



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 12, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Taft National Bank, N.A.
Charter Number 17577**

**523 Cascade Place, P.O. Box 38
Taft, California 93268**

**Office of the Comptroller of the Currency
Western District
50 Fremont Street, Suite 3900
San Francisco, California 94105
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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 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 **Taft National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 12, 1997. 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: Taft National Bank is rated “Satisfactory”.

- 83% of the bank’s loans are extended to borrowers within the assessment area.
- Lending to borrowers of various incomes and businesses of various sizes is satisfactory.
- The loan-to-deposit ratio is good, and lending distribution throughout the assessment area represents the bank’s market focus and office locations.

The following table indicates the performance level of **Taft National Bank** with respect to each of the five performance criteria. Further support follows.

SMALL INSTITUTION ASSESSMENT CRITERIA	Taft National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	X		
Response to Complaints	No complaints received since the last examination		

DESCRIPTION OF INSTITUTION:

Taft National Bank (TNB) opened in January 1983, and is located in the city of Taft, California. In addition to the main office, TNB operates a Loan Production Office (LPO) in Bakersfield opened in December 1996. Further expansion into the Bakersfield market is likely. TNB has adequate resources to help meet the credit needs of its assessment area. Total assets as of December 31, 1996 were approximately \$34 million. The previous CRA rating was also “Satisfactory”.

TNB offers a variety of consumer and commercial loan programs, but specializes in lending to small residential construction firms. Over 54% of loan dollars originated from January 1, 1996 to October 31, 1996 were to developers of single family residences. Other commercial loans represented an additional 41% of the volume, and consumer loans were 5%. Local competition includes branches of major banks and S&Ls, two community banks, and a credit union.

DESCRIPTION OF ASSESSMENT AREA:

The bank's assessment area (AA) is located within the Bakersfield Metropolitan Statistical Area (MSA). The AA comprises 40 census tracts around the main office and LPO. Eight of the census tracts are low(1) and moderate(7) income and are all located in the city of Bakersfield. The Bakersfield census tracts were recently added to the AA with the opening of the LPO Housing. In the low- and moderate-income census tracts is primarily rental, and new construction has been minimal. The AA also includes 15 middle-income and 17 upper-income census tracts.

Bakersfield, Taft, and Maricopa are the only incorporated cities within the AA. All other areas are under Kern County jurisdiction.

The local economy relies heavily on the oil and agriculture industries. In the past, the area experienced rapid population growth as people moved from Los Angeles. However, in the 1980s this growth slowed due to falling real estate values and weak oil prices. Local unemployment varies due to the agriculture industry. Although 11% of MSA residents live below the poverty level, and 22% of the households are social security recipients, the economy appears to be on the upswing. Oil prices have rebounded, and there is an increase in housing starts. Government, oil services, retail trade, and agriculture are among the largest employers.

As a part of this examination, we considered information obtained from a community development group. The group provides funding for small business formation within the AA. They identified a local need for creative financing of both existing, and start-up businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO:

TNB's loan-to-deposit ratio is satisfactory. The average ratio for the eight quarters ended September 30, 1996, is 68%, and compares favorably to peer of 64%. "Peer" banks are defined as banks of similar asset size and business focus; all located in Kern County.

LENDING IN ASSESSMENT AREA:

TNB's percentage of lending within the AA is strong. Approximately 83% of the loans originated between January 1, 1996, and October 31, 1996, were to borrowers within the AA.

Loans Within Assessment Area

Total Loans (# and \$)	Loans Within AA	Percent Within AA
412	343	83%
\$27.5 million	\$19.5 million	71%

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES:

Lending activity shows a reasonable distribution among borrowers of various incomes and businesses of different sizes. Further, the distribution is reflective of TNB's focus as a small business lender. As a basis for review, we used residential construction loan information provided by bank management and our own independent sample of 20 commercial and 20 consumer loans. The average consumer loan size is \$12.5 thousand and the smallest loan was \$5 hundred. The average commercial (non-construction) loan was \$76 thousand and only four commercial borrowers had business revenues higher than \$1 million.

The average residential construction loan was \$162 thousand and those less than \$100 thousand represent 68% of the total originated for this category.

Note: All tables reflect lending within the AA only.

Consumer Loans

Income of Borrowers	Number of Borrowers	Percent of Loans
Low	5	25%
Moderate	3	15%
Middle	5	25%
High	7	35%

Construction and Commercial Loans

Size of Loan	Number of Loans	Percent of Loans
<\$100,000	68	71%
\$100,000 to<\$250,000	18	19%
\$250,000 to<\$500,000	8	8%
\$500,000 to<\$1,000,000	2	2%
\$1,000,000 and Over	0	0%

GEOGRAPHIC DISTRIBUTION OF LOANS:

The geographic distribution throughout the AA is satisfactory and reflects TNB's small business focus and office locations.

Because the LPO has been open for only 2 months, for most of the rating period the bank had no office in proximity to the low- and moderate- income census tracts of Bakersfield. Additionally, LPO staff have concentrated on residential construction lending and consumer loans are not offered. These are the reasons for the lack of low- and moderate-income (census tract) penetration.

The Taft area, which has no low- and moderate- income census tracts, remains the bank's primary market area.

Consumer Loans

Income of Census Tracts	Percent of Census Tracts	Number of Loans	Percent of Loans
Low	2%	0	0%
Moderate	17%	0	0%
Middle	38%	18	90%
Upper	43%	2	10%

Construction and Commercial Loans

Income of Census Tracts	Percent of Census Tracts	Number of Loans	Percent of Loans
Low	2%	0	0%
Moderate	17%	0	0%
Middle	38%	26	27%
Upper	43%	70	73%

RESPONSE TO COMPLAINTS:

During our evaluation period, TNB has not received complaints associated with CRA.

DISCRIMINATORY PRACTICES:

This examination did not disclose any evidence of discrimination.