value for LACSA was \$223,960. Using the DQNews median home prices in May 2013, the median housing value throughout the LACSA was \$374,600. Approximately 52 percent of all housing units are owner occupied. The 2000 weighted average of the median family income was \$53,036. The FFIEC updated the 2013 median family income to \$61,900 for Los Angeles County, \$62,600 for Riverside and San Bernardino Counties, \$84,100 for Orange County, and \$86,300 for Ventura County. Approximately 13 percent of these households are living below the poverty level.

The LACSA has a robust economy that includes various industries and the infrastructure to support intrastate commerce. Some of the various industries operating in the LACSA include entertainment, aerospace, biomedical, financial services, fashion, construction and tourism. The major employers in the LACSA are Kaiser Permanente, Walt Disney Co., Stater Brothers Markets, and the University of California School system. The LACSA is home to the Port of Los Angeles and Long Beach, which is the busiest port in the country. The LACSA has a vast transportation system that connects the entire southland with the world. There are both international and domestic airports, rail systems for freight and passenger/commuters, and an extensive road system. Data

compiled by Moody's indicates that the economy in the LACSA areas has steadily improved during the past four years. Unemployment rates in the LACSA vary depending on the county. As of 2011, Riverside's unemployment rate was 13.4 percent and improved to 10.6 percent in 2013. The unemployment rate in Los Angeles County was 12.3 percent in 2011 and 9.4 percent in 2013. Orange County had the lowest unemployment rate over the past 4 years with 8.7 percent unemployment in 2011 and 6.6 percent unemployment in 2013. As with employment, home values vary throughout the AAs based on the county. The average existing home price in Orange County in 2011 was \$513,000. The average existing home price in Los Angeles County in 2011 was \$300,000. Riverside County's average existing home price was \$172,400 in 2011.

We contacted one community development organization that provides credit resources to small businesses in underserved communities in Los Angeles County. The contact stated that high unemployment and low business formations persist in the area. However, increasing credit availability to local small businesses will improve economic conditions through job creation and economic development. The contact also stated that there are numerous opportunities for bank involvement that include contributing to small business lending funds and providing technical assistance to small businesses in the area.

### **San Jose-San Francisco-Oakland CSA**

The San Jose-San Francisco-Oakland CSA (SJCSA) includes the nine counties of the Greater San Francisco Bay area as well as two non-bordering counties. The Greater San Francisco Bay Area surrounds the San Francisco and San Pablo estuaries in Northern California and encompasses the major cities and metropolitan areas of San Francisco, Oakland, and San Jose along with smaller urban and rural areas. A network of roads, highways, railroads, bridges, tunnels, and commuter rail connects much of the Bay Area. The United States Office of Management and Budget (OMB) includes the counties of San Benito and Santa Cruz in the CSA because these counties are economically tied to the Greater San Francisco Bay Area. The 11 counties comprise six MSAs: San Francisco-Oakland-Fremont, San Jose-Sunnyvale-Santa Clara, Santa Rosa-Petaluma, Vallejo-Fairfield, Santa Cruz-Watsonville, and Napa. The San Francisco-Oakland-Fremont MSA includes the Oakland-Fremont-Hayward MD and the San Francisco-San Mateo-Redwood City MD. The Counties of Santa Clara, San Mateo, and Marin had the highest median household income of all counties in California in 2011. The Counties of Santa Clara, Alameda, San Mateo, and San Francisco were among the five fastest growing counties in the state in 2012. The SJCSA ranks as the fifth most populous area of the United States with an estimated population of 7.5 million based on the 2010 U.S. Census.

The SJCSA consists of 1,465 census tracts: 7 percent are low-income; 22 percent are moderate-income; 43 percent are middle-income; and 28 percent are upper-income tracts. The 2000 Census median housing value was \$375,890. Using the DQNews median home prices in May 2013, the median housing value throughout the SJCSA was \$575,585. Approximately 55 percent of all housing units are owner occupied. The 2000

weighted average of the median family income was \$76,795. The FFIEC updated the 2013 median family income ranging from \$73,800 in Santa Cruz County to \$101,300 in the Counties of San Benito and Santa Clara. Approximately 8 percent of the households are living below the poverty level.

The economy of the SJCSA has diverse economic conditions that vary greatly from the various MSA's located in the SJCSA. The SJCSA has various industries contributing to overall economic conditions. San Francisco-San Mateo-Redwood City MD and San Jose-Sunnyvale-Santa Clara MSA have some of the highest per capita incomes in the United States. The high per capita income is driven by the technology industries located in these geographies. The Oakland-Fremont-Hayward MD relies heavily on its proximity to San Francisco and Silicon Valley for economic opportunities. Various companies in the technology industry locate there to take advantage of proximity to San Francisco and Silicon Valley with cheaper rents. Oakland-Fremont-Hayward MD relies heavily on State and Federal infrastructure for employment opportunities. Some of the major employers in the SJCSA are The University of California School system, Wells Fargo, Kaiser Permanente, Cisco Systems, and Oracle Corporation.

Information received from community contacts indicated the following needs in the SJCSA: affordable housing, financial literacy, small business development, and support for organizations that create jobs.

### **San Diego-Carlsbad-San Marcos MSA**

The San Diego-Carlsbad-San Marcos MSA (SDMSA) consists of the entire San Diego County. San Diego County has a population of 3.1 million people, making it the 17<sup>th</sup> largest county in the United States. The county consists of 18 incorporated cities and a number of unincorporated regions. The San Diego MSA consists of 605 census tracts: 48 low-income; 136 moderate-income; 228 middle-income; 190 upper-income; and three census tracts are listed as N/A. San Diego County is located further southwest than any other county in the continental United States. According to the 2000 census, San Diego County totals 4,525 square miles. San Diego County borders the Pacific Ocean to the west, Mexico to the south, and Camp Pendleton to the north. San Diego has an international airport, an extensive highway/freeway system and rail for passengers and freight.

Prices in the San Diego real estate market reached their maximum in 2005 and subsequently declined by 40%. Home prices in San Diego fell every year from 2005 – 2009 and had a slight increase in 2010, yet to fall again in 2011. The San Diego real estate market is considered to be expensive. According to the National Realtors Association, San Diego is the 16<sup>th</sup> most expensive market in the country with an average existing home price of \$370,600 in 2011. The unemployment rate in San Diego County peaked in 2010 at 10.5 percent. Unemployment in San Diego County has declined every year since 2010 and is currently at 7.8%. The San Diego economy is bolstered by the United States Military spending with more than a dozen military bases located in the San Diego MSA. The San Diego MSA's economy is also supported by

the following industries: biotechnology, tourism, and computer manufacturing and engineering. Some of the major employers in the region are the United States Marine Corps, United States Navy, University of California San Diego, and Qualcomm.

Information obtained from community contacts identified the following needs in the SDMSA: affordable housing, foreclosure prevention programs, and support for various workforce development initiatives.

## **Conclusions with Respect to Performance Tests**

The following sections of this evaluation present the data that support our conclusions under the Lending Test and the CD Test, respectively. Also, refer to the “Institution’s CRA Rating” section of this report for summary conclusions regarding Simplicity’s performance under each test.

### **LENDING TEST**

Simplicity’s performance under the CRA Lending Test is Satisfactory. The bank meets the standard for satisfactory performance in three of the tests and exceeds the standard in one of the tests.

#### **Loan-to-Deposit Ratio**

Simplicity’s loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and local economic conditions, and meets the standard for satisfactory performance. We evaluated the bank’s quarterly average LTD ratio for the 17 quarters since the prior CRA examination through March 2013. During this period, the bank’s LTD ratio averaged 111 percent. This ratio ranged from a quarterly low of 100 percent to a quarterly high of 129 percent during this period. The bank’s LTD ratio reasonably compares with four other banks of similar asset size in the AAs. The combined quarterly average LTD ratio for these banks was 110 percent over the same period, and the ratio ranged from 83 percent to 150 percent.

#### **Lending in Assessment Area**

Simplicity made a substantial majority of the number and dollar volume of loans inside its AAs, and exceeds the standard for satisfactory performance. Simplicity made almost 100 percent of both the number and dollar volume of loans within its delineated AAs.

The following table reflects the volume of the bank’s HMDA loan originations granted inside and outside its delineated AAs:

Table 1 – Lending in the Defined Combined Assessment Areas January 2010 through December 2011										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Mortgage Loans	311	99.68	1	0.32	312	183,699	99.66	635	0.34	184,334

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

In the distribution analyses which follow, we compared the bank’s loan distribution performance to the area demographics. We compared Simplicity’s performance to the HMDA aggregate data (other financial institutions in the AA that also report HMDA loan data), which is the primary comparator for thrift institutions. We completed our analyses on the Los Angeles MD, the Orange MD, and the San Bernardino MSA, which include the majority of the bank’s HMDA lending.

The bank’s overall distribution of loans to borrowers of different income levels reflects reasonable distribution compared to area demographics and meets the standard for satisfactory performance.

*Performance in the Los Angeles County MD*

The distribution of Simplicity’s home mortgage loans to borrowers of different income levels reflects reasonable penetration in the Los Angeles County AA. The level of refinance loans in low- and moderate-income census tracts is in line with peer aggregate data when considering the high level of loans with no income information available. In addition, the bank did not make any purchase loans in moderate-income census tracts in the AA. Because many of Simplicity’s loans were for multifamily housing or made to entities other than individuals or families, income is not required to be reported for HMDA data purposes. Therefore, we are unable to determine if these loans were made to low- or moderate-income borrowers. The level of home improvement lending is too low to reach meaningful conclusions.

The following tables summarize the Geographic Distribution of Simplicity's home mortgage loan data:

<b>Distribution of Home Mortgage Refinance Loans By Borrower Income Level Los Angeles County MD</b>			
<b>Borrower Income Level</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Families</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	23.9	2.36	3.06
Moderate	16.5	4.72	7.60
Middle	17.4	5.51	14.05
Upper	42.2	31.5	60.47

Source: All 127 home refinance loans Simplicity originated within its Los Angeles County AA between 1/1/2010 and 12/31/2011. (Note: 55.91 percent of the bank's income levels are not available. 14.82 percent of peer aggregate income levels are not available.)

<b>Distribution of Home Mortgage Purchase Loans By Borrower Income Level Los Angeles County MD</b>			
<b>Borrower Income Level</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Families</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	23.9	1.23	2.89
Moderate	16.5	0.00	14.53
Middle	17.4	0.0	24.08
Upper	42.2	16.05	48.01

Source: All 81 home purchase loans Simplicity originated within its Los Angeles County AA between 1/1/2010 and 12/31/2011. (Note: 82.72 percent of the bank's income levels are not available. 10.49 percent of peer aggregate income levels are not available.)

<b>Distribution of Home Improvements Loans By Borrower Income Level Los Angeles County MD</b>			
<b>Borrower Income Level</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Families</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	23.9	0.00	4.12
Moderate	16.5	0.00	10.35
Middle	17.4	0.00	17.62
Upper	42.2	100.00	57.09

Source: All 8 home improvement loans Simplicity originated within its Los Angeles County AA between 1/1/2010 and 12/31/2011. (Note: 10.82 percent of peer aggregate income levels are not available.)

*Performance in the Orange County MD*

The distribution of Simplicity’s home mortgage loans to borrowers of different income levels reflects reasonable distribution in the Orange County AA. The bank did not make any home refinance loans within moderate-income census tracts. However, lending in low-income census tracts exceeds the peer aggregate demographic. The level of home purchase and home improvement lending is too low to reach meaningful conclusions.

The following tables summarize the Geographic Distribution of Simplicity’s home mortgage loan data:

<b>Distribution of Home Mortgage Refinance Loans By Borrower Income Level Orange County MD</b>			
<b>Borrower Income Level</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Families</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	23.9	5.00	4.13
Moderate	16.5	0.00	10.50
Middle	17.4	10.00	20.24
Upper	42.2	70.00	52.97

Source: All 20 home refinance loans Simplicity originated within its Orange County AA between 1/1/2010 and 12/31/2011. (Note: 15.0 percent of the bank’s income levels are not available. 12.16 percent of peer aggregate income levels are not available.)

<b>Distribution of Home Mortgage Purchase Loans By Borrower Income Level Orange County MD</b>			
<b>Borrower Income Level</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Families</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	23.9	0.00	3.87
Moderate	16.5	7.69	16.59
Middle	17.4	0.00	23.60
Upper	42.2	53.85	47.53

Source: All 13 home purchase loans Simplicity originated within its Orange County AA between 1/1/2010 and 12/31/2011. (Note: 38.46 percent of the bank’s income levels are not available. 8.41 percent of peer aggregate income levels are not available.)

<b>Distribution of Home Improvement Loans By Borrower Income Level Orange County MD</b>			
<b>Borrower Income Level</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Families</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	23.9	0.00	5.99
Moderate	16.5	0.00	15.59
Middle	17.4	0.00	23.12
Upper	42.2	50.00	48.07

Source: All 2 home improvement loans Simplicity originated within its Orange County AA between 1/1/2010 and 12/31/2011. (Note: 50.0 percent of the bank's income levels are not available. 7.23 percent of peer aggregate income levels are not available.)

### *Performance in the San Bernardino County MSA*

The distribution of Simplicity's home mortgage loans to borrowers of different income levels reflects reasonable distribution in the San Bernardino County AA. The bank did not make any home refinance loans within moderate-income census tracts. However, the bank did not make many home refinance loans during the assessment period. In addition, lending in low-income census tracts for home refinance loans well exceeds the peer aggregate demographic. The level of home purchase and home improvement lending is too low to reach meaningful conclusions.

The following tables summarize the Geographic Distribution of Simplicity's home mortgage loan data:

<b>Distribution of Home Mortgage Refinance Loans By Borrower Income Level San Bernardino County MSA</b>			
<b>Borrower Income Level</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Families</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	23.9	10.53	3.82
Moderate	16.5	0.00	9.03
Middle	17.4	0.00	16.57
Upper	42.2	63.16	48.88

Source: All 19 home refinance loans Simplicity originated within its San Bernardino County AA between 1/1/2010 and 12/31/2011. (Note: 26.32 percent of the bank's income levels are not available. 21.70 percent of peer aggregate income levels are not available.)

<b>Distribution of Home Mortgage Purchase Loans By Borrower Income Level San Bernardino County MSA</b>			
<b>Borrower Income Level</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Families</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	23.9	0.00	10.03
Moderate	16.5	0.00	22.95
Middle	17.4	0.00	24.91
Upper	42.2	100.00	32.84

Source: All 4 home purchase loans Simplicity originated within its San Bernardino County AA between 1/1/2010 and 12/31/2011. (Note: 9.27 percent of peer aggregate income levels are not available.)

<b>Distribution of Home Improvement Loans By Borrower Income Level San Bernardino County MSA</b>			
<b>Borrower Income Level</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Families</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	23.9	0.00	5.61
Moderate	16.5	0.00	11.54
Middle	17.4	50.00	21.57
Upper	42.2	50.00	49.95

Source: All 4 home improvement loans Simplicity originated within its San Bernardino County AA between 1/1/2010 and 12/31/2011. (Note: 11.33 percent of peer aggregate income levels are not available.)

### **Geographic Distribution of Loans**

The overall geographic distribution of Simplicity’s home mortgage loans reflects reasonable distribution throughout the AAs compared to area demographics, and meets the standard for satisfactory performance. The bank’s overall distribution of loans in low- and moderate-income tracts meets the demographic data for the AAs.

#### *Performance in the Los Angeles County MD*

The geographic distribution of Simplicity’s home mortgage loans reflects excellent distribution in the Los Angeles County AA. The bank’s distribution of loans in low- and moderate-income tracts generally exceeds the demographic data for the AA. The bank did not make any home improvement loans within low-income census tracts. However, the bank does a limited amount of home improvement loans, and only made eight home improvement loans in the entire AA. In addition, the peer aggregate in low-income census tracts is low at 1.64 percent.

The following tables summarize the Geographic Distribution of Simplicity's home mortgage loan data:

<b>Geographic Distribution of Home Mortgage Refinance Loans Los Angeles County MD</b>			
<b>Census Tract Designation</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Owner Occupied Units</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	1.91	13.39	1.14
Moderate	15.46	32.28	9.41
Middle	31.30	19.69	24.55
Upper	51.33	34.64	64.75

Source: All 127 home refinance loans Simplicity originated within its Los Angeles County AA between January 1, 2010, and December 31, 2011. (Note: 0.15 percent of peer aggregate census tracts are not income-designated tracts.)

<b>Geographic Distribution of Home Purchase Loans Los Angeles County MD</b>			
<b>Census Tract Designation</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Owner Occupied Units</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	1.91	19.75	3.82
Moderate	15.46	43.22	18.37
Middle	31.30	19.75	32.47
Upper	51.33	17.28	45.02

Source: All 81 home purchase loans Simplicity originated within its Los Angeles County AA between January 1, 2010, and December 31, 2011. (Note: 0.32 percent of peer aggregate census tracts are not income-designated tracts.)

<b>Geographic Distribution of Home Improvement Loans Los Angeles County MD</b>			
<b>Census Tract Designation</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Owner Occupied Units</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	1.91	0.00	1.64
Moderate	15.46	37.50	12.07
Middle	31.30	12.50	28.95
Upper	51.33	50.00	57.22

Source: All 8 home improvement loans Simplicity originated within its Los Angeles County AA between January 1, 2010, and December 31, 2011. (Note: 0.12 percent of peer aggregate census tracts are not income-designated tracts.)

### *Performance in the Orange County MD*

The geographic distribution of Simplicity's home mortgage loans reflects reasonable distribution in the Orange County AA. The bank's overall distribution of loans in low- and moderate-income tracts meets the demographic data for the AA. The level of refinance loans in moderate-income census tracts is below the peer aggregate. However, the bank's lending in low-income census tracts well exceeds the demographic. The level of home improvement lending is too low to reach meaningful conclusions.

The following tables summarize the Geographic Distribution of Simplicity's home mortgage loan data:

<b>Geographic Distribution of Home Mortgage Refinance Loans Orange County MD</b>			
<b>Census Tract Designation</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Owner Occupied Units</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	1.25	15.00	0.50
Moderate	19.56	5.00	12.36
Middle	33.56	10.00	29.00
Upper	45.63	70.00	58.14

Source: All 20 home refinance loans Simplicity originated within its Orange County AA between January 1, 2010, and December 31, 2011.

<b>Geographic Distribution of Home Purchase Loans Orange County MD</b>			
<b>Census Tract Designation</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Owner Occupied Units</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	1.25	7.69	1.21
Moderate	19.56	30.77	21.28
Middle	33.56	15.38	32.31
Upper	45.63	46.15	45.19

Source: All 13 home purchase loans Simplicity originated within its Orange County AA between January 1, 2010, and December 31, 2011. (Note: 0.01 percent of peer aggregate census tracts are not income-designated tracts.)

<b>Geographic Distribution of Home Improvement Loans Orange County MD</b>			
<b>Census Tract Designation</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Owner Occupied Units</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	1.25	0.00	0.56
Moderate	19.56	0.00	15.02
Middle	33.56	100.00	33.23
Upper	45.63	0.00	51.18

Source: All 2 home improvement loans Simplicity originated within its Orange County AA between January 1, 2010, and December 31, 2011.

*Performance in the San Bernardino County MD*

The geographic distribution of Simplicity’s home mortgage loans reflects reasonable distribution in the San Bernardino County AA. The bank’s overall distribution of loans in low- and moderate-income tracts is in line with the demographic data for the AA. The level of refinance loans in moderate-income census tracts is comparable to the peer aggregate. The bank made no refinance loans in low-income census however, the peer aggregate is only 0.33 percent. The level of home purchase and home improvement lending is too low to reach meaningful conclusions.

The following tables summarize the Geographic Distribution of Simplicity’s home mortgage loan data:

<b>Geographic Distribution of Home Mortgage Refinance Loans San Bernardino County MSA</b>			
<b>Census Tract Designation</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Owner Occupied Units</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	1.49	0.00	0.33
Moderate	21.74	10.53	10.66
Middle	43.33	31.58	34.76
Upper	33.44	57.89	54.25

Source: All 19 home refinance loans Simplicity originated within its San Bernardino County AA between January 1, 2010, and December 31, 2011.

<b>Geographic Distribution of Home Purchase Loans San Bernardino County MSA</b>			
<b>Census Tract Designation</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Owner Occupied Units</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	1.49	0.00	1.18
Moderate	21.74	25.00	22.18
Middle	43.33	50.00	48.55
Upper	33.44	25.00	28.08

Source: All 4 home purchase loans Simplicity originated within its San Bernardino County AA between January 1, 2010, and December 31, 2011. (Note: 0.01 percent of peer aggregate census tracts are not income-designated tracts.)

<b>Geographic Distribution of Home Improvement Loans San Bernardino County MSA</b>			
<b>Census Tract Designation</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2011</b>
	<b>% of Owner Occupied Units</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	1.49	0.00	1.51
Moderate	21.74	0.00	16.29
Middle	43.33	75.00	36.03
Upper	33.44	25.00	46.17

Source: All 4 home improvement loans Simplicity originated within its San Bernardino County AA between January 1, 2010, and December 31, 2011.

### **Responses to Complaints**

The bank has not received any complaints about its performance under the CRA during the evaluation period.

### **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD test is satisfactory. Simplicity has demonstrated an adequate responsiveness to the CD needs within its AAs, considering its performance context and the needs and opportunities within the AAs. Simplicity's CD activities meet the standard for satisfactory performance.

### **Number and Amount of Community Development Loans**

Simplicity made a relatively high level of CD loans. In our sample of HMDA loans, we identified 18 loans totaling \$12.0 million. These loans provided 215 units of affordable housing for low- and moderate-income (LMI) families in the bank's AAs.

### **Number and Amount of Qualified Investments**

Simplicity's record of qualified donations/investments is adequate. The bank provided almost \$100 thousand in qualified donations to nine CD organizations. This is significantly more than the previous CRA examination level of \$22.3 thousand. The organizations provide community services to LMI individuals and families.

Simplicity has one prior period investment that is still outstanding. The bank continues to participate in the California Affordable Housing Fund 2001-1, LLC that acquired three properties with mandatory set-asides for low-income tenants and are qualified for low-income housing tax credits. As of June 30, 2013, the bank's investment balance was \$665 thousand. The continuing impact of this investment was also considered in the assessment of the bank's performance under the CD Test.

## **Extent to Which the Bank Provides Community Development Services**

### ***Retail Services***

Simplicity's branch locations provide reasonable accessibility to LMI individuals within its AAs. Three of the nine branch locations open during our evaluation period were located in a moderate-income tract. Bank business hours are reasonable. There are full service ATMs at all of the bank's branch locations. Additionally, the bank has 50 ATMs located throughout California, primarily at Kaiser Permanente medical facilities. However, 22 of the ATMs do not accept deposits. The bank offers a variety of products and services at all of its branches in addition to internet-banking services and mobile phone banking.

### ***CD Services***

Simplicity also provided an adequate level of qualified CD services within its AAs. During the evaluation period, the bank provided 44 hours of CD services to six organizations. The organizations provide community services to LMI individuals and families.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.