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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

September 6, 1996

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Marine National Bank  
Charter Number 17052**

**18401 Von Karman Avenue  
Irvine, California 92715**

**Comptroller of the Currency  
50 Fremont Street, Suite 3900  
San Francisco, California 94105**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Marine National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 6, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

Marine National Bank is committed to serving the communities in which it operates. It has demonstrated satisfactory lending performance throughout the assessment area, including low- and moderate-income census tracts. The bank's lending to businesses of different sizes is satisfactory.

The following table indicates the performance level of **Marine National Bank** with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b>Marine National Bank Performance Levels</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does Not Meet Standards for Satisfactory Performance</b>
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the last examination.		

**DESCRIPTION OF INSTITUTION:**

Marine National Bank opened in 1981 as a full service commercial bank headquartered in Irvine, California. The bank's market niche is lending to small businesses in its assessment area. It has three branches in its assessment area: the main office, and branches in Newport Beach and Orange. The bank has an automated teller machine at each location. As of June 30, 1996, it reported total assets of \$101 million. The following chart reflects the bank's loan portfolio by major product type.

**LOANS BY MAJOR PRODUCT TYPE - As of June 30, 1996**

<b>LOAN TYPE</b>	<b>DOLLAR AMOUNT</b>	<b>% OF TOTAL LOANS (\$)</b>
<b>Real Estate</b>	<b>26,260,393</b>	<b>41%</b>
<b>Commercial Loans</b>	<b>23,220,913</b>	<b>36%</b>
<b>Installment/Consumer Loans</b>	<b>6,383,464</b>	<b>10%</b>
<b>Municipal Leases</b>	<b>3,944,403</b>	<b>6%</b>
<b>Home Equity</b>	<b>3,019,575</b>	<b>5%</b>
<b>Construction</b>	<b>966,759</b>	<b>2%</b>
<b>TOTAL GROSS LOANS:</b>	<b>63,795,507</b>	<b>100%</b>

Commercial loans consist primarily of loans to small and medium sized businesses. A large proportion of the real estate loan portfolio is commercial real estate. Consumer loans consist mainly of personal lines of credit, home equity lines of credit, as well as automobile financing. Consumer loans are relatively few in number but most are higher than average dollar amounts. There are no financial or legal impediments to the bank's ability to help meet the credit needs of its community. The last CRA performance examination was December 3, 1993 and the bank was rated "Satisfactory."

**DESCRIPTION OF MARINE NATIONAL BANK'S ASSESSMENT AREA:**

The bank's assessment area consists of 301 of the 484 census tracts which comprise the primary metropolitan statistical area (PMSA) of Orange County. The bank's assessment area includes census tracts located in Anaheim, Brea, Costa Mesa, Fountain Valley, Fullerton, Huntington Beach, Irvine, Newport Beach, Orange, Placentia, Santa Ana, Tustin, and Yorba Linda. The area

delineation complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The chart below reflects the composition of the assessment area by census tract type.

**ASSESSMENT AREA COMPOSITION**

<b>Census Tract Type</b>	<b># of Tracts in Area</b>	<b>% of Assessment Area (#)</b>
<b>Low Income</b>	<b>13</b>	<b>4%</b>
<b>Moderate Income</b>	<b>72</b>	<b>24%</b>
<b>Middle Income</b>	<b>126</b>	<b>42%</b>
<b>Upper Income</b>	<b>86</b>	<b>29%</b>
<b>No Income Reported</b>	<b>4</b>	<b>1%</b>
<b>TOTAL CENSUS TRACTS:</b>	<b>301</b>	<b>100%</b>

(Note: The census tracts for which there is no reported income are tracts encompassing the University of California, Irvine, and nonresidential tracts.)

There are 1,500,720 residents in the assessment area with a median family income of \$51,269 (for the Orange County PMSA) based on 1990 census data. Median housing value is \$236,200 based on 1990 census data. The southern California economy has been slowly recovering from cutbacks in military and aerospace which took place over several years. Declines in business activity and real estate values in the local area have followed, and recovery is slowly being realized. Numerous banks and financial institutions serve the area, resulting in strong competition for market share. We contacted two local community officials and determined that business loans and technical assistance for small businesses are significant needs in the community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :**

**Loan to Deposit Ratio**

The bank's loan to deposit ratio is satisfactory. The bank's average loan to deposit ratio over the most recent eight quarters is 63% and has ranged from 60% to 67%. This is only slightly lower than the 70% average of other Orange County financial institutions of similar asset size. Their ratio ranged from 68% to 73% over the same time period.

### **Lending in Assessment Area**

The bank's lending in the area exceeds expectations for satisfactory performance. The bank originated a substantial percentage of loans within the assessment area. The chart below reflects its continual efforts to lend within the communities in which it operates. We prepared this analysis based on bank-provided data, after testing the data for accuracy. (The charts which follow reflect loans originated between January 1996 and April 1996.)

#### **LENDING INSIDE AND OUTSIDE OF AREA - January 1996 To April 1996**

	LOANS (#)	% LOANS (#)	LOANS (\$)	% LOANS (\$)
IN AREA	120	82%	9,749,970	86%
OUT OF AREA	26	18%	1,545,171	14%
TOTALS	146	100%	11,295,141	100%

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

The bank does not solicit consumer loans. Consumer activity represents loans to borrowers who have ongoing business relationships with the bank. Most of these borrowers are individuals with small businesses in the bank's assessment area. Most of the consumer activity is home equity and personal lines of credit and automobile financing.

The bank has extended a satisfactory amount of loans to small businesses in the assessment area. This is reflected in the charts below. We used bank provided information which we tested for accuracy. We also conducted a judgmental sample of loan originations to verify business revenue. The sample of 24 loans represents about 25% of total business loan originations by number and 38% by dollar amount (originating between January 1996 and April 1996).

**LENDING IN ASSESSMENT AREA BY BUSINESS REVENUES BASED ON SAMPLE**

**January 1996 to April 1996**

	<b>Loans (#)</b>	<b>% of Sample Business Loans (#)</b>	<b>Loans (\$)</b>	<b>% of Sample Business Loans (\$)</b>
<b>Loans to Small Businesses ( &lt;=\$1 Million Annual Revenue)</b>	<b>14</b>	<b>58%</b>	<b>1,064,851</b>	<b>63%</b>
<b>Total Business Loan Sample</b>	<b>24</b>	<b>100%</b>	<b>2,853,676</b>	<b>100%</b>

**DISTRIBUTION OF BUSINESS LOANS BY SIZE BASED ON SAMPLE**

**January 1996 to April 1996**

<b>Business Loan Originations (000's)</b>	<b>Loans (#)</b>	<b>% of Sample Business Loans (#)</b>	<b>% of Loans Sampled with Business Revenues &lt;= \$1 Million</b>
<b>Loans &gt;=1,000</b>	<b>0</b>	<b>0%</b>	<b>0%</b>
<b>Loans &gt;=500&lt;1,000</b>	<b>1</b>	<b>4%</b>	<b>0%</b>
<b>Loans &gt;=250&lt;500</b>	<b>2</b>	<b>8%</b>	<b>0%</b>
<b>Loans &gt;=100&lt;250</b>	<b>7</b>	<b>29%</b>	<b>71%</b>
<b>Loans &lt;100</b>	<b>14</b>	<b>59%</b>	<b>64%</b>
<b>Total:</b>	<b>24</b>	<b>100%</b>	<b>N.A.</b>

**Geographic Distribution of Loans**

Lending is reasonably distributed in the assessment area. Lending activity in different income level census tracts is comparable to demographic information. We used the bank's internal analysis which we tested for accuracy. The chart below compares loan originations of all types between January 1996 and April 1996 with the percentage of various income level census tracts that comprise the assessment area. The dollar volume of loans in the "No



Income Reported” category is due to the bank generating business loans in a Newport Beach nonresidential census tract.

**LENDING IN ASSESSMENT AREA - BY CENSUS TRACT TYPE**  
**January 1996 to April 1996**

<b>Census Tract Income Type</b>	<b>% of Assessment Area</b>	<b>Loans in Tracts (#)</b>	<b>% of Loans (#)</b>	<b>Loans (\$)</b>	<b>% of Loans (\$)</b>
<b>Low</b>	<b>4%</b>	<b>11</b>	<b>9%</b>	<b>1,688,741</b>	<b>17%</b>
<b>Moderate</b>	<b>24%</b>	<b>33</b>	<b>28%</b>	<b>2,190,361</b>	<b>23%</b>
<b>Middle</b>	<b>42%</b>	<b>16</b>	<b>13%</b>	<b>1,348,079</b>	<b>14%</b>
<b>Upper</b>	<b>29%</b>	<b>51</b>	<b>43%</b>	<b>3,041,170</b>	<b>31%</b>
<b>No Income Reported</b>	<b>1%</b>	<b>9</b>	<b>7%</b>	<b>1,481,619</b>	<b>15%</b>
<b>Totals:</b>	<b>100%</b>	<b>120</b>	<b>100%</b>	<b>9,749,970</b>	<b>100%</b>

**Response to Complaints**

The bank has received no CRA-related complaints since the last performance evaluation.

**Fair Lending Analysis**

The bank is in substantial compliance with Fair Lending laws and regulations. Our fair lending review, conducted along with this examination, found no unusual patterns or discriminatory lending practices.