



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

**CRA Decision #80
June 1998**

**DECISION OF THE OFFICE OF THE COMPTROLLER OF THE CURRENCY
ON THE APPLICATION BY UNITED NATIONAL BANK, MONTEREY PARK,
CALIFORNIA, TO ESTABLISH A BRANCH AT THE
NORTHWEST CORNER OF WALNUT AVENUE AND JEFFREY ROAD,
IRVINE, CALIFORNIA**

May 27, 1998

I. INTRODUCTION

On March 10, 1998, United National Bank, Monterey Park, California (UNB), filed an application with the Office of the Comptroller of the Currency (OCC) for approval to establish a branch at the Northwest corner of Walnut Avenue and Jeffrey Road, Irvine, California. On March 20, 1998, the OCC removed the application from expedited review due to CRA weaknesses. As of December 31, 1997, UNB had assets of approximately \$339 million and deposits and other liabilities of approximately \$302 million.

II. LEGAL AUTHORITY

The bank certified in its application that the establishment of the proposed branch is authorized under 12 U.S.C. § 36(c) since, under California law, state-wide branching is permitted. In addition, the capital requirements under 12 U.S.C. § 51 will be met with the establishment of the proposed branch. Accordingly, the OCC has no legal objection to this proposal.

III. POLICY CONSIDERATIONS

The proposed branch would promote competition and service to customers. UNB has experience in operating other branch offices, and establishment of the proposed additional branch would not strain its resources and is otherwise consistent with bank safety and soundness. These considerations support approval in accordance with 12 C.F.R. § 5.30(e). However, in terms of OCC's policy of encouraging a national bank to help meet the credit needs of its entire community, the following must be taken into consideration.

OCC evaluates the performance under the Community Reinvestment Act of 1977 (CRA) of banks whose assets exceed \$250 million using the large bank performance criteria - the lending, investment, and service tests. When applying these tests, the OCC considers the economic

climate, safety and soundness limitations, and any other factors that significantly affect the bank's ability to provide lending, investments, or services in its assessment area(s). In developing and documenting this performance context for evaluation of a bank's CRA record, the OCC considers the institution's capacity and constraints, including the size and financial condition of the bank. In addition, the OCC considers the combined assets and profitability of a bank and its subsidiaries in order to determine the bank's capacity to lend or invest in the community.

In light of the credit needs of the community¹ and its total assets, UNB's lending levels reflect a poor responsiveness to the credit needs of the community and poor product innovation and flexibility. As of December 31, 1997, UNB's total assets were \$339 million (the bank had no subsidiaries) and annual net profits were \$3 million. UNB's total loans of \$200 million represented 59% of UNB's total assets and the loan-to-deposit ratio equaled 66%. The loan portfolio consisted mostly of commercial real estate (75%) and small business commercial loans (19%). Only a small fraction of the loans were residential real estate (5%) or consumer (1%).

Relative to its total assets, UNB's level of qualified investments is poor. UNB possesses only one \$25,000 qualified investment and has made qualifying donations and contributions totaling \$900. While the bank has committed a \$40,000 investment to a CDC loan pool, no loans have been funded.

Bank officials have orally committed to develop and implement a CRA performance improvement plan. Requiring a plan for improving CRA performance, and adherence thereto, as conditions of approval for a new deposit facility is consistent with the CRA and OCC policies.

IV. CONCLUSION AND CONDITIONAL APPROVAL

¹The OCC recently contacted nine different community organizations. Those organizations identified the following lending needs throughout UNB's assessment area: pre-development and gap financing for affordable housing projects; small business loans with emphasis on micro loans from \$3,000 to \$5,000 for short term financing needs; flexible terms and low rates in lieu of cash donations; first-time home buyer loans; renovation loans for housing and businesses; bank participation in loan guarantee programs; commercial business relocation programs; financing for capital improvements to primary arterial street corridors in conjunction with redevelopment agency programs; state bond guarantee program loans to encourage surety companies to issue bonds to small and emerging contractors; and loan pools. The OCC also identified several investment needs, including cash contributions or grants to community organizations, in-kind contributions such as computers, office equipment and building materials, donations of other real estate owned properties and conversion to suitable low-income housing uses, and equity participations in Community Development Corporations (CDCs).

For the reasons set forth above, including the representations and commitments made by the applicant, we find that the proposed branch is legally authorized and meets the other criteria for approval, provided improvements are made in UNB's CRA performance. Therefore, this approval is subject to the following conditions:

1) If not already submitted, prior to opening the branch, the bank shall submit to OCC's Western District Office, and receive its approval of, a comprehensive plan to improve UNB's performance under the CRA. The CRA plan must specifically detail the action to be taken by the bank. The plan shall include at a minimum:

-Measurable CRA goals and objectives;

-The appointment of a CRA officer and development of a job description for the position;

-Plans to increase lending penetration within the assessment area responsive to the credit needs of the community;

-Plans to increase the level of qualified investments and community development services; and

-An assessment of the impact of branch closings and openings on the surrounding community, particularly low- and moderate-income areas and individuals.

2) After OCC's approval of the plan, the bank shall implement and adhere to the plan.

The above conditions are considered conditions "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 U.S.C. § 1818. As such, the conditions are enforceable under 12 U.S.C. § 1818.

Accordingly, the application is hereby conditionally approved.

_____/s/_____
Raymond Natter
Acting Chief Counsel

05-27-98
Date

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