



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

April 13, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Banco Popular, N.A. (California)
Charter Number 17817**

**6001 E. Washington Boulevard
Commerce, California 90040**

**Comptroller of the Currency
550 North Brand Boulevard, Suite 500
Glendale, CA 91203**

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 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 **Banco Popular N.A. (California)** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 13, 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 is rated “**Satisfactory.**”

- The bank’s lending to individuals of different income levels and businesses of different sizes is satisfactory.
- The geographic distribution is reasonable.
- The loan-to-deposit ratio meets the standard for satisfactory performance.
- We found no evidence of any discriminatory lending practices.
- The bank received no complaints associated with its CRA performance.

DESCRIPTION OF INSTITUTION:

Banco Popular N.A. (California) (BPC) is a \$142 million commercial bank formally known as Commerce National Bank (CNB). On November 15, 1996, CNB acquired the Los Angeles branch of Banco Popular de Puerto Rico, which is a multinational bank headquartered in Puerto Rico. The combined bank was renamed BPC. The bank is one of five wholly-owned subsidiaries of Popular North America (PNA). PNA is wholly-owned by Popular International Bank, Inc., which is wholly-owned by Popular, Inc. (The Corporation). The Corporation reported consolidated assets of \$19.3 billion at December 31, 1997. The Corporation is the largest financial institution in Puerto Rico. BPC has seven branches located in the cities of Commerce, Montebello, Los Angeles, Wilmington, Ontario, Downey, and El Monte. The bank's corporate headquarters is located in Commerce, California.

BPC is primarily a commercial (business) lender. The bank lends to small and medium sized businesses. The bank's loan portfolio at December 31, 1997, totaled \$106 million and is distributed as follows: \$48 million or 45 percent commercial; \$45 million or 42 percent real estate; \$6 million or 6 percent construction; and \$7 million or 7 percent consumer loans.

The bank did not close any offices since our last examination. In 1997, BPC opened two offices in the cities of Ontario and El Monte, California. In February 1998, the bank opened another office in Wilmington, California.

The bank has no financial or legal impediments which will affect its ability to meet the credit needs of its assessment areas (AAs).

DESCRIPTION OF ASSESSMENT AREA:

BPC has three assessment areas (AAs) which are Los Angeles, Wilmington, and Ontario. All three AAs meet the requirements of the regulation and do not exclude low- and moderate-income geographies. For the purposes of this examination, we will not discuss the characteristics of the Wilmington and Ontario AAs. These AAs were recently established and would not be material in the evaluation of the bank's performance.

The Los Angeles' AA is the largest and includes the cities of Bell, Bell Gardens, Commerce, Cudahy, Downey, East Los Angeles, El Monte, Huntington Park, Los Angeles, Lynwood, Maywood, Montebello, Monterey Park, Norwalk, Paramount, Pico Rivera, Sante Fe Springs, South Gate, South El Monte, Vernon, Walnut Park, Watts, and Whittier. The AA includes 204 census tracts. Refer to the table below for details.

ASSESSMENT AREA CHARACTERISTICS				
Income Level of Census Tract	Number of Census Tracts	Percentage of Total Census Tracts	Number of Families	Percentage of Families
Low	74	36%	101,423	39%
Moderate	83	41%	58,091	22%
Middle	39	19%	49,673	19%
Upper	6	3%	50,351	20%
N/A*	2	1%	0	0%
Total	204	100%	259,538	100%

*1990 census reported no income information for these tracts.

The Department of Housing and Urban Development estimated the median family income for the AA as \$47,800. Dunn and Bradstreet reported that there are 28 thousand businesses with sales of less than \$1million and 6 thousand with sales in excess of \$1 million located within the AA.

Southern California's economy and real estate market are rebounding slowly from the recession. Unemployment is approximately 5 percent of the population. The largest employers are in the areas of services, retail/wholesale trade, and manufacturing.

Within the bank's AA, there is a large number of financial institutions competing for the available business. There are branches of major banks, community banks, savings and loan associations, as well as finance companies and credit unions.

As a part of this examination, we considered information from two local cities' economic development departments. Our contacts stated that the primary credit needs in the AA are for affordable housing and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

We based our analysis of the bank's performance on its lending activity for the period of January 1, 1997 through December 31, 1997. We included the credit card activity generated by BPC's Florida affiliate in the Geographic Distribution section of this report. We sampled 76 or 30 percent of the business loans and 43 or 30 percent of the consumer loans originated. We used the results of this sample to evaluate BPC's lending to individuals of different incomes and businesses of different sizes. The bank did not have this analysis available.

DEFINITIONS:

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts.

Low-Income - Income levels that are less than 50 percent of the MFI.

Moderate-Income - Income levels that are less than 80 percent of the MFI.

Middle-Income - Income levels that are at least 80 percent and less than 120 percent of the MFI.

Upper-Income - Income levels that are 120 percent or more of the MFI.

Small Business - A business with revenues of \$1 million or less.

LENDING TO INDIVIDUALS OF DIFFERENT INCOME LEVELS AND BUSINESSES OF DIFFERENT SIZES:

BPC’s Lending to Individuals of Different Income Levels based on the loans in our sample is satisfactory. The bank extended 47 percent of the number of loans sampled to low-income borrowers. Moderate-income borrowers received 26 percent of the loans. This distribution of loans to low- and moderate-income families when compared to the composition of the Los Angeles AA is reasonable.

DISTRIBUTION OF LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS			
Income Level of Borrower	Number of Loans Sampled	Percentage of Loans Sampled	Percentage of Families Within the AA
Low	20	47%	39%
Moderate	11	26%	22%
Middle	7	16%	19%
Upper	5	11%	20%
Total	43	100%	100%

BPC's lending to businesses of different sizes based on our sample is satisfactory. The bank funded 59 percent of the loans sampled to businesses with revenues of \$1 million or less. The dollars associated with those loans were \$10,027,608. Refer to the table below for details.

LOANS TO BUSINESSES OF DIFFERENT SIZES				
Business Revenues	Number of Loans	Percentage of Loans	Dollar Amount of Loans	Percentage of Dollar Amounts
\$1,000,000 or less	45	59%	\$10,027,608	54%
Over \$1,000,000	31	41%	\$8,665,603	46%
Total	76	100%	\$18,693,211	100%

GEOGRAPHIC DISTRIBUTION OF LOANS:

BPC's distribution of loans among the geographies is reasonable. The bank extended 24 percent by number, and 52 percent by dollars of the loans funded to borrowers in low-income geographies. Additionally, BPC made 45 percent by number and 22 percent by dollars to borrowers in the moderate-income geographies. The bank has one gap in its lending distribution. This gap includes 16 low-income and 5 moderate-income geographies. Historically, the Los Angeles branch funded construction loans in those geographies. Upon acquisition, the branch's method of funding construction loans was changed to the percent of completion to conform to BPC's lending policy. As a result, some borrowers elected to use other banks. Refer to the table below for details regarding the geographic distribution.

ASSESSMENT AREA GEOGRAPHIC DISTRIBUTION			
Income Level of Census Tract	Percentage of AA	Penetration by Number of Loans (%)	Penetration by Dollar Amount of Loans (%)
Low	36%	24%	52%
Moderate	41%	45%	22%
Middle	19%	28%	21%
Upper	3%	3%	5%
Total	99%*	100%	100%

* Excludes the two (1%) census tracts for which the 1990 census reported no income.

LOAN-TO-DEPOSIT RATIO:

The bank’s loan-to-deposit ratio meets the standard for satisfactory performance. BPC’s average loan-to-deposit ratio for the eight quarters ended June 30, 1997, was 59 percent. This ratio compares favorably to similarly situated institutions for the same period. The average ratio for these institutions was 62 percent. For the purposes of this examination, we consider similarly situated institutions as those located within the bank’s AA with similar business focus.

LENDING IN THE ASSESSMENT AREA:

BPC’s lending within their AA does not meet the standards for satisfactory. The bank originated the majority of its loans outside the AA. Management did not monitor their lending efforts to ensure that they were lending within the AA. Refer to the table below for details.

LENDING WITHIN THE ASSESSMENT AREA		
Total Loans by Dollars and Number Originated	Total Loans Made Within The AA	Percentage
\$75,867,664	\$34,322,938	45%
509	187	37%

DISCRIMINATORY PRACTICES:

We conducted a concurrent Fair Lending examination and found no evidence of discriminatory lending practices. The bank complies with the provisions of the anti-discrimination laws and regulations.

REVIEW OF COMPLAINTS:

There were no written complaints associated with the bank’s performance under the CRA.