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Comptroller of the Currency  
Administrator of National Banks

SMALL  
BANK

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## **PUBLIC DISCLOSURE**

**April 27, 1998**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Mt. Rainier National Bank  
Charter Number 22034**

**501 Roosevelt  
Enumclaw, Washington 98022**

**Comptroller of the Currency  
1501 Fourth Avenue, Suite 1190  
Seattle, WA 98101**

<b>NOTE:</b> 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 CRA performance of **Mt. Rainier National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 27, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

**Institution's CRA Rating:** This institution is rated **"Satisfactory"**.

Mt. Rainier National Bank (MRNB) demonstrates satisfactory performance in meeting the credit needs within its community. The bank originated the majority of its loans within its identified assessment area. These loans represent reasonable geographic distribution and reasonable dispersion among businesses of different sizes and borrowers of different income levels. MRNB maintains a reasonable loan-to-deposit ratio given its size, lending capacity and its market area. MRNB has not received any written consumer complaints regarding their CRA performance since the prior OCC examination.

### DESCRIPTION OF THE INSTITUTION

Mt. Rainier National Bank (MRNB) is a community bank that was organized and founded by local business people and dairy farmers in 1990. MRNB is wholly owned by Mountain Bank Holding Company. The bank is located in Enumclaw, Washington with two branch offices in Buckley and Black Diamond. The bank's trade area includes Enumclaw, Buckley, Cumberland, Greenwater, South Prairie, Sumner, and Black Diamond. The economy is dependent on agriculture and the timber industry. There are over one hundred employers in the area of which are mostly small businesses or agricultural operations.

MRNB is in sound financial condition with total assets of \$77 million as of March 31, 1998. Gross loans total \$42 million which represents 55% of the bank's total assets. Competition in the market area is presented by local branches of Key Bank, Wells Fargo, Seattle First National, and White River Credit Union. MRNB offers three automated teller machines (ATM's), courier services, and a mortgage brokerage operation that sells real estate mortgage loans on the secondary market.

The bank's primary business focus is small business loans, however real estate and consumer loans also represent well balanced portions of the bank's loan portfolio. The composition of the loan portfolio consists of 45% commercial, 27% real estate, and 28% consumer loans. Home Mortgage Disclosure Act (HMDA) reportable loans represent 64% of total real estate loans originated in 1996 and 1997. For this examination, we evaluated the bank's CRA performance based on lending performance in commercial and farm loans originated during 1996 and 1997, and HMDA mortgage loan originations from January 1, 1996 through March 31, 1998.

### DESCRIPTION OF MT. RAINIER NATIONAL BANK'S ASSESSMENT AREA

MRNB identified its assessment area to include eleven census tracts. Six census tracts are located in southeast King County and five census tracts are located in northwest Pierce County. The assessment area crosses over two Metropolitan Statistical Areas (MSA's), Seattle-Bellevue MSA 7600 and the Tacoma MSA 8200. The

assessment area consists of whole geographies and does not arbitrarily exclude any low- or moderate- income census tracts. The assessment area includes no low-income census tracts and only one moderate income census tract.

Based on 1990 United States Census data the assessment area has a population of 63,135 people. The majority of the population resides in the middle-income census tracts. The U.S. Department of Housing and Urban Development estimated the median family income for King County was \$55,100 in 1997, \$52,800 in 1996. For Pierce County the median family income was \$44,800 in 1997 and \$43,300 in 1996.

Table 1 shows the census tract population by income level. The assessment area’s only moderate-income census tract has 34 families.

Table 1

Mt. Rainier National Bank King County and Pierce County Census Tracts															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
Census Tracts		Families		Census Tracts		Families		Census Tracts		Families		Census Tracts		Families	
0	0%	0	0%	1	9%	34	<1%	8	73%	13,237	80%	2	18%	3,246	20%

Source: Demographic Data - 1990 U.S. Census

Major employers in the area include Mutual of Enumclaw Insurance Company, Weyerhaeuser and other independent forest product businesses. MRNB’s market area includes a mixture of rural and suburban communities of the cities Seattle and Tacoma. Several years ago the local government imposed a water moratorium on water and sewer availability which continues to restrict economic growth in the Enumclaw community.

Based on an activity report by the Northwest Multiple Listing Service listing for the period of May 1, 1997 through April 30, 1998 the median home prices in Enumclaw, Buckley and Black Diamond are \$159,950, \$148,902, and \$165,450 respectively.

Our community contact in the local area did not provide any information that would indicate that any significant changes occurred in Enumclaw, Buckley, and surrounding communities since our last examination.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

- Loan-to-Deposit Ratio**

Mt. Rainier National Bank’s loan-to-deposit ratio is reasonable given the bank’s size, lending capacity and market area. The bank’s loan-to-deposit ratio average was 67.15% for the previous eight quarters ending March 31, 1998. The bank’s loan-to-deposit ratio has fluctuated between its highest point at 74.27% at June 30, 1996 and its lowest point of 63.48% at March 31, 1998. The overall trend has declined over the past two years. This decline is primarily attributed to a strong level of deposits the bank obtained after opening a new branch.

Enumclaw has no other independent community banks serving the community. Other financial institutions are large bank branches and a local credit union. Outside the Enumclaw community we identified a community bank which is the most similarly situated bank to MRNB. This other community bank is larger in size and offers a similar product mix. When we compared loan-to-deposit ratios with this institution, the average ratio over the past eight quarters was 63.72% which is comparable to MRNB.

- **Lending in the Assessment Area**

Business, farm and HMDA mortgage loan originations total 585, and represent 80% of total loan originations. The bank originated 461 business and farm loans during 1996 and 1997. During the period of January 1, 1996 through March 31, 1998, the bank originated 139 HMDA mortgage loans, of which 89% were made within the assessment area.

Examiners reviewed a sample of 32 business loans to validate the accuracy of the bank’s loan analysis. Real estate loan totals in the bank’s analysis included some loan types which are not applicable to CRA performance. As a result we based our real estate loan analysis on the HMDA loans.

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

The overall distribution of HMDA mortgage, business and farm loans reflects good penetration among borrowers of different income levels and businesses of different sizes. The distribution of business, farm, and HMDA mortgage loans compares favorably to the composition of the population and business demographics for the bank’s assessment area.

Lending to Borrowers of Different Incomes:

MRNB originated 12% of the HMDA loans to low-income individuals. Twenty seven percent of the HMDA mortgage loans were made to moderate-income individuals. Fifteen percent of the families in the assessment area are low-income individuals. Moderate-income families comprise 18% of the assessment area. Table 2 demonstrates the bank’s performance.

Table 2

<b>1996, 1997, 1Q98 Home Mortgage Loan Originations Within the Assessment Area by Income Level of the Borrower</b>										
	<b>All Borrowers</b>		<b>Low-Income</b>		<b>Moderate - Income</b>		<b>Middle Income</b>		<b>Upper-Income</b>	
<b>Loan Product</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Home Purchase/Refi	47	38%	7	6%	13	10%	14	11%	13	10%
Home Improvement	77	62%	8	6%	21	17%	24	19%	24	19%
<b>Total Loans</b>	124	<b>100%</b>	15	<b>12%</b>	34	<b>27%</b>	38	<b>30%</b>	37	<b>30%</b>
<b>% of Families by Income Level</b>	<b>100%</b>		<b>15%</b>		<b>18%</b>		<b>29%</b>		<b>38%</b>	

Source: HMDA Aggregate Data

Lending to Businesses of Different Sizes:

MRNB originated 91% of the loans to small businesses and farms with gross annual revenues of \$1 million or less. Of the total number of business loan originations, eighty nine percent were loan amounts under \$100 thousand. The bank originated a total of 461 loans and collected information on gross annual revenues for 397 businesses and farms loans which was used for this analysis. Table 3 shows the bank’s performance.

Table 3

Distribution of Small Business and Farm Loan Originations in 1996 and 1997 Within the Assessment Area By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	355	89%	9,030,443	56%				
\$100,000 to \$250,000	37	9%	5,230,578	33%				
\$250,000 to \$1,000,000	5	1%	1,800,000	11%				
Totals	397	100%	16,061,020	100%	362	91%	12,409,002	77%
<b>Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:</b>				< 1 Million	91%	*As a percentage of loans of the size category		
				> 1 Million	9%			

Source: Business Demographic Data and bank prepared Small Business and Farm Data Collection Register

### • Geographic Distribution of Loans

Overall, geographic distribution of business, farm, and mortgage loans is reasonable. The geographic distribution of small business and farm loans reflects good dispersion throughout the assessment area. Only 1% of the businesses in the assessment area are located in the moderate-income census tract. MRNB originated 25% of its business and farm loans within the assessment area in this moderate-income census tract. The geographic distribution of HMDA mortgage loans was primarily concentrated in the middle-income census tracts. The moderate-income census tract contains no owner-occupied housing units, and less than 1% of the population. A significant majority or 98% of the HMDA loans made in 1996 through year-to-date 1998 were to borrowers in the middle-income census tracts. Table 4 shows that the distribution of business and farm loans by income level. Table 5 shows the HMDA loan distribution.

Table 4

Distribution of Small Business and Farm Loan Originations in 1996 and YTD 1997 Within the Assessment Area By Income Level of the Census Tract										
Assessment Area Data	Low		Moderate		Middle		Upper		Total	
# of Census Tracts	0		1		8		2		11	
Percent of Businesses	0%		1%		82%		17%		100%	
Loan Product	#	%	#	%	#	%	#	%	#	%
1996	0	0%	57	12%	171	37%	9	2%	237	51%
1997	0	0%	59	13%	151	33%	14	3%	224	49%
<b>Total Business and Farm Loans</b>	<b>0</b>	<b>0%</b>	<b>116</b>	<b>25%</b>	<b>322</b>	<b>70%</b>	<b>23</b>	<b>5%</b>	<b>461</b>	<b>100%</b>

Source: Business Demographic Data and bank prepared Small Business and Farm Loan Data Collection Register

Table 5

Distribution of Home Mortgage Loan Originations in 1996, 1997 and YTD 1998 Within the Assessment Area By Income Level of the Borrower									
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income		
Census Tracts	0%		9%		73%		18%		
<b>Loan Product</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	
Home Purchase/Refi	0		0		15		0		
Home Improvement	0		0		42		2		
Total 1996	0		0		59		2		
Home Purchase/Refi	0		0		27		0		
Home Improvement	0		0		28		0		
Total 1997	0		0		55		0		
Home Purchase/Refi	0		0		10		0		
Home Improvement	0		0		0		0		
Total YTD 1998	0		0		10		2		
<b>Grand Total</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>122</b>	<b>98%</b>	<b>2</b>	<b>2%</b>

Source: U.S. Census Demographic Data and HMDA Loan Application Registers

- **Response to Complaints**

Mt. Rainier National Bank has not received any consumer complaints regarding its CRA performance since the prior OCC examination dated July 11, 1996.

- **Record of Complying with Antidiscrimination Laws**

Our examination did not identify any violations of the substantive provisions of antidiscrimination laws and regulations. MRNB has policies, procedures and training programs in place to prevent discriminatory or other illegal credit practices.