



---

Comptroller of the Currency  
Administrator of National Banks

SMALL BANK

---

## **PUBLIC DISCLOSURE**

**June 8, 1998**

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

**FIRST CENTRAL BANK, NATIONAL ASSOCIATION  
Charter Number: 18695**

**11812 East South Street  
Cerritos, California 90701**

**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 **First Central Bank, National Association (N.A.)**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, **as of June 8, 1998**. 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's *Record of Meeting Community Needs* is rated "**Needs to Improve.**" The rating is based on the following conclusions:

During the period covered by this review, the OCC found substantive violations of fair lending laws and regulations. The violations are a result of findings of disparate treatment on the basis of race and national origin in the bank's underwriting of applications for mortgage loans. As a result of this illegal disparate treatment, the bank has a less than satisfactory record of helping to meet the credit needs of its entire community.

### **DESCRIPTION OF INSTITUTION:**

First Central Bank, N.A. is a full-service commercial bank based in Los Angeles County, California. The bank provides community access to credit by maintaining three branches within its assessment areas: the main office in Cerritos, the Monterey Park office, and the Los Angeles office. There is an automatic teller machine at the Cerritos office.

There are no financial or legal impediments that hinder the bank's ability to meet the credit needs of its community. As of March 31, 1998, the bank reported total assets of \$104 million centered in loans. The primary lending focus is commercial real estate and business loans. The following chart reflects the current loan portfolio by major product type.

**OUTSTANDING LOANS BY MAJOR PRODUCT TYPE  
AS OF MARCH 31, 1998**

<b>Loan Type</b>	<b>\$ Volume</b>	<b>% Loans by \$</b>
<b>Commercial Real Estate, Business Loans</b>	53,282,430	83%
<b>Residential Real Estate</b>	9,275,485	14%
<b>Installment/Consumer Loans</b>	2,015,769	3%
<b>Total</b>	64,573,684	100%

The last CRA performance evaluation in July 1995 rated the bank as "Satisfactory."

**DESCRIPTION OF FIRST CENTRAL BANK'S ASSESSMENT AREAS:**

First Central Bank has two assessment areas: the *Cerritos Assessment Area*, comprised of 41 census tracts, and the *Monterey Park/Downtown Los Angeles Assessment Area*, comprised of 142 census tracts. Both areas are located in the Los Angeles-Long Beach Metropolitan Statistical Area (MSA) 4480. The two assessment areas comply with regulatory requirements and do not arbitrarily exclude low- or moderate-income geographies. A description of each area follows.

**CERRITOS ASSESSMENT AREA  
COMPOSITION BY INCOME LEVEL OF CENSUS TRACTS**

<b>Census Tract Type</b>	<b># Tracts</b>	<b>% Tracts by #</b>
<b>Low Income</b>	1	2%
<b>Moderate Income</b>	4	10%
<b>Middle Income</b>	20	49%
<b>Upper Income</b>	16	39%
<b>Total</b>	41	100%

The population of the *Cerritos Assessment Area* is approximately 219,518. Median family income is \$39,035, and median housing value is \$210,971 based on 1990 U.S. Census data. Eight cities are located entirely, or in part, within the defined assessment area. The local economy is centered in retail and wholesale trade, health services, and manufacturing. Small businesses with annual revenue less than \$500,000 represent the majority of businesses in the area.

**MONTEREY PARK/DOWNTOWN LOS ANGELES ASSESSMENT AREA  
COMPOSITION BY INCOME LEVEL OF CENSUS TRACTS**

<b>Census Tract Type</b>	<b># Tracts</b>	<b>% Tracts by #</b>
<b>Low Income</b>	24	17%
<b>Moderate Income</b>	56	39%
<b>Middle Income</b>	38	27%
<b>Upper Income</b>	23	16%
<b>NA *</b>	1	<1%
<b>Total</b>	142	100%

\* Note: the census tract for which there is no reported income consists mainly of the downtown Los Angeles Civic Center.

The population of the *Monterey Park/Downtown Los Angeles Assessment Area* is approximately 745,540. Median family income is \$39,035, and median housing value is \$211,977 based on 1990 U.S. Census data. Twenty-two cities are located entirely, or in part, within the defined assessment area.

The area economy is centered in health services, financial and managerial services, retail and wholesale trade, and durable goods manufacturing. Small businesses with annual revenue less than \$500,000 represent the majority of businesses in the defined area.

Most local economic sectors are showing positive trends following a prolonged recovery in Southern California from the last recession. Recent 1998 economic reports show continued improvement. For example, unemployment in Los Angeles County as a whole dropped to 6.1% during the month of March versus 6.9% for the same month last year, and is significantly improved from unemployment of 8.5% in 1996. Retail industry constitutes a significant sector of the local economy, and retail sales in the local area improved by 5% from fiscal year 1997 to 1998.

Numerous banks and financial institutions serve both assessment areas, resulting in strong competition for market share. We contacted three community development organizations and determined that there is an ongoing need for small loans with flexible underwriting criteria for businesses in both assessment areas. In the Cerritos area, there is a specific need for extensive residential redevelopment financing in some low- and moderate-income tracts.

In the Monterey Park/Downtown Los Angeles area, redevelopment agencies reported an increasing need for affordable housing for low- and moderate-income persons, and specifically for senior citizens.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

The bank's commitment to the Community Reinvestment Act is reflected in the performance criteria explained below.

### **LOAN TO DEPOSIT RATIO**

The bank's loan to deposit ratio meets the standards for satisfactory performance. The average loan to deposit ratio over the last eight quarters is 73%, which compares favorably with the performance of other local financial institutions with total assets of less than \$125 million. Their average ratio over the same period is 67%. While the bank's ratio ranged slowly downward from 75% in June 1996 to 67% in March 1998, the most recent ratio is still comparable with the performance of other local banks.

### **LENDING IN ASSESSMENT AREAS**

The bank's lending in the assessment areas meets the standards for satisfactory performance. The bank originated a majority of the *number* of loans within the assessment areas. The proportion of loans by *dollar amount* is somewhat higher outside the assessment area. This result is accounted for in part by large development loans granted to *existing* bank clients for commercial real estate projects that were out of area. Part of the bank's lending strategy going forward is to increase its market penetration within the local communities. The following chart reflects lending since the last examination. We prepared this analysis based on the bank's data, which we tested for accuracy.

**LENDING INSIDE AND OUTSIDE  
CERRITOS AND MONTEREY PARK/LOS ANGELES ASSESSMENT AREAS  
LOAN ORIGINATIONS FROM JULY 1995 THROUGH MARCH 1998**

	<b># Loans</b>	<b>% Loans by #</b>	<b>\$ Loans</b>	<b>% Loans by \$</b>
<b>In Assessment Areas</b>	311	54%	37,146,100	46%
<b>Out Of Area</b>	262	46%	43,779,522	54%
<b>Total</b>	573	100%	80,925,622	100%

**LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES**

The bank is primarily a business lender. Commercial real estate loans and loans to businesses constitute a substantial majority of the loan portfolio. For this reason, we sampled that segment of the portfolio to ensure the bank is lending to businesses of different sizes. We did not sample consumer loans because they did not constitute a significant volume of loan originations.

Lending to businesses of different sizes in both assessment areas meets the standard for satisfactory performance. This is reflected in the charts that follow. We randomly sampled 33 commercial real estate and business loans, representing approximately 29% of the total number of loans and 20% of the total dollar amount the bank originated. For the Cerritos area, we sampled 7 of 11 loans representing 64% of the number of loans and 75% of the total dollar amount granted in that area. For the Monterey Park/Downtown Los Angeles area, we sampled 26 of 101 loans representing 26% of the number of loans and 17% of the total dollar amount granted in that area.

**LENDING TO BUSINESSES OF DIFFERENT SIZES  
CERRITOS ASSESSMENT AREA  
SAMPLE OF LOAN ORIGINATIONS FROM JULY 1995 THROUGH MARCH 1998**

	<b># Business Loans</b>	<b>% Total (#)</b>	<b>\$ Business Loans</b>	<b>% Total (\$)</b>
<b>Loans to Small Businesses (Revenue &lt; \$1 Million)</b>	7	100%	1,064,458	100%
<b>Loans to Large Businesses (Revenue &gt;\$1 Million)</b>	0	0	0	0
<b>Total Business Loans</b>	7	100%	1,064,458	100%

**LENDING TO BUSINESSES OF DIFFERENT SIZES  
 MONTEREY PARK/LOS ANGELES ASSESSMENT AREA  
 SAMPLE OF LOAN ORIGINATIONS FROM JULY 1995 THROUGH MARCH 1998**

	<b># Business Loans</b>	<b>% Total (#)</b>	<b>\$ Business Loans</b>	<b>% Total (\$)</b>
<b>Loans to Small Businesses (Revenue &lt; \$1 Million)</b>	18	69%	1,183,900	33%
<b>Loans to Large Businesses (Revenue &gt;\$1 Million)</b>	8	31%	2,433,176	67%
<b>Total Business Loans</b>	26	100%	3,617,076	100%

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The bank's geographic distribution of loans does not meet the standard for satisfactory performance. Lending activity does not reflect the business demographics of the assessment area. Forty percent of the businesses in the Monterey Park assessment area are in low income census tracts, while only 18% of total loans by number are in the low income census tracts. The distribution in the Monterey Park assessment area is weighted more heavily because it represents the majority of the bank's loan customers. No loans were made in moderate income census tracts in the Cerritos assessment area, however, the distribution is only represented by seven loans. A distribution equal to the demographics could be achieved with only one loan in a moderate census tract. We prepared the following analysis based on the bank's data, which we tested for accuracy.

The distribution of commercial real estate and business loans compared with area demographics is reflected in the charts that follow.

**DISTRIBUTION OF LOANS BY CENSUS TRACT TYPE  
CERRITOS ASSESSMENT AREA  
SAMPLE OF LOAN ORIGINATIONS FROM JULY 1995 THROUGH MARCH 1998**

<b>Census Tract Income Level</b>	<b>Percent of Assessment Area</b>	<b>Bank's Loans in Tract Type % Total #</b>	<b>Bank's Loans in Tract Type % Total \$</b>	<b>Percent of Total Area Businesses in Tract Type</b>
<b>Low</b>	2%	10%	2%	12%
<b>Moderate</b>	10%	0	0	9%
<b>Middle</b>	49%	45%	60%	45%
<b>Upper</b>	39%	45%	38%	34%
	100%	100%	100%	100%

**DISTRIBUTION OF LOANS BY CENSUS TRACT TYPE  
MONTEREY PARK/DOWNTOWN LOS ANGELES ASSESSMENT AREA  
SAMPLE OF LOAN ORIGINATIONS FROM JULY 1995 THROUGH MARCH 1998**

<b>Census Tract Income Level</b>	<b>Percent of Assessment Area</b>	<b>Bank's Loans in Tract Type % Total #</b>	<b>Bank's Loans in Tract Type % Total \$</b>	<b>Percent of Total Area Businesses in Tract Type</b>
<b>Low</b>	17%	18%	30%	40%
<b>Moderate</b>	39%	31%	32%	21%
<b>Middle</b>	27%	33%	25%	25%
<b>Upper</b>	16%	18%	13%	14%
<b>NA</b>	1%	0	0	0
	100%	100%	100%	100%



## **Responses to Complaints**

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

## **Fair Lending Analysis**

The OCC conducted a targeted fair lending examination, consisting of both a comparative file review and a statistical analysis, beginning in August 1996. The examination found violations of the Equal Credit Opportunity Act, 15 U.S.C. 1691, et seq., the Fair Housing Act, 42 U.S.C. 3601, et seq., and the regulations implementing the two statutes, 12 C.F.R. Part 202, and 24 C.F.R. Part 100.

The violations consisted of a pattern or practice of discrimination against white, Hispanic, and black applicants for residential mortgage loans during 1994 and 1995. The bank treated white, Hispanic, and black applicants less favorably than Asian applicants in processing and underwriting their applications. Therefore, the violations affected a large segment of the bank's community in virtually the only consumer lending the bank did during the assessment period.

The wholesale mortgage department where the violations were concentrated was dismantled in 1995. The Board of Directors and the new President and Chief Executive Officer have stated a commitment to ensuring compliance with fair lending laws and regulations going forward.

The OCC has taken these violations, and their nature and extent, into account in determining the bank's overall CRA performance rating. As required by statute and Presidential Executive Order, the OCC also has reported the findings and violations to the United States Department of Housing and Urban Development, and has made a referral to the United States Department of Justice (DOJ). DOJ is responsible for pursuing corrective action for the violations.