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**Comptroller of the Currency  
Administrator of National Banks**

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## **PUBLIC DISCLOSURE**

**July 17, 1997**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**GRAND NATIONAL BANK  
Charter Number 17683**

**1138 S. GARFIELD AVENUE  
ALHAMBRA, CALIFORNIA 91801**

<p><b>NOTE:</b> 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.</p>
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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 **GRAND NATIONAL BANK** prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of JUNE 30, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to Title 12 of the Code of Federal Regulations, Part 25.*

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

### DESCRIPTION OF INSTITUTION:

Grand National Bank (GNB) opened in February 1983 in Santa Ana, California. A branch was opened in Alhambra, California in 1985. In March 1997, management closed the Santa Ana branch and opened a branch in City of Industry. The bank is headquartered in the city of Alhambra. GNB reported total assets of \$130 million as of June 30, 1997.

GNB specializes in providing commercial banking services and products which include import and export trade financing to individuals and small to medium-sized businesses. Marketing efforts are focused on the Asian community. Approximately 98% of the bank's loans are commercial loans, most of which are to small businesses. GNB's loan portfolio consists of the following: commercial loans (70%), commercial real estate loans (28%) and consumer loans (2%). The bank faces intense competition from many financial institutions serving the assessment area. There are a number of community banks, branches of regional and multi-national banks, and savings and loan associations competing for the available business.

### DESCRIPTION OF ASSESSMENT AREA:

GNB changed its assessment area in March 1997, due to the closure of its Santa Ana Office in Orange County and relocation to City of Industry in the San Gabriel Valley. The bank relocated the branch due to perceived unprofitable operations. GNB estimated the branch closing would have minimal adverse impact to customers as there are three full service branches of major financial

institutions that offer a wider range of financial and electronic products in the immediate vicinity of Santa Ana.

The bank's assessment area consists of 478 census tracts within the Los Angeles Metropolitan Statistical Area (MSA). The assessment area includes 45 tracts designated as low-income and 133 as moderate-income. There are 173 middle- and 125 upper-income tracts. Additionally, there are two tracts for which the 1990 census did not report income information.

Southern California's economy is dominated by the aerospace, defense, tourism, and real estate industries. The recession of the early 1990's and major cutbacks in defense spending severely depressed this area. Recent trends indicate the worst is over and the Southern California economy shows signs of continued recovery. Over 180,000 jobs have been created since 1994 and real estate prices appear to be stabilizing. The recovery in the national economy has benefited Southern California's tourism industry which is at record highs. International trade-related activity has averaged nine percent growth since 1987.

The bank's assessment area includes a number of incorporated cities and various communities. The 1990 census reported a population of 2,712,889 persons residing within the assessment area. Of this, 4% are unemployed and 10% are over the age of 65. Rental units accounted for 49% of the total housing stock with a 95% occupancy level. The 1990 MSA median family income was \$39,035.

As part of our review we contacted five community organizations which consisted of a government small business organization, a trade association, a merchants' association, a community development corporation, and a municipal community development department. Our contacts indicate the needs for greater assistance in applying for small business loans, credit repair, credit for start-up businesses, and remodeling and upgrading of business facilities.

#### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

Our conclusions are based on the bank's lending activity from January, 1996, through June, 1997.

#### **LENDING IN ASSESSMENT AREA**

GNB's record of lending within its assessment area is satisfactory. The majority of GNB's loan dollars and the number of loans made during the analysis period are within the assessment area. We relied on bank prepared data which we determined to be accurate.

**Loans Made within Assessment Area**

<b>Total Loans by Number and Dollar Amount</b>	<b>Total Loans Made Within the Bank's Assessment Area</b>	<b>Percent of Total Loans Made within the Bank's Assessment Area</b>
276	155	56%
\$58,202M	\$34,806	60%

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

GNB's loans are reasonably distributed among businesses of different sizes. The bank's primary lending products are commercial loans, representing 98% of total loans. A majority of the 276 loans (211 or 77%) originated inside and out of the assessment area during the analysis period were for amounts less than \$250,000. Only 10 loans (3%) were made in amounts in excess of \$1,000,000. We reviewed a sample of 22 loan files which showed that 12 of the borrowers (55%) were small businesses with gross annual revenues less than \$1,000,000. Refer to the chart below for details.

**Size of Loans Made Both Inside and Out of the Assessment Area**

<b>Size of Loans</b>	<b>Number of Loans</b>	<b>Percent of Commercial Loans</b>
<\$100,000	162	59%
\$100,000 to <\$250,000	49	18%
\$250,000 to <\$500,000	30	11%
\$500,000 to <\$1,000,000	25	9%
\$1,000,000 and Over	10	3%
Total	276	100%

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The bank's loans are adequately dispersed among all census tracts throughout its assessment area. The percentage of loans made in all census tracts, including low- and moderate-income, bears a reasonable relationship to the number of census tracts by income characteristic within the assessment area. Refer to the chart below for details. The distribution of loans is not impacted by GNB's business focus or capital restraints.

**Distribution of Loans by Income Category**

<b>Income Characteristics of Census Tract</b>	<b>Percent of Total Census Tracts</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>
Low Income	9%	17	11%
Moderate Income	28%	45	29%
Middle Income	36%	61	39%
Upper Income	26%	32	21%
Total	100%	155	100%

**LOAN TO DEPOSIT RATIO**

GNB's loan-to-deposit ratio does not meet the standard for satisfactory performance. The bank reported an eight quarter average loan-to-deposit ratio of 54%. The average loan-to-deposit ratio of seven banks with similar asset size and location is 60%. GNB has increased marketing efforts in order to better compete with other financial institutions within its area.

**RESPONSE TO COMPLAINTS:**

GNB has not received any complaints associated with its CRA performance in the last two years.

**RECORD OF COMPLIANCE WITH ANTI-DISCRIMINATION LAWS:**

Our examination did not disclose any violations of anti-discrimination laws and regulations.