



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**April 01, 2002**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Interbusiness Bank, National Association  
Charter Number 23999**

**660 South Figueroa Street  
Los Angeles, CA 90017**

**Comptroller of the Currency  
ADC - Los Angeles North  
550 North Brand Boulevard, Suite 500  
Glendale, CA 91203**

**NOTE: This document is an evaluation of this 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. 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.**

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## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

The following are the major factors that support this rating:

- A majority of the bank's loans are within its assessment area.
- Geographic distribution of loans exceeds the assessment area's demographics.
- The bank's loan-to-deposit ratio is reasonable.
- Lending to borrowers of different incomes and businesses of different sizes meets the standard for satisfactory performance.

## **DESCRIPTION OF INSTITUTION**

InterBusiness Bank, N.A. (IBB) is a wholly owned subsidiary of TFC Holding Company and is its parent's only asset. IBB began operations in September 2000. At that same time, IBB opened two branch offices, one in downtown Los Angeles and another in Cerritos, California. In January 2001, a branch was established in the City of Industry, California. The bank is headquartered in downtown Los Angeles, California. The bank owns and operates two automated teller machines. Hours of operations are the same at all branches Monday through Friday. The downtown Los Angeles branch is not opened on Saturdays. As of December 31, 2001, IBB reported assets of \$99 million, of which \$64 million or 65% were centered in loans.

Approximately 96% of IBB's lending is to businesses. At December 31, 2001, the bank's loan portfolio was distributed as follows: commercial real estate \$32 million (49%), business \$30 million (47%), and other loans \$3 million (4%). Consumer loans were less than 1% of the portfolio.

The bank has no financial or legal impediments that would affect its ability to meet the credit needs of its assessment area. This is the bank's first CRA examination.

## DESCRIPTION OF LOS ANGELES ASSESSMENT AREA

The bank's assessment area meets the requirements of the regulation. The assessment area is comprised of the 1,652 census tracts within Los Angeles-Long Beach MSA 4480. Refer to table below for details. This MSA is a complex, highly diverse urban area that includes 80 cities and a number of unincorporated areas. Los Angeles is the largest and most rapidly growing metropolitan region in the fastest growing state in the country.

ASSESSMENT AREA DEMOGRAPHIC INFORMATION						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	1,652	9.0	23.0	33.0	34.0	1.0
Population by Geography	8,863,164	9.0	27.0	34.0	30.0	0.0
Owner-Occupied Housing by Geography	1,440,864	2.0	14.0	35.0	49.0	0.0
Businesses by Geography	390,889	9.0	19.0	34.0	38.0	0.0
Family Distribution by Income Level	2,036,104	23.0	17.0	20.0	40.0	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	807,668	15.0	38.0	32.0	15.0	0.0
Median Family Income = \$39,035 HUD Adjusted Median Family Income for 2001 = \$54,500 Households Below the Poverty Level = 12.00%						Median Housing Value = \$247,317 Unemployment Rate ( 2001) = 3.77%

Source: 1990 U.S. Census and 2001 HUD updated MFI.

Competition is strong with 224 institutions in Los Angeles County competing for the available business. Major banking institutions include Bank of America, Washington Mutual Bank, Wells Fargo Bank, United Pacific Bank, and Union Bank of California. IBB considers its major competitors to be the major institutions, community banks, and minority banks servicing the Asian communities. Principal minority institutions include Cathay Bank, General Bank, Far East Bank, East West Bank, EverTrust Bank, Grand National Bank, and Omni Bank.

In the late 1980s, structural changes in the economy and other events combined to undermine the general prosperity. Defense spending cuts and other Federal decisions caused huge reductions in aerospace and defense manufacturing jobs. Other states lured away business with tax concessions and more favorable business environments. The civil disturbances in 1992 further aggravated the business and community problems. Despite Federal and State assistance, many of the businesses destroyed during the disturbances have not reopened. As a result, jobs were lost. This created further economic dislocations. Los Angeles MSA's economy has now

rebounded. The unemployment rate has continued to decline.

The largest industries in order of importance are services, retail trade, wholesale trade, finance, real estate, and manufacturing and construction. In response to concessions from other states, the motion picture industry has moved a great deal of its production activity out of Los Angeles. However, there are many business opportunities within the MSA. According to recent Dun & Bradstreet statistics, 89% of businesses and farms located within the MSA have annual revenues of less than \$1 million.

As a part of this examination, we contacted three organizations in the community knowledgeable about community credit needs. Our contacts included a minority revolving loan fund and two community development corporations. These contacts identified the area's major credit needs as small business and start-up business loans. Other area needs are for investment in loan funds and operating capital.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Scope of Examination

We evaluated the bank's performance based on loans originated from November 1, 2000, through January 31, 2002. We focused our evaluation on the business and commercial real estate loans, as these are the largest categories of loans originated by the bank. We sampled 80 loans (40 business and 40 commercial real estate) to verify census tract information, as well as revenue and income information. The bank is not required to collect this data. The bank did not originate any loans subject to the requirements of the Home Mortgage Disclosure Act.

### Geographic Distribution of Loans

**The bank's geographic distribution of loans exceeds the standard for satisfactory performance.**

#### Business Loans

The bank's distribution of business loans among the geographies is excellent. The bank's lending to businesses in the low-income geographies exceeds area demographics. Businesses within these geographies are 9% of the total number of businesses in the bank's area. The bank originated 22% by dollars and 12% by number of its loans to businesses in the low-income geographies. Distribution of loans to small businesses in the moderate-income geographies is good. Businesses within the moderate-income geographies are 19% of total businesses in the area. The bank originated 28% by dollars and 18% by numbers of the bank's business loans to these businesses. Loans to businesses in middle-income geographies were consistent with area demographics, while loans to upper-income geographies were slightly less than demographics. Refer to table below for details.

**Geographic Distribution of Business Loans**

Tract Income Type	Businesses in Assessment Area		Loans Originated		Number of Loans Originated	
	*# of Businesses	% of Businesses	Dollars	% of Dollars	Numbers	% of Numbers
Low	35,119	9%	\$2,400,000	22%	4	12%
Moderate	72,969	19%	\$3,080,000	28%	6	18%
Middle	131,478	34%	\$3,174,800	29%	12	35%
Upper	151,323	38%	\$2,325,000	21%	12	35%
<b>Total</b>	<b>390,889</b>	<b>100%</b>	<b>\$10,979,800</b>	<b>100%</b>	<b>34</b>	<b>100%</b>

\* Source: Dun & Bradstreet

#### Commercial Real Estate Loans

The distribution of commercial real estate loans among the geographies is excellent. The bank's lending to businesses in the low-income geographies exceeds area demographics. Businesses within the low-income geographies are 9% of the total number of businesses in the bank's area. The bank originated 17% by dollars and 20% by number of its business loans to those

businesses. Loans to businesses in the moderate-income geographies exceeded area demographics. Businesses within the moderate-income geographies are 19% of total businesses in the area and the bank originated 24% by dollars and 30% by numbers of the bank's loans to these businesses. Loans to businesses in middle- and upper-income geographies were slightly less than area demographics. Refer to table below for details.

**Geographic Distribution of Commercial Real Estate Loans**

Tract Income Type	Businesses in Assessment Area		Loans Originated		Number of Loans Originated	
	*# of Businesses	% of Businesses	Dollars	% of Dollars	Numbers	% of Numbers
Low	35,119	9%	\$3,349,000	17%	6	20%
Moderate	72,969	19%	\$4,606,700	24%	9	30%
Middle	131,478	34%	\$4,417,000	23%	8	27%
Upper	151,323	38%	\$7,152,780	36%	7	23%
<b>Total</b>	<b>390,889</b>	<b>100%</b>	<b>\$19,525,480</b>	<b>100%</b>	<b>30</b>	<b>100%</b>

\* Source: Dun & Bradstreet

**Lending in Assessment Area**

**The bank lending within the assessment area meets the standard for satisfactory performance.** The majority of the bank's loans are within the assessment area. Of the loans sampled, the bank originated \$31 million or 68% of the loan dollars and 64 or 80% of the number of loans within the assessment area. Refer to table below for details.

**Lending Within Assessment Area**

Total Loans By Number And Dollar	Total Loans Originated Within Assessment Area	Percent of Total Loans Originated within Assessment Area
80	64	80%
\$44,805,505	\$30,505,280	68%

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

**The distribution of loans to borrowers of different incomes and businesses of different sizes meets the standard for satisfactory performance.**

**Business Loans**

The bank originated 31% by dollars and 56% by numbers of its loans to businesses with revenues of less than \$1 million. The average loan size of these loans was approximately \$180,000. The percentages of the loans extended to these businesses were less than area demographics. Businesses with revenues less than \$1 million accounted for 89% of total businesses within the assessment area. This is satisfactory for a bank that has been in operation for less than 18 months. Loans to businesses with revenues greater than \$1 million were 69% by dollars and 44% by numbers of the business loans and exceeded area demographics of 11%. Refer to table below for details.



### Revenue Distribution - Business Loans

Revenues	Businesses in Assessment Area*		Loans Originated		Number of Loans Originated	
	# of Businesses	% of Business	Dollars	% of Dollars	Numbers	% of Numbers
<\$1,000,000	327,966	89%	\$3,415,000	31%	19	56%
>\$1,000,000	39,837	11%	\$7,564,800	69%	15	44%
<b>Total</b>	<b>367,803</b>	<b>100%</b>	<b>\$10,979,800</b>	<b>100%</b>	<b>34</b>	<b>100%</b>

\*Businesses reporting revenues

### Commercial Real Estate Loans

The bank originated 77% by dollars and 90% by numbers of its real estate loans to businesses with revenues of less than \$1 million. The average loan size of these loans was approximately \$500,000. The percentages of the loans extended to these businesses by dollars were slightly less than area demographics while the loan numbers exceeded area demographics. Businesses with revenues less than \$1 million accounted for 89% of total businesses within the assessment area. This is good performance for a bank that has only been operation for less than 18 months. Real estate loans to businesses with revenues greater than \$1 million were 23% by dollars and 10% by numbers. The percentage of loan dollars exceeded area demographics of 11%, while the loans numbers were consistent with demographics. Refer to table below for details.

### Revenue Distribution – Real Estate Loans

Revenues	Businesses in Assessment Area*		Loans Originated		Number of Loans Originated	
	# of Businesses	% of Business	Dollars	% of Dollars	Numbers	% of Numbers
<\$1,000,000	327,966	89%	\$14,997,700	77%	27	90%
>\$1,000,000	39,837	11%	\$4,527,780	23%	3	10%
<b>Total</b>	<b>367,803</b>	<b>100%</b>	<b>\$19,525,480</b>	<b>100%</b>	<b>30</b>	<b>100%</b>

\*Businesses reporting revenues

### Loan-to-Deposit Ratio

The bank's loan to deposit ratio at 51% meets the standard for satisfactory performance. The bank's ratio for the four quarters ended December 31, 2001, is slightly less than four similarly situated banks, which averaged 55%. This is particularly commendable, since InterBusiness Bank only began operations on September 29, 2000. For the purposes of this examination, we consider similarly situated banks to mean banks of similar asset size within the bank's assessment area.

### Responses to Complaints

There are no complaints associated with the bank's performance under the provisions of the CRA.

## **Fair Lending Review**

An analysis of one year's public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The bank has never had a comprehensive fair lending examination; it has been operating for less than 18 months.