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Comptroller of the Currency  
Administrator of National Banks

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## PUBLIC DISCLOSURE

March 31, 1996

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Anchorage  
Charter Number 12072

646 West 4th Avenue  
Anchorage, Alaska 99510-0720

Comptroller of the Currency  
Western District Office  
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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.

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# 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 the 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 the First National Bank of Anchorage prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of March 31, 1996. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

# INSTITUTION

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

Summary conclusions for the bank's performance under the Lending, Investment, and Service tests:

## Lending Test

- The bank demonstrates good responsiveness to the credit needs of its assessment areas. The volume of small business loans, loans subject to the Home Mortgage Disclosure Act (HMDA), and consumer products is good. A substantial majority of these loans are within its assessment areas. The geographic and borrower profile distribution of these loans reflects good penetration throughout the assessment areas. First National Bank of Anchorage (FNBA) has a relatively high level of community development lending. And, the bank uses flexible lending practices in serving their community's credit needs.

## Investment Test

- The bank has a significant level of community development related investments that are responsive to the community's credit and economic development needs. FNBA has taken a leadership position in providing support to community development organizations. Some of the investments have been innovative and required a significant amount of time and effort to formulate.

## Service Test

- FNBA's delivery systems are accessible to all portions of its assessment area. Each branch office provides the same products and services and the branches tailor their business hours to accommodate the customers' needs. The bank has not opened or closed any offices since our last CRA examination in May, 1994.

The following table indicates the performance level of First National Bank of Anchorage with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>First National Bank of Anchorage</u>		
	<u>PERFORMANCE TESTS</u>		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

## DESCRIPTION OF INSTITUTION

First National Bank of Anchorage (FNBA) was founded in 1922 and has grown to approximately \$1.4 billion in total assets as of December 31, 1995. The Cuddy family controls the majority of outstanding stock. FNBA operates twenty-eight branches, serving a large portion of Alaska. The bank does not have a holding company or other affiliate organizations.

Management has identified ten assessment areas which are used in our evaluation of CRA performance. These assessment areas include the communities of Anchorage, Fairbanks, Kenai Peninsula, Matanuska-Susitna, Bethel, Juneau, Haines, Kodiak Island, Sitka, and Valdez-Cordova. Additional demographic information on these areas is included in Appendix A, Charts #1 and #2.

For purposes of our analysis, banks that are similarly situated to FNBA include the National Bank of Alaska and Key Bank of Alaska, both of which operate in the Alaska market. These two banks will be referred to as FNBA's "peer" group throughout this document.

FNBA has a strong capacity to serve the community's credit needs. For example, at year-end 1995, the bank's leverage capital (equity in relation to average quarterly assets) was 22%, vs 10% and 7.7% for the two similar Anchorage institutions. The bank's capacity is also seen by its return on average assets (ROAA), which measures net income as a percentage of average assets. At year-end, their ROAA was 1.96% compared to 1.62% and 1.20% respectively for the two similar banks.

The bank's lending focus is primarily on small business lending. FNBA also offers a variety of retail products including mortgage loans, consumer loans, and credit card products. As of December 31, 1995, gross loans and leases approximated \$556 million.

During our examination, we met or spoke with representatives of organizations serving the community. These included the Alaska Housing Finance Corporation (AHFC), Anchorage Neighborhood Housing Corporation (ANHC), and the Small Business Development Center (SBDC). This information confirmed the bank's analysis of the credit needs within their assessment areas which include affordable housing, both single and multi-family, and loans to small businesses. Ancillary to these credit needs is the need for credit education, home-ownership counseling, and assistance in applying for business credit.

## OVERALL CONCLUSIONS WITH PERFORMANCE TESTS

Note: Please refer to the Appendix section, Charts #1, #2, and #3, for additional detail on commentary throughout this document.

### Lending test

In assessing lending performance, we focused on the bank's lending activity; assessment area concentration; geographic distribution of loans; borrower profile; responsiveness to credit needs of economically disadvantaged geographies, low -income persons, or small businesses; community development lending; and product flexibility. (Note: the assessment period for the lending review was January 1994 through March 1996 for the HMDA loans. For small business and consumer loans, the assessment period was January 1995 through March 1996.)

### Conclusions

The bank demonstrates good responsiveness to the credit needs within its assessment areas.

- The overall volume of lending for small business, residential mortgage, and consumer products is good.
- A substantial majority of these loans are within the assessment areas.
- The geographic and borrower profile distribution of these loans reflects good penetration throughout the assessment areas. And, the bank's responsiveness to economically disadvantaged persons is good.
- Community development lending is good. Also, FNBA uses flexible lending practices in serving the credit needs of the communities.

### Comments

FNBA is an active lender, with a strategic focus on small business loans. Its overall loan growth percentage has outpaced its peers for more than five years. In 1995, it originated \$208 million in small business loans, an increase of 37% over the year. FNBA has a low decline rate for its loans. During the respective loan evaluation periods, 6.6% of small business applicants and 7.1% of residential mortgage applicants were declined. Between January 1995 and March 1996, the relative lending volume was 68% small business loans, 26% residential mortgage loans, and 6% other consumer loans. At the time of our review, aggregate peer data for small business loans was unavailable for comparative purposes.

The bank's loan- to- deposit ratio (LTD), which reflects total loans as a percentage of total deposits, was an eight-quarter average of 54% on December 31, 1995. This ratio is lower than its peers of 74% and 86%, largely due to the bank's strategy to exercise controlled loan growth for safety and soundness considerations, and to confine lending to within its assessment areas. The ratio has also been suppressed by the bank's rapid deposit growth that took place in the late 1980's.

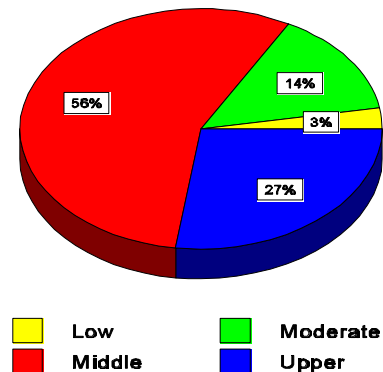
Residential mortgage loans are not the bank's primary lending focus, and as such, represents a smaller percentage of lending volume as previously noted. Also, peer banks that are used for comparison have a greater focus on retail products which includes residential mortgage loans. Residential mortgage loan data for 1994 shows an application volume of 1,714 for FNBA vs 6,900 and 347 for its peer banks. The difference with the former peer institution is due primarily to FNBA's small business focus, as well as its smaller size. Compared to the prior assessment period ending March 1994, the relative volume of residential mortgage loans (adjusted for similar period) declined 34%. This was due to the previously high volume of refinancing that occurred in that period. The volume of consumer lending activity is minimal, representing just 6% of the volume during the assessment period. Again, this reflects the bank's strategic focus on small business lending.

A substantial majority of FNBA's loans are within its assessment areas. More specifically, approximately 93% of the number and dollar volume of small business, residential mortgages, and consumer loans granted during the evaluation period(s) were within the bank's assessment areas.

The geographic distribution of loans reflects good penetration throughout the assessment areas of low-, moderate-, middle-, and upper-income geographies. The distribution of small business, residential mortgage loans, and consumer loans corresponds to the demographics of the assessment areas, with limited exceptions. 1

The adjacent illustration reflects the bank's assessment area geographies by income. Its distribution of small business loans to these geographies are 2% low- income, 12% moderate- income, 56% middle- income, and 30% upper- income geographies. The distribution of residential mortgage products for the evaluation period is 1% low- income, 7% moderate- income, 60% middle- income, and 32% upper- income. The lower percentage of residential mortgages in the low- and moderate-income geographies is due to less housing stock and the resulting lower demand for refinance, purchase, and home improvement loans.

## Geographies by Income



We found no conspicuous gaps in the bank's geographic lending activity. In the few areas where limited lending was seen, the demographics of the geography explained why. Examples of these geographies include those around Fort Richardson Military Base, Elmendorf Air Force Base, and the tract surrounding the Alaska Railroad reserve and Port of Anchorage.

1 - Footnote [As defined in 12 CFR 25.12, a low- income geography is one in which the median family income is less than 50% of the area median income. Moderate- income geographies are those with median family incomes of at least 50%, but less than 80% of the area median income. Middle- income geographies are those median family incomes of at least 80%, but less than 120% of the area median income. And upper- income geographies are 120% or more of the median family income. The area median income is defined as the median family income for the MSA if the geography is located in an MSA. If located outside the MSA, the area median income is the statewide, non-metropolitan median family income. The 1990 U. S. Census data is the basis for area median income when evaluating geographies. Current HUD income data is the basis for area median income when analyzing the borrowers' income profile].



Using income data provided from the Department of Housing and Urban Development (HUD), the bank's assessment area income profile is depicted in the adjacent illustration.

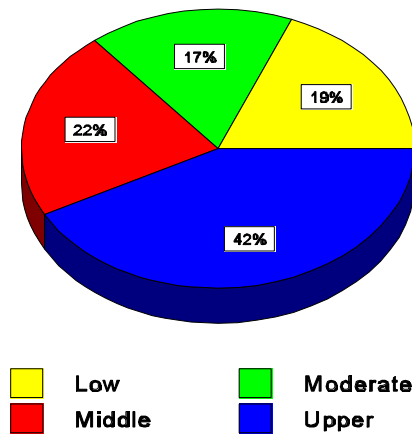
The distribution of residential mortgage loans is good among retail customers of different income levels with reasonable penetration occurring in each of these market categories. The distribution of small business loans is also good. For small business loans, over two-thirds of the dollar volume were loans under \$250 thousand in size which points to the bank's performance in addressing its small business community.

The bank has a good record of addressing credit needs of highly economically disadvantaged geographies, low income persons, and small businesses. The distribution of its small business and residential mortgage loans is good in low- and moderate- income geographies. Also, a significant portion, or 80% of the bank's small business loans are to businesses with gross annual revenues of \$1 million or less. The number of business loans under \$100 thousand in size account for 42% of the total volume of small business loans. Included in this category are the bank's "micro" loans, which are \$10 thousand and under. The bank originated 682 "micro" loans in 1995 for a total of \$4.2 million.

The bank made a relatively high level of community development loans during the evaluation period. The primary purpose of these loans were to address credit needs of low- and moderate- income persons through multi-family housing , or to provide activities which revitalize or stabilize distressed areas. The dollar volume of these loans recorded during this period was \$9 million. Additional details of these community development loans can be found in the [Metropolitan Statistical Areas](#) comment.

FNBA uses flexible lending practices to address credit needs of low- and moderate- income persons and geographies. In five of the bank's lending programs, which have such flexible characteristics, 449 loans were originated, including 333 credit cards during 1994 and 1995. The dollar volume for this period was \$6.3 million. Please refer to the [Metropolitan Statistical Area](#) comment for details on each of these programs.

## Area Income Profile



## Investment test

To assess the bank's performance under the Investment test, we reviewed its investment and grant activity, its responsiveness to credit and community development needs, and its initiatives with community development. We supplemented this with input provided from community organization representatives.

### Conclusions

- The bank made a significant volume of community development related investments and grants during the evaluation period, occasionally in a leadership role.
- Responsiveness to credit and community development needs of the community is good.
- FNBA made significant use of innovative and/or complex investments to support community development.

### Comments

The bank made 19 investments during the evaluation period totaling \$3.3 million. In addition, the bank has outstanding \$1.9 million in Anchorage Neighborhood Housing Bonds that originated in 1993. The categories of community development related investments are as follows:

- Investments whose primary purpose is affordable housing for low- and moderate- income persons total \$4.7 million. This includes the Anchorage Neighborhood Housing bonds of \$1.9 million.
- Investments that provide community services to low- and moderate- income persons total \$294 thousand.
- Investments that promote economic development by financing small businesses total \$207 thousand.

Information provided from community contacts confirmed the bank's responsiveness to community credit and development needs. Fundamental community needs include affordable housing and small business loans, as well as credit related educational assistance for these borrowers. Many of FNBA's investments address these community needs and are listed in the Metropolitan Statistical Area and Non-Metropolitan Statewide Areas sections of this document.

The bank also uses innovative and complex investments to support community development initiatives. Examples include the bank's initiative in helping to establish the Kenai Small Business Development Center. The CRA officer was also instrumental in re-activating the Women\$fund and working with the YWCA to administer the fund. FNBA also has investments that involve Low- Income Housing Tax Credits for affordable housing.

## Service test

In assessing the bank's performance under the Service test, we 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.

### Conclusions

FNBA's delivery systems are accessible to essentially all portions of its assessment areas. The bank has not opened or closed any branch locations during this evaluation period. Management periodically monitors lobby traffic and tailors its business hours to accommodate the needs of its customers. The bank provides a high level of community development services that are responsive to community credit and development needs.

The bank's offices are accessible within its assessment areas. Of its 28 offices, 22% are located in moderate- income geographies, 64% in middle- income geographies, and 14% in upper- income geographies. This reasonably corresponds to the bank's assessment area income demographics which is depicted in Chart #1. It should be noted that although no branches are located in the bank's three low income census tracts, nearby offices are easily accessible.

The bank's alternative delivery systems, which include Automated Teller Machines (ATMs), the Firstline customer service line, access for the hearing impaired, bank-by-mail, and bi-lingual services, are also accessible to its assessment areas. Certain offices are open on Saturdays and customers can conduct business anytime through the use of ATMs, the customer service line, or bank-by-mail.

The bank provides numerous community services in response to community needs. Bank personnel conducted educational workshops that focus on small business needs, sponsored/conducted affordable housing workshops, and actively participated in providing technical assistance to community development organizations. Please refer to the Metropolitan Statistical Area and Non- Metropolitan Statewide Areas comments for detail.

## Record of compliance with antidiscrimination Laws including the Equal Credit Opportunity Act, the Fair Housing Act, and the Home Mortgage Disclosure Act

The results of our Fair Lending examination did not reveal any violations of antidiscrimination laws and regulations as they apply to race and ethnicity. As determined from our loan file sample, we found that bank personnel are consistent in applying the bank's underwriting guidelines to all applicants, regardless of race or ethnicity. We also found that the bank has adequate policies, procedures, training programs, and internal assessment efforts to help ensure fair treatment to all loan applicants.

## METROPOLITAN STATISTICAL AREAS

### CONCLUSIONS ON PERFORMANCE TESTS IN THE ANCHORAGE MSA :

The Anchorage assessment area includes all geographies within the Metropolitan Statistical Area (MSA). This is the only MSA in the state of Alaska. We evaluated the bank's performance in the other nine assessment areas and have provided respective comments in the Non-Metropolitan Statewide Areas section.

### Lending test

#### Conclusion

The bank's lending in the Anchorage MSA reflects a good response to community credit needs.

#### Comments

- Loan volume generated during the assessment period is good. The combined small business, residential mortgage loans and consumer credit in this assessment area represent 43% of the reported volume. Of these loans, 64% were small business, 28% were residential mortgage, and 8% were consumer.
- The geographic distribution of loan products shows good penetration throughout the Anchorage MSA. Small business loan dispersion is 4% low- income, 24% moderate- income, 43% middle-income, and 29% upper-income geographies. Dispersion of residential loan products for the same geographies is 2%, 11%, 50%, and 37%, respectively. These percentages compare proportionately to the demographic percentages listed on Chart #1. We found no conspicuous gaps in lending within the assessment area.
- The dispersion of residential mortgage products by borrower income characteristics is adequate. We evaluated such loans to borrowers whose income was low, moderate, middle, and upper relative to the area median income level based on current HUD data. Loans to borrowers in the low- income category were 4% of the total residential mortgage loans. Loans to moderate-income represented 12%, middle- income 26%, and upper- income 58%. By comparison, HUD demographic data shows income levels of the Anchorage assessment area are 20% low- income families, 18% moderate- income, 22% middle- income, and 40% upper- income.
- The bank's response to small business credit needs in this MSA is good. Of the Anchorage small business loans, 36% were loans under \$100 thousand, 27% ranged from \$100 thousand to \$250 thousand, and 37% were \$250 thousand to \$1 million in size.
- FNBA made a relatively high level of community development loans within the MSA. These loans address credit needs of low- and moderate- income geographies, serve low- and moderate-income persons, or provide activities which revitalize and/or stabilize distressed geographies. We've summarized the characteristics of these loans below:
  - The bank funded two community development loans totaling \$4 million. The primary purpose of these loans were to help stabilize and revitalize a moderate- income census tract in the Anchorage MSA. The borrower used the loan proceeds to purchase and

remodel a vacant commercial property. The external appraiser notes that the renovation acts as an impetus to investors and the neighborhood appears well-suited for the subject improvements.

- The bank originated two loans for the construction and development of affordable multi-family housing in the Anchorage MSA. Loan amounts were \$1.9 million and \$1.6 million, respectively. Both properties qualified for Federal Low- Income Housing tax credits, administered by the Alaska Housing Finance Corporation (AHFC). Each are dedicated (100%) to low- and moderate- income families. FNBA also invested in the tax credits as described in the community development investments comment.
- Other multi- family housing that qualifies as community development loans includes four loans totaling \$1.3 million. The properties are located in low- or moderate- income geographies in the MSA. Based on the median income within these geographies and average rents for the respective properties, low- and moderate- income persons are the primary market.

- FNBA uses flexible lending practices to serve its assessment areas, both inside and outside the Anchorage MSA. These practices reflect positively on the bank's lending performance as they focus on meeting credit needs of low- and moderate- income individuals or geographies. The following are examples:

- AHFC First-Time Homebuyer program. The volume in 1994/1995 totaled \$3,825,000. (46 loans) under this program. This product includes conventional, FHA, and VA loan types. Qualifying and income limitations apply, focusing on individuals who are of low- and moderate- income profiles. Flexible aspects of this product are a lower interest rate and lower down payment requirement.
- Cook Inlet Home Partnership Program. FNBA made two loans under this program in 1994 and 1995, totaling \$108 thousand. Here, assistance is provided to eligible applicants in the Anchorage area. It is designed for Alaska Natives and American Indians who are of low- income profiles. Flexible aspects include assistance with closing costs and down payment, lower qualifying ratios, and home ownership counseling.
- Affordable Housing Enhanced Loan Program (AHELP). FNBA participated in this AHFC program with four loans totaling \$311 thousand. It provides second deed of trust financing, administered by AHFC, and is restricted to low- and moderate- income persons. Flexible aspects of this program include less restrictive collateral value and income requirements.
- Secured credit cards. The volume of outstanding secured credit cards in 1994 and 1995 was 333 cards issued for a commitment of \$139 thousand. This product is geared towards customers without credit histories or in need of credit repair. It provides access to credit cards to persons not qualifying for traditional, unsecured revolving debt.

## Investment test

### Conclusions

The bank has a significant level of qualified investments which are responsive to community credit and economic development needs. On occasion, FNBA has taken a leadership position in providing support to community development organizations. Some of these investments are innovative and noted below.

### Comments

During our CRA evaluation period, the bank made a total of \$2.9 million in community development related investments in the Anchorage MSA. This is in addition to the \$1.9 million balance of Anchorage Neighborhood Housing bonds which were used to develop low- and moderate- income housing in Anchorage. The investments include:

- Federal Low- Income Housing Tax Credits totaling \$2.84 million. These tax credits were for two apartment complexes that house low- and moderate-income individuals.
- The bank contributed \$10,000 to the Women's fund and was instrumental in re-activating the fund. The process took two years to complete and is considered innovative. The Women's fund Microloan Program is administered by the YWCA and provides funds for women to establish small businesses. Prior to receiving funds, the women need to complete a series of business courses. The program targets American Indian/Alaska Native women, women who are single heads of households and women in low- and moderate-income neighborhoods including: Mountain View, Muldoon, Government Hill, Spenard and Fairview.
- FNBA contributed \$72 thousand to organizations that provide housing to low- and moderate-income individuals and services for community development. These contributions include:
  - \$22M in contributions to organizations that facilitate housing to low- and moderate-income individuals;
  - \$10M grant to the Homebuyers Club which provides potential homebuyers with the knowledge and skills to become responsible home purchasers and owners;
  - \$7.5M contribution to "Christmas in May." The funds are used for rehabilitating or maintaining housing;
  - \$22.6M for providing education on financial management and purchasing/maintaining a home; and
  - \$10M to the Concerned Citizens of Mountain View. The funds were used for the "Kids Helping Kids" program and created jobs for youths.

## Service test

### Conclusions

FNBA's delivery systems are accessible to its assessment areas. No offices were opened or closed during this examination period. All offices provide the same products and services and business hours are tailored to accommodate customers' needs. The bank provides community development services that are responsive to community needs.

### Comments

Ten of the bank's 28 offices are located in the Anchorage MSA. Of these ten offices, five are in moderate-income geographies (census tracts) and five are in middle-income geographies (refer to Chart #1 for detail). In addition to its offices, the bank has ATMs at nine of its branches, Firstline which is a customer service line, telephone access for the hearing impaired, and approximately 25 employees who communicate in several languages. FNBA offers a full range of deposit and loan products at all of its offices including loan programs for low- and moderate- income individuals.

Bank officers actively participate in community organizations and activities that are responsive to community needs. The following is a list of community development services and activities that the bank provided during this examination period.

#### Educational services

- The bank jointly sponsored and participated in 13 small business workshops with area banks.
- FNBA members independently conducted seven small business workshops, several of which were held in the Anchorage MSA including the low- and moderate- income communities of Spenard, Muldoon and Fairview. The workshops provided technical advice on starting and maintaining a business, writing a business plan, budgeting, how to get a loan, and management skills.
- FNBA co-sponsored three Homebuyer Workshops with area banks. The bank also conducted approximately 26 Workshops. Several of the workshops were held in the Anchorage MSA including low- and moderate-income neighborhoods. Attendance ranged from 6 to 85 people.
- The bank also conducted and participated in workshops that provided education on managing finances. The workshops targeted both adults and children. Bank employees also conducted workshops for the Female Minority Student Leadership Conference, the Alaska Housing Family Self-Sufficiency Program and at schools in Anchorage.
- FNBA provided workshops for realtors and developers with a focus on loan products for low- and moderate- income housing.

#### Technical assistance

- Bank employees designed training materials and conducted training for the "Game of Life" workshops which target children of low- and moderate-income families. The workshops teach financial management skills. At a recent workshop, 96 children attended.

- A bank employee also wrote a manual on managing finances which is used as training material by counselors at the Anchorage Center for Families. The center serves low- and moderate-income families. FNBA also trained the counselors.
- The bank collaborated with the Alaska Housing Finance Corporation and the Rural Community Assistance Corporation to produce an affordable housing workbook and video. The material was sent to affordable housing providers, interested organizations across the state, legislators, and to anyone else requesting a copy. Branch offices of FNBA also distributed the workbooks and videos. Approximately 144 were distributed.

Bank officers also serve community organizations in the following capacities:

- The Housing Committee of the Mountain View Task Force. The task force goals are to provide affordable housing, make neighborhood landlords aware of various programs that are available for rehabilitating multi-family housing, and sponsor homeowner seminars on maintaining homes. Bank officers have been instrumental in seeking developers to build affordable housing, facilitating meetings with appropriate parties, and working with developers to help them qualify for financing.
- The YWCA Board and the Advisory Committee for the Women\$fund. The Women\$fund program provides technical and financial assistance to small business owners. The Advisory Committee selects qualified participants for the program.
- The Anchorage Neighborhood Housing Services Loan Committee and the Board of Directors for “Christmas in May.” This organization facilitates a program that targets low- and moderate-income homeowners and volunteers to rehabilitate selected homes.
- Municipality of Anchorage’s Community Development Block Grant Task Force. This entity targets low- and moderate-income neighborhoods within Anchorage for Community Development Block grants and loans.



## NON-METROPOLITAN STATEWIDE AREAS

### CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE NON-METROPOLITAN ASSESSMENT AREAS:

The bank's assessment areas located outside the Anchorage MSA include Fairbanks, Kenai Peninsula, Matanuska- Susitna, Bethel, Juneau, Haines, Kodiak Island, Sitka, and Valdez- Cordova. Performances in these areas are summarized below and additional detail is provided on four of the assessment areas in the Assessment Area comment of this evaluation.

### Lending test

#### Conclusions

The bank's lending performance in the assessment areas outside of the MSA reflects a good response to the community's credit needs. This conclusion is based on its volume of lending, the performance context (refer to Appendix B for explanation), demographics of the non-MSA, and discussions with community contacts. Below is a consolidation of the lending performance of the assessment areas outside the MSA.

#### Comments

- The volume of reportable loans for the assessment periods is good. The combined small business, residential mortgage, and consumer loans in this assessment area represent 57% of the reported volume as reflected in Chart #3. Of these loans, 71% were small business loans, 24% residential mortgage products, and 5% were consumer loans.
- The geographic distribution of loan products shows good penetration throughout the assessment areas outside of the MSA. The small business loan dispersion is 4% moderate- income, 66% middle- income, and 30% upper-income geographies. The dispersion of residential mortgage products for the same geographies is 3%, 67%, and 30%, respectively. These percentages correspond to the demographic percentages in chart #1. We found no conspicuous gaps in its lending activity. There are no low income geographies in this non-MSA assessment area.
- The dispersion of residential mortgage loans by borrower income characteristics is good. We evaluated such loans to borrowers whose income was low, moderate, middle, and upper relative to the area median income level (based on current HUD data) and found them to be reasonably proportionate to the respective income demographics of those areas.
- The bank's response to small businesses credit needs is good. Of the \$141 million in small business loans outside of the MSA noted in Chart #3, 46% were loans under \$100 thousand, 24% ranged from \$100 thousand to \$250 thousand, and 30% were \$250 thousand to \$1 million in size.

## Investment test

### Conclusions

FNBA has a significant level of qualified investments that are responsive to community credit and economic development needs outside of the MSA. The bank has taken a leadership position, on occasion, in providing support to community development organizations. A portion of the investments have been innovative and required a significant amount of time and effort to formulate. The bank made the following investments totaling approximately \$419 thousand.

### Comments

- FNBA committed \$300 thousand to the Kenai Peninsula Small Business Development Center (Center) over a three year period. To date, \$197 thousand was dispersed to establish the Center. The bank was instrumental in establishing this Center which services the communities of Homer, Kenai, Soldotna and Seward. The Center opened in early 1995 and is designed to aid small business owners by providing access to capital and technical assistance. The bank's role in developing the Center was innovative.
- FNBA contributed \$200 thousand to the Sheldon Jackson College in Sitka. The contribution funded a class project to produce a video, targeted toward Alaska natives, that provides information on banking services. Again, this product was innovative.
- The bank contributed \$11.9 thousand to two organizations that provide services for small businesses.
- The bank granted \$5 thousand to the Rural Community Assistance Corporation/Alaska Pacific University. The grant was used to produce an affordable housing workbook and video. The targeted audience is affordable housing entities and anyone interested in forming an affordable housing entity or building affordable housing. This project also reflects innovation. FNBA is the sole bank that contributed and this is the first resource of its kind produced in Alaska.
- \$5 thousand to Fairbanks Neighborhood Housing Services.

## Service test

### Conclusions

FNBA's delivery systems are accessible to its assessment areas. The bank has not opened or closed any offices. All offices provide the same products and services and business hours are tailored to accommodate customer needs. FNBA provides community development services that are responsive to community needs.

### Comments

The bank has offices in each of its assessment areas outside the Anchorage MSA. Eighteen offices are located in the non-MSA areas. One office (6%) is located in a moderate- income geography, 13 offices (72%) are located in middle- income geographies, and 4 offices (22%) are in upper- income geographies. Of the total 57 non-MSA geographies, 9% are moderate- income, 66% are middle- income, and 25% are upper- income.

FNBA provided the following community development services that are responsive to community needs. Included in these are the services focused on the community's need for credit education.

- The bank jointly sponsored/conducted independent small business workshops, homebuyer workshops, workshops for realtors/developers and financial workshops. The bank sponsored the Southwest Alaska Municipal Conference in Kodiak and held small business workshops in Cordova and Valdez.
- FNBA conducted a series of housing workshops individually, and also in association with the CRA Officer's group, the Cook Inlet Housing Association, and the Fairbanks Neighborhood Housing Services/Fairbanks Native Association. These housing workshops were held in Fairbanks, Cordova, Palmer, Sitka and Kodiak.

Community development services focusing on technical assistance community follow.

- Bank officers provide community development services by serving on the Board of Directors or loan committees of the following organizations: the Fairbanks Neighborhood Housing Services; the Palmer Economic Development Association; the Alaska Rural Development Council; and the Alaska World Trade Center. Each of these organizations effectively serves the housing needs of low- and moderate- income persons or small business development in the community.

## OTHER ASSESSMENT AREAS

We evaluated the bank's performance in each of their ten assessment areas from the Anchorage location. Our focus was on its CRA performance with lending, investments, and services. Our community contacts were located in the Anchorage area, but provided useful information on credit needs in the entire state.

The reader should refer to the bank's CRA public file for a complete listing of the geographies in the assessment areas. Review of the assessment areas showed that they are generally comprised of political subdivision boundaries which complies with the regulation.

The following section only addresses certain characteristics under the lending test. These characteristics include lending activity, geographic distribution of loans, borrower profile, and small business lending. The remaining characteristics were not discussed as sufficient data was not available for analysis by assessment area at this level.

### SUMMARY OF INSTITUTION'S OPERATION IN THE ASSESSMENT AREAS:

Chart #1 provides a summary of FNBA's ten assessment areas, the distribution of geographies based on income levels, and the number of branches in each geography.

### DESCRIPTION OF THE ASSESSMENT AREAS:

Chart #2 provides an overview of FNBA's combined and individual assessment areas by population, median income, housing stock, percentage of 1-4 family housing, and unemployment percentage.

### DISCUSSION OF PERFORMANCE IN EACH ASSESSMENT AREA:

Chart #3 reflects FNBA's loan volumes by product type reported, the percentage within the bank's assessment area, and percentage relative to the total dollar volume evaluated.

### Fairbanks Assessment Area:

#### Lending test

The volume of reportable loans for the assessment periods is reasonable. Loan volume here was 16% of the total reported volume and comprised of 82% in small business loans, 14% residential mortgage products, and 4% consumer loans. FNBA attributes its lower residential mortgage volume in this market to competition from other banks and moderate product demand.

The geographic distribution of loan products shows good penetration. The small business loan dispersion is 10% moderate- income, 65% middle- income, and 25% upper- income geographies. Fairbanks has no census tracts that are low- income. The dispersion of residential mortgage products for the same geographies is 6%, 57%, and 37%, respectively. These percentages correspond reasonably well to the demographic percentages in chart #1. We found no conspicuous gaps in lending within the assessment area.

## Kenai Peninsula Assessment Area:

### Lending test

The volume of reportable loans here is also reasonable. Loan volume was 11% of the bank's total loan volume and comprised of 63% in small business loans, 29% in residential loans, and 8% in consumer loans.

The geographic distribution of loan products shows reasonable penetration. The small business loan dispersion is 3% moderate- income, 76% middle- income, and 21% upper- income geographies. The dispersion of residential lending products for the same geographies is 4%, 62%, and 34%, respectively. The Kenai Peninsula assessment area has no census tracts that are low- income and only one that is moderate- income. Refer to Chart #1 for the demographic data for this assessment area. We found no conspicuous gaps in lending within the assessment area.

## Matanuska- Susitna Assessment Area:

### Lending test

The volume of loans in the Matanuska- Susitna assessment area is reasonable. This was 7% of the bank's total loan volume and consisted of 56% small business loans, 39% residential loan products, and 5% consumer loans.

The geographic distribution of loan products is acceptable. The small business loan dispersion is 1% moderate- income, 52% middle- income, and 47% upper- income geographies. The dispersion of residential lending products for the same geographies is 6%, 86%, and 8%, respectively. The Matanuska- Susitna assessment area has no census tracts that are low- income. Refer to Chart #1 for the demographic data for this assessment area. We found no conspicuous gaps in lending within the assessment area.

**Other assessment areas combined (Bethel, Juneau, Haines, Kodiak Island, Valdez- Cordova, and Sitka):** We combined these areas for analysis of CRA performance due to the relatively low volume of loan activity, geographies served, and population of the assessment areas.

### Lending test

The volume of reportable loans in these five assessment areas is reasonable, considering the areas demographics. Loan volume in this area was just 17% of the reported total volume and consisted of 60% in small business loans, 32% in residential loans, and 8% in consumer loans.

The geographic distribution of loan products shows reasonable penetration. The small business loan dispersion is 70% middle- income, and 30% upper- income geographies. The dispersion of residential lending products for the same geographies is 75%, and 25%, respectively. The combined assessment areas have no geographies that are low- income or moderate- income. Refer to Chart #1 for the demographic data for these assessment areas. We found no conspicuous gaps in lending within the assessment area.

A

Chart #1. Geographies by Income Level .

Assessment Area	Low - Income			Moderate- Income			Middle- Income			Upper- Income			Total	
	Geog's # (1)	Geog's % (2)	Total Branch	Geog's #	Geog's %	Total Branch	Geog's #	Geog's %	Total Branch	Geog's #	Geog's %	Total Branch	Geog's #	% Tot
Total geographies	3	3%		16	14%	6	63	56%	18	30	27%	4	112	100%
Anchorage	3	5%		11	20%	5	25	45%	5	16	29%		55	49%
Fairbanks				3	19%	1	8	50%	1	5	31%		16	14%
Kenai Peninsula				1	6%		12	75%	5	3	19%		16	14%
Matanuska- Susitna				1	9%		9	82%	1	1	9%	1	11	10%
Bethel							1	100%	1		0%		1	1%
Juneau							3	60%	2	2	40%	1	5	4%
Haines							1	100%	1		0%		1	1%
Kodiak Island							2	67%	1	1	33%		3	3%
Sitka							2	100%	1				2	2%
Valdez- Cordova										2	100%	2	2	2%

- (1) This refers to the number of geographies which are located within the assessment area. A “geography” is defined as a census tract or block numbering area.
- (2) This percentage shows the number of geographies as a percentage of the total for the individual assessment area.

Chart #2. Demographic information detail .

Assessment Areas	Population	Median Income	Housing Stock (2)	% Housing 1-4 Family	Percentage Unemployed
Total geographies	419,103	47,022	177,776	71%	4%
Anchorage	226,338	48,293	94,153	69%	4%
Fairbanks	63,741	45,376	27,609	71%	5%
Kenai Peninsula	39,579	48,114	18,674	78%	5%
Matanuska- Susitna	35,657	46,635	16,365	85%	5%
Bethel	4,736	45,000	1,652	70%	4%
Juneau	22,344	51,436	8,724	68%	3%
Haines	2,117	44,141	1,112	72%	4%
Kodiak Island	9,120	50,216	3,186	68%	2%
Sitka	8,588	49,354	3,222	68%	4%
Valdez- Cordova	6,883	60,259	3,079	53%	4%

- (1) Demographic data is based on U.S. Census data (1990) and HUD data (1995).
- (2) Refer to the number of housing units in the assessment area.

Chart #3. Total loan volume and subtotals by assessment area.

Assessment Area	Small Business		HMDA Products (1)		Consumer		Total Loans Reviewed		Percent of Dollar Total (2)
	Dollar Volume	Number of Loans	Dollar Volume	Number of Loans	Dollar Volume	Number of Loans	Dollar Volume	Number of Loans	
Total areas	238,825	3,801	90,153	1,046	23,171	2,913	352,149	7,760	93%
Anchorage	97,391	1,333	42,845	433	12,392	1,362	152,628	3,128	43%
Fairbanks	44,908	784	7,562	97	1,999	275	54,469	1,156	16%
Kenai Peninsula	23,392	607	10,527	148	2,838	404	36,757	1,159	11%
Matanuska- Susitna	14,553	276	10,224	140	1,369	184	26,146	600	7%
Bethel	7,282	60	2,060	26	967	193	10,309	279	3%
Juneau	5,229	53	2,507	33	471	74	8,207	160	2%
Haines	3,537	100	1,720	28	662	83	5,919	211	2%
Kodiak Island	11,528	112	2,235	30	471	51	14,234	193	4%
Sitka	5,603	128	7,005	57	760	120	13,368	305	4%
Valdez- Cordova	3,401	103	3,468	54	1,242	167	8,111	324	2%
Other	22,001	245	0	0	0	0	22,001	245	6%

- (1) HMDA products include those loans which are subject to the Home Mortgage Disclosure Act (12 CFR 203). We evaluated the volume of these products from January 1994 through March 1995. This chart reflects only January 1995 through March 1996 volumes.
- (2) This column reflects the percentage of loans (by dollar) in each of the assessment areas, compared to the total dollar volume. However, the "total areas" percentage is the percentage of loans within the bank's assessment areas.

## B

## SCOPE OF EXAMINATION

The scope of our examination followed the Interagency CRA Examination Procedures for Large Retail Institutions. FNBA management elected to be examined under the revised performance tests contained in the CRA final rule. These tests included the Lending, Investment, and Service tests. The bank provided sufficient information for small business loans and Consumer loans for 1995 and the first quarter of 1996. As noted in the Description of the Institution section, FNBA does not have any affiliates whose performance is reflected in this evaluation.

Our evaluation period for CRA performance included 1994 through March 1996 for the Investment, Service, and portions of the Lending test. The evaluation period for small business loans and consumer loans did not include 1994 performance as noted above.

To understand the performance context for FNBA, we assessed the bank's previous CRA performance as well as the performance of similar institutions using public data (e.g. Performance Evaluations, Uniform Bank Performance Report). We also talked with representatives of three community groups to better understand the community. These included the Alaska Housing Finance Corporation (AHFC), Anchorage Neighborhood Housing Corporation (ANHC), and the Small Business Development Center (SBDC). In addition, we reviewed demographic information available for the bank's assessment areas.

Our review of CRA covered the bank's performance in each of their ten assessment areas. We did not visit areas other than the Anchorage MSA, but our analysis of Lending, Investments, and Service performance included each assessment area. We listed the bank's lending performance by assessment area when it was meaningful, and when data was available to do so. Our contacts with community organizations (noted above) helped provide us with information on credit and community development needs within the State.