

Outstanding CRA Performance Evaluations

Do you ever wonder how a bank earns an “Outstanding” CRA rating? While there are no hard and fast rules, we reviewed a selection of performance evaluations from 2001 for financial institutions in the western states rated “Outstanding” by the four regulatory agencies. What follows are selected excerpts from the banks’ performance evaluations which highlight the activities that took the bank to an “Outstanding” level.

**Prepared by the Community Affairs Unit of
the Federal Reserve Bank of San Francisco**

December 2001

Federal Reserve Bank of San Francisco

Desert Community Bank

Release Date: May 21, 2001
Small Bank Test

(760) 243-2140
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Victorville, California

CRA Officer – Sharon Bass

Ms. Bass states that the bank's strong lending record, particularly to small businesses, was a key factor in their CRA performance. She also cited the strong community service record of the bank's president, as well as the volunteer service contributions at all staffing levels.

- In February 2001, bank opened the Consumer Finance Department to originate loans under \$2,500 that do not meet bank's standard underwriting criteria.
- Bank's lending shows excellent penetration to businesses of different sizes as two-thirds of loans were to small businesses and three-quarters of those were \$100,000 or less.
- Excellent dispersion of small business loans throughout the assessment areas.
 - 97% of loans were to moderate- and middle-income census tracts, which comprise 93% of the bank's market area.
 - Bank's lending in this category more favorable than aggregate lending patterns, which were 63% to moderate- and middle-income geographies.
- Bank invested almost \$51,000 in a community development corporation that provides loans to small businesses and a bond allocated for a lease to purchase housing program.
- Senior management and loan officers perform community development services, including:
 - Technical assistance re: credit counseling and applications for SBA programs.
 - Writing weekly articles and the hosting of a television and radio programs on credit counseling and financial planning targeting local communities.
 - Membership on loan committees of county and state SBA programs.
 - Membership on a financial committee for a dental program serving low- and moderate-income persons in bank's assessment area.
 - Board membership for a nonprofit that provides vocational training and mentoring for low-income youth.

Oregon Pacific Banking Company

Release Date: January 29, 2001
Small Bank Test

(541) 997-7121
email: opbc@presys.com
Florence, Oregon

CRA Officer – Mary Helen Brennan

When asked what put the bank over the top, Ms. Brennan simply replied, "diligence." She also cited the awareness of CRA at the management level, including the credit administrator, the loan officers. The bank runs custom, monthly reports that keep her and management staff apprised of local economic conditions and trends. She praised her coworkers for their efforts towards fulfilling the bank's CRA obligation.

- Bank showed an excellent level of penetration to borrowers of different incomes and businesses of different sizes.
- Bank displayed an excellent responsiveness to identified credit needs for small business loans as more than half of the small business loans were in amounts of \$25,000 or less.

- In the face of declining timber and fishing industries, public and private partnerships have promoted tourism to boost the local economy. Bank has extended a significant amount of loans to tourism-related businesses, thus, the bank has demonstrated its active support for economic growth of the assessment area.
- Small business lending within moderate-income tracts vastly exceeds the concentration of businesses in those tracts.
- Bank's lending level in terms of both number and dollar volume, vastly exceeds the distribution of census tracts by income level, thus demonstrating bank's notable response to the credit needs of its assessment areas.

Federal Deposit Insurance Corporation

BankWest of Nevada

Release Date: April 1, 2001
Large Bank Test

(702) 248-4200

email: lgreene@bankwestnevada.com

Las Vegas, Nevada

CRA Officer – Lois Greene

BankWest of Nevada is a full service commercial bank that operates four branches in Las Vegas and Henderson, Nevada. Bank offers a full range of credit products designed to meet community credit needs, but employs a business strategy that focuses primarily on commercial and commercial real estate lending targeted to all sizes of businesses.

- Bank made exceptional efforts in making community development loans which significantly enhances overall lending performance.
- Bank took a leadership role in the "Home for Dinner Home Buyer's Program," which provides employees of large businesses home ownership education and credit counseling, down payment assistance and affordable mortgage products at below market rates.
- Qualified community development loans include a \$42,781 grant to a local minority and small business council. Bank also gave the organization computers and software purchased specifically for its needs, and provided the use of bank's training rooms for council meetings.
- Bank employees showed exemplary performance in serving the Las Vegas community through their dedication in providing education, assistance, and guidance to small businesses, nonprofit organizations and community members.
- Bank has a loan brokerage service offering residential loan products from over twelve different mortgage companies. These products meet the credit needs of almost any applicant.
- In 1999, bank personnel invested over 5,000 hours in Las Vegas community organizations.
- Bank participates in a summer internship program benefiting students residing in nine census tracts in the urban core of Las Vegas designated as an Enterprise Community.
- A senior manager designed "War on Debt" seminars, 5-week or 1-day courses at churches, schools, libraries, etc.

Camelback Community Bank

Release Date: April 1, 2001
Small Bank Test

(602) 522-3700

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Phoenix, Arizona

CRA Officer – Soni Koskela

When asked about her bank's CRA performance, Ms. Koskela replied, "Our CRA rating has evolved from the genuine interest the president and officers...take in our community and its welfare. We believe in 'doing the right thing' by lending to support the community we serve, by investing in projects that benefit the area, and by serving through training and community development services."

- As of June 30, 2000, bank reported an 81% loan-to-deposit ratio, an increase of 84% as of the end of September 2000. Bank has had phenomenal (127%) loan growth in the past year, primarily funded through bank deposits.
- Loan originations were 95% within the assessment area and 92% of the dollar volume was in the assessment area.
- Community development lending to affordable housing projects, health care facilities and community revitalization/stabilization efforts reflects a strong level of responsiveness to the needs of the institution's assessment area and greatly enhances bank's lending performance.
 - \$500,000 loan for the construction of a new cancer care facility located in the City of Phoenix Enterprise Zone/Empowerment Community.
 - Bank entered into a \$1 million letter of credit for a division of the Salt River Pima-Maricopa Indian Community to support new construction contracts.
- Qualifying community development services include:
 - A senior management member who serves as chairman of the board of a nonprofit health care organization.
 - Bank management members who serve on the boards or assist organizations serving the homeless and children in crisis.
 - Bank employees who provide technical financial assistance to nonprofits that focus on health, development, transportation, self-employment loan funds, education, women in business, and savings plans for the homeless.
 - Bank promotes youth community service through its "Investing Heart in Our Community" which recognizes youth volunteerism.
- Retail bank services show a willingness to expand and meet the customer's service needs through alternative delivery systems and banking services.
 - Partnered with another financial institution for use of ATMs in 21 states at no charge to the customer.
 - Offers free interest bearing checking accounts to nonprofits with no monthly maintenance fees.

eosbank

Release Date: March 1, 2001
Community Development Test

(650) 372-6458

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San Mateo, California

CRA Officer – Jane Sy-Ng

eosbank also operates AcaciaBank, and through its branches in Laguna Hills and San Mateo, California, offers certificates of deposits, savings accounts and specialized real estate loans through loan offices in San Mateo and Pasadena.

- Bank has an outstanding level of community development activities, as over \$40 million in qualified community development loans were originated in and around bank's two assessment areas.
- Community development services target school age children through an Internet savings program. This program exhibited both innovativeness and complexity and serves elementary schools nationwide.
- The Laguna Hills branch is located across the street from a large, senior citizens housing development. Employees perform in-house visits to open accounts to accommodate those seniors who are not physically able to come into the branch.
- Loaned \$1,040,000 outside the assessment areas for the purchase and rehabilitation of an affordable housing complex in Oakland, California.

First Hawaiian Bank

Release Date: January 1, 2001
Large Bank Test

(808) 525-7732

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Honolulu, Hawaii

CRA Officer – Corbett Kalama

First Hawaiian Bank's CRA performance was weighted towards bank's achievements in the State of Hawaii, where 84% of the number of loans originated.

- Bank achieved and sustained an exemplary level of lending to low- and moderate-income borrowers and is a leader in making community development loans.
- The loan-to-deposit ratio, using net loans was 92%.
- Bank made forty-two community development loans totaling \$49,631,020 for the combined assessment areas.
- Bank demonstrated leadership in community development through the effectiveness of these loans and by its lending to several innovative community development organizations.
- Bank displayed leadership in utilizing complex community development investments and in the formation of an affordable housing corporation which uses federal and state Low-Income Housing Tax Credits to develop low- and-moderate income housing.
- Employees reviewed and were instrumental in providing input at the national, state and county levels regarding legislation that affects housing related issues.
- Bank sponsored and participated in homebuyer education classes and credit counseling programs.
- A leader in establishing a loan program through the Department of Hawaiian Homelands and the Office of Hawaiian Affairs.

HomeStreet Bank

Release Date: January 2, 2001
Large Bank Test

(206) 623-3050

Seattle, Washington

CRA Officer – Kathy Williams

HomeStreet Bank (formerly Continental Savings Bank) is a state-chartered savings bank headquartered in Seattle, Washington. Bank specializes in real estate lending, particularly single-family homes, multifamily dwellings and commercial properties. Bank also provides residential construction, land development and income property construction loans.

- Total number of HMDA loan originated in 1999, and year-to-date 2000, was 8,081 and totaled \$1,374,365,000 within all assessment areas.
 - HMDA reportable loans within assessment areas equal 76.8% of total number and 80.2% of total dollar volume.
- Bank had a 166% loan-to-deposit ratio, virtually all secured by real estate.
- Consistently lent to low- and moderate-income borrowers at higher rates than the aggregate.
 - In Seattle, 31.4 % of HMDA loans were to low- and moderate-income borrowers, versus 23.0% for the aggregate market.
- Bank made over 80 community development loans worth almost \$200 million in this evaluation period.
 - Partnered with community programs to provide second mortgages, usually requiring a financial literacy class prior to closing.
 - Special funding sources include the Federal Home Loan Bank of Seattle's Community Investment Program and Economic Development Fund.
 - Extensive use of government sponsored residential mortgage programs such as FHA, VA, and FSA/RHS.
- Qualified Investments totaled almost \$6.8 million, particularly strong since only 5% of bank's assets are in investments.
- Grants totaled \$523,000, or 4.13% of net income, an excellent level of qualified grants.
- Bank owns a tax-credit apartment building in Seattle providing 57 units to low-income Seattle residents. This investment is time consuming, requires additional funds for annual improvements and is responsive to the community's need for affordable housing.
- Provides alternate service delivery systems such as an innovative subsidiary that places a loan officer in branches of a local estate company. Loans can be originated through HomeStreet or other lenders, which provides convenience and flexibility.
- C/D services include an active partnership with Habitat for Humanity. Bank has contributed over \$100,000 and thousands of volunteer hours.

Humboldt Bank

Release Date: March 1, 2001
Large Bank Test

(707) 269-3932

Eureka, California

CRA Officer – Michael McCoy

Mr. McCoy cited some of the assessment area's characteristics as important to receiving an outstanding rating. One-half of downtown Eureka is a redevelopment zone, and as the largest small business lender in the area, bank's loans in that area qualify under the CRA. He also cited the exam process as helpful, akin to "CRA graduate school" in that it helped educate the bank on how to report pertinent CRA data. Finally, Mr. McCoy cited the time and effort of bank employees at all levels who volunteered their talent and time to charitable causes that resulted in a strong service component for their bank.

- Management maintains contact with various community-based and statewide organizations to maintain an awareness of community development opportunities and this activity was confirmed by an independent community contact.
- \$8 million construction loan to a nonprofit organization that serves the health needs of four local Native American tribes. Also provided a \$250,000 revolving line of credit.
- Other lending programs include a welfare-to-work program that removes transportation barriers for workers. Bank has made four car loans totaling \$18,770 as part of this program.
- Bank's ongoing efforts with a number of nonprofit housing organizations in the area have helped bank successfully compete with other institutions in garnering qualified investments.
- The Learn to Earn school savings program provided the students of fifty local schools with savings accounts to learn fiscal management and other real world skills.
- Bank's community development efforts included first-time homebuyer outreach to low- and moderate-income purchasers.
- Community development services include:
 - Federal Home Loan Bank grant sponsorship – the bank sponsored nineteen grant applications for affordable housing development groups, six were approved, one declined and twelve are in process.
 - Learn to Earn Program – a bank sponsored school savings program to encourage saving habits and money management skills. The majority of the students attending the fifty schools in the program are from low- and moderate-income families.
 - Bank employees also provide a myriad of financial technical assistance to nonprofits, vocational programs, low- and moderate-income individuals and local schools.

Pacific Union Bank

Release Date: April 23, 2001

Large Bank Test

(626) 401-1252

Los Angeles, California

CRA Officer – Kevin Kim

Pacific Union Bank (formerly California Korea Bank) is wholly owned by Korea Exchange Bank, a banking corporation that owns the majority of issued and outstanding shares of bank's common stock. Bank is primarily a commercial lender serving the needs of small- and medium-sized businesses and residential borrowers.

- Bank demonstrated excellent responsiveness; \$185 million in loans within its assessment areas represents 92% by number and 90% by dollar volume of all loans.
- 62.3% of small business loans were in low- and moderate-income census tracts, while small businesses comprise only 27.1% of the market in those areas.
- While owner-occupied rates for low- and moderate-income areas was less than 15%, bank's percentage of loans to those areas was significantly higher, and well above the aggregate lending pattern for the area.
- Bank has an outstanding record of originating and maintaining community development loans.
 - Since the last evaluation period (1999) community development lending has increased from \$2.7 million to \$9.9 million.
 - This category includes loans to multi-family affordable housing, nonprofits that serve low- and moderate-income communities, financial intermediaries, community development corporations and others who support small business development and economic development.
 - Examples include:
 - A \$500,000 revolving loan fund to assist in the creation of affordable housing in the LA area, including a service-enhanced, permanent housing facility and job training program for low-income persons with HIV/AIDS.

- Eight loans totaling \$3.8 million for apartments affordable to low- and moderate-income persons, mostly located in low- and moderate-income areas.
- \$4.5 million loan towards the construction of a senior facility, with more than half the rental units designated for low- and moderate-income seniors.
- Innovative and flexible lending practices include:
 - A CRA mortgage loan program specifically for first-time homebuyers targeting low- and moderate-income individuals or geographies.
 - A CRA program targeting small businesses in South Central LA, Compton and the Crenshaw area that offers reduced interest rates, no fees and reduced background paperwork.
 - A cash secured letter of credit to assist small import/export business with credit needs.
- \$7.7 million in qualified investments and grants (64% increase over last exam period) reflects outstanding responsiveness to identified community development needs based on size, resources and availability.
 - The majority, \$7.55 million (98%) of qualified investments were in the form of state or municipal bonds, primarily mortgage-backed.
 - Bank officers offer numerous types of technical and volunteer assistance to nonprofits that serve low- and moderate-income communities, including organizations that provide small business support and first-time homebuyer assistance.

United Commercial Bank

Release Date: December 21, 2000

Large Bank Test

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San Francisco, California

CRA Officer – Rosana Yu

Ms. Yu identified three key factors that helped put United Commercial Bank (UCB) over the top in terms of CRA performance: First, integrating CRA into their normal course of business. CRA is a top-down commitment incorporated into their normal course of business, most CRA lending resulted not from special loan programs but from regular lending programs. Second, to maximize impact, bank focuses their resources by identifying a few community groups and developing long-term relationships with them. And finally, bank's strategy is to take a long-term approach to CRA. UCB does not limit efforts to activities that earn *immediate* CRA credit. Many activities they undertake may eventually lead to new CRA opportunities. For example, by networking with a local government agency in Southern California, UCB hooked up with local minority organizations, which resulted in small business loan referrals.

- 77.6% of total assets, or \$1.9 billion, were loans and the loan to deposit ratio was 100%.
- For loans, 85.4% of number and 85.3% of dollar volume were within bank's assessment areas.
- Loans to low- and moderate-income persons were consistently higher than average when compared to aggregate data.
- Lending to small businesses, which make up 86.1% of their market, sharply exceeds the aggregate market data.
- Bank is a leader in community development loans, making qualifying loans and loan pool investments totaling over \$68.2 million.
 - Over \$36.5 million was loaned to build affordable housing for low- and moderate-income communities, revitalize and stabilize low- and moderate-income areas and to build a daycare center.
 - Eighty-seven multi-family loans totaling over \$30 million were made in Enterprise Zones, which created 931 housing units.
- Innovative and flexible lending practices included:
 - The United Neighborhood Program for low- and moderate-income borrowers in low- and moderate-income neighborhoods in their assessment areas.

- Quick Qualify, which features flexible proof-of-income guidelines. Beneficiaries include recent immigrants who lack the traditional two years of verifiable income.
- Qualified investments considered significant considering its recent charter change from a savings bank to a commercial bank.
 - \$7.6 million in qualifying investments and grants represents 0.34% of total assets. Though below peer average, this figure is significant because of bank's charter change.
 - Types of investments, such as tax credits, low- and moderate-income mortgage-backed securities, equity investments and state and municipal bonds, are considered complex given bank's lack of experience and knowledge in finding and evaluating qualified investments.
- Bank is a leader in community development services, offering seminars, radio programs and cassettes for low- and moderate-income persons on the banking industry, entrepreneurship, loan and assistance programs and SBA opportunities.
- Bank officers serve organizations that support small business, low- and moderate-income persons and students, the elderly and new immigrants. These activities address identified community needs, especially money management and financial and technical expertise for nonprofits.

Office of Thrift Supervision

Cascade Bank

Release Date: July 24, 2001
Large Bank Test

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Everett, Washington

CRA Officer – Morris Van Horne

Mr. Van Horne states, "Cascade Bank's management is committed to our local community; that commitment extends to our CRA activities and is reflected in our CRA rating...Some CRA activities are driven by CRA requirements...other CRA services are employee driven, sometimes without knowing they are CRA related at all. Community involvement is simply part of the nature of the employees of Cascade Bank! Real people, Real solutions."

- Mortgage origination volume was well above peer group median.
- Compared to the West Region peer group, the institution made approximately four times the relative volume of single family mortgages.
- Lending to low- and moderate-income applicants exceeded the HMDA aggregate percentages for both the number of loans and the dollar amount of loans.
- The percentage of (small business) loans made in low- and moderate-income census tracts (24.2%) exceeds the percentage of low-and moderate-income tracts (17.3%).
- Innovative and or flexible lending practices includes:
 - FHA, VA, USDA GRH 502, WA Housing Finance Commission Bond Programs, Freddie Mac Affordable Programs and Reverse Mortgages.
 - The Alternative ARM Program, a portfolio program that allows higher debt ratios and lower credit scores than customarily accepted by the secondary market.
- Cascade Bank is a leader in making community development loans.
 - Provided a total of \$5.9 million of short-term construction financing in association with the development of two single-family housing projects.
 - Bank is a member of the WCRA, which represents a consortium of Washington State financial institutions participating in affordable multifamily housing projects throughout the state.
- Bank's level of investments has increased substantially from the prior review period.
 - Invested \$1,447,621 in five community organizations, including the Cascadia Revolving Loan Fund, the Boys and Girls Club, Snohomish County and Bethany Home.

- Branch services and hours have been generally tailored to meet the needs of residents, including those of low- and moderate-income.
- Two of the in-store branches will cash welfare checks for non-customers at no cost. One of these branches is located near a Department of Human Services office.
- Cascade is a leader in providing community development services. Bank's employees and management actively participate in local community organizations and programs.
 - Executives of the bank sit on local community development boards and councils, including the Board of Realtors Homeless Endowment Lending Fund Program, the Everett Housing Authority, Housing Hope, Bethany House and the County Council for School Mitigation.

Yakima Federal Savings and Loan Association

Release Date: June 1, 2001

Large Bank Test

(509) 248-2634

Yakima, Washington

CRA Officer – Larry Marvin

Of the many community development projects he has overseen, Mr. Marvin cites Yakima Federal Savings and Loan Association's (Yakima Federal) collaboration with Habitat for Humanity (Habitat) as especially noteworthy. Yakima Federal has created a unique loan product that enables Habitat to better serve their client homeowners and create even more housing.

- It is noteworthy that the only institution with a higher market share of residential lending volume is a significantly larger institution with operations throughout the Northwest.
- 96.2 % of the volume and 88.1 % of the dollar volume of originations were within the combined assessment areas.
- Bank actively worked with various nonprofit organizations throughout the assessment areas to promote the construction and financing of affordable housing, and to promote community development activities.
- Bank made extensive use of innovative and/or flexible lending practices targeted to meet the credit needs of low-and moderate-income and first-time homebuyers, including loans originated in conjunction with a multitude of programs.
 - Bank lent \$335,000 to a nonprofit that provides treatment to individuals recovering from chemical dependency.
 - Bank lent \$2.5 million to a church group for the construction of new community facilities.
 - Partners for housing projects include Habitat for Humanity; LaClinica; City of Yakima Office of Neighborhood Development Services; and the Federal Home Loan Bank of Seattle's Home \$tart Program.
- Relative to its size and its marketplace, Yakima Federal's level of qualifying investments is excellent, and exhibits excellent responsiveness to credit and community development needs.
 - Invested \$3,672,178 in mortgage backed security bonds from a company that sells Fannie Mae, Freddie Mac, and Ginnie Mae securities that are backed by loans made to low- and moderate-income borrowers in low- and moderate-income tracts.
 - Invested \$250,000 in the Washington Community Reinvestment Association (WCRA) as part of the financing package for a 38-unit low-income senior housing project in Yakima.
- Offers a higher rate certificate account to encourage savings for home purchase and down payments.
- Washington Reinvestment Alliance rates Yakima Federal among the top ten institutions providing the most affordable checking accounts.
- Bank officers have served on the boards of, or provided expertise to WCRA's loan committee; Washington Financial League Affordable Housing Committee; Richland Housing & Community Development Advisory Committee; Affordable Housing Committee of the Building Industry Association of WA; and Affordable Housing Loan Committee for the City of Yakima.

Office of the Comptroller of the Currency

Canyon National Bank

Release Date: July 10, 2000
Small Bank Test

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Palm Springs, California

CRA Officer – Robert M. Cross

When asked what put the bank “over the top” in terms of CRA performance, Mr. Cross responded: “Our total commitment to help the businesses and people of our communities, regardless of their size, age, sex, religion or national origin. We treat everyone as a human being and every business as a success.”

- Lending in the assessment area exceeds the standard for satisfactory performance.
 - 87% (by number) and 85% (by dollar) of total loans were within the assessment area.
- Bank displayed a high level of lending to small businesses, which is an identified credit need in the assessment areas.
 - Originated 90% of its loans (by number) to small businesses, which is commendable since only 76% of the businesses in the assessment areas are small businesses.
- The percentage of both business and consumer loans (by both dollar and number) originated in moderate-income census tracts significantly exceeds the percentage of moderate-income census tracts in the assessment area.
- Although only 19% of families live in moderate-income census tracts in the assessment area, 40% of the total number of loans were made to moderate-income families.
- Bank has taken a leadership role in increasing access to financial services for Native Americans.
 - Bank officers have met with Native American groups to provide financial services expertise.
 - Bank provided technical assistance to help a tribal leader secure the first-ever Native American title policy on Indian trust land in the area.
 - Bank helped finance the initial phase of the first master-planned commercial project in Palm Springs on tribal land.

Santa Clara Valley Bank, N.A.

Release Date: October 16, 2000
Small Bank Test

(805) 525-1999

Santa Paula, California

CRA Officer: Don Downey

The president of the bank, Mike Hause, states that their outstanding CRA performance is tied to their overall vision, which is to serve all segments of the community.

- Bank is locally owned and operated. The management of the bank made a strategic business decision to serve its local communities. Considering bank’s size and its 21 months of operation, their performance is outstanding.
- From a sample of 60 loans, 80% of total and 96% of the dollar amount (\$4.8 million out of \$5.0 million) were in the assessment area.
- Automobile loans to low-income borrowers constituted 71% of the number of loans and 70% of the dollar amount.
- Loans originated to businesses of different sizes exceed the standard for satisfactory performance.
 - Businesses with revenues of less than \$1 million received 73% by dollar volume and 76% of the number of loans originated within the assessment area.