



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 3, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Mojave Desert Bank, National Association
Charter Number 22040**

**15773 K Street
Mojave, CA 93501**

**Comptroller of the Currency
Southern California-North Field Office
550 North Brand Boulevard, Suite 500
Glendale, CA 91203**

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 Satisfactory.

This rating is based on the following factors of the bank's lending performance:

- A substantial majority of the bank's loans are within its assessment areas.
- The distribution of loans throughout the assessment areas is satisfactory.
- Lending to businesses of different sizes is good.
- The loan-to-deposit ratio is reasonable.

DESCRIPTION OF INSTITUTION

Mojave Desert Bank, N.A. (MDB or the bank) is an independent bank, which began operations in 1991. It is headquartered in the Kern County community of Mojave, California. The bank has four offices; three are in Kern County and one is in San Bernardino County. The bank owns and operates three automated teller machines (ATMs), which are attached to the Mojave and Helendale branches. Customers of the bank can also use any other financial institution's ATMs free of charge. Services offered by the bank are the same at all branch offices. The hours of operations at the four branches differ slightly. Please refer to the bank's Public File for the details regarding these differences. As of September 30, 2003, MDB reported assets of \$56 million, of which \$36 million or 64% were centered in loans.

Approximately 87% of MDB's lending is for business purposes. At September 30, 2003, the bank's loan portfolio consisted of the following: commercial real estate \$25 million (69%), business \$6.4 million (18%), consumer \$4.4 million (12%), and residential real estate \$346 thousand (1%).

The bank has no legal or financial impediments that would affect its ability to meet the credit needs of its assessment areas. The bank's CRA performance was last evaluated in September 1999; at that time the bank's CRA performance was rated "Satisfactory." In September 2000, the bank acquired two branches from Israel Discount Bank and subsequently closed one branch located in Mammoth. The closure of the Mammoth branch did not have an adverse impact on that community.

DESCRIPTION OF ASSESSMENT AREAS

The bank has two assessment areas within two California Metropolitan Statistical Areas (MSAs). The Kern assessment area is in the Bakersfield MSA and the Helendale assessment area is in the

Riverside-San Bernardino MSA. Both assessment areas meet the requirements of the law and do not arbitrarily exclude low- and moderate-income geographies.

Kern Assessment Area

This assessment area is comprised of 11 of the 140 census tracts within the MSA. None of the census tracts within the assessment area is low-income. Within the AA are the cities of California City and Ridgecrest and the communities of Mojave, Boron, Rosamond, North Edwards, and Edwards Air Force base. The assessment area population is 54,782. According to the 2000 U.S. Census, the median family income is \$39,403. The Department of Housing and Urban Development (HUD) estimated the 2003 median family income increased to \$42,800.

The local economy is now stable following the recession of the 1990's. Real estate values are improving and construction is increasing. The largest industries in order of importance are service, retail trade, finance, insurance and real estate, construction and manufacturing. The bank's competitors include branches of Bank of America, Union Bank of California, Wells Fargo Bank, and Alta One, a credit union.

We considered information from one community contact, the publisher of one of the local newspapers. According to this contact, the main need in the community is for loans to small businesses. Other community needs include financial education and funding for projects of schools' premises.

Helendale Assessment Area

The assessment area is comprised of three of the 244 census tracts of the San Bernardino County within the MSA. There are no low-income or upper-income census tracts within the assessment area. Within the assessment area are the communities of Helendale and Adelanto. The assessment area population is 32,045. Most of the population resides in the planned urban development of Silver Lakes. According to the 2000 U.S. Census, the median family income is \$47,400. The HUD estimated the 2003 median family income increased to \$51,000.

The local community is comprised largely of retirees. Economic growth is in light industry and construction. The largest industries in order of importance are service, retail trade, finance, insurance and real estate, construction and manufacturing. MDB is the only bank in the assessment area.

We considered information from one local government economic development agency. According to this contact, there is a need for loan financing to small and minority-owned businesses. Local churches provide most of the economic development support in this assessment area's neighborhoods.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Scope of Examination

We evaluated the bank's performance based on loans originated from January 1, 2001 through October 31, 2003. We focused our evaluation on business loans originated by the bank, as this is the largest category of bank loans. Our sample consisted of 64 and 25 business loans for the Kern and Helendale assessment areas, respectively. We determined the business revenue information used in the analysis. The bank is not required to collect revenue information and elected not to do so.

Lending in Assessment Areas

MDB's lending in its assessment areas is good. A substantial majority of the loans originated by the bank is within its assessment areas. Refer to Table 1 below for details.

Table 1 - Lending in Kern & Helendale Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
Kern Assessment Area										
Business Loans	56	87%	8	13%	64	\$5,658	91%	\$583	9%	\$6,241
Helendale Assessment Area										
Business Loans	21	84%	4	16%	25	\$2,768	76%	\$862	24%	\$3,630
Totals	77	87%	12	13%	89	\$8,426	85%	\$1,445	15%	\$9,871

Source: Data reported in bank records

Geographic Distribution of Loans

The geographic distribution of loans in the bank's assessment areas meets the standard for satisfactory performance.

Kern Assessment Area

The bank's distribution of loans to businesses among the geographies is good. Loans to businesses within the moderate-income geographies exceeded the area's demographics. Refer to Table 2 below for details.

Table 2 - Geographic Distribution of Loans to Businesses in Kern Assessment Area (AA)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans*	0%	0%	6%	25%	17%	2%	43%	73%

Source: Data collected from Dunn & Bradstreet
**Percentage of businesses that reported revenues*

Helendale Assessment Area

Lending to businesses in the moderate-income geographies is consistent with the area demographics. Refer to Table 3 below for details.

Table 3 – Geographic Distribution of Loans to Businesses in Helendale Assessment Area (AA)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans*	0%	0%	55%	43%	12%	57%	0%	0%

Source: Data collected from Dunn & Bradstreet
**Percentage of businesses that reported revenue*

Lending to Businesses of Different Sizes

The bank’s origination of loans to businesses of different sizes is good.

Kern Assessment Area

A significant number of the loans, as well as the dollar volume, originated by the bank were to businesses that reported revenues of less than \$1 million. Loans to small businesses exceeded the area demographics. Refer to Table 4 below for details.

Table 4 - Borrower Distribution of Loans to Businesses in Kern Assessment Area (AA)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	4%	62%
% of Bank Loans in AA by #	75%	25%
% of Bank Loans in AA by \$	71%	29%

Source: Dunn and Bradstreet data
**34% of businesses did not report revenue data*

Helendale Assessment Area

Loan originations to small businesses within this assessment area are excellent. Lending exceeded area demographics. Refer to Table 5 below for details.

Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	6%	61%
% of Bank Loans in AA by #	90%	10%
% of Bank Loans in AA by \$	88%	12%

Source: Dunn and Bradstreet data

**33% of businesses did not report revenue data*

Loan-to-Deposit Ratio

The bank's average loan-to-deposit (LTD) ratio is reasonable. The bank's average LTD ratio for the 16 quarters ended June 30, 2003, was 62%. The bank's LTD ratio is lower than that of three similarly situated banks, which had an average ratio of 74% for the same period. The bank's LTD ratio for the most recent five quarters shows continuous loan growth. For purposes of this examination, we consider similarly situated banks to be banks of similar asset size located within MDB's assessment areas.

Responses to Complaints

The bank has not received any complaints regarding its CRA performance.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.