



COMMUNITY REINVESTMENT ACT

SELF-ASSESSMENT

JANUARY 1, 2003 THROUGH DECEMBER 31, 2004

Supporting documents for this report can be reviewed in Fremont Investment & Loan's (FIL) corporate CRA binders located at corporate headquarters, 2727 East Imperial Highway, Brea, California, 92821.

The Community Reinvestment Act (CRA) was passed in 1977. The intent of CRA is to ensure that credit is made available to all sectors of the community. Basically, CRA requires that the regulators:

- ❖ Encourage institutions to help meet the credit needs of their local communities.
- ❖ Assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods.
- ❖ Take the institution's CRA record into account when evaluating applications for a deposit facility.

Depository institutions are required to:

- ❖ Delineate the institution's community (describing the institution's primary lending area).
- ❖ List types of credit available.
- ❖ Maintain a CRA statement and lobby poster.
- ❖ Review CRA statement annually by Board of Directors.

In 1989, several things happened to make CRA compliance of greater concern to financial institutions.

- 1) The Federal Reserve Board and the Federal Home Loan Bank Board each denied expansion applications on CRA grounds.
- 2) The Federal Bank regulators issued a joint statement regarding the Community Reinvestment Act. The policy statement added significantly to the compliance activities recommended by the regulators and placed an obligation on financial institutions to take AFFIRMATIVE steps to develop an effective CRA program.

3) The Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 requires the regulators to assign a public rating to a financial institution's CRA performance using the following four categories:

- ❖ Outstanding Record
- ❖ Satisfactory Record
- ❖ Needs to Improve
- ❖ Substantial Noncompliance

Under FIRREA, the regulators prepare a written CRA evaluation, which after July 1, 1990, must be made public within 30 business days after the institution receives its final examination report.

In evaluating the institution's CRA performance under the NEW CRA dated November 13, 1995, the FDIC reviews three performance contexts, which are the Lending Test, Investment Test, and Service Test. A CRA compliance plan, whether informal or structured, should convey and communicate an institution's CRA goals and the methods for implementation. To ensure that plans are being effectively communicated and implemented, periodic self-assessments should be performed. A self-assessment is an objective, critical review of performance. It should be done periodically, perhaps annually, but should not take the place of periodic analysis, which should be ongoing. A self-assessment focuses on what has already been accomplished by a financial institution, not what it plans on doing in the future. The goal of a self-assessment is to determine where the weaknesses are in the implementation of the CRA in order to make corrections and other actions to eliminate or reduce deficiencies.

THE LENDING TEST (*Old CRA factors A, B, E, I, and J*)

The lending test involves a mix of assessment criteria including:

- ❖ The bank's responsiveness to credit needs in the assessment area;
- ❖ The bank's lending record by geographic distribution;
- ❖ The bank's lending record by borrower characteristics;
- ❖ The bank's community development lending;
- ❖ The bank's use of innovative or flexible lending practices.

CRITERION 1: THE BANK'S RESPONSIVENESS TO CREDIT NEEDS IN THE ASSESSMENT AREA.

The Board of Directors of Fremont Investment & Loan desires and is committed to meeting the credit needs of the local communities it serves. Established since 1937, it has a branch network, which serves both rural and metropolitan areas, including those neighborhoods with low- to moderate-incomes. FIL has contributed to the development of its communities since inception and will continue to develop programs to meet community credit needs. It is the policy of Fremont Investment & Loan not to discriminate against any applicant for credit on the basis of sex, marital status, race, color, creed, religion, national origin, the presence of any sensory, mental or physical handicap, age (provided the applicant has the capacity to enter into a binding contract), receipt of income from public assistance, or the exercise of the legal right to file a complaint under any of the Consumer Protection Acts. Fremont Investment & Loan does not discriminate against any applicant for credit based upon the location of his/her business or home.

The primary consideration in extending credit is the credit worthiness of the applicant. Fremont Investment & Loan fully supports and complies with all federal, state and local laws and welcomes and encourages applications and comments for all of its services from any person, group or organization. Information as to how and where to submit public comments is located in the "Community Reinvestment Act Public Notice" section of this statement.

FIL's delineated assessment areas consist of entire counties in which our 19 branch offices are located in the state of California. The following is a list of their locations and assessment areas:

BRANCH	LOCAL COMMUNITY
Bakersfield 1811 Oak Street, Suite 160, Bakersfield, CA 93301	Kern County
Fresno 776 East Shaw Avenue, Suite 101, Fresno, CA 93710	Fresno County
Visalia 101 East Main Street, Visalia, CA 93291	Tulare County
Hanford 512 North Irwin Street, Hanford, CA 93230	Kings County
Laguna Woods 24380 Moulton Parkway, Laguna Hills, CA 92653	Orange County
Los Angeles 12424 Wilshire Boulevard, Suite 100, Los Angeles, CA 90025	Los Angeles County
Northridge 10240 Reseda Boulevard, Northridge, CA 91324	Los Angeles County
Redlands 128 East State Street, Redlands, CA 92373	San Bernardino County
Pasadena 300 North Lake Avenue, Suite 150, Pasadena, CA 91101	Los Angeles County
Torrance 21842 Hawthorne Boulevard, Torrance, CA 90504	Los Angeles County
Tustin 18231 Irvine Boulevard, Suite 110, Tustin, CA 92780	Orange County
Long Beach 401 East Ocean Blvd., 1 Floor, Long Beach, CA 90802	Los Angeles County

Whittier 15111 E. Whittier Blvd., Suite 101, Whittier, CA 90603	Los Angeles County
Westlake Village 5794 Lindero Canyon Rd., Ste. C, Westlake Village, CA 91362	Los Angeles County
Huntington Beach 7152 Edinger Ave., Unit 0, Huntington Beach, CA 92617	Orange County
Beverly Hills 9301 Wilshire Blvd., Beverly Hills, CA 90210	Los Angeles County
Studio City 10933 Ventura Blvd., Studio City, CA 91604	Los Angeles County
Fashion Island 1165 Newport Center Drive, Newport Beach, CA 92660	Orange County
Woodland Hills 20640 Ventura Blvd., Woodlands Hills, CA 91364	Los Angeles County

FIL has included 11 California counties in its delineation that do not have branches in them, but are serviced by account executives employed by FIL. These counties are Alameda, San Diego, Santa Cruz, Ventura, Contra Costa, San Joaquin, Sacramento, San Francisco, Monterey, San Mateo, and Santa Clara. In addition to FIL's delineated communities, FIL has 15 loan production offices (LPO's) throughout the United States. Their location and street addresses are as follows:

Anaheim, California 1041 & 1065 N. Pacific Center Drive Anaheim, CA 92806	Residential Lending
Concord 1401 Willow Pass Road, Suite 500 Concord, CA 94520	Residential Lending
Santa Monica, California 2425 Olympic Blvd., 3 rd Floor Santa Monica, CA 90404	Commercial Lending
Oakland, California 426 17 th Street, Suite 400 Oakland, CA 94612	Commercial Lending
Dallas, Texas 14785 Preston Road, Ste. 565	Commercial Lending

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Dallas, TX 75240

Chicago, Illinois
303 W. Madison Street, Suite 900
Chicago, IL 60606

Commercial Lending

Chicago, Illinois
1411 Opus Place, Suite 600
Downers Grove, IL 60515

Residential Lending

Atlanta, Georgia
1000 Abernathy Rd., Bldg. 400, Suite 1535
Atlanta, GA 30328

Commercial Lending

Tampa, Florida
4343 Anchor Plaza Pkwy, Suite 150
Tampa, FL 33634

Residential Lending

Tampa, Florida
5404 Cypress Center Drive, 3rd Floor
Tampa, FL 33609

Residential Lending

Phoenix, Arizona
2575 East Camelback Road, suite 770
Phoenix, AZ 85016

Commercial Lending

Westchester County Center
555 Taxter Road, Suite 220
Elmsford, New York 10523

Residential Lending

New York
500 Fifth Avenue, 46th Floor
New York, NY 10110

Commercial Lending

Maryland
3 Bethesda Metro Plaza, Suite 1220
Bethesda, MD 20814

Commercial Lending

Irvine
5 Park Plaza, Suite 1450
Irvine, CA 92614

Commercial Lending

FIL maintains an active and constant business development program which is designed to determine the credit needs of its local communities, including low- and moderate-income areas through personal contact initiated by directors, officers, local branch managers, account

executives and approved brokers, and to effectively meet such identified needs on a personal contact level. To communicate FIL services to the community, the appropriate directors, officers, branch managers, account executives and approved brokers network throughout its assessment areas with local government officials, real estate agents and community organizations on an on-going basis. FIL advertises in regional publications as well as those printed in conjunction with fund raising activities and sporting events for youth organizations for the individual assessment areas. Each regional real estate lending manager receives copies of the geoanalysis reports and instructions on how to utilize them for improved penetration in their respective assessment areas.

CRITERION 2: THE BANK'S LENDING RECORD BY DISTRIBUTION

Geocoding involves appending census tract numbers to FIL loan originations and denials. By determining which census tracts are within FIL's assessment areas, it is possible to determine the number and dollar amount of loans (capture rate) within the assessment areas. By determining which census tracts are low- and moderate- or middle- and high-income, it is possible to determine the number and dollar amount of loans extended to each of these areas (penetration rate) within the assessment areas. The following is a summary of FIL's 2004 performance compared 2003 performance as it pertains to the Community Reinvestment Act. The following are my key findings:

Number and Dollar Volume of Originations

For 2004, FIL originated 199,755 loans totaling \$26.6 billion. The figures represent a substantial increase over 2003 originations, which totaled 84,063 (138% increase) loans totaling \$17.2 billion (55% increase). The increase, while notable from a business point of view, does not materially affect CRA performance either way, although it does suggest FIL is helping to meet the credit needs of its community.

Assessment Areas

There was no material change in the # of assessment areas for FIL. However, the assessment areas were updated to reflect the 2004 naming changes required by the regulatory agencies. As of December 31, 2004, FIL had 20 assessment areas (all defined using county or Metropolitan Division boundaries).

Capture Rate

In 2003, FIL captured within its assessment areas 26,598 or 32% by number of loans and \$6.5 billion or 38% by dollar amount of total originations. In 2004, FIL captured within its assessment areas 32,702 (16.4%) by number of originations and \$8.0 billion (30%) by dollar amount of originations. This reducing trend suggests that the increase in FIL's lending is beginning to impact absorption capacity within the FIL's assessment areas. However, with respect to California lending, FIL continues to achieve a strong capture rate among the designated assessment areas. For example for 2004, of the 37,034 loans totaling \$8,964,447,000 originated within California, 32,702 (88%) of the number and \$8.0 billion (89%) of the dollar volume of loans originated were located within the assessment areas.

CRITERION 3: THE BANK'S LENDING RECORD BY BORROWER CHARACTERISTICS

Consideration of the characteristics of the borrower is a new criterion to CRA, which previously has been exclusively a geographically based regulation. Under the borrower characteristics criterion of the lending test, FIL can receive credit for lending to qualifying borrowers, even if they are located outside its assessment area. In the preamble to the final rule, the agencies said:

“Favorable consideration is given for loans to low- and moderate-income persons and small businesses and farm loans outside the institution’s assessment area, provided that the institution has adequately served borrowers within its assessment area.”

The main focus of CRA relates to low- and moderate-income census tracts. The penetration analysis is determined by calculating the percentage of loans and dollars within FIL’s assessment areas that are in low- and moderate-income census tracts.

Geographic Distribution

FIL’s performance for lending within low-, moderate-, middle-, and upper-income areas for 2004 compared to 2003 shows an increase in the percentage of lending in low- and moderate-income (LMI) census tracts. In 2003, FIL funded 26% of the number of its originations (23% by dollar amount) within its assessment areas in LMI tracts. In 2004, those percentages increased to 29% of the number of its originations and 27% of the dollar amount of its originations.

Predominately Minority Areas (PMAs)

In 2004, FIL experienced an increase in lending to predominately minority census tracts within its assessment areas compared to 2003 lending. For 2003, FIL funded 37% of originations by number and 32% by dollar volume in PMAs. In 2004, FIL funded 38% of originations by number and 35% by dollar amount in PMAs.

Denials— Geographic Distribution

FIL’s performance for denials within low-, moderate-income areas increased in 2004 compared to 2003. For 2003, FIL denied 34% by number and 27% by dollar volume. In 2004, FIL denied 32% by number of and 29% by dollar amount.

Conclusion

Whenever there is a substantial increase in lending, such as that experienced by FIL in 2004 (more than doubling the number of loans volume of lending the previous year), there is a risk that such an increase could come at the expense of lending within FIL’s assessment areas. While 2004’s lending might suggest that FIL is reaching a market risk saturation point where increasing the actual number of loans within a set market becomes a risk factor, FIL continues to actively fund within our assessment areas. Moreover, the percentage of lending within our assessment areas to low- and moderate-income census tracts remains a key strength of the bank. As part of FIL’s commitment to Fair Lending and CRA Compliance, procedures have been implemented to ensure continued use of non-discriminatory procedures when determining whether to approve or deny loan applications in the loan production departments.

CRITERION 4: THE BANK’S COMMUNITY DEVELOPMENT LENDING

To qualify as a community development loan, a loan must:

- ❖ Not have been reported by the bank under one of the previous categories unless it is a multifamily dwelling loan;
- ❖ Benefit the bank's assessment areas or a broader statewide or regional area that includes the bank's assessment areas; and
- ❖ Have as its primary purpose community development.

The regulation defines community development as:

- ❖ Affordable housing (including multifamily rental housing) for LMI individuals;
- ❖ Community services targeted to LMI individuals;
- ❖ Activities that promote economic development by financing businesses or farms that have gross annual revenues of \$1 million or less; or
- ❖ Activities that revitalize or stabilize LMI census tracts.

FIL does not have the resources or the expertise to generate community development type loans on its own as a way of doing business. FIL compensates for this through consortia lending through various groups such as, Bankers' CDC of Orange County, The Clearinghouse Community Development Financial Institution, Neighborhood Housing Services of Orange County, and Lenders for Community Development and Inland Empire Lenders CDC.

- ❖ FIL has been a member and shareholder (4900 shares) of Bankers' CDC of Orange County since its inception. Based on FIL's asset size in Orange County, the committed loan pool contribution in the first round is \$50,000.00 and in the second round it is \$140,000.00. The Bankers' CDC's focus is on providing two types of loans to small businesses by giving emphasis to minorities and women who either reside or have businesses in low and moderate income census tracts as well as to those within enterprise zones in the county. The two loan programs involve "micro loans," which are very small loans and "equity gap guarantees" for Small Business Association ("SBA") or State of California guaranteed loans for small businesses with insufficient equity. Further, the loan policy and programs of the Bankers' CDC will be subject to the discretion and authority of the Board of Directors and Loan Committee of the Bankers' CDC. During the year 2003 and 2004, the CDC made eight loans for a total of \$402,000.00 of which FIL participated in each loan for a total of \$36,360.
- ❖ FIL has been a member and shareholder (6,250 shares or 15.28% ownership) of The Clearinghouse Community Development Financial Institution (CDFI) since its inception. The CDFI is a for-profit corporation that facilitates the production and retention of affordable housing by providing direct loans for affordable housing projects. Other community development projects, or CRA eligible loans that traditionally are difficult to finance, will also be considered. As a direct lender, the CDFI has established a loan fund through investments from financial institutions and other corporate investors. This fund will allow the CDFI to provide financing for worthwhile affordable housing and community development loan projects. The company may also choose to make a direct investment in a project as a limited partner or co-owner. The identified market area for

the corporation is the Southern California region, with an emphasis on Orange County. Los Angeles, Riverside, San Bernardino, and San Diego Counties are all considered in the service area. This region has been identified as having some of the most expensive and therefore, the least affordable housing in the state. The CDFI received its lending licenses in December 1997. Since inception, FIL has participated in a blind loan pool in the amount of \$8,250,000.00. Fremont owns 15.28% of each loan funded by the CDFI. During the year 2003 the CDFI made 58 loans totaling \$16,298,653 of which FIL owns 15.28% or \$2,490,434. In 2004 the CDFI made 96 loans totaling \$49,997,547 of which FIL owns 15.28% or \$7,639,626. FIL's total for both years is 154 loans and \$10,130,060.

- ❖ Neighborhood Housing Services of Orange County (NHSOC) has a long history of strength and stability. The Organization was formed in 1977 as La Habra Neighborhood Services, Inc. (La Habra NHS). Effective September 22, 1998 La Habra NHS and Santa Ana NHS consolidated operations to form NHS OC with assets in excess of \$10 Million. The organization has completed several "Family Fund" loan pools and is now servicing in excess of \$5 million in second mortgages with no loan losses to date. FIL has committed to participate in the last three Family Fund loan pools in the amount of \$300,000 each. During the years 2003 and 2004, FIL participated in 21 loans in the amount of \$57,962. The total of the same loans to the end borrowers was \$793,307. FIL has been an active member and big supporter of this organization since 1993. I have been a board member since 1994.
- ❖ Lenders for Community Development build new pathways to increase the flow of capital into low-income communities. Together with their member banks, philanthropic investors, and partner organizations, they develop financial products and services for low-income individuals and communities throughout the greater Bay area. Their programs help small businesses to grow and create jobs, finance affordable housing and other needed community facilities that help people develop saving and assets. The common goal of their programs is to create lasting opportunity and revitalization in FIL's local neighborhood. FIL has been involved with this organization since it's inception in 1995. Their loan originations are now over \$22 million with losses of less than 1%. None of the bank investors has experienced any loss of principal. In January 2003 FIL committed and funded \$30,000 to the Small Business Micro Loan pool fund and \$30,000 to the Small Business Loan Pool #2 fund. FIL has also committed \$300,000 to the Large Business Loan fund in 2003 and 2004. From that \$300,000, FIL has funded 6 loans for \$81,944.
- ❖ Established in 1995, Inland Empire Lenders' Community Development Corporation (IELCDC) was founded by the County of Riverside, CDC Small Business Finance and 22-member banks, thrifts and S&Ls. IELCDC provides project financing of \$250,000 or less to small businesses in Riverside, San Bernardino and contiguous counties who do not qualify for traditional bank financing, but who demonstrate the potential to move into traditional financing at a later date. In particular, the program targets woman- and minority-owned small businesses and companies located within redevelopment project areas, State Enterprise Zones and Federal Empowerment Zones. FIL purchased 5000

share of stock and committed \$300,000 to the loan pool fund. In 2004 FIL participated in 5 loans for 168,913 and paid \$23,000 into the loan loss reserve.

- ❖ FIL's Commercial Real Estate Division made 25 Community Development Loans totaling \$444,233,227 in 2003. In 2004 they made 19 Community Development Loans for a total of \$588,575,000. The total for both years was 44 loans and \$1,032,808,227.

CRITERION 5: THE BANK'S USE OF INNOVATIVE OR FLEXIBLE LENDING PRACTICES

FIL is primarily a niche lender through a broker network in wholesale non-conforming first trust deed lending. FIL is committed to offering its brokers fast, efficient service. FIL's staff consists of trained, seasoned professionals whose goals are consistent with its brokers and customers. Each broker has access to an executive level, personal "Broker Coordinator" with decision-making authority, whose sole responsibility is to answer questions and solve problems regarding real estate transactions. This type of lending process is more conducive to serving the credit needs of low- and moderate-income individuals and families. FIL has established minimum requirements for all loan files submitted to underwriting. When standard documentation is not available, alternate documents may be used. The maximum debt ratios for FIL's non-conforming loans are aggressive in relationship to the pricing of A- through C- products. Since the underwriting guidelines allow for higher ratios, disposable income becomes an important factor in the final analysis for the underwriter when exceptions are being considered. FIL has a published guide for determining if a borrower will have adequate disposable income. FIL also takes into consideration compensating factors. There are many considerations an underwriter must analyze to justify approval of a loan that is outside of the standard guidelines. Sometimes exceptions to the rule are warranted.

LENDING TEST CONCLUSIONS:

In assessing FIL's lending performance, this self assessment focused on the lending activity, assessment area concentration, geographic distribution of loans, borrower profile, responsiveness to credit needs of economically disadvantaged geographies, low- and moderate-income persons and small businesses, community development lending, and product flexibility. Conclusions are in the context of FIL's business strategy and focus. The assessment period for the lending review was January 1, 2003 through December 31, 2004.

- ❖ FIL makes extensive use of flexible lending practices in order to serve assessment area credit needs. FIL is primarily a niche lender utilizing a nationwide broker network to originate wholesale, non-conforming home mortgages. Because FIL's residential real estate underwriting standards provide for higher qualifying ratios and more flexible terms, the lending products are more conducive to serving the credit needs of low- and moderate-income individuals and households within our assessment areas. FIL offers residential loans with underwriting guidelines based on relatively low credit scores and offers a "stated income" documentation loan program.

- ❖ Branch managers are members of their local Chamber of Commerce and participate in monthly events and business mixers in order to network, ascertain credit needs, and inform the community as to what FIL's current products and services are. Branch managers also meet with various groups to introduce them to FIL and the Deposit Incentive Donation Program. This type of presentation affords the managers the opportunity to ascertain the needs of the community.
- ❖ FIL aggressively markets its lending products in California and various MSAs across the nation.
- ❖ The Board of Directors and senior management consistently demonstrate their support for CRA related lending and actives and are very responsive to the credit needs of the communities in which it serves.
- ❖ Commercial real estate and residential real estate management and account executives are members of various broker groups; community lending groups and professional organizations in order to ascertain the credit needs of its assessment areas. FIL also sponsors various events for these organizations in order to obtain more name recognition for FIL in the communities it serve. FIL management encourages its lending staff to seek out qualified opportunities to provide credit that promotes community development and to maintain active relationships with various community development corporations. The diversity represented by FIL's community development loans indicates management's willingness to fund loans for the benefit of low- and moderate-income individuals, small businesses, and low- and moderate-income geographies.
- ❖ Fremont makes extensive use of flexible lending practices in order to serve assessment area credit needs. Because FIL's residential real estate underwriting standards provide for higher qualifying ratios and more flexible terms, the lending products are more conducive to serving the credit needs of low- and moderate-income individuals and households within our assessment areas.
- ❖ Fremont has taken a leadership role in community development lending and has achieved an excellent level of community development loans, considering FIL's asset size, financial ability, and opportunities within our various assessment areas.
- ❖ FIL's geoanalysis report shows that FIL's capture and penetration figures of loans originated in 2003 and 2004 are very favorable for CRA purposes and that FIL's lending in predominantly minority census tracts is consistent with the composition of its community. There are no conspicuous gaps in the geographic distribution of lending within the assessment areas. FIL has proven that CRA can be profitable and just makes good business sense.
- ❖ FIL's management understands the company's niche in the market and there fore, supports the involvement, investment and lending that is done through different consortiums. FIL participates in consortium lending in order to help meet the credit needs of the low- and moderate-income communities it serves.

- ❖ The CRA officer travels throughout assessment areas meeting with non-profit organizations, government officials, and community organizations in order to build partnerships that will benefit the low- and moderate-income individuals and families in these assessment areas as well as benefit FIL.
- ❖ FIL has proven and demonstrated that CRA lending can be profitable without sacrificing safety and soundness.

THE INVESTMENT TEST (*Old CRA factors H and L*)

Under CRA, the investment test is the second of three performance-based assessments to be conducted by examiners. It will focus on three criteria:

CRITERION 1: DOLLAR AMOUNT OF QUALIFIED INVESTMENTS.

Under the first criterion of the investment test, examiners evaluate the bank's dollar amount of qualified investments, particularly those that are not routinely provided by private investors, and its leadership role in making those investments.

CRITERION 2: INNOVATIVENESS OR COMPLEXITY.

Under the second criterion of the investment test, examiners will evaluate the bank's use of innovative or complex qualified investments. Of course, the use of such terms as "innovative" and "complex" means that this criterion of the investment test is subject to a good deal of subjectivity.

CRITERION 3: RESPONSIVENESS OF INVESTMENTS TO CREDIT AND COMMUNITY DEVELOPMENT NEEDS.

Under the third and final criterion of the investment test, examiners will evaluate the degree of responsiveness of qualified investments to credit and community development needs. There is little specific guidance on how "responsiveness" will be measured. It stands to reason, however, that in order to measure responsiveness to credit and community development needs, those needs should be established first. The agencies have indicated they will measure responsiveness through examiner-developed contacts with community organizations, state, local and tribal governments, economic development agencies, and other sources.

The following is a list of some of the larger qualified investments made during 2003 and 2004 to groups that FIL has an ongoing relationship with. Other qualified investments for CRA are documented at the end of this section of the report. Documentation for the investments can be found in the CRA officer's CRA working binders.

➤ **AFFORDABLE HOUSING CLEARINGHOUSE**

FIL has been an active member of AHC since May 1992. FIL has made an operations grant each year in support of AHC's accomplishments and efforts in southern California. AHC is a network of lending institutions, public agencies and non-profits devoted to the

development and preservation of affordable housing for low income, very low income and special needs populations of Southern California. AHC is a California non-profit corporation established to assist in the structuring and financing of Southern California housing projects, which are designed toward affordability. FIL's CRA Officer, Gary Dunn also serves on the board of directors and various committees of AHC. 2003 donations were \$10,500.00 and 2004 they were \$21,650.00. Total for 03 and 04 is \$32,150.00.

➤ **OPERATION HOPE, INC.**

FIL has been an active member and financial supporter of Operation Hope, Inc., since it's inception in May 1992. Operation Hope, Inc. is a non-profit, public benefit organization functioning as a "social investment banker," advocate, facilitator, lender and educator, committed to the revitalization and long term sustenance of inner-city life and under-served communities. Operation Hope, Inc. provides business services and technical assistance for small business owners and also home loan origination services for an area where traditionally banks are few and far between. FIL supports these endeavors through operation grants, sponsorships and mini grants of office furniture and equipment. FIL made a grant of \$106,760.00 in 2003 and additional grants of \$77,000.00 in 2004. Total for 03 and 04 is \$183,760.00.

➤ **SOUTHERN CALIFORNIA ASSOCIATION OF NON-PROFIT HOUSING ("SCANPH")**

FIL is a member of SCANPH and pays annual membership fees. SCANPH supports, assists and facilitates non-profit housing development corporations in Southern California in meeting their community affordable housing needs. SCANPH does this through offering a range of membership services to the affordable housing community including on-going technical assistance and training workshops; maintaining a central information clearinghouse; hosting an annual regional conference on affordable housing; engaging in public policy debates and initiatives that effect the continued expansion of affordable housing; working on national, state and local legislative issues of concern to the community; and participating with other organizations and coalitions to expand the resource base available to affordable housing and community development. Sponsorships in 2003 were \$1,750.00 and in 2004 \$1,800.00. Total for 2 year period is \$3,550.00

➤ **HOUSING CALIFORNIA**

Housing California is a group of ten regional and statewide organizations, which represent many of the local low-income housing and homelessness organizations in the state. The annual conference is a vital forum where participating housing developers, lenders, government officials, advocates, funders and consumers, can meet each other and develop new approaches to developing and preserving low-income housing and eliminating homelessness in communities. FIL's CRA Officer Gary Dunn attends the annual conference in order to network, ascertain credit needs and build partnerships. FIL made grants in 2003 for \$5,000.00 and in 2004, \$1,000.00. The total for 03 and 04 is \$6,000.00

➤ **THE CLEARINGHOUSE COMMUNITY DEVELOPMENT INSTITUTION (CDFI)**

The Clearinghouse Community Development Financial Institution (CDFI) is a for-profit corporation that facilitates the production and retention of affordable housing by providing direct loans for affordable housing projects. Other community development projects or CRA eligible loans that traditionally are difficult to finance are also considered. As a direct lender, the CDFI has established a loan fund through investments from financial institutions and other corporate investors. This fund will allow the CDFI to provide financing for worthwhile affordable housing and community development loan projects. The company may also choose to make a direct investment in a project as a limited partner or co-owner. The identified market area for the corporation is the Southern California region, with an emphasis on Orange County. Los Angeles, Riverside, San Bernardino, and San Diego Counties are all considered in the service area. This region has been identified as having some of the most expensive and therefore, least affordable housing in the state. FIL receives credit under the CRA investment test by making operating grants, capital investments and deposits. In 2003 FIL made one grant for \$10,000, one stock purchase for \$200,000.00 and three zero percent deposits for \$300,000.00 (total 03 \$510,000.00). In 2004 FIL made one grant for \$15,000.00. Total for 03 and 04 is \$525,000.00

➤ **BANKERS CDC OF ORANGE COUNTY)**

Bankers' CDC was incorporated in June of 1995 as a multi-bank/thrift Community Development Corporation ("CDC") for the purpose of providing financing for small businesses located throughout Orange County, California, particularly those owned by minorities and women. Bankers' CDC was organized as a for-profit corporation with commitments for initial capital and for a loan pool from local banks, thrifts and other financial institutions. The initial focus is on providing two types of loans to small businesses by giving emphasis to minorities and women who either reside or have businesses in low- and moderate-income census tracts as well as to those within enterprise zones in the County. In 2003 FIL made grants for \$10,062.00, one stock purchase of \$30,000.00 and two zero percent deposits for \$200,000.00 (total 03 \$240,062.00). In 2004 FIL made grants for \$9,258.00. Total for both years is \$249,320.00.

➤ **FEDERAL HOME LOAN BANK**

The Federal Home Loan Bank introduced its Affordable Housing Program in 1990 in response to a congressional mandate. To fund the Affordable Housing Program, FIL, along with other shareholders of the Federal Home Loan Bank of San Francisco, is currently forgoing 10% of the Bank's annual earnings that would otherwise be paid to the shareholders in the form of dividends. FIL's continued contributions to the Affordable Housing Program can be viewed as an investment in the low-income housing and economic development activities of its communities and other communities across the country. To put this investment in affordable housing in perspective, the Federal Home Loan Bank estimated that FIL contributed in foregone dividends during 2002 was \$290,316.00 and in 2003 was \$623,835.00. As of this report the 2004 number was unavailable from the FHLB. I estimate the 2004 figure to be around the same as 2003. During this assessment period I will count 02 and 03. The total for the two-year period is \$914,151.00.

➤ **HABITAT FOR HUMANITY**

Habitat for Humanity is a nonprofit corporation dedicated to removing poverty housing from its communities. To accomplish low-income, owner-occupied housing, Habitat builds modest homes with a maximum of donated labor and materials. They then sell the homes to very low-income families with 20 year, no interest, no profit mortgages. The families chosen to purchase Habitat homes must contribute 600 hours of labor, called "Sweat Equity" into the program. Funds received from mortgages are "recycled" into building additional homes. FIL made one grant for \$5,000.00 in 2003.

➤ **NEIGHBORHOOD HOUSING SERVICES OF ORANGE COUNTY (NHSOC)**

Neighborhood Housing Services of Orange County is dedicated and committed to improving the quality of life in the areas that it serves through stimulation of reinvestment activity and community involvement. In late 1978, Congressman Jerry Patterson, former mayor of Santa Ana, introduced the city to the Neighborhood Housing Services (NHS) concept of revitalizing neighborhoods through a partnership of residents, city government, and local businesses. The City of Santa Ana contracted with the Neighborhood Reinvestment Corporation of Washington D.C., and developed a local NHS. The Santa Ana Neighborhood Organizations (S.A.N.O.) and residents of the community were vital links in the process of establishing the criteria necessary for the proper selection of a target community with strong leadership. Grants, and sponsorships in 2003 totaled \$38,500.00. FIL also made in 2003 one zero percent interest deposit in the amount of \$100,000.00. Grants and sponsorships in 2004 totaled \$19,213.00. Total for both years is \$157,713.00.

➤ **LENDERS FOR COMMUNITY DEVELOPMENT**

Lenders for Community Development build new pathways to increase the flow of capital into low-income communities. Together with their member banks, philanthropic investors, and partner organizations, they develop financial products and services for

low-income individuals and communities throughout the greater Bay area. Their programs help small businesses to grow and create jobs, finance affordable housing and other needed community facilities that help people develop saving and assets. The common goal of their programs is to create lasting opportunity and revitalization in FIL's local neighborhood. FIL has been involved with this organization since its inception in 1995. In 2003 FIL made one zero percent deposit for \$100,000.00 and grants for \$12,500.00. In 2004 grants totaled \$7,500.00. Total for two-year period is \$120,000.00.

➤ **ORANGE COUNTY COMMUNITY HOUSING CORPORATION (OCCHC)**

OCCHC is a non-profit organization whose mission is to help large families with little housing choice avoids poverty-like conditions through the provision of decent housing at an affordable price. Its founding in 1977 was based on the principle that low-wage families deserve safe housing and safe neighborhoods so that their children would have the same educational benefits as those from more affluent neighborhoods. Their mission is "to provide housing and related services to very low-income large families with special emphasis on extremely low-income large families". FIL made a \$5,000.00 grant in 2003 and 10,950.00 in grants in 2004. Total for both years is \$15,950.00.

➤ **BANKERS SMALL BUSINESS CDC OF SAN DIEGO**

This CDC is also CDFI certified. The Bankers' CDC is a multi-bank consortium that has provided over 150 small businesses with more than \$3,000,000.00 in micro loans since its inception in the early 1990s. The program targets women and minority business owners as well as businesses that are located in low- to moderate-income census tracts. Bankers' CDC provides excellent opportunities for banks to make a difference in their community and secure valuable CRA investment credit. FIL made a \$20,000.00 stock purchase and two zero percent deposits for \$200,000.00. Total for 2003 is \$220,000.00.

➤ **Mary Erickson Community Housing**

MECH is a non-profit corporation and a designated Community Housing Development Organization (CHDO) serving Orange County, California. Formed in 1991, MECH owns and operates several apartment buildings, housing more than 100 low-wage families. Tenants must be low-income working families. Rents fall within affordable guidelines for families earning less than 50% of Orange County Median Income. The mission of MECH is to promote the well being of working families in Orange County by increasing and preserving the supply of low-income rental housing. In support of their efforts, FIL made grants in 2003 totaling \$10,800.00 and in 2004 \$15,320.00. The total for both years is \$26,120.00.

➤ **Inland Empire Lenders CDC**

Established in 1995, Inland Empire Lenders' Community Development Corporation (IELCDC) was founded by the County of Riverside, CDC Small Business Finance and 22-member banks, thrifts and S&Ls. IELCDC provides project financing of \$250,000 or less to small businesses in Riverside, San Bernardino and contiguous counties who do not qualify for traditional bank financing, but who demonstrate the potential to move into traditional financing at a later date. In particular, the program targets woman- and minority-owned small businesses and companies located within redevelopment project areas, State Enterprise Zones and Federal Empowerment Zones. In 2003 FIL made a \$50,000.00 stock purchase, \$200,000.00 zero percent deposits and a \$2,058.00 grant. Total for 2003 was \$252,058.00. Grants in 2004 were \$24,558.00. Total for both years is \$276,616.00.

➤ **Los Angeles Neighborhood Housing Services**

LANHS is a not-for-profit lender and community developer dedicated to building stronger neighborhoods. LANHS strengthens communities through the development and maintenance of quality affordable housing, creation and preservation of affordable homeownership opportunities, support of local leaders, providing financial education and increasing the financial independence of families and people in need. FIL made zero percent deposits in the amount of \$200,000.00 in 2003.

➤ **California Community Partnership for the Prevention of Financial Abuse**

CCPPFA is a non-profit organization that is dedicated to the prevention of elder financial abuse. Elders may be targets for financial exploitation by those they trust and rely on, or, by complete strangers. CCPPFA is the first statewide public/private partnership that is designed to train employees of financial institutions to recognize and report suspected financial abuse of elders and dependent adults. The partnership is also dedicated to raising community awareness of financial abuse through regional community education seminars and public awareness campaigns. FIL made grants in the amount of \$9,129.00 in 2003 and \$60,000.00 in 2004. Total for both years is \$69,129.00.

➤ **Canning Hunger Orange County**

Their mission is to motivate, recruit, train, equip and deploy volunteers to help feed the disadvantaged and working poor without discrimination. Their strategy coordinates volunteers and the food they collect with existing distribution agencies in their own communities. Their goal is to restore people to a nutritional fitness and healthy well being by ending the demoralizing conditions caused by hunger. In 2003 FIL made donations in the amount of \$4,000.00 and in 2004 \$17,794.00. The total for this two-year period is \$21,797.00.

➤ **Junior Achievement of Southern California**

Each year, JA helps nearly 150,000 kids in Southern California by having business professionals share their experiences and knowledge in the classroom, as well as serve as role models to young students. The goal of JA is to inspire kids to achieve at the business of life through a community-based partnership of educators, volunteers, and businesses. In 2003 FIL made donations of \$10,000.00 and in 2004, \$26,400.00. The total for both years was \$36,400.00.

➤ **Pacific Coast Capital Partners**

The Southern California Smart Growth Fund I, LLC (the “SCSG Fund”) is a proposed \$100 million dollar fund being formed to invest in real estate opportunities in low and moderate income (census tracts in which the median family income is less than or equal to 80% of the median family income - “LMI”) neighborhoods in eight contiguous counties of the Southern California region including San Bernardino, Santa Barbara, Ventura, Los Angeles, Orange, Riverside, Imperial and San Diego and (ii) in the event that a proposed investment would benefit residents in one or more of the low and moderate income neighborhoods described in paragraph (i), the SCSG Fund may also invest in (a) Brownfield sites or closed military bases outside the foregoing territories; or (b) in the event that a proposed investment would benefit residents in one or more of these LMI neighborhoods the SCSG Fund may also invest in areas contiguous to such LMI neighborhoods . The SCSG Fund is targeting an investment of at least 35% of the Commitments in San Diego County.

The SCSG Fund is being organized to address a “double bottom line”-- favorable long-term returns for its investors and significant social returns expected by community stakeholders. In the view of PCCP, the SCSG Fund presents investors with the opportunity to invest in a real estate fund targeted in LMI neighborhoods where premium risk-adjusted returns may still be available, due to (a) low land prices, compared to neighboring markets, (b) traditional difficulties in pursuing development in the Target Area, (c) lack of efficient competition, (d) availability of public subsidies in certain situations, and (e) support of local government and community groups.

Sponsor

PCCP is one of the leading local private real estate debt and equity providers in the California. PCCP has committed over \$1.2 Billion in debt and equity, mostly in California. PCCP currently has five equity funds (including the Bay Area Smart Growth Fund I (the “Bay Area Fund”) and the Nehemiah Sacramento Valley Fund I (the “Sacramento Valley Fund”). PCCP’s founding partners have substantial real estate finance and investment experience and have worked together for over 10 years. PCCP will commit to invest, itself or through an affiliate, five percent (5%) of the total committed capital to the SCSG Fund. The SCSG Fund will be PCCP’s sixth separate equity investment fund.

Among its five existing equity funds, PCCP has successfully launched two similar commingled closed end smart growth funds, which make investments based on similar social equity criteria as will be used by the SCSG Fund -- the Bay Area Fund and the Sacramento Valley Fund, targeting the San Francisco Bay and Sacramento Valley areas respectively. The Bay Area Fund had its initial closing on September 31, 2001 and including subsequent

closings is fully committed with total commitments of \$65,780,000. As of July 31, 2003, the Bay Area Fund has investment commitments to six investments totaling \$35,310,000, or 53.7% of the total capital commitments of the investors in that fund. Projected gross IRR on committed deals is 23.0% before reduction by advisory fees (including the Management Fee) and any other expenses the fund may incur in the management of its investments.

The Sacramento Valley Fund had its initial closing on December 31, 2002 and including subsequent closings has aggregate commitments totaling \$29,360,000. PCCP has made one investment of \$2.7 million, or 10% of the fund, and the projected IRR is 27%.

The Investment:	The Southern California Smart Growth Fund
Amount of FIL Investment:	\$3 million Investment Term: 10 years
Expected Return:	15 – 18%
Estimated Closing:	First funding June 30, 2004
Fund Sponsor:	Pacific Coast Capital Partners LLC (“PCCP”)

➤ **Meridian / Related Capital / CharterMac**

CRA Preferred Shares (CharterMac) are considered a qualified CRA investment. Investment in CharterMac promotes the company’s sole line of business, which is investing in, holding and servicing bonds (primarily tax-exempt bonds), the proceeds of which finance the construction, rehabilitation and ownership of affordable multifamily housing properties that benefit from the low-income housing tax credit. FIL President Murray Zoota will have final approval of this type of investment based on conditions of investment and rate of return.

CharterMac Preferred Shares provide investors with-tax exempt income distributions on a quarterly basis, projected at 7.5% yield on their last offering (pretax equivalent 11.54%). In addition, CRA Preferred Shares can be converted into common stock and sold on the AMEX at any quarter end. The conversion and sale feature of this product is attractive compared to the long-term nature of other tax credit investments. As an additional advantage, the allocation methodology provides for CRA allocation specific to FIL’s assessment areas while spreading the investment risk over a geographically diverse portfolio.

Credit risks involve typical mortgage-related risks, such as: 1) the inability of the properties to generate sufficient cash flow to repay the mortgages, 2) the inability of the Operating Management to cover income shortfall from working capital, 3) changes in economic conditions affecting the occupancy of the properties, and 4) market conditions (i.e. oversupply) that impact the cash flow of the properties. The current real estate trends indicate that affordable housing is scarce in California, thus prompting the tax credits and the local government participation in the gap financing as inducements to develop more affordable housing.

As mitigation of the described risks, Charter Mac only accepts projects from developers with strong track records in multifamily affordable housing. Developers are required to present guarantees against cost overruns and operating deficits, are required to pledge

developer fees, and may be required to maintain equity in the project as incentive to align investor and developer interests. Additionally, geographic diversification of the tax credit properties mitigates risk.

Although reliance on the operating management is considered a risk, this risk is mitigated by the successful track record of The Related Companies in developing and managing affordable real estate projects, and in securing tax credit financing. The Investment Summary indicates the foreclosure experience of tax credit funds has been extremely low (.09% as noted in an E&Y Survey). The Related Companies have had no foreclosures to date. The structure of tax credit laws reduces prepayment and foreclosure risk; the multifamily affordable housing first mortgage market is considered one of the lowest risk types of real estate collateral.

FIL invested \$6,000,000.00 in CRA preferred stock on August 26, 2003.

➤ **In Kind Grants of Computer Equipment and Furniture**

Documentation can be found in CRA binders behind Investments, Factor “H”, in kind donations. All of these types of donations are made to CRA qualified organizations. The two-year period totals are as follows:

Furniture	\$ 47,800.00
<u>Computers & Equipment</u>	<u>\$146,500.00</u>
Total	\$194,300.00

➤ Miscellaneous CRA qualified donations that are not listed above are as follows:

2003	\$ 53,750.00
<u>2004</u>	<u>\$116,686.00</u>
Two year period Total	\$170,436.00

➤ **Investments made prior to January 1, 2003 that are still outstanding and count towards our CRA Investment total are as follows:**

Bankers CDC San Diego Stock Purchase 1/16/01	\$ 5,000.00
Lenders CDC Zero Percent Deposit 5/1/01	\$100,000.00
NHS Orange County Zero Percent Deposit 5/3/01	\$100,000.00
Bankers CDC of Orange County Stock Purchase 4/30/96	\$ 5,000.00
Stock Purchase 11/30/98	\$ 8,500.00
Stock Purchase 3/31/99	\$ 5,500.00

Clearinghouse CDFI	
Stock Purchase 12/13/96	\$ 25,000.00
Stock Purchase 6/29/99	\$200,000.00
Stock Purchase 1/31/01	\$200,000.00
Zero Percent Deposit 3/23/01	\$100,000.00
Total investments carried forward	\$749,000.00

- **The grand total of all donation, grants and investments that are listed above is as follow:**

Investments 2003	\$ 8,185,125.00
Investments 2004	\$ 4,020,991.00
In Kind Donations	\$ 194,300.00
Investments carried forward	\$ 749,000.00
Total for 2 year period	\$13,149,416.00

- **Deposit Incentive Donation Program (DIDP)**

Fremont's DIDP assists non-profit organizations in raising funds. At the end of each calendar year, Fremont will pay a donation directly to the non-profit organization based on the annual average combined balance on deposit of all group members. The donation comes directly from Fremont and does not affect the interest earned by individual group members. Donation DIDP total in 2003 was \$155,686.42 and in 2004, \$196,086.25. The total for both years is **\$351,772.67**. The FDIC will decide which of these organizations will qualify for CRA donations with my guidance. The DIDP numbers are not included in the above totals for CRA.

Documentation for the above donation totals can be found in the CRA working binders under Factor "L" and Factor "H".

INVESTMENT TEST CONCLUSIONS:

The board of directors, officers and senior management are very supportive of community involvement within FIL's assessment areas and throughout the entire state. FIL is continually searching for community development type investments and opportunities. FIL is also supportive of community events and organizations that have no CRA credit attached to them but are of the type that would be classified as good corporate neighbor support and donations.

- ❖ FIL's investment in CDCs and CDFIs will facilitate additional lending in low- to moderate-income census tracts.
- ❖ FIL has been innovative in some of its mini-grants, such as computer donations to students of low-income families and non-profits. FIL was the first to do this in the 1990s.
- ❖ FIL has made numerous grants to organizations that promote economic development.

- ❖ Donations of furniture and equipment to non-profits have enhanced their ability to better serve low- to moderate-income areas.
- ❖ FIL has not abandoned good corporate neighbor type donations, simply because of not receiving CRA credit for them.
- ❖ FIL is supportive of community events and organizations that have community development and empowerment of the community as their main goal.
- ❖ FIL has made grants and contributions to organizations that provide community service to low and moderate-income individuals and families.
- ❖ Management continues to research opportunities for qualified investments that would benefit low- and moderate-income individuals or geographies, or small business development in ways that are not routinely provided by other investors.

THE SERVICE TEST (*Old CRA factors G and K*)

Under the NEW CRA, the service test is the third and final performance-based assessment to be conducted by examiners. It focuses on four criteria:

- 1) The accessibility of the bank's service delivery systems to LMIs and LMI individuals;
- 2) The bank's record of opening and closing branches in LMIs or that primarily service LMI individuals;
- 3) The range of services provided to LMIs and LMI individuals; and
- 4) The extent and innovativeness of the bank's community development services.

In assessing FIL's performance under the Service Test, the evaluation focused on the accessibility of its delivery systems, changes in branch locations, and reasonableness of its business hours and services in meeting needs of its assessment areas

CRITERION 1: ACCESSIBILITY OF THE BANK'S SERVICE DELIVERY SYSTEMS.

There are two aspects to this first criterion. When looked at together, these two aspects constitute the institution's "service delivery system." The first aspect involves the distribution of the institution's branches (also known as the "bricks and mortar" aspect). The agencies will review the number of FIL branches in LMIs compares to the number in middle- and upper-income census tracts. Of twenty bricks and mortar branches, FIL has four branches in moderate-income census tracts, eight in middle-income census tracts, and nine in high-income census tracts. FIL assessment areas are made up of entire counties. One assessment area has zero low-income census tracts, another one only has one low-income census, and yet another has five low-income census tracts. Based on this information, FILs distribution of branches can serve all LMI's in its assessment areas.

Under the second aspect of this criterion, examiners will evaluate alternative delivery systems for reaching LMIs and LMI individuals. In keeping with its commitment and in addition to branch lobby service, FIL provides new account and transaction services for its customers via mail, facsimile and telephone. When transacting business by mail, FIL's policy is to provide postage both to and from the branch. For telephone assistance, FIL provides customers with a toll-free telephone number accessible from anywhere in California. Customers calling the 800 number are automatically routed via prefix to the closest branch. This type of phone system saves the caller long distance charges, time and makes it much more convenient for the customer overall. FIL branch managers have the latitude on a case-by-case basis within their assessment area to conduct banking services at nursing homes, senior centers, and businesses (employers) on a pre-arranged schedule. This service is especially convenient for senior citizen customers. Presently, FIL accepts social security checks for direct deposit from a tape that is provided by the SSA. This service saves elderly customers from having to make a trip into an office.

CRITERION 2: RECORD OF OPENING AND CLOSING BRANCHES.

Under the second criterion of the service test, examiners will evaluate FIL's record of opening and closing branches, particularly those located in LMIs or primarily serving LMI individuals. The agencies are seeking to recognize those banks that have opened branches in LMIs. At the same time, they are seeking to encourage institutions to carefully consider the impact on the community of closing branches in LMIs prior to closure. FIL's delivery systems are accessible to essentially all portions of its assessment areas. FIL opened two new branch locations during the assessment period. Fashion Island in Orange County opened in August 2004 and Woodland Hills in Los Angeles County opened in September 2004.

CRITERION 3: RANGE OF SERVICES.

Under the third criterion of the service test, examiners will evaluate the institution's services in LMIs and its services to LMI individuals. FIL offers the same services across the board no matter which assessment area. All transactions fees and branch business hours remain the same. FIL's business hours are uniform with its direct competitors, such as other thrift institutions. The CRA officer's recommendation to the senior vice president of retail banking operations is to retain the same business hours.

CRITERION 4: COMMUNITY DEVELOPMENT SERVICES.

Under the fourth and final criterion of the service test, examiners evaluate the extent, innovativeness and responsiveness of the institution's community development services. The words "community development" are a part of the lending, investment and service tests. The distinctions between the three can, understandably, become blurred. In this case, community development services are banking services that develop the community. The New CRA defines a community development service as a service that:

- 1) Has as its primary purpose community development, which means activities that help economic development in LMIs or that benefit LMI individuals;

- 2) Is related to the provision of financial services; and
- 3) Has not been considered in the evaluation under one of the previous criteria.

To help clarify the definition of community development services, the agencies have provided a number of examples (while indicating that list is not all inclusive). These include:

- 1) Providing technical expertise for not-for-profit tribal or government organizations serving LMI housing needs and/or economic revitalization and development;
- 2) Lending executives to organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- 3) Providing credit-counseling, homebuyers counseling, home maintenance counseling, and/or financial planning to promote community development and affordable housing;
- 4) Providing school savings programs; and
- 5) Other financial services, the primary purpose of which is community development, such as low-cost or free government check cashing.

FIL's involvement with organization, community groups and non-profits that fit the criterion of the service test are as follows:

- ORANGE COUNTY AFFORDABLE HOUSING CLEARINGHOUSE ("OCAHC") - OCAHC is a California non-profit corporation established to assist in the structuring and financing of Orange County Housing projects, which are designed toward affordability. Gary Dunn, VP/CRA Officer, attends a monthly networking and ascertainment meeting, serves on the Board of Directors as Vice President and is the HR committee chairman. For its involvement and financial support, FIL receives credit under the New CRA in the service test and the investment test. FIL makes annual operation grants to OCAHC and also sponsors other fundraisers for them.
- OPERATION HOPE, INC., OF LOS ANGELES - Operation Hope is a non-profit, public benefit organization functioning as a "social investment banker," advocate, facilitator, lender and educator, committed to the revitalization and long-term sustenance of inner-city life and under-served communities. Operation Hope provides business services and technical assistance for small business owners and also home loan origination services for an area where traditionally banks are few and far between. Murray Zoota, President & CEO, has been an active member of the Board of Directors since its inception in May 1992. CRA officer designed a high school credit presentation program for FIL and Operation Hope, which are presented throughout California and other states across the nation in various schools. The CRA officer has also shared the program with other financial institutions through Operation Hope and trained representatives from those institutions on how to give the presentation in the schools. In October 2004, FIL & Gary Dunn, CRA Officer, received two awards

from Operation Hope. The first was for highest number of volunteers trained for BOTF (50). The second was for largest financial supporter of the program.

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- THE CLEARINGHOUSE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION (CDFI) is for-profit corporation that facilitates the production and retention of affordable housing by providing direct loans for affordable housing projects. Other community development projects or CRA eligible loans that traditionally are difficult to finance will also be considered. As a direct lender, the CDFI has established a loan fund through investments from financial institutions and other corporate investors. This fund will allow the CDFI to provide financing for worthwhile affordable housing and community development loan projects. Murray Zoota, President & CEO, serves on the Board of Directors and Alan Orechwa, SVP, serves on the Loan Committee and the Board of Directors.
 - NEIGHBORHOOD HOUSING SERVICES OF ORANGE COUNTY (NHSOC) is dedicated and committed to improving the quality of life in the areas that it serves through stimulation of reinvestment activity and community involvement. In late 1978, Congressman Jerry Patterson, former mayor of Santa Ana, introduced the city to the Neighborhood Housing Services (NHS) concept of revitalizing neighborhoods through a partnership of residents, city government, and local businesses. Gary Dunn, FIL's VP/CRA Officer, serves on the Board of Directors and serves as Secretary of the Board, Loan Committee, and the Lenders Committee. Gary received a Certificate of Special Congressional Recognition in recognition of outstanding and invaluable service to the community. It is called the American Dreammaker Award 2004.
 - BANKERS' CDC OF ORANGE COUNTY was incorporated in June of 1995 as a multi-bank/thrift Community Development Corporation ("CDC") for the purpose of providing financing for small businesses located throughout Orange County, California, particularly those owned by minorities and women. Bankers' CDC was organized as a for-profit corporation with commitments for initial capital and for a loan pool from local banks, thrifts and other financial institutions. The initial focus is on providing two types of loans to small businesses by giving emphasis to minorities and women who either reside or have businesses in low- and moderate-income census tracts as well as to those within Enterprise Zones in the County. The two loan programs involve "micro loans," which are very small loans, and "equity gap guarantees" for Small Business Association ("SBA") or state of California, guaranteed loans for small businesses with insufficient equity. The loan policy and programs of the Bankers' CDC are subject to the discretion and authority of the Board of Directors and Loan Committee of the Bankers' CDC. Gary Dunn, FIL's VP/CRA Officer, serves on the Board of Directors and the Loan Committee.
 - ORANGE COUNTY COMMUNITY HOUSING CORPORATION (OCCHC) is a non-profit organization whose mission is to help large families with minimal housing choices avoids poverty-like conditions through the provision of decent housing at an affordable price. Its founding in 1977 was based on the principle that low-wage

families deserve safe housing and safe neighborhoods so that their children will have the same educational benefits as those from more affluent neighborhoods. Their mission is “to provide housing and related services to very low-income large families with special emphasis on extremely low-income large families”. Murray Zoota, President, serves on the Advisory Board

- Discovery Science Center is a non-profit organization dedicated to educating young minds, assisting teachers, and increasing public understanding and appreciation of science, math and technology through interactive exhibits and programs. The Center provides a chance for our children to learn science in a fun, creative way through over 100 “hands-on” exhibits that encourage their natural curiosity. The Center also provides outreach training for teachers and field trips for schools in all 27 Orange County districts. A portion of Fremont’s financial commitment is directed to provide field trip scholarships to underserved students in the County. Sarah Branigan, FIL’s VP in commercial lending, serves on their Board of Directors as Chairman, Corporate Partners Program Committee member and Development Committee member.
- Kidworks, Santa Ana has been reclaiming the lives and futures of at risk youths in Santa Ana for the past eight years. Kidworks rents apartments in their targeted areas and transforms them from a living facility to an atmosphere for learning. The apartment based learning centers provide a central location near the student’s apartments, where they can receive help with homework and other problems in a non-threatening, safe refuge from the dangers of the street. Throughout the year, over 200 young people per week benefit from these learning centers. Kidworks believes strongly in developing leaders from within the community and empowering them to change their neighborhoods by using content relevant to the ongoing needs of the community. A primary goal of Kidworks is to challenge youngsters to think “bigger than the barrio” and motivate them to say, “yes” to school and a values-based lifestyle. Sarah Branigan, FIL’s VP in commercial lending serves on their Underwriting Committee.
- Mrs. Spencer Tracy founded John Tracy Clinic in 1942 in response to requests for help from 12 other mothers of children with hearing loss. The mission of the Clinic is to provide low-income families of deaf and hard-of-hearing children with the information, educational techniques, and emotional support to teach communication skills to their children during the period of time when language skills naturally develop. From the beginning all of these services have been free of charge. Sarah Branigan, FIL’s VP in commercial lending serves on their Steering Committee.
- Established in 1995, Inland Empire Lenders’ Community Development Corporation (IELCDC) was founded by the County of Riverside, CDC Small Business Finance and 22-member banks, thrifts and S&Ls. IELCDC provides project financing of \$250,000 or less to small businesses in Riverside, San Bernardino and contiguous counties who do not qualify for traditional bank financing, but who demonstrate the potential to move into traditional financing at a later date. In particular, the program targets woman- and minority-owned small businesses and companies located within redevelopment project areas, State Enterprise Zones and Federal Empowerment

- Zones. Gary Dunn, CRA Officer, serves on the Board of Directors as Secretary of the Board and Loan Committee.
- This CDC is also CDFI certified. The Bankers' CDC is a multi-bank consortium that has provided over 150 small businesses with more than \$3,000,000.00 in micro loans since its inception in the early 1990s. The program targets women and minority business owners as well as businesses that are located in low- to moderate-income census tracts. Gary Dunn, CRA Officer, serves on the Board of Directors.
 - CCPPFA is a non-profit organization that is dedicated to the prevention of elder financial abuse. Elders may be targets for financial exploitation by those they trust and rely on, or, by complete strangers. CCPPFA is the first statewide public/private partnership that is designed to train employees of financial institutions to recognize and report suspected financial abuse of elders and dependent adults. The partnership is also dedicated to raising community awareness of financial abuse through regional community education seminars and public awareness campaigns. FIL was the first bank in California to purchase a Be Wise statement stuffer from CCPPFA and include them in monthly statements to FIL customers warning them about financial abuse. Gary Dunn, CRA Officer, serves on the Board of Directors and is Secretary of the Board.
 - Each year, JA helps nearly 150,000 kids in Southern California by having business professionals share their experiences and knowledge in the classroom, as well as serve as role models to young students. The goal of JA is to inspire kids to achieve at the business of life through a community-based partnership of educators, volunteers, and businesses. Alan Orechwa, SVP, serves on the Board of Directors.
 - The Building Blocks Foundation Fund creates a vital connection between the Orange County commercial real estate industry and the local community by facilitating public/private partnerships that support worthwhile programs such as individual and family education, on the job training, mentoring and financial aid, among many others. The foundation Fund is a solid channel of commercial real estate professionals who apply their personal skills and time as well as financial support to worthwhile programs that ultimately benefit us all. Sarah Branigan, VP Commercial Lending serves on the Executive Committee.
 - Gary Dunn, CRA Officer, was nominated for The Presidents Volunteer Service Award and received the award in 2004. This award recognizes your dedication to volunteer service and signifies that you have served your community and your country with distinction. Through your volunteer efforts, you are demonstrating values that make our nation strong and you are helping to build a culture of citizenship, service, and responsibility in America.
 - Gary Dunn, CRA Officer, received the 2003 Economic Development Advocate Award from the Small Business Financial Development Corporation of Orange

County. The Certificate of Recognition is from the California Legislature, Assemblywoman Lynn Daucher.

- Gary Dunn, CRA Officer, received the 2004 Economic Development Advocate Award from the Small Business Financial Development Corporation of Orange County. Two certificates were received. One from California State Senator Dick Ackrman and one from Senator Joseph Dunn.
- FIL services, including business hours, do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies or individuals. FIL offers a variety of financial services through its branch and LPO network. FIL originates commercial and residential loans, as well as personal loans secured by bank accounts. Deposit products include savings and money market statement accounts, certificates of deposits, and individual retirement accounts. All branch offices are open 9:00 a.m. to 5:00 p.m., Monday through Friday.

SERVICE TEST CONCLUSIONS:

FIL's Board of Directors and senior management understand and support the Community Reinvestment Act and its importance within the institution. FIL management and all other employees are encouraged to participate in community events, volunteer their services to non-profits and other organizations that support community development and to serve on committees and Board of Directors when ever possible.

- ❖ FIL's commitment to the Community Reinvestment Act is evident in the fact that the CRA officer's primary responsibilities are to design and implement CRA programs and policy throughout the FIL environment.
- ❖ The number of organizations of which FIL is an active member and supports with man-hours, grants, and mini grants is very positive for the institution in regards to CRA.
- ❖ Fremont's overall accessibility of delivery systems, alternative delivery systems, banking products and services, and business hours within our assessment areas are considered good and readily accessible to all portions of FIL's communities, including low- and moderate-income geographies and individuals.
- ❖ FIL has created innovative, alternative delivery systems to enhance the accessibility of its products and services to all segments of its assessment area.
- ❖ FIL provides a high level of community services in response to community needs.
- ❖ FIL has taken leadership roles in many community development activities. FIL's senior management is also involved in community development services as evidenced by the involvement of Murray Zoota, President & CEO and Alan Orechwa, SVP.

- ❖ Many of FIL's employees are involved in the communities we serve as volunteers. Documentation from these employees can be found in our Corporate CRA binders behind factor "K". Contact Gary Dunn for additional information.

TECHNICAL ASPECTS OF THE COMMUNITY REINVESTMENT ACT

All financial institutions are required to have a public file; FIL's public file is located in the lobby area of each branch and the corporate office. Upon review of the public file for this self-assessment, it is noted that there are no technical items missing from the file.

As with the old CRA, the New CRA requires each institution to post in the public lobby of its main office and each of its branches a public notice. Unlike old CRA, the notice for the main office and the notice for the branches are not the same. The main office public notice describes the contents of the public file that may be reviewed "today." The branch office version describes the contents of the public file, which pertains to the specific branch and informs the reader that the institution will make available at the branch a copy of the information from the public file pertaining to the assessment area. FIL is in compliance with both notices. A copy of both notices can be found in all the public files located in the branches.

FIL has a Home Mortgage Disclosure Act Notice (HMDA) posted in the lobby of each branch and the corporate office.

The basic premise of this "self assessment" is that compliance with CRA requirements will take continuous effort on the part of each and every FIL employee. Support continues from the Board of Directors and senior management, and FIL's goals continue to be disseminated to all employees. It should be noted that FIL's most recent "Community Reinvestment Act" performance evaluation dated November 2002 by the Federal Deposit Insurance Corporation rated FIL "OUTSTANDING". Due to fair lending issues noted during the last exam, the overall CRA rating was down graded to "Satisfactory". Those issues have been resolved. It is my opinion that Fremont Investment & Loan's performance since the last exam will result in an "Outstanding" rating in each of the three tests, Lending, Investments, and Service. Fremont should receive an overall rating of "Outstanding".

cc: Board of Directors
Senior Management
Compliance/CRA Committee