



**PUBLIC DISCLOSURE**

July 15, 2013

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

Broadway Federal Bank, F.S.B.  
Charter Number 705141

4835 West Venice Boulevard  
Los Angeles, CA 90019

Office of the Comptroller of the Currency

Los Angeles Field Office  
550 Brand Blvd, Suite 500  
Washington, DC 20024

**NOTE:** This document is an evaluation of this 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. 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.

**INSTITUTION'S CRA RATING: This institution is rated "Outstanding."**

**The Lending Test is rated: "Outstanding."**

**The Community Development Test is rated: "Outstanding."**

The following major factors support the institution's rating:

- The Bank's loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and business strategy.
- The Bank originated a substantial majority of its loans within its delineated assessment area.
- The geographic distribution of loans reflects excellent dispersion.
- The Bank provided an excellent level of community development activities given performance context factors.

## **Scope of Examination**

This examination evaluates the Community Reinvestment Act ("CRA") performance of Broadway Federal Bank, F.S.B ("Broadway Federal Bank" or "Bank"). Formerly regulated by the Office of Thrift Supervision ("OTS"), this is the Bank's first CRA examination conducted by the Office of the Comptroller of the Currency ("OCC"). We used intermediate small bank ("ISB") CRA procedures. This process included an evaluation of CRA activities under the Lending Test criteria, as well as an evaluation of lending, investments, and services under the Community Development Test.

**Lending Test:** The Bank makes mortgage loans reportable under the Home Mortgage Disclosure Act ("HMDA"). Mortgage loans comprise the substantial majority of the loans originated, by the Bank, during our Lending Test evaluation period (calendar years 2010 and 2011). As such, we focused our examination scope on origination of mortgage loan products subject to HMDA reporting. To perform this CRA examination, we conducted a data integrity test of the Bank's regulatory HMDA Reports for the evaluation period. We reviewed a sample of mortgage loan files, originated in each year, and compared the file information to the applicable CRA-related data on the HMDA Reports. Based on the degree of accuracy in our data testing, we evaluate the Bank's lending patterns, using applicable HMDA loan data, for the evaluation period.

**Community Development Test:** We considered all qualifying community development ("CD") activities since the Bank's prior CRA examination (January 2008 through December 2011).

## Description of Institution

Broadway Federal Bank is a federally chartered stock savings institution headquartered in Los Angeles, California. The Bank, a minority-owned financial institution, opened in January 1947. It is designated a Community Development Financial Institution (“CDFI”). As a CDFI, the Bank promotes CD and revitalization in low- and moderate-income (“LMI”) areas by providing access to credit and other financial services. The Bank is a wholly owned subsidiary of Broadway Financial Corporation, which is a single-bank holding company. The main bank is located in midtown Los Angeles, California in a moderate-income census tract (“CT”). In addition, the Bank operates two (2) branch locations with one (1) in a low-income CT in Exposition Park, and one (1) in a middle-income CT in Inglewood.

The Bank closed their Leimert Park branch and automated teller machine (“ATM”) in October 2011. The Leimert Park branch was located within a middle-income CT with a highly competitive market. Bank management closed this branch due to low loan demand and other operating constraints.

Broadway Federal Bank offers a variety of commercial loan products to meet the credit needs of small- and mid-size businesses, with an emphasis on multifamily residential lending. The Bank offers consumer installment loans primarily as an accommodation to their business customers. Additionally, the Bank offers traditional services at the main bank location and the two (2) branch locations. All banking locations are open for business Monday through Thursday 9:00am – 4:00pm; Friday 10:00am – 6:00pm; and Saturday 9:00am – 2:00pm. The bank has ATMs at all three (3) banking locations.

As of March 31, 2013, Broadway Federal Bank reported total assets of \$363 million, total loans of \$261 million, total deposits of \$249 million, and total equity capital of \$33 million. The following chart summarizes the loan portfolio by major loan type.

<b>Broadway Federal Bank, F.S.B. Outstanding Balances by Major Product Type as of March 31, 2013</b>		
Loan Type	(\$000's)	Percent
Commercial Real Estate (RE)	116,976	44.8
Multifamily Residential RE	84,069	32.2
1-4 Family Residential RE	55,607	21.3
Commercial-Industrial	3,624	1.4
Construction	457	0.2
Consumer	130	0.1
Total	260,863	100%

During this evaluation period, the Broadway Federal Bank operated under an Order to Cease & Desist (“Order”) related to safety and soundness concerns, which required significant time, staff efforts, and financial resources to correct certain deficiencies. Despite working under the Order, bank management remained focused on meeting the credit and CD needs of its community. We considered these context factors when reaching our conclusions concerning the Bank’s CRA performance.

Broadway Federal Bank received an “Outstanding” rating under the ISB CRA procedures at the prior CRA examination conducted by the OTS in May 2008.

### Description of Assessment Area

Broadway Federal Bank has designated Los Angeles County as its assessment area (“AA”). The AA includes all 2,054 CTs that make up the Los Angeles Metropolitan Statistical Area (“MSA”). The Bank’s AA meets the requirements of the regulation and does not arbitrarily exclude LMI geographies. The following table provides demographic information for the Los Angeles County AA.

Demographic Information for Los Angeles County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2,054	8.71	28.29	27.99	34.23	0.78
Population by Geography	9,519,338	8.00	29.44	30.88	31.58	0.10
Owner-Occupied Housing by Geography	1,499,694	1.91	15.46	31.30	51.33	0.00
Business by Geography	769,909	7.76	20.54	26.26	44.69	0.75
Farms by Geography	5,966	3.54	14.80	31.11	50.18	0.37
Family Distribution by Income Level	2,154,311	23.87	16.49	17.40	42.24	0.00
Distribution of LMI Families throughout AA Geographies	869,463	13.65	41.46	28.95	15.94	0.00
Median Family Income (MFI) HUD MFI - 2012 Households below Poverty Level		\$53,036 \$61,900 15.13%	Median Housing Value (California Association of Realtors - March 2012)		\$276,270	

(\*) The “NA” category consists of geographies that have not been assigned an income classification  
Source: 2000 U.S. Census, 2010 HUD updated MFI, and California Association of Realtors

Los Angeles County is located in southern California and covers 70 miles of coastline along the Pacific Ocean. The County spans over 4,000 square miles and includes San Clemente and Santa Catalina Islands. Los Angeles County has an extensive transportation network, including seaports and airports, freeway systems, mass transit systems, rail systems, and cross-country railroads. The neighboring counties include Orange to the southeast, Kern to the north, San Bernardino to the east, and Ventura to the northwest. Los Angeles County holds most of the state’s principal cities encompassing the Greater Los Angeles Area.

The Bank's AA is included in the Los Angeles-Long Beach-Glendale MSA. There are 88 incorporated cities in Los Angeles County and many unincorporated areas. The northern half of the County consists of less populated inland areas, while the southern half of the County is heavily urbanized. Based on the 2010 U.S. Census, the updated population in Los Angeles County is 9.8 million. Broadway Federal Bank helps meet community credit needs in the AA through its main bank located in Mid-Wilshire and two (2) branch locations in the areas of Mid-town, and South Los Angeles.

The banking environment in the Bank's AA is highly competitive. The June 30, 2012 FDIC Deposit Market Share report indicates that 124 institutions compete for deposits in the Los Angeles MSA. Broadway Federal Bank ranks 57<sup>th</sup> and holds a deposit market share of 0.10 percent. Eighty-three percent (83%) of the deposits in the AA are held by Bank of America, N.A.; Wells Fargo, N.A., Union Bank N.A.; JP Morgan Chase, N.A.; City National Bank; Citibank, N.A.; OneWest Bank; East West Bank; U.S. Bank, N.A.; Bank of the West; Commerce Bank; Cathay Bank; and HSBC Bank USA, N.A. The remaining competing banks hold less than one percent (1%) each. The banks competing for deposits in the Los Angeles AA also compete for loans. And, there are numerous other institutions that do not collect deposits but compete for loans in the Los Angeles AA, making it even more difficult for banks to compete for loans than deposits.

Los Angeles County has a diverse economic base. Historically, the leading industry clusters have been tourism and hospitality, professional and business services, entertainment (i.e. motion picture and TV production), wholesale distribution, and health services and biomedical. However, the more recent economy of Los Angeles County is largely technology driven. This sector includes bio-medical, digital information technology, and environmental technology, all of which build on the vibrant technical research capabilities in the County. Additionally, Los Angeles County is the largest manufacturing center in the United States; and the seaports and airports support international trade.

The Port of Los Angeles/Long Beach and the Los Angeles International Airport are two of the busiest transportation networks in the nation. The top employers are Kaiser Permanente; University of California Los Angeles; Northrop Grumman Corporation; University of Southern California; Target Corporation; Kroger Corporation; Cedars Sinai Medical Center; Bank of America, N.A.; The Boeing Company; Providence Health Systems; The Home Depot, USA Inc.; Vons; Wells Fargo, N.A.; Edison International; and AT&T.

The economy in the Bank's AA also showed signs of improvement during this evaluation period. Payrolls increased primarily because of a surge in hiring among the motion picture and sound recording industries. There were also modest gains by apparel makers. But layoffs in technology, manufacturing, and local government tempered gains. In April 2013, the unemployment rate dropped below 10 percent for the first time in four years. As of May 2013, the unemployment rate for the Los Angeles MSA was 8.3 percent, which is slightly below the unemployment rate of 8.6 percent for the State of California, but higher than the national unemployment rate of 7.6 percent.

We contacted one CD organization that provides credit resources to small businesses in underserved communities in Los Angeles County. The contact stated that high unemployment and low business formations persist in the area. The contact also stated that increasing credit availability, to local small businesses, would improve economic conditions through job creation and economic development, and that there were numerous opportunities for banks to get involved. These include contributing to small business lending funds and providing technical assistance to small businesses in the area.

## **Conclusions with Respect to Performance Tests**

The following sections of this evaluation present the data that support our conclusions under the Lending Test and the CD Test. Also, refer to the “Institution’s CRA Rating” section of this report for summary conclusions regarding Broadway Federal Bank’s performance under each test.

### **LENDING TEST**

Broadway Federal Bank’s performance under the CRA Lending Test is “Outstanding”. The bank exceeds the standard for satisfactory performance in three of the tests.

#### **Loan-to-Deposit Ratio**

Broadway Federal Bank’s loan-to-deposit (“LTD”) ratio is more than reasonable given their size, financial condition, and local economic conditions. Also, the LTD exceeds the standard for satisfactory performance. We evaluated the Bank’s quarterly average LTD ratio for the 21 quarters, since the prior CRA examination, through March 2013. During this period, the Bank’s LTD ratio averaged 117 percent. During this evaluation period, this ratio ranged from a quarterly low of 101 percent, to a quarterly high of 139 percent. There are no other CDFIs of similar size located in the AA for comparison purposes. The Bank’s LTD ratio compares favorably with six (6) other banks of similar asset size in the AA. The combined quarterly average LTD ratio for these banks was 96 percent, while the ratio ranged from 72 percent to 106 percent, over the same period. Broadway Federal Bank’s average LTD ratio exceeds the peer average and reflects a strong level of lending.

#### **Lending in Assessment Area**

Broadway Federal Bank granted a majority of the loans, in terms of number and dollar volume, inside its AA, which exceeds the standard for satisfactory performance. Broadway Federal Bank granted 86 percent of the number of loans and 87 percent of the dollar volume within its delineated AA.

The following table reflects the volume of the Bank’s HMDA loan originations granted inside and outside of its delineated AA.

<b>Table 1 – Lending in the Defined CRA Area Los Angeles County AA January 2010 through December 2011</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Mortgage Loans	42	85.71	7	14.29	49	13,998	86.71	2,145	13.29	16,143

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

As noted earlier in this performance evaluation, a substantial majority of the Bank’s loan originations, during this evaluation period, were HMDA-reportable loans. Because most of these loans made were for multifamily housing or to entities other than individuals or families, income reporting is not required for HMDA data purposes. Therefore, we are unable to determine if these loans went to LMI borrowers; and an income distribution analysis is not meaningful. In addition, the remaining HMDA-reportable loans with income data are too few for a meaningful analysis.

We did not sample commercial loans to evaluate lending to businesses of different sizes given the volume, of these loans, was too low to reach a meaningful conclusion.

**Geographic Distribution of Loans**

The geographic distribution of the Broadway Federal Bank’s mortgage loans reflects excellent dispersion throughout the AA, when compared to area demographics, and exceeds the standard for satisfactory performance. The Bank’s distribution of loans in LMI tracts exceeds the demographic data for the AA.

The following table summarizes the Geographic Distribution of Broadway Federal Bank’s mortgage loan data.

<b>Table 2 – Geographic Distribution of Mortgage Loans Los Angeles County AA</b>			
Census Tract Designation	Review Period 2010-2011		Peer Aggregate 2011
	% of Owner Occupied Units	% Number of Bank Loans	%
Low	1.91	16.67	1.99
Moderate	15.46	59.52	12.30
Middle	31.30	21.43	27.15
Upper	51.33	2.38	58.36

Source: All 42 mortgage loans Broadway Federal Bank originated within the Los Angeles County AA between January 1, 2010, and December 31, 2011. (Note: 0.20 percent of peer aggregate census tracts are not income-designated tracts.)

## **Responses to Complaints**

Broadway Federal Bank has not received any complaints about its performance under the CRA during this evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

Broadway Federal Bank demonstrated an excellent responsiveness to the CD needs of the bank's AA, considering its performance context and the needs and opportunities within the AA. The CD activities exceed the standard for satisfactory performance.

The Bank Enterprise Award ("BEA") Program adds support for the Bank's high levels of CD lending, investments, and services. The U.S. Treasury Department funds the BEA Program and rewards participating financial institutions for increasing their activities in economically distressed communities and investing in CD financial institutions. During this evaluation period, Broadway Federal Bank's BEA award totaled \$1.3 million, based on the Bank's high level of CD activities.

### **Number and Amount of Community Development Loans**

Broadway Federal Bank's record of CD lending is excellent. In our sample of HMDA loans, we identified ten (10) loans totaling \$3.4 million. These loans provided 67 units of affordable housing for LMI families in the bank's AA.

### **Number and Amount of Qualified Investments**

Broadway Federal Bank's record of qualified donations/investments is excellent. The bank provided over \$276 thousand in qualified donations to more than fifty (50) CD organizations. This is significantly more than the amount noted during the previous examination. The organizations provide affordable housing and services to LMI individuals and families.

### **Extent to Which the Bank Provides Community Development Services**

#### ***Retail Services***

Broadway Federal Bank's main bank and branch locations provide reasonable accessibility to LMI individuals within its AA. The main bank and two (2) branches are located in low-income, moderate-income, and middle-income CTs. The Bank's business hours are reasonable. In addition, Broadway Federal Bank offers a variety of products and services at all of its banking locations, including full service ATMs.

### **CD Services**

Broadway Federal Bank also provided an excellent level of qualified CD services within its AA. During this evaluation period, the Bank provided 458 hours of CD services to over 50 CD organizations. The service hours consisted of:

- Board Member Hours: 47 percent;
- Financial Literacy to LMI Individuals/Groups: 36 percent;
- Other Types of Financial Services: 17 percent.

Additionally, Broadway Federal Bank provided financial literacy education to eighty-nine (89) non-profit organizations.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. § 195.28(c), in determining a Federal Savings Association's ("FSA") CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any AA by an affiliate whose loans have been considered as part of the FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.