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**Comptroller of the Currency  
Administrator of National Banks**

**SMALL BANK**

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## **PUBLIC DISCLOSURE**

**AUGUST 17, 1998**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**NAPA NATIONAL BANK  
Charter Number 17374**

**901 Main Street  
Napa, CA 94559-3044**

<b>NOTE:</b>	<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.</b>
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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 **NAPA NATIONAL BANK** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of AUGUST 17, 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.**”

- Lending in the assessment area exceeds the standard for satisfactory performance.
- The loan-to-deposit ratio meets the standard for satisfactory performance.
- The loans are reasonably distributed among borrowers of different incomes and businesses of different sizes.
- The bank's loans are reasonably distributed among the geographies at all income levels.
- There were no complaints associated with the bank's performance under the CRA.

## **DESCRIPTION OF INSTITUTION:**

Napa National Bank (NNB) is a \$140 million community bank, which was established September 1982. NNB is a subsidiary of Napa National Bancorp. The bank has a main office and three branches. The bank's corporate and main offices, as well as two branches are located in the city of Napa. The fourth branch is located in the city of St. Helena. One of the branches located in Napa is housed in The Meadows, a senior citizens' retirement center. This branch provides limited service as it only operates one Wednesday each week for two hours. NNB also owns and operates three automated teller machines, which are attached to the bank's branches, and three free-standing cash dispensing machines.

As of June 30, 1998, the bank had \$79 million in loans, comprising 56 percent of the bank's total assets. The distribution of the loan portfolio is: 62 percent business; 15 percent agriculture; 12 percent consumer and 10 percent real estate.

There are no legal impediments to the bank's ability to meet the credit needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREAS:**

NNB's assessment area is Napa County, which is located in the Vallejo-Fairfield Metropolitan Statistical Area (MSA). The bank's assessment area is in compliance with the requirements of the CRA. The assessment area consists of 20 census tracts, of which 1 is designated as low-income and 2 as moderate-income tracts. There are also 12 middle-income and 5 upper-income census tracts within the assessment area.

According to the Department of Housing and Urban Development (HUD), the 1997 median family income for the assessment area is \$51,800. Within the assessment area, Dun and Bradstreet statistics show 4,994 businesses, of which 3,987 (80%) reported sales of less than \$1 million. The statistics also show 306 farms, of which 256 (84%) reported sales under a \$1 million. The largest employers within the assessment area include the following industries: service and tourism; retail trade; construction; manufacturing and agriculture.

Local economic conditions are good. The economy has rebounded from the 1980s recession. Several new and diverse businesses have moved into Napa county creating an increase in available jobs. However, most of these jobs are in the lower-income category. Housing costs continue to be high, while the need for affordable housing remains critical. The need for affordable housing is further compounded by land use restrictions. Napa county is well banked. There are branches of major banks, community banks, credit unions and savings and loan associations competing for the available business.

As a part of this examination, we considered information from two community contacts. Our contacts include a local college and a community housing organization. These contacts

indicate that there are needs for loan consortia, low-interest, flexible factoring, affordable housing, property acquisition, construction and micro business loans. Also, there are needs for technical assistance such as, financing plan evaluation, budgeting advice, credit counseling, as well as grants and in-kind donations.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

Our conclusions are based on the bank’s lending activity from January 1, 1996, through December 31, 1997. We used loan data developed by the bank and sampled a number of loans to confirm the accuracy of the information, as well as to determine the incomes and revenues of the borrowers. Our sample included 50 business and 49 consumer loans funded within the assessment area.

**LENDING IN ASSESSMENT AREAS:**

NNB’s lending in the assessment area exceeds the standard for satisfactory performance. A substantial majority of the bank’s loans are within the assessment area. Of the total loans funded during this review period, 94 percent by dollar and 96 percent by number are within the assessment area. Please refer to the table below for specific information.

**Lending Within Assessment Areas**

<b>Total Loans by Number and Dollar Amount</b>	<b>Total Loans Made Within Assessment Area</b>	<b>Percent of Total Loans Made Within Assessment Area</b>
<b>574</b>	<b>552</b>	<b>96%</b>
<b>\$52,618,700</b>	<b>\$49,375,760</b>	<b>94%</b>

**LOAN TO DEPOSIT RATIO:**

NNB’s loan-to-deposit (LTD) ratio meets the standard for satisfactory performance. The bank’s average LTD ratio for the eight quarters ended March 31, 1998, was 73 percent. The average ratio for two similarly situated financial institutions was 75 percent for the same period. These two financial institutions have similar asset size and are located within the bank’s assessment area.

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

The bank’s consumer loans are reasonably distributed among borrowers of different incomes. Of the loans sampled, low-income borrowers received 9 percent and moderate-income borrowers received 12 percent of the dollars of the loans funded within the assessment area. This distribution compares favorably with the demographic make up of the assessment area, where the low- and moderate-income census tracts comprise 5 percent and 10 percent respectively of total tracts within the assessment area. Middle- and upper-income borrowers received 10 percent and 69 percent of the loan dollars respectively. Refer to the following table for additional details.

**Distribution of Consumer Loans to Borrowers of Different Incomes  
Within Assessment Area**

<b>Borrower Income Level</b>	<b>Loan Dollars</b>	<b>Percent of Dollars</b>	<b>Number of Loans</b>	<b>Percent of Numbers</b>
<b>Low</b>	<b>64,473</b>	<b>9%</b>	<b>12</b>	<b>24%</b>
<b>Moderate</b>	<b>90,146</b>	<b>12%</b>	<b>13</b>	<b>27%</b>
<b>Middle</b>	<b>70,996</b>	<b>10%</b>	<b>4</b>	<b>8%</b>
<b>Upper</b>	<b>500,752</b>	<b>69%</b>	<b>20</b>	<b>41%</b>
<b>Total</b>	<b>726,367</b>	<b>100%</b>	<b>49</b>	<b>100%</b>

The bank’s loans are reasonably distributed among businesses of different sizes. Based on our sample, NNB funded 43 percent by dollars and 62 percent by numbers of the loans to businesses with revenues of less than \$1 million. Refer to the table below for more information.

**Distribution of Business Loans By Revenues  
Within Assessment Area**

<b>Revenues</b>	<b>Loan Dollars</b>	<b>Percent of Dollars</b>	<b>Loan Numbers</b>	<b>Percent of Numbers</b>
<b>&lt; \$100,000</b>	<b>154,316</b>	<b>4%</b>	<b>5</b>	<b>10%</b>
<b>&gt; \$100,000&lt; \$250,000</b>	<b>455,561</b>	<b>11%</b>	<b>11</b>	<b>22%</b>
<b>&gt; \$250,000&lt; \$500,000</b>	<b>335,471</b>	<b>8%</b>	<b>7</b>	<b>14%</b>
<b>&gt; \$500,000&lt; \$1,000,000</b>	<b>839,647</b>	<b>20%</b>	<b>8</b>	<b>16%</b>
<b>&gt; \$1,000,000</b>	<b>2,340,126</b>	<b>57%</b>	<b>19</b>	<b>38%</b>
<b>Total</b>	<b>4,125,121</b>	<b>100%</b>	<b>50</b>	<b>100%</b>

**GEOGRAPHIC DISTRIBUTION:**

The bank's loans are reasonably distributed among the geographies at all income levels within the assessment area. NNB funded 2 percent by number and 2 percent by dollars of the loans within the low-income census tract. The moderate-income tracts received 10 percent by number and 9 percent by dollars of the loans. This distribution is consistent with the demographics of the assessment area. Refer to the following tables for more information.

**Distribution of Loans By Numbers  
Within Assessment Area**

<b>Income Characteristic of Census Tracts</b>	<b>Percent of Total Census Tracts</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>
<b>Low</b>	<b>5%</b>	<b>12</b>	<b>2%</b>
<b>Moderate</b>	<b>10%</b>	<b>49</b>	<b>10%</b>
<b>Middle</b>	<b>60%</b>	<b>316</b>	<b>64%</b>
<b>Upper</b>	<b>25%</b>	<b>115</b>	<b>23%</b>
<b>Total</b>	<b>100%</b>	<b>492</b>	<b>100%*</b>

\*Rounded

**Distribution of Loans By Dollars  
Within Assessment Area**

<b>Income Characteristic of Census Tracts</b>	<b>Percent of Total Census Tracts</b>	<b>Loan Dollars</b>	<b>Percent of Loans</b>
<b>Low</b>	<b>5%</b>	<b>1,000,952</b>	<b>2%</b>
<b>Moderate</b>	<b>10%</b>	<b>4,174,778</b>	<b>9%</b>
<b>Middle</b>	<b>60%</b>	<b>25,365,360</b>	<b>57%</b>
<b>Upper</b>	<b>25%</b>	<b>13,655,343</b>	<b>31%</b>
<b>Total</b>	<b>100%</b>	<b>44,196,433</b>	<b>100%**</b>

**\*\* Rounded number**

**RESPONSE TO WRITTEN COMPLAINTS:**

NNB has not received any written complaints associated with its performance under the Community Reinvestment Act.

**RECORD OF COMPLIANCE WITH ANTI-DISCRIMINATION LAWS:**

We did not identify any violations of anti-discrimination laws or regulations.