



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 19, 2001

COMMUNITY REINVESTMENT ACT

PERFORMANCE EVALUATION

**City First Bank of D.C, N.A.
Charter Number 22968**

**2400 14th Street, N.W., Suite B
Washington,, DC 20009**

**Comptroller of the Currency
Maryland National Capital Area Field Office
1025 Connecticut Avenue, N.W., Suite 708
Washington, DC 20036**

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.

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 City First Bank Of D.C., N.A., Washington,, DC as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of March 19, 2001. 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 “**Outstanding**.” The factors supporting the bank’s overall rating include:

- O Community development lending is excellent. In the short time the bank has been open, the bank has funded several loans to provide affordable housing and to revitalize its community.
- O Community development investments are strong and community development services are very good, enhancing the bank’s record of meeting the needs of its community.
- O Lending to small businesses is strong.
- O Loan distribution in the assessment area is excellent, especially in low- and moderate-income census tracts.
- O A substantial majority of loans are within the bank’s assessment area.
- O The loan-to-deposit ratio is reasonable.

DESCRIPTION OF INSTITUTION

City First Bank of D.C., N.A. (CFB) is a community bank opened on November 24, 1998. The bank is specifically designated and certified as a Community Development Financial Institution (CDFI) and the only bank CDFI in the region. The bank's primary mission is to help promote community development in low- and moderate-income geographies by providing convenient access to loans and other financial services. CFB's headquarters, located at 2400 Fourteenth Street, N.W., Washington, D.C., is in a low-income census tract surrounded by low- and moderate income census tracts. The bank offers a full range of loan and deposit services and operates four ATM's available 24 hours daily. CFB is wholly owned by CFBanc Corporation, Inc., a one-bank holding company.

As of December 31, 2000, the bank had total assets of \$35.8 million, loans of \$16.2 million, and deposits of \$26.9 million. Since inception, CFB's primary lending focus has been community development loans and loans to small businesses. The loans originated by product type are 78% commercial real estate loans and 22% commercial loans. Of the bank's commercial real estate loans in relation to loans originated, 40% are for commercial properties, 19% for construction-land development, and 19% commercial loans for residential properties, principally multifamily housing. Due to the bank's primary focus, CFB does not offer residential mortgages and refers inquiries to outside sources. Consumer loans are minimal as the bank only began offering these in July, 2000.

This is the first CRA evaluation since the bank opened. There are no financial or legal impediments inhibiting the bank's ability to meet the credit needs of their assessment area.

DESCRIPTION OF ASSESSMENT AREA

CFB's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The bank has one assessment area consisting of all of the census tracts in Washington, D.C. which is located within the Washington Metropolitan Statistical Area (MSA #8840).

Census Tract Demographic Data (1990)

	Number of Tracts By Type	Percent of Tracts By Type	Percent of Families In Tracts	Percent of Businesses In Tracts
Low	52	27.08 %	37.23 %	17.02 %
Moderate	66	34.38 %	19.54 %	27.95 %
Middle	35	18.23 %	17.40 %	20.54 %
Upper	34	17.71 %	25.83 %	34.49 %
NA	5	2.60 %	0.00 %	NA
Total	192	100.00 %	100.00 %	100.00 %

Based on 1990 Census, CFB's assessment area contains a population of 606,900 of which 14.96% are below the poverty level and 8.94% are on public assistance. The 1990 Census median family income in the MSA used to assess geographic distribution was \$52,807. The HUD median family income updated in 2000 used to assess borrower income was \$82,800. There are 278,489 housing units of which 54.78% are occupied rental units and 34.86% are owner occupied units. Housing stock data reflects 50.14% are multifamily units (5 or more) and 48.92% are 1-4 family units.

The local economy is considered stable, growing modestly, and area unemployment is low. There are approximately 33,846 businesses in the assessment area, 82.60% of which have annual revenues less than \$1 million. The largest employer is the US Government and related Agencies. The largest industries by type are principally the services industry (61%), retail trade (13%), finance/insurance/real estate (8%), public administration (6%), and transportation/communication (4%). There are many competing national, regional and local financial institutions in the metropolitan Washington, D.C. area.

The primary credit needs within the bank's assessment area are purchase mortgage financing for affordable housing, consumer loans, loans to small businesses, and community revitalization and redevelopment loans. We also considered information from one community contact and other recent community contacts to determine the area's credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The review period for this evaluation is from November 24, 1998, the date the bank opened, through December 31, 2000. We tested for accuracy and relied on information generated by the bank. In addition to the general evaluation factors for evaluating small community banks, we considered the bank's community development (CD) loans, CD investments, and CD services since these are integral to the bank's focus as a CDFI.

COMMUNITY DEVELOPMENT LOANS

CFB's record of community development lending is excellent. We reviewed all of these loans. In the short time since opening, the bank has originated and funded nineteen CD loans totaling \$5.4 million in commitments of which \$5.1 million is outstanding as of December 31, 2000. This represents 82% and 77% of the bank's Tier I capital, respectively. The majority of these loans were for affordable housing for low- or moderate-income individuals. Other CD loans were for community services targeted to low- and moderate-income individuals. Below are some examples of CFB's larger CD loans.

- O The bank funded a \$750,000 loan participation purchased in a \$5.0 million loan for several multi-family housing units for low- and moderate-income individuals in low- and moderate income census tracts within the assessment area.
- O The bank funded a \$600,000 loan to renovate a multi-family housing unit for low- and moderate-income individuals in a low-income census tract within the assessment area.
- O The bank funded a \$500,000 loan to acquire and rehabilitate a multi-family unit into condominiums for low- and moderate-income individuals in a low-income census tract within the assessment area.
- O The bank funded a \$500,000 loan to acquire and renovate single-family units for low and moderate-income individuals in a moderate-income census tract within the assessment area.
- O The bank funded a \$340,000 loan to a non-profit corporation to acquire and expand multi-family housing units for low- and moderate-income abused women and their children in a moderate-income census tract within the assessment area. The bank funded a \$465,000 loan on the existing multi-family housing units and day care center for similar individuals in a moderate-income census tract.
- O The bank funded a \$375,000 loan to a non-profit corporation to acquire and build a youth and adult training center in a low-income census tract within the assessment area. Revitalization of the existing property will result in a center that provides training in construction and business skills to low- and moderate-income individuals creating job opportunities.

COMMUNITY DEVELOPMENT INVESTMENTS

CFB's has a strong record of community development investments. We reviewed all of the investments. The bank has \$2.6 million in deposits in 26 community development banks (CDFI's). The bank made \$10 thousand in grants targeted to low- or moderate income individuals, and small business economic development, and to revitalize and stabilize low- and moderate-income geographies.

COMMUNITY DEVELOPMENT SERVICES

CFB's participation in community development services is very good and enhances the record of serving the needs of their community. We reviewed all of these activities. Members of the bank's senior management use their financial and banking expertise to provide technical assistance to seven different organizations which help low- and moderate-income individuals and revitalize and stabilize low- and moderate-income geographies. Below are some examples of activities in which CFB's management participates.

- O The former Chief Executive Officer (CEO)* provided technical assistance and financial expertise by serving on the Board of a non profit organization that finances affordable housing for low- and moderate-income individuals.
- O The former CEO* served on the Board and provided technical assistance to a non profit organization that preserves housing for low- and moderate income individuals.
- O A senior officer serves on the bank liaison committee of a non profit organization that provides credit enhancements for financing the facilities of Charter Schools which serve predominantly low- and moderate-income students and adults.

*Note: The former CEO served these organizations from the date the bank opened through November 6, 2000.

LOAN-TO-DEPOSIT RATIO

CFB's loan-to-deposit ratio is reasonable given the bank's age, size, financial condition and the assessment area's credit needs. We evaluated the bank's loan-to-deposit ratio since opening on November 24, 1998 for the nine quarters ended December 31, 2000. The loan-to-deposit ratio has grown rapidly in this short time, achieving 54.66% at December 31, 2000 while averaging 30.54% during the nine quarters since opening. In comparison, there are no other small banks opened within the past 5 years in Washington, D.C. As can be expected, small banks in this region open for 5 years or more generally have somewhat higher loan-to-deposit ratios. CFB is the only bank CDFI certified in Washington, D.C., Maryland and Virginia.

LENDING IN THE ASSESSMENT AREA

A substantial majority of CFB’s loans are in their assessment area. Of the loans the bank originated and purchased during the review period, 90% of the number of loans, representing 88% of the dollars of loans, are within the bank’s assessment area. Refer to the table below for details.

Lending In & Out of Assessment Area (AA)

	No. of Loans	% By Number	Dollars (000)	% By Dollars
Loans In AA	63	90 %	\$ 17,812	88 %
Loans Out of AA	7	10 %	\$ 2,507	12 %
Total	70	100 %	\$ 20,319	100 %

GEOGRAPHIC DISTRIBUTION OF LOANS

CFB’s geographic distribution of loans originated reflects excellent dispersion throughout their assessment area, especially to low- and moderate-income census tracts. We reviewed all of the bank’s community development loans. We also sampled 20 business loans and relied on the bank’s loan origination information. For community development loans, low-income census tracts received 47% of the number and dollars of loans, and moderate-income census tracts received 47% of the number of loans and 50% of the dollar of loans. For business loans, borrowers in low-income census tracts received 21% of the number of loans and 24% of the dollars of loans and borrowers in moderate-income census tracts received 46% of the number of loans and 44% of the dollars of loans. Refer to the tables below for details.

Community Development Loans
Geographic Distribution Within the Assessment Area

Census Tracts By Income Level	Percent of Tracts By Income Level	Number Of Loans	Percent Of Loans By Number	Dollars (000) of Loans	Percent of Loans By Dollars	
Low	52	27.08 %	9	47.37 %	\$ 2,564	47.44 %
Moderate	66	34.38 %	9	47.37 %	\$ 2,691	49.80 %
Middle	35	18.23 %	1	5.26 %	\$ 149	2.76 %
Upper	34	17.71 %	0	0 %	\$ 0	0 %
NA	5	2.60 %	0	0 %	\$ 0	0 %
Total	192	100.00 %	19	100.00 %	\$ 5,403	100.00 %

Business Loans*
Geographic Distribution Within the Assessment Area

Census Tracts By Income Level	Percent of Businesses In Tracts	Number Of Loans	Percent Of Loans By Number	Dollars (000) of Loans	Percent of Loans By Dollars
Low 52	17.02 %	8	20.51 %	\$ 2,849	23.66 %
Moderate 66	27.95 %	18	46.15 %	\$ 5,260	43.68 %
Middle 35	20.54 %	11	28.21 %	\$ 3,333	27.68 %
Upper 34	34.49 %	2	5.13 %	\$ 600	4.98 %
NA 5	NA	NA	NA	NA	NA
Total 192	100.00 %	39	100.00 %	\$ 12,042	100.00 %

*Note: As most of the commercial real estate loans are in community development lending, we combined commercial loans and the remaining commercial real estate loans to assess business loan geographic distribution.

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

CFB's distribution of loans originated by business size reflects excellent distribution to small businesses in their assessment area. We sampled 20 business loans and relied on the bank's loan origination information. Lending to small business is 77% of the number of loans and 72% of the dollars of loans. Refer to the tables below for details.

Business Loans* By Annual Revenue
Within the Assessment Area

Business Revenues (000)	Number of Loans	Percent of Number	Dollars (000) Of Loans	Percent of Dollars
< \$250	22	56.42 %	\$ 6,439	53.47 %
\$250 to < \$500	4	10.25 %	\$ 275	2.28 %
\$500 to \$1,000	4	10.25 %	\$ 1,938	16.09 %
Subtotal	30	76.92 %	\$ 8,652	71.84 %
> \$1,000	9	23.08 %	\$ 3,390	28.16 %
Total	39	100.00 %	\$ 12,042	100.00 %

*Note: As most of the commercial real estate loans are included in our review of community development lending, we combined commercial loans and the remaining commercial real estate loans to assess lending to businesses of different sizes.

RESPONSE TO COMPLAINTS

CFB has not received any written complaints on their performance under the Community Reinvestment Act.

RECORD OF COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

We conducted a technical review of fair lending laws and regulations concurrently with this CRA examination. A comparative file test was not performed. The bank has no residential mortgages and minimal consumer loans during the review period for a meaningful analysis. Based on the technical review, we found no evidence of discriminatory practices and no substantive violations of anti-discrimination laws and regulations.