

# **PUBLIC DISCLOSURE**

May 11, 2011

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**El Dorado Savings Bank, F.S.B.  
4040 El Dorado Road  
Placerville, CA 95667-8238  
Docket #: 06164**

**Office of Thrift Supervision  
Western Region  
225 East John Carpenter Freeway, Suite 500  
Irving, TX 75062-2326**

**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.



**Office of Thrift Supervision**  
Department of the Treasury

*Western Region*

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June 30, 2011

Board of Directors  
El Dorado Savings Bank, F.S.B.  
4040 El Dorado Road  
Placerville, CA 95667-8238

OTS No. 06164

Members of the Board:

Enclosed is your institution's written Community Reinvestment Act (CRA) Performance Evaluation prepared by the Office of Thrift Supervision as of May 11, 2011.

In accordance with 12 C.F.R. 563e, this written CRA Performance Evaluation must be made available to the public within 30 business days of its receipt by your institution. The evaluation must be placed in your CRA public file located at your home office and each branch within this 30 business day time frame. The evaluation may not be altered or abridged in any manner. At your discretion, previous written CRA Performance Evaluation(s) may be retained with the most recent evaluation in your CRA public file.

Your institution is invited to prepare a response to the evaluation. The response may be placed in each CRA public file along with the evaluation. In the event your institution elects to prepare such a response, please forward a copy of it to this office.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution.

Sincerely,

Bill M. Williams  
Assistant Director, Compliance

Enclosure

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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 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 CRA performance of El Dorado Savings Bank, F.S.B. (El Dorado). The Office of Thrift Supervision (OTS) prepared the evaluation as of May 11, 2011. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

## **Institution**

### **Overall Rating**

#### **INSTITUTION'S CRA RATING: Outstanding**

The assessment of El Dorado's CRA performance is based on the application of the large institution performance criteria. This process evaluates a bank's CRA performance within its defined assessment areas under the Lending, Investment and Service Tests. This is an evaluation of El Dorado's overall CRA performance during the January 1, 2008 through December 31, 2010 review period, in the states of California and Nevada.

While this CRA evaluation covers the bank's performance in two states, El Dorado's overall and individual test ratings are primarily based on the bank's performance in the bank's Sacramento Assessment Area in the state of California. Branch offices in California represented 91.4 percent of the bank's total branches and those in the Sacramento Assessment Area represented 57.0 percent of total branches. Deposits in the California branches represented 96.0 percent of the total bank's deposits. In addition, 97.1 percent of all HMDA and CRA loans granted within El Dorado's Combined Assessment Areas were originated in the bank's California Assessment Area. El Dorado's "Outstanding" rating is based on results from the three performance tests.

El Dorado's Lending Test performance is rated "High Satisfactory," as the bank's lending volume reflected good responsiveness to the credit needs of the Combined Assessment Areas. El Dorado originated \$266.5 million in residential mortgage and small business loans during the review period. A substantial majority of loans were originated in the Combined Assessment Areas and the geographic distribution of loans reflected good penetration throughout the assessment areas. The bank's lending activity reflected excellent distribution among individuals of different income levels and excellent responsiveness to the credit needs of low-income individuals and areas. El Dorado didn't make any new community development loans; however, the bank has community development loans from previous review periods totaling more than \$425,000. The bank used innovative or flexible lending practices extensively to serve the assessment area credit needs.

El Dorado's Investment Test performance is rated "Outstanding," as the bank made an excellent level of qualified community development investments which are not routinely provided by private investors and is occasionally in a leadership position. During the review period, the bank made more than \$3.7 million in qualified investments and exhibited excellent responsiveness to the credit needs of the community. El Dorado made extensive use of complex or innovative investments in support of community development initiatives.

El Dorado's Service Test performance is rated "Outstanding," as the bank's delivery systems are readily accessible to all portions of the combined assessment areas and services were tailored to the

***Institution (continued)***

convenience and needs of the Combined Assessment Areas. The bank's record of opening and closing branches has improved the accessibility of its delivery systems. Additionally, El Dorado has been a leader in providing community development services.

In March 2011, we conducted a comprehensive examination of El Dorado. At that time, we reviewed the bank's compliance with consumer laws and regulations and did not identify any illegal credit practices that violate laws, rules, or regulations.

El Dorado's CRA performance was last evaluated in October 2007, at which time the bank was rated "Outstanding."

**Institution**

**Lending, Investment, Service Test Table**

The following table indicates the performance level of El Dorado Savings Bank, F.S.B. with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	El Dorado Savings Bank, F.S.B. 5/11/2011		
	PERFORMANCE TESTS		
	Lending Test	Investment Test	Service Test
Outstanding		X	X
High Satisfactory	X		
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

**Description of Institution**

El Dorado is a federally chartered stock bank located in Placerville, California. A summary of the balance sheet with items pertinent to the evaluation of CRA performance is detailed in Table T1. The table illustrates that the bank primarily invests in one-to-four family mortgage loans. The bank also originates consumer loans, but these loans represent a small percentage of the total portfolio. El Dorado funds its loans with deposit accounts and to a lesser extent, Federal Home Loan Bank (FHLB) advances. The concentration of one-to-four family mortgage loans warrants the emphasis on residential mortgage loans in the evaluation of the bank’s CRA performance.

Balance Sheet Component	Balance Sheet \$ Amount (000s)	% of Total Assets	\$ Change in Period
<b>Loans</b>			
1-4 Family Permanent Mortgages	409,797	24.7%	+30,898
Multi-Family Mortgage Loans	417	<1.0%	-85
Nonresidential Perm. Mortgages and Land	20,932	1.3%	+2,917
Commercial Loans	0	0%	0
Consumer Loans	1,571	<1.0%	+326
<b>Investments</b>			
Cash, Dep. And Investment Securities	711,892	43.0%	+374,859
Other Interest Earning Deposits	88,344	5.3%	+88,250
<b>Liabilities</b>			
Deposits and Escrows	1,449,647	87.5%	+173,291
Advances from FHLBank	47,000	2.8%	+5,000
<b>Total Assets</b>	<b>\$1,656,896</b>	-	<b>+\$171,470</b>
<b>Total Liabilities</b>	<b>\$1,499,878</b>	-	<b>+\$176,548</b>
<b>Net Worth</b>	<b>\$157,018</b>	-	<b>-\$5,078</b>

## ***Institution (continued)***

El Dorado is headquartered in Placerville, California and maintains 32 full-service branches in California and three in Nevada. El Dorado has automated teller machines (ATMs) in all of its branches. The hours of operation do not vary among the different locations, and the bank offers extended hours on Saturdays at 13 of its branches. El Dorado also provides customers with access to telephone banking and free Internet banking services to conduct transactions 24 hours a day, seven days a week. During the review period, the bank opened one new branch in Sheldon, California and did not close any branch.

The bank primarily originates fixed- and variable-rate mortgage loans for the purchase, improvement, construction or refinance of owner-occupied one-to-four family dwellings. El Dorado also offers money market deposit accounts, certificates of deposit, and individual retirement accounts. In addition to traditional banking products, El Dorado has special loan programs to facilitate the construction of affordable housing, assist lower-income borrowers, and provide financing to small businesses and small farms.

### Economic or Legal Constraints

During the review period, El Dorado conducted operations in a recessionary economy. Furthermore, a portion of the bank's assessment area is designated as distressed. Distressed areas are those in need of revitalization or stabilization and are generally defined as having an unemployment rate of at least 1.5 times the national average or a poverty rate of at least 20 percent, or a median family income at or below 80 percent of the area median family income. However, based on its financial condition, size and location, prior performance, and legal impediments, there were no other factors identified that adversely affected the bank's ability to meet the credit needs of the community.

### **Scope of Examination**

The OTS evaluated CRA performance under the Large Retail Institution Examination Procedures, which are applicable based on the bank's total assets as of December 31, 2009 and 2010. The procedures apply three tests: Lending, Service, and Investment Tests. The review period for this evaluation is January 1, 2008 through December 31, 2010. The previous CRA evaluation was October 1, 2007, and was also conducted using the Large Retail Institution Examination Procedures. El Dorado was rated "Outstanding."

The Lending Test includes an evaluation of the bank's CRA results based on five performance criteria. These performance criteria are: 1) assessment area concentration; 2) geographic distribution of loans; 3) borrower profile/distribution of loans by borrower income; 4) community development lending activities; and 5) innovative or flexible lending practices. The Service Test is an evaluation of the bank's performance based on the following performance criteria: 1) accessibility of delivery

### ***Institution (continued)***

systems; 2) record of opening and closing branches; 3) availability of alternative delivery systems for retail services; and 4) range of services provided among geographies. The Investment Test is an evaluation of the bank's performance based on the following performance criteria: 1) dollar amount of qualified investments; 2) innovativeness and complexity of investments; 3) responsiveness of investments to community needs; and 4) investments must benefit the assessment area or a broader area that includes the assessment area. We evaluated residential mortgage loans under the Lending Test. We reviewed the evaluation of compliance with consumer laws and regulations performed in the most recent comprehensive examination of El Dorado and did not identify any illegal credit practices that violate laws, rules, or regulations.

### **Description of Assessment Areas**

An assessment area is a geographic area wherein CRA performance is measured. These geographies must include the institution's branch offices and deposit-taking ATMs. In addition, the assessment area boundaries must follow the boundaries of contiguous political subdivisions, such as counties, cities, or towns. In the case of this analysis, assessment area designations follow county boundaries.

El Dorado's combined assessment areas include eight counties in north central and eastern California and two counties in the state of Nevada. In metropolitan areas, individual counties are often aggregated to form metropolitan statistical areas (MSAs). As a result of aggregation of counties, El Dorado has four assessment areas covering two states: Sacramento Assessment Area (portion of Sacramento-Arden-Arcade-Roseville, CA MSA); California non-MSA assessment area (five counties that are not part of any MSA); Douglas County, Nevada (a non-MSA county), and Washoe County, Nevada (portion of Reno-Sparks, NV MSA).

### **Conclusions With Respect To Performance Tests**

#### **LENDING TEST**

El Dorado's "High Satisfactory" rating under the Lending Test is based on the good level of lending volume relative to its status as a portfolio lender. The bank originated a significant majority of loans in the Combined Assessment Areas. Lending within different geographies was reasonable and the borrower distribution was excellent. El Dorado showed a high level of responsiveness to the credit needs of low- and moderate-income individuals in the Combined Assessment Areas and maintained a reasonable level of community development lending. The bank also used innovative and flexible lending products extensively.

***Institution (continued)***

LENDING ACTIVITY

- During the review period, El Dorado originated 1,608 HMDA-reportable mortgage loans, totaling \$262.7 million.
- In 2009 and within the institution’s Combined Assessment Areas, El Dorado held a 0.4 percent market share in the number of mortgage loans originated and ranked 39<sup>th</sup> out of 708 HMDA reporters. Competitors ranked above the bank are large, nationally-recognized mortgage lenders and include Wells Fargo Bank, Bank of America, and CitiBank.
- During the review period, El Dorado originated 40 small business loans totaling more than \$7.0 million.
- Lending volume was good in El Dorado’s California Assessment Area and good in the Nevada Assessment Area.

The following table summarizes the distribution of the bank’s branch offices and its market share for residential loan originations in 2009 (by count) for each assessment area. El Dorado maintained a very high ranking in its markets with many competing lenders. Generally, the only lenders with larger market shares were significantly larger multi-state institutions that also maintained local offices or very large mortgage banking operations.

Assessment Area	Number of Branches	Mortgage Market Share	
		Share %	Ranking
Sacramento, CA Assessment Area	20	0.3	47 <sup>th</sup> of 612
California Non-MSA Assessment Area	12	1.2	17 <sup>th</sup> of 379
Douglas County, NV Assessment Area	2	0.4	28 <sup>th</sup> of 151
Washoe County, NV Assessment Area	1	0.02	12 <sup>th</sup> of 13

The table below compares the bank’s lending volumes in 2008, 2009, and 2010 to the bank’s same asset size peer group in the OTS. Results are based on information contained in the quarterly Thrift Financial Reports filed by all institutions in the peer group for 2009 and presented as a percentage of total assets.

***Institution (continued)***

<b>Loan Origination Activity ** As a Percent of Total Assets</b>									
<b>Loan Type</b>	<b>2010</b>			<b>2009</b>			<b>2008</b>		
	<b>El Dorado</b>	<b>Peer*</b>	<b>Pct Ranking</b>	<b>El Dorado</b>	<b>Peer*</b>	<b>Pct Ranking</b>	<b>El Dorado</b>	<b>Peer*</b>	<b>Pct Ranking</b>
1-4 Construction	.07	.42	23	.13	0.60	25	.05	.99	24
1-4 Permanent Mortgage	24.7	27.4	45	24.5	29.6	43	25.1	29.4	39
5+ Permanent Mortgage	.03	1.5	15	.03	1.4	14	.03	1.5	19
Land Loans	.18	.86	36	.18	.88	35	.21	.91	34
Total New Mortgage Originations	2.0	3.9	28	6.9	16.5	16	7.1	19.0	16
Refinancing Loans	1.7	1.2	57	4.9	4.9	50	4.6	3.4	60
Commercial (Non-Mort)	0	4.0	3	0	3.6	4	0	3.2	6
Consumer	.09	.54	25	.09	.72	25	.06	.84	17

\* OTS peer group median for all OTS-regulated thrift institutions with between \$1 billion and \$5 billion in assets.  
 \*\* This information is compiled pursuant to OTS reporting instructions, and therefore, does not exactly correspond to information on reportable lending used in the balance of this evaluation. It is provided to give an overall profile of the bank's total credit activity during the review period.

**ASSESSMENT AREA CONCENTRATION**

A review of loans originated by El Dorado shows the bank originated a significant majority of loans within the combined assessment areas and exceeds the standards for satisfactory performance. The following table illustrates the ratio of the bank's residential mortgage lending within its combined assessment areas to total mortgage lending:

<b>Combined Assessment Area Concentration</b>						
<i>Lending Reported between 1/1/08 –12/31/10</i>						
<b>Review Period</b>	<b>Number of Loans</b>			<b>Dollar Amount (\$000)</b>		
	<b>Assessment Area Lending</b>	<b>Total Lending</b>	<b>Ratio of AA to Total</b>	<b>Assessment Area Lending</b>	<b>Total Lending</b>	<b>Ratio of AA to Total</b>
<b>HMDA Residential Mortgage Loans</b>	1,583	1,608	98.4	\$259,501	\$262,749	98.8
<b>Small Business</b>	40	41	97.6	\$7,069	\$7,169	98.6
<b>All Reported Lending</b>	1,623	1,649	98.4	\$266,570	\$269,918	98.8

**GEOGRAPHIC DISTRIBUTION OF LOANS**

El Dorado's record of originating residential mortgage loans in low- and moderate-income geographies was reasonable, is generally comparable to the results to those of the HMDA Aggregate, and meets the standards for satisfactory performance. Loan originations in low- and moderate-income census tracts totaled more than \$16.2 million. The table below illustrates El Dorado's residential mortgage loan originations compared to other HMDA reporting institutions.

**Institution (continued)**

<b>Geographic Distribution of HMDA-Reportable Loans By Census Tract Income Level in the Combined Assessment Area</b>				
<b>Census Tract Income Category</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>2009 HMDA Aggregate</b>	<b>Family Distribution</b>
Low	8	0.5%	1.8%	4.4%
Moderate	114	7.2%	9.8%	20.5%
Middle	782	49.4%	37.8%	42.0%
Upper	679	42.9%	50.6%	31.1%
<b>Total</b>	<b>1,583</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The table below compares the bank’s total residential mortgage lending market share and ranking in 2009 for each assessment area to its market share and ranking for loan originations in low- and moderate-income census tracts. Both the market share and rankings are by unit count, not dollars.

<b>Total vs. Low- and Moderate-Income Census Tract Market Share Comparison Individual Assessment Areas-2009</b>				
<b>Assessment Area</b>	<b>Mortgage Market Share And Position</b>		<b>Market Share and Position for Low- and Moderate-Income Census Tracts</b>	
	<b>Share %</b>	<b>Ranking</b>	<b>Share %</b>	<b>Ranking</b>
Sacramento, CA Assessment Area	<1.0	47 <sup>th</sup> of 612	<1.0	46 <sup>th</sup> of 265
California Non-MSA Assessment Area	1.2	17 <sup>th</sup> of 379	0.0	0 of 51
Douglas County, NV Assessment Area	<1.0	28 <sup>th</sup> of 151	<1.0	46 <sup>th</sup> of 299
Washoe County, NV Assessment Area	<1.0	12 <sup>th</sup> of 13	0.0	0 of 81

**LOAN DISTRIBUTION BY BORROWER INCOME CHARACTERISTICS**

A review of El Dorado’s loan originations shows that lending to low- and moderate-income borrowers was quite strong compared to other HMDA reporting institutions. The bank’s performance exceeds the standards for satisfactory performance. The table below illustrates El Dorado’s performance compared to other HMDA reporting institutions.

<b>Distribution of Residential Mortgage Loans By Borrower Income Level in the Combined Assessment Area</b>				
<b>Borrower Income Category</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>2009 HMDA Aggregate</b>	<b>Family Distribution</b>
Low	149	9.4%	6.5%	19.5%
Moderate	265	16.8%	15.9%	18.0%
Middle	388	24.5%	21.1%	21.3%
Upper	746	47.1%	41.2%	41.2%
Income Not Avail.	35	2.2%	15.3%	-
<b>Total</b>	<b>1,583</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

***Institution (continued)***

During the review period, El Dorado originated 414 mortgage loans, totaling more than \$46.2 million, to low- and moderate-income borrowers within its Combined Assessment Areas. The bank ranked 32<sup>nd</sup> out of 337 HMDA reporters in originating mortgage loans to low- and moderate-income borrowers, with a market share of 0.6 percent by count. This was above the overall market share of 0.4 percent and resulted in a higher market ranking than the overall 39<sup>th</sup> market share ranking. Additionally, all of the bank’s small business loans were granted to businesses with annual revenues of \$1.0 million or less. Furthermore, the majority of these loans (85.0 percent) were in amounts of \$250 thousand or less.

The table below compares the bank’s total residential lending market share and ranking in 2009 for each assessment area to its market share and ranking for loan originations to low- and moderate-income borrowers. Both the market share and rankings are by unit count, not dollars.

<b>Total vs. Low- and Moderate-Income Borrower Market Share Comparison                      Combined Assessment Areas &amp; The Component Areas — 2009</b>				
<b>Assessment Area</b>	<b>Mortgage Market Share And Position</b>		<b>Market Share and Position for Low- and Moderate-Income Borrowers</b>	
	<b>Share %</b>	<b>Ranking</b>	<b>Share %</b>	<b>Ranking</b>
Sacramento, CA Assessment Area	<1.0	47 <sup>th</sup> of 612	<1.0	31 <sup>st</sup> of 300
California Non-MSA Assessment Area	1.2	17 <sup>th</sup> of 379	3.1	6 <sup>th</sup> of 137
Douglas County, NV Assessment Area	<1.0	28 <sup>th</sup> of 151	<1.0	26 <sup>th</sup> of 53
Washoe County, NV Assessment Area	<1.0	126 <sup>th</sup> of 283	<1.0	87 <sup>th</sup> of 125

**RESPONSIVENESS TO CREDIT NEEDS**

El Dorado’s lending to low-income borrowers reflects an excellent record of serving the credit needs of the most economically disadvantaged individuals. In the combined assessment areas, El Dorado originated 149 residential mortgage loans to low-income borrowers totaling \$14.5 million and exceeded the 2009 HMDA Aggregate. Additionally, the bank originated eight residential mortgage loans totaling \$950,000 within low-income census tracts. El Dorado’s lending to small businesses located within low-income census tracts exceeded the Small Business Aggregate in its Sacramento area assessment area.

The following table compares the bank’s record of serving the mortgage loan credit needs of low-income borrowers and low-income census tracts during the review period to the 2009 HMDA Aggregate:

***Institution (continued)***

2009 HMDA Market Share				
Low-Income Borrower Lending and Low-Income Geography Lending				
	Low-Income Borrowers		Low-Income Census Tracts	
	Lending Results			
Assessment Area	Inst %	HMDA%	Inst %	HMDA%
Sacramento Area (portion Sacramento MSA)	10.8	6.8	0.8	2.4
CA Non-MSA	8.2	1.9	Na	Na
Douglas County, NV (Non-MSA)	10.3	3.8	Na	Na
Washoe County, NV	6.2	8.6	0.0	0.2

Na – Not available

COMMUNITY DEVELOPMENT LENDING

Due to bank’s lack of expertise in multifamily and government lending programs and the rural nature of most of the assessment area, opportunities for community development lending are difficult to find. El Dorado did not make any loans with the primary purpose of community development during the review period; however, the bank still has participation interests in 15 Savings Association Mortgage Company (SAMCO) loans for a total of \$425,000. SAMCO ceased operations in 2002.

INNOVATIVE OR FLEXIBLE LENDING PRACTICES

During the review period, El Dorado made extensive use of innovative and/or flexible lending practices targeted to meet the credit needs of low- and moderate-income and first-time homebuyers, including loans originated in conjunction with a multitude of programs. The bank’s special loan programs include: owner-builder constructions loans, loans to retired and other low-income borrowers, small business real estate loans, small farm loans, and housing related land loans. During the review period, the institution originated 132 loans totaling \$21.4 million under the following programs:

Owner-Builder Construction Loans – The rural nature of most of El Dorado’s lending areas allow some families to purchase property and build their homes using family labor and resources. Due to the extended period of time to complete construction and lack of identifiable expertise to bring the project to completion, financing may be hard to find. El Dorado offers owner-builder construction loans and loans on partially completed homes consistent with safe and sound banking practices. The savings to borrowers may allow more families to afford housing or allow the construction of homes that would be larger than available under contract construction.

Loans to Retired and Other Low-Income Borrowers – The bank’s local communities attract many retired individuals. These individuals often have a large equity position in their homes and subsist on

### **Institution (continued)**

a moderate retirement income. Occasionally, retired persons need smaller refinance loans to pay debts and make major purchases. Many conventional lenders may not offer low refinance loans due to the high cost of processing and origination. El Dorado will consider low loan amounts to any qualified homeowner.

Small Business Real Estate Loans, Small Farm Loans and Housing Related Land Loans – Small businesses, farms, and developers within rural communities may be challenged to get commercial real estate or land loans of \$1.0 million or less. El Dorado will consider small business real estate and farm loans, and housing related land loans within its local communities, subject to safe and sound banking practices with the primary objective of providing residential financing within these communities.

### **INVESTMENT TEST**

#### CONCLUSION

El Dorado's "Outstanding" performance under the Investment Test in the state of California is based on the bank's excellent level of community development investments. The bank made more than \$3.7 million in investments and grants that affected more than 232 multifamily housing projects and directly benefitted its combined California assessment area or a larger statewide area. El Dorado is responsive to the credit and community development needs of its assessment areas and makes use of complex or innovative investments to support community development initiatives.

One of El Dorado's conduits for qualified CRA investments is through the CRA Qualified Investment Fund, which supports community development activities. The bank has maintained its \$1.0 million investment in community development loans which was allocated to the following low-income housing projects in the bank's assessment areas:

- \$250,000 California Rural Home Mortgage Finance Authority Single Family Mortgage Revenue Bonds These bonds finance mortgage loans for low-income borrowers in El Dorado, Nevada, Placer, and Sacramento Counties.
- \$750,000 for the Diamond Terrace Apartments A low-income apartment project in Diamond Springs with all units reserved for tenants with income at or below 40 percent of the area median income.

El Dorado continues to maintain investments in WNC Institutional Tax Credit Funds. These investments support high quality, affordable housing for low-income families and individuals by coordinating the acquisition, development, leasing and management of low-income apartment projects. El Dorado's investment in WNC funds supports the innovative use of tax credit funds for

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***Institution (continued)***

the development of affordable housing units within the assessment areas and the larger California regional area. El Dorado made advances totaling more than \$2.5 million during the current review period and has commitments totaling more than \$1.5 million to invest in the near future. Details regarding the funds are listed below:

- WNC Institutional Tax Credit Fund X California Series 3 (2003) El Dorado's investment in this partnership helped fund eight low-income multifamily housing complexes, including the 184 unit Park Meadows Apartments in Rancho Cordova, which is located within the bank's assessment area.
- WNC Institutional Tax Credit Fund X California Series 6 (2006) An investment from El Dorado helped fund 15 low-income multifamily housing complexes in California.
- WNC Institutional Tax Credit Fund X California Series 7 (2007) El Dorado helped fund four low-income multifamily housing complexes with its investment. Two of the complexes are located in Sacramento County near the Elk Grove and Carmichael branch offices.
- WNC Institutional Tax Credit Fund X California Series 8 (2008) The bank's investment helped fund eight low-income multifamily housing projects in California. One 32-unit complex is located in Rocklin and another 84-unit complex is located in Elk Grove, both of which are in El Dorado's Sacramento Assessment Area.
- WNC Institutional Tax Credit Fund XXX Series 30 (2009) El Dorado's investment will help fund 11 low-income multifamily housing complexes. Two of the developments are located in the bank's Sacramento County Assessment Area.
- WNC Institutional Tax Credit Fund X California Series 9 (2010) In 2010, El Dorado committed to invest in a partnership that will fund at least ten low-income multifamily housing projects in California, two of which are located in the bank's Sacramento County Assessment Area.

As a stockholder of the FHLB of San Francisco, El Dorado is supporting the Affordable Housing Program through "forgone dividends" which are used to fund the program. The dividends represent an investment in low-income housing and economic development within the bank's assessment areas and a broader statewide or regional area which includes El Dorado's assessment areas.

In 2009, El Dorado committed \$500 per month for a six month period to help pay the salary of the El Dorado County Habitat for Humanity's "ReStore" manager due to expenses related to the relocation and reorganization of the store. ReStore resale outlets accept donated goods which are sold to the general public for a fraction of the retail price. Proceeds help local Habitat affiliates fund the construction of Habitat homes in their local communities.

### ***Institution (continued)***

El Dorado has a \$100,000 Certificate of Deposit at One United Bank, a minority controlled certified community development financial institution. The institution provides access to financial services in underserved markets. El Dorado renews the certificate upon maturity and continues to hold this investment.

El Dorado contributed \$138,050 in various qualifying community development grants during the review period within the Combined Assessment Areas to nonprofit organizations such as:

- Marshall Foundation for Community Health
- NeighborWorks Homeownership Center Sacramento
- Mother Teresa Maternity Home
- South Lake Tahoe Women's Center
- Habitat for Humanity - Calaveras
- CASA of El Dorado
- Center for Small Business
- El Dorado Women's Center

### **SERVICE TEST**

#### CONCLUSION

El Dorado's "Outstanding" Service Test rating is based on readily accessible delivery systems that are easily available to all portions of the Combined Assessment Areas. The bank's addition of a new branch in the state of California has improved the accessibility of its delivery systems and services that are designed to provide convenience and address the needs of the Combined Assessment Areas. El Dorado is a leader in providing community development services in the Combined Assessment Areas.

#### RETAIL BANKING SERVICES

##### Accessibility of Delivery System

The bank's 35 branches are located in various census tracts throughout the assessment area. The main branch is located in a middle-income tract. Six branches are located in moderate-income tracts and ten are located in middle-income tracts. The remaining 18 branches are located in upper-income census tracts.

Most of El Dorado's branches are located in rural portions of the assessment areas where the bank is generally one of a limited number of financial institutions offering basic banking products. The

### **Institution (continued)**

branch distribution is reasonable and accessibility to services is enhanced by the presence of 24-hour ATMs at each office. Network affiliations extend the availability of some banking services nationwide. The bank has free online banking and bill pay and customers may access their statements electronically with E-Statements, which eliminate traditional paper statements. Customers may also access the 24-hour telephone banking service (via an 800 number) to make basic account inquiries and loan payments via an automated system.

#### Changes in Branch Locations

El Dorado did not close or change the location of any of the branch offices during the review period. The bank did, however, expand operations and improve accessibility of its delivery systems with the opening of a new branch office in Sheldon, California in an upper-income census tract.

#### Reasonableness of Business Hours and Services

Each branch offers the full range of the savings and lending products and is open from 9 AM to 5 PM Mondays through Thursdays. All of the offices have extended hours on Fridays and 11 of the branch offices are open on Saturdays. Thirteen offices offer drive-up facilities, which open at 8:30 AM.

El Dorado offers traditional savings and deposit products and also provides money orders, travelers checks, and safe deposit boxes. The bank's free checking account expands access to low- and moderate-income customers. El Dorado belongs to the Cirrus, STAR, and INTERLINK ATM networks to allow point-of-sale purchases and access to cash via non-proprietary ATMs. The bank also has a debit/check card with the VISA logo that allows purchases from any merchant that accepts Visa charge cards.

#### COMMUNITY DEVELOPMENT SERVICES

El Dorado is a leader in providing community development services. The bank routinely works with a multitude of community organizations, primarily in the Sacramento Assessment Area, to provide social services and assist in the development and financing of housing for low- and moderate-income families. The bank's Board, senior management, and staff have demonstrated their commitment to the community by providing many hours of time to organizations in financial capacities as representatives of the bank. The majority of positions held required participation in Advisory Committees or Board membership. Such services include, but are not limited to, the following:

- The CEO is a member of the El Dorado County Habitat for Humanity Advisory Committee. This organization is dedicated to providing decent and affordable housing to low-income individuals and people in need.

### ***Institution (continued)***

- The CEO serves on the Board of Advisors for the Calaveras Habitat for Humanity. El Dorado has supported this organization since 1999.
- A director serves on the Board of Trustees of NeighborWorks. This organization was formerly the Sacramento Neighborhood Housing Services. The Mission of NeighborWorks is to revitalize the community and provide successful opportunities for home ownership.
- The CEO is a member of the Board of Directors for El Dorado Community Foundation. This nonprofit organization provides funding for various nonprofit groups within the El Dorado County area that offer education, medical, recreational, and counseling programs for individuals and families, many of which are low- and moderate-income.
- An Executive Officer of El Dorado has served on the Marshall Hospital Board of Directors since 1989. Currently, the SVP serves on the Board of Directors. Marshall Hospital has established outreach programs in rural areas of El Dorado County to provide free medical services and counseling to minorities and low- and moderate-income families.
- The CEO serves on the Boy's and Girl's Club Board of Directors. The organization offers after-school programs for children, which ease the burden of childcare on many low-income and welfare dependent families.
- The SVP serves on the Micro Loan Committee for the Sierra Economic Development Corporation. The purpose of the committee is to promote financing for small businesses.
- The SVP and Senior Loan Officer is a board member of the Economic Development Corporation of El Dorado County (EDCEDC). The mission of EDCEDC is to strengthen the economic vitality of El Dorado County by providing resources and services for the business communities and the work force.

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

In March 2011 we performed a comprehensive examination of El Dorado. We reviewed the bank's compliance with consumer laws and regulations at that examination and did not identify any illegal credit practices that violate laws, rules, or regulations.

## **Institution**

## **State of California**

## **Summary**

### CRA Rating for California

**CRA RATING<sup>a</sup>:**

**The Lending Test is rated:**

**The Investment Test is rated:**

**The Service Test is rated:**

**Outstanding**

**High Satisfactory**

**Outstanding**

**Outstanding**

This is an evaluation of El Dorado's overall CRA performance within its combined California assessment areas during the January 1, 2008 through December 31, 2010 review period. This evaluation is weighted primarily on El Dorado's performance in its Sacramento assessment area. El Dorado's lending in its Sacramento Assessment Area represented 63.8 percent of the total number of residential loans El Dorado originated in its combined California assessment areas. Further, deposits held in branches in its Sacramento Assessment Area represented 63.6 percent of total deposits.

El Dorado's "Outstanding" rating is based primarily on good volume of loan originations, excellent distribution of loans among individuals of differing income levels, and good distribution of those loans among geographies of differing income levels. El Dorado has an excellent level of community development investments. El Dorado offers a variety of products and services that are tailored to the needs of the community and is a leader in providing community development services within its combined California Assessment Areas. The bank is assigned individual ratings for the Lending, Investment, and Services Tests.

The bank's Lending Test performance is rated "High Satisfactory," based on good responsiveness to assessment area credit needs in its combined California Assessment Areas. The bank originated a substantial majority of its loans within the combined California assessment areas and the geographic distribution of El Dorado's loans reflects good penetration throughout the assessment area. El Dorado's loans to borrowers of different income levels show excellent penetration and the bank has an excellent record of serving the credit needs of low-income individuals and areas. El Dorado did not make any community development loans in its combined California assessment areas; however, the bank made extensive use of flexible lending practices in serving assessment area credit needs.

<sup>a</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

El Dorado's Investment Test performance is rated "Outstanding," due to the excellent level of qualified community development investments and grants relative to the bank's size and marketplace. The bank demonstrated excellent responsiveness to credit and community development needs and made extensive use of innovative or complex vehicles to support community development initiatives and activities.

El Dorado's Service Test performance is rated "Outstanding," as the bank's delivery systems are readily accessible to all portions of its combined California assessment areas. El Dorado's record of opening and closing branches has improved the accessibility of its delivery systems and services are tailored to the convenience and needs of its assessment areas, particularly the needs of low- and moderate-income geographies and individuals. El Dorado is a leader in providing community development services.

We reviewed the bank's compliance with consumer laws and regulations performed in the most recent comprehensive examination of El Dorado and did not identify any illegal credit practices that violate laws, rules, or regulations.

#### Scope of Examination

The OTS evaluated CRA performance under the Large Retail Institution Examination Procedures, which are applicable based on the institution's total assets as of December 31, 2009 and 2010. The procedures apply three tests: the Lending, Service, and Investment Tests. The review period for this evaluation is January 1, 2008 through December 31, 2010. The previous CRA evaluation was October 1, 2007, and was conducted using the Large Retail Institution Examination Procedures. El Dorado was rated "Outstanding."

The Lending Test includes an evaluation of the bank's CRA results based on five performance criteria. These performance criteria are: 1) assessment area concentration; 2) geographic distribution of loans; 3) borrower profile/distribution of loans by borrower income; 4) community development lending activities; and 5) innovative or flexible lending practices. The Service Test is an evaluation of the bank's performance based on the following performance criteria: 1) accessibility of delivery systems; 2) record of opening and closing branches; 3) availability of alternative delivery systems for retail services; 4) range of services provided among geographies. The Investment Test is an evaluation of the bank's performance based on the following performance criteria: 1) dollar amount of qualified investments; 2) innovativeness and complexity of investments; 3) responsiveness of investments to community needs; 4) investments must benefit the assessment area or a broader area that includes the assessment area. We evaluated residential mortgage loans under the Lending Test.

## Description of Institution's Operations in California

As of December 31, 2010, El Dorado had 32 branch offices serving the combined California Assessment Area. The bank reported total deposits of nearly \$1.4 billion in these offices, which represented 96.0 percent of total institution deposits. The dollar volume of loans granted by El Dorado within the state of California represented approximately 97.0 percent of the bank's total lending within its combined assessment areas. The branches are full-service, offering the full range of El Dorado's loan and deposit products.

## Conclusions with Respect to Performance Tests in California

### LENDING TEST

#### CONCLUSION

El Dorado's "High Satisfactory" rating under the Lending Test in its combined California assessment area is based on a good level of lending volume and substantial majority of loan originations made in the assessment area. The bank has a good record of lending within low- and moderate-income geographies and an excellent record of lending to low- and moderate-income borrowers. El Dorado displayed excellent responsiveness to the credit needs of low-income individuals and areas. El Dorado did not make any community development loans in the combined California assessment area, but did utilize innovative and flexible lending products extensively.

#### LENDING ACTIVITY

During the review period, El Dorado originated 1,538 HMDA-reportable mortgage loans totaling more than \$251 million and 40 small business loans totaling over \$7.0 million in its combined California assessment area. The total mortgage lending activity represented 18.1 percent of total assessment area deposits (\$1.3 billion) held within the bank's 32 California branches.

#### ASSESSMENT AREA CONCENTRATION

During the review period, 95.7 percent of El Dorado's California residential mortgage and small business lending activity was granted within its California assessment areas.

### GEOGRAPHIC DISTRIBUTION OF LOANS

El Dorado's residential mortgage lending within low- and moderate-income census tracts is reasonable. The bank's performance in the Sacramento Assessment Area is slightly lower than other HMDA reporters; however, it is still good considering El Dorado's focus on lending in rural areas. The performance in the California non-MSA was excellent compared to the 2009 aggregate results. In 2009, El Dorado ranked 3<sup>rd</sup> of 51 residential mortgage lenders originating loans in moderate-income census tracts in the California non-MSA Assessment Area. The distribution of El Dorado's loans to small businesses located in low- and moderate-income census tracts far exceeded that of the Small Business Aggregate in its combined California Assessment Area.

### LOAN DISTRIBUTION BY BORROWER INCOME CHARACTERISTICS

El Dorado's distribution of loans among low- and moderate-income borrowers is excellent in both of the California assessment areas. El Dorado ranked 31<sup>st</sup> out of 300 residential mortgage originators in the Sacramento Assessment Area and ranked 6<sup>th</sup> out of 137 originators in the California non-MSA assessment area.

### RESPONSIVENESS TO CREDIT NEEDS

El Dorado displayed an excellent level of responsiveness to the credit needs of low-income individuals evidenced by the bank's excellent performance in both of its California assessment areas. The bank's distribution of loans to both low- and moderate-income borrowers was well above the 2009 HMDA aggregate in both of the California assessment areas. The distribution of loans within low- and moderate-income census tracts was slightly lower when compared to other HMDA reporting institutions in the Sacramento Assessment Area, but lending in moderate-income tracts in the California non-MSA was well above the aggregate.

### COMMUNITY DEVELOPMENT LENDING

El Dorado did not make any community development loans in its combined California assessment areas during the review period; however, the bank still has outstanding community development loans from advances made during the previous review period. Please refer to the Institution section of the evaluation for additional details regarding community development lending.

### INNOVATIVE OR FLEXIBLE LENDING PRODUCTS

El Dorado offers a variety of special loan programs to assist the needs of low- and moderate-income individuals, first time homebuyers, and borrowers requiring special credit considerations in its combined assessment areas. El Dorado's programs take all safety and soundness factors into

consideration and do not put the bank or the borrower at any greater risk of default. Please refer to the Institution section of the Evaluation for details regarding the bank's special loan programs.

## INVESTMENT TEST

### CONCLUSION

El Dorado's "Outstanding" performance under the Investment Test in the state of California is based on the bank's excellent level of community development investments. The bank made more than \$3.7 million in investments and grants that affected more than 232 multifamily housing projects and directly benefitted its combined California assessment area or a larger statewide area. El Dorado is responsive to the credit and community development needs of its assessment areas and makes use of complex or innovative investments to support community development initiatives.

One of El Dorado's conduits for qualified CRA investments is through the CRA Qualified Investment Fund, which supports community development activities. The bank has maintained its \$1.0 million investment in community development loans which was allocated to the following low-income housing projects in the bank's assessment areas:

- \$250,000 California Rural Home Mortgage Finance Authority Single Family Mortgage Revenue Bonds These bonds finance mortgage loans for low-income borrowers in El Dorado, Nevada, Placer, and Sacramento Counties.
- \$750,000 for the Diamond Terrace Apartments A low-income apartment project in Diamond Springs with all units reserved for tenants with income at or below 40 percent of the area median income.

El Dorado continues to maintain investments in WNC Institutional Tax Credit Funds. These investments support high quality, affordable housing for low-income families and individuals by coordinating the acquisition, development, leasing and management of low-income apartment projects. El Dorado's investment in WNC funds supports the innovative use of tax credit funds for the development of affordable housing units within the assessment areas and the larger California regional area. El Dorado made advances totaling more than \$2.5 million during the current review period and has commitments totaling more than \$1.5 million to invest in the near future. Details regarding the funds are listed below:

- WNC Institutional Tax Credit Fund X California Series 3 (2003) El Dorado's investment in this partnership helped fund eight low-income multifamily housing complexes, including the 184 unit Park Meadows Apartments in Rancho Cordova, which is located within the bank's assessment area.

- WNC Institutional Tax Credit Fund X California Series 6 (2006) An investment from El Dorado helped fund 15 low-income multifamily housing complexes in California.
- WNC Institutional Tax Credit Fund X California Series 7 (2007) El Dorado helped fund four low-income multifamily housing complexes with its investment. Two of the complexes are located in Sacramento County near the Elk Grove and Carmichael branch offices.
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- WNC Institutional Tax Credit Fund X California Series 9 (2010) In 2010, El Dorado committed to invest in a partnership that will fund at least ten low-income multifamily housing projects in California, two of which are located in the bank's Sacramento County Assessment Area.

As a stockholder of the FHLB of San Francisco, El Dorado is supporting the Affordable Housing Program through "forgone dividends" which are used to fund the program. The dividends represent an investment in low-income housing and economic development within the bank's assessment areas and a broader statewide or regional area which includes El Dorado's assessment areas.

In 2009, El Dorado committed \$500 per month for a six month period to help pay the salary of the El Dorado County Habitat for Humanity's "ReStore" manager due to expenses related to the relocation and reorganization of the store. ReStore resale outlets accept donated goods which are sold to the general public for a fraction of the retail price. Proceeds help local Habitat affiliates fund the construction of Habitat homes in their local communities.

El Dorado has a \$100,000 Certificate of Deposit at One United Bank, a minority controlled certified community development financial institution. The institution provides access to financial services in underserved markets. El Dorado renews the certificate upon maturity and continues to hold this investment.

El Dorado also contributed \$138,050 in various qualifying community development grants during the review period within the Combined Assessment Areas to nonprofit organizations such as:

- Marshall Foundation for Community Health
- NeighborWorks Homeownership Center Sacramento
- Mother Teresa Maternity Home
- South Lake Tahoe Women's Center
- Habitat for Humanity - Calaveras

- CASA of El Dorado
- Center for Small Business
- El Dorado Women's Center

## SERVICE TEST

### CONCLUSION

El Dorado's "Outstanding" performance under the Service Test in its combined California assessment areas is based on the readily accessible delivery systems in all portions of the assessment area. The bank's record of opening and closing branches has improved the accessibility of its delivery systems. El Dorado's services are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income individuals and geographies and the bank has been a leader in providing community development services in its assessment area. Please refer to the Institution portion of this evaluation for a detailed description of the bank's performance under the Service Test.

**Sacramento, California Assessment Area**

*(for metropolitan areas with some or all assessment areas reviewed using full-scope review)*

**Description of Institution’s Operations in Sacramento, California Assessment Area**

As of December 31, 2010, El Dorado had 20 branch offices serving the Sacramento Assessment Area. These branches represent approximately 57.1 percent of the bank’s total offices. The bank reported total deposits of \$921.3 million in these offices, which represented just over 63.0 percent of total institution deposits. The dollar volume of loans granted by El Dorado within the Sacramento assessment area represented approximately 65.5 percent of the bank’s total lending within its combined assessment areas. The branch offices are full-service, offering the full range of El Dorado’s loan and deposit products.

**Description of Sacramento, California Assessment Area**

The Sacramento, California assessment area (Sacramento) is comprised of El Dorado, Placer, and Sacramento Counties located in the historic Gold Country in the Sierra Nevada Mountains and foothills in the state of California. Placer County and El Dorado County are located on the western border of the state of Nevada. Sacramento County borders the other counties on the west and is home to the state capital. These three contiguous counties are part of the larger Sacramento-Arden-Arcade-Roseville, California MSA and have a total area of 4,285 square miles of land.

Table D1 provides an overview of assessment area demographic data, compiled from the 2000 US Census, that provide the context of the review. According to the US Census Bureau, the population has increased 18.4 percent and is an estimated 1,927,948 persons. The assessment area houses a little more than five percent of the population of the state of California. The increase in population and the number and types of housing units suggest a single family lender would have reasonable lending opportunities. The region’s economy is diverse. Some of the largest employers in the Sacramento Assessment area include: Hewlett-Packard Co., Kaiser Permanente, Barton Memorial Hospital, Aerojet-General Corp, and local city and state government.

<b>Table D1 – Demographic Overview</b>	
<b>Demographic Data</b>	<b>2000 Census</b>
Population	1,628,197
Total Families	411,470
Total Housing Units	653,394
1-4 Family Units	518,988
Occupied Units	605,923
% Owner-Occupied Units	57%
% Rental Units	37%
% Vacant Housing Units	7%
Median Housing Value	\$163,312

Competition in the assessment area is high. There are a total of 44 financial service providers serving the region consisting of both State and Federally chartered institutions. The top three institutions

claim more than 58.0 percent of the market share and consist of Wells Fargo, Bank of America and US Bank, all large national lenders. With over \$921 million in deposits, El Dorado ranked 7<sup>th</sup>, with a market share of just over 3.0 percent.

<b>Table D2 - Assessment Area Family Income Distribution Based on 2010 Median Family Income (MFI) and 2000 Census Data</b>				
<b>Income Category</b>	<b>Assessment Area</b>			
	<b>% MFI</b>	<b>Maximum Income</b>	<b># of Families</b>	<b>% of Families</b>
Low	<50%	\$36,549	84,139	20.4%
Moderate	50% - <80%	\$58,479	75,154	18.3%
Middle	80% - <120%	\$87,719	86,536	21.0%
Upper	≥120%	NA	165,641	40.3%
Total			411,470	100.0%

Table D2 defines income categories based on the percentage of median family income, and provides the distribution of families based on those income categories. The table reflects relatively even proportions of low-, moderate- and middle-income families; however, the median housing value in Table D1

suggests families in the low-income range may face challenges in finding affordable homeownership opportunities. That value reflects housing costs identified in the 2000 Census, and may be understated during significant portions of the evaluation timeframe.

The HUD-updated weighted average median income for the assessment area was \$71,000 in 2008; rose to \$72,800 in 2009 and increased in 2010 to \$73,100. Table D3 shows the most current available unemployment rates published by the Bureau of Labor Statistics for the assessment area compared to the state of California for the review period.

<b>Table D3 – Assessment Area Annual Average Unemployment Rate</b>			
	<b>2010</b>	<b>2009</b>	<b>2008</b>
California	12.4	11.3	7.2
Sacramento Assessment Area	12.6	11.1	7.0

Table D4 details the distribution of assessment area population by census tract income levels. The table indicates the largest proportion of the population is located in middle-income census tracts which suggest reasonable opportunities for lending in those areas.

<b>Table D4 - Assessment Area Demographic Information</b>			
<b>Income Category</b>	<b># of Tracts</b>	<b>2000 US Census Data Distributions</b>	
		<b>Family Distribution</b>	
		<b>#</b>	<b>%</b>
Low	27	22,666	5.5%
Moderate	89	92,572	22.5%
Middle	149	168,487	41.0%
Upper	101	127,745	31.0%
<b>Total</b>	<b>366</b>	<b>411,470</b>	<b>100.0%</b>

## Conclusions with Respect to Performance Tests in Sacramento, California Assessment Area

El Dorado's overall performance in the Sacramento, California Assessment Area is excellent based on the bank's good performance under the Lending test and excellent performance under both the Investment Test and Service Test.

### LENDING TEST

#### CONCLUSION

El Dorado's performance under the Lending Test is based on a good level of lending volume relative to its status as a portfolio lender and good record of lending within low- and moderate-income geographies. The bank's record of lending to low- and moderate-income borrowers and responsiveness to the credit needs of low-income individuals and areas were excellent. El Dorado did not have any community development lending; however, the bank utilized innovative and flexible lending products extensively.

#### LENDING ACTIVITY

During the review period, El Dorado originated 982 HMDA-reportable mortgage loans totaling more than \$170 million. The total mortgage lending activity represented 18.4 percent of total assessment area deposits (\$921.3 million). In 2009, El Dorado held a 0.3 percent market share in the number of mortgage loans originated and ranked 47<sup>th</sup> out of 612 HMDA reporters in the Sacramento assessment area. Additionally, the bank made 40 small business loans totaling just over \$7.0 million.

#### GEOGRAPHIC DISTRIBUTION OF LOANS

El Dorado's record of lending in low- and moderate-income geographies was slightly lower when compared to other HMDA reporting institutions; however, the bank's lending results are good based on the bank's business model as a portfolio lender and that large institutions such as Wells Fargo, Bank of America and US Bank are leading the market share. El Dorado meets the standards for satisfactory performance. Table G4 illustrates El Dorado's loan originations compared to other HMDA reporting institutions.

<b>Table G4 – Geographic Distribution of HMDA-Reportable Loans By Census Tract Income Level in the Assessment Area</b>				
<b>Census Tract Income Category</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>2009 HMDA Aggregate</b>	<b>Family Distribution</b>
Low	8	0.8%	2.5%	5.5%
Moderate	83	8.4%	11.5%	22.5%
Middle	525	53.5%	37.0%	41.0%
Upper	366	37.3%	49.0%	31.0%
<b>Total</b>	<b>982</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

El Dorado ranked 46<sup>th</sup> out of 265 HMDA reporters that originated mortgage loans in low- and moderate-income census tracts in 2009, with a market share of less than 1.0 percent by count.

LENDING TO BORROWERS OF DIFFERENT INCOMES

A review of El Dorado’s loan originations shows that lending to low-income borrowers was excellent compared to other HMDA reporting institutions and lending to moderate-income borrowers was also higher compared to other HMDA reporting institutions. El Dorado ranked 31<sup>st</sup> out of 300 institutions originating mortgage loans to low- and moderate-income borrowers in the assessment area with a market share of 0.6 percent. The bank exceeds the standards for satisfactory performance. Table B3 illustrates El Dorado’s performance compared to other HMDA reporting institutions.

<b>Table B3 – Distribution of Residential Mortgage Loans By Borrower Income Level in the Assessment Area</b>				
<b>Borrower Income Category</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>2009 HMDA Aggregate</b>	<b>Family Distribution</b>
Low	99	10.1%	6.9%	20.4%
Moderate	174	17.7%	16.3%	18.3%
Middle	249	25.4%	21.6%	21.0%
Upper	438	44.6%	39.7%	40.3%
Income Not Avail.	22	2.2%	15.5%	-
<b>Total</b>	<b>982</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

RESPONSIVENESS TO CREDIT NEEDS

- During the review period, El Dorado originated, 99 mortgage loans, totaling more than \$170 million, to low-income borrowers within the Sacramento Assessment Area. This represented 10.1 percent by count of all loans originated with income data collected. This performance was significantly higher compared to the 2009 HMDA aggregate results of 6.9 percent.
- In 2009, the institution ranked 35<sup>th</sup> out of 206 HMDA reporters in originating loans to low-income borrowers in this assessment area, with a market share of less than 1.0 percent by count.

- During the review period, El Dorado originated, eight mortgage loans, totaling \$950,000, in low-income tracts within the Sacramento Assessment Area. This represented less than 1.0 percent by count of all loans originated with income data collected. This performance was slightly lower than that of the 2009 HMDA aggregate results of 2.5 percent.
- In 2009, the institution ranked 35<sup>th</sup> out of 206 HMDA reporters in originating loans in low-income tracts in this assessment area, with a market share of less than 1.0 percent by count.

### COMMUNITY DEVELOPMENT LENDING

El Dorado did not make any community development loans in its Sacramento, California assessment areas during the review period; however, the bank still has outstanding community development loans from advances made during the previous review period. Please refer to the Institution section of the evaluation for additional details regarding community development lending.

### INNOVATIVE OR FLEXIBLE LENDING PRACTICES

During the review period, El Dorado utilized innovative and/or flexible lending practices extensively to meet the credit needs of low- and moderate-income and first-time homebuyers. The bank uses a multitude of programs to offer flexible products that help make housing in the assessment area affordable. Additionally, El Dorado offers loans to small businesses, farms and developers with the primary objective of providing residential financing within the assessment area communities. Please refer to the Innovative or Flexible Lending Practices discussion of the Institution section of this Evaluation for more detailed information.

### **INVESTMENT TEST**

El Dorado's "Outstanding" performance under the Investment Test in the Sacramento, California Assessment Area is based on the bank's excellent level of community development investments. El Dorado is responsive to the credit and community development needs of its assessment areas and makes use of complex or innovative investments to support community development initiatives. Please refer to the Investment Test discussion of the CRA Rating for California section of this Evaluation for more detailed information.

### **SERVICE TEST**

El Dorado's "Outstanding" Service Test rating is based on readily accessible delivery systems that are easily available to all portions of the Combined Assessment Areas. The bank's addition of a new branch has improved the accessibility of its delivery systems and services are designed to provide convenience and address the needs of the Combined Assessment Areas. El Dorado is a leader in

providing community development services in the Combined Assessment Areas. Please refer to the Service Test discussion of the Institution section of this Evaluation for more detailed information.

**California Non-MSA Assessment Area<sup>b</sup>**

*(if some or all of the assessment areas within the nonmetropolitan statewide area were reviewed using full-scope review)*

Description of Institution's Operations in California, Non-MSA Assessment Area

As of December 31, 2010, El Dorado had 12 branch offices serving the California non-MSA assessment area. These branches represent approximately 34.3 percent of the bank's total offices. The bank reported total deposits of \$468.9 million in these offices, which represented just over 32.0 percent of total institution deposits. The dollar volume of loans granted by El Dorado within the California non-MSA assessment area represented approximately 31.5 percent of the bank's total lending within its combined assessment areas. The branch offices are full-service, offering the full range of El Dorado's loan and deposit products.

Description of California Non-MSA Assessment Area

The California non-MSA assessment area is comprised of Amador, Calaveras, Inyo, Nevada, and Tuolumne Counties located in the eastern-central portion of the state of California. These five counties are not a part of any larger MSA and have a total area of 15,091 square miles of land.

<sup>b</sup> The discussion of an institution's CRA performance within a nonmetropolitan statewide area is only required for institutions with branches in two or more states. A separate discussion of CRA performance within a nonmetropolitan statewide area for intrastate banks that have branches in metropolitan and nonmetropolitan areas is optional because the examiner has reviewed and discussed the performance in the nonmetropolitan areas in the overall evaluation of the institution. However, for intrastate institutions with branches in both metropolitan and nonmetropolitan areas, or for intrastate banks with branches in only nonmetropolitan areas, the examiner may wish to discuss in greater detail the assessment areas within nonmetropolitan areas that were reviewed using a full-scope review.

Table D1 provides an overview of assessment area demographic data, compiled from the 2000 US Census, that provide the context of the review. According to the US Census Bureau, the population has increased 6.7 percent and is an estimated 256,344 persons. The assessment area houses less than one percent of the population of the state of California. The increase in population and the number and types of housing units would typically suggest a single family lender would have reasonable lending opportunities; however, six of the assessment area’s 50 census tracts are designated as distressed. Two census tracts in Inyo County are designated distressed due a loss of population and four census tracts in Calaveras County are designated distressed due to high rates of unemployment. Some of the largest employers in the area include: Hewlett-Packard Co., Aerojet-General Corp., Bear Valley Ski Area, Death Valley National Park Services, and local government.

Demographic Data	2000 Census
Population	240,133
Total Families	66,147
Total Housing Units	119,641
1-4 Family Units	101,698
Occupied Units	94,829
% Owner-Occupied Units	58%
% Rental Units	22%
% Vacant Housing Units	20%
Median Housing Value	\$169,711

Competition in the assessment area is high. There are a total of 21 financial service providers serving the region consisting of both State and Federally chartered institutions. The top two institutions claim more than 37.0 percent of the market share and consist of Bank of America and Wells Fargo. With over \$468 million in deposits, El Dorado ranked 3<sup>rd</sup>, with a market share of 11.9 percent.

Income Category	Assessment Area			
	% MFI	Maximum Income	# of Families	% of Families
Low	<50%	\$28,149	9,947	15.0%
Moderate	50% - <80%	\$45,039	10,497	15.9%
Middle	80% - <120%	\$67,559	13,704	20.7%
Upper	≥120%	NA	31,999	48.4%
Total			66,147	100.0%

Table D2 defines income categories based on the percentage of median family income, and provides the distribution of families based on those income categories. The table reflects relatively even proportions of low-, moderate- and middle-income families; however, the median housing value in Table D1

suggests families in the low-income range may face challenges in finding affordable homeownership opportunities. That value reflects housing costs identified in the 2000 Census, and may be understated during significant portions of the evaluation timeframe.

The HUD-updated weighted average median income for the assessment area was \$53,800 in 2008; rose to \$55,800 in 2009 and increased in 2010 to \$56,300. Table D3 shows the most current available unemployment rates published by the Bureau of Labor Statistics for the assessment area compared to the state of California for the review period.

<b>Table D3 – Assessment Area Annual Average Unemployment Rate</b>			
	<b>2010</b>	<b>2009</b>	<b>2008</b>
California	12.4	11.3	7.2
Amador County	13.4	11.7	7.6
Calaveras County	15.6	13.9	8.6
Inyo County	10.0	9.2	6.5
Nevada County	11.5	10.5	6.5
Tuolumne County	14.0	12.5	7.9

Table D4 details the distribution of assessment area population by census tract income levels. The table indicates the largest proportion of the population is located in middle-income census tracts which suggest reasonable opportunities for lending in those areas.

<b>Table D4 - Assessment Area Demographic Information</b>			
<b>Income Category</b>	<b># of Tracts</b>	<b>2000 US Census Data Distributions</b>	
		<b>Family Distribution</b>	
		<b>#</b>	<b>%</b>
Moderate	3	3,342	5.1%
Middle	25	33,425	50.5%
Upper	21	29,380	44.4%
NA	1	0	0%
<b>Total</b>	<b>50</b>	<b>66,147</b>	<b>100.0%</b>

**Conclusions with Respect to Performance Tests in California Non-MSA**

El Dorado’s overall performance in the California non-MSA Assessment Area is excellent. The bank displayed excellent performance on the Lending Test and excellent performance under both the Investment Test and Service Test.

**LENDING TEST**

CONCLUSION

El Dorado’s performance under the Lending Test is based on a good level of lending volume relative to its status as a portfolio lender and excellent record of lending within moderate-income geographies. The bank’s record of lending to low- and moderate-income borrowers and responsiveness to the credit needs of low-income individuals and areas were excellent. El Dorado did not have any community development lending; however, the bank utilized innovative and flexible lending products extensively.

LENDING ACTIVITY

During the review period, El Dorado originated 556 HMDA-reportable mortgage loans totaling \$81.6 million. The total mortgage lending activity represented 17.4 percent of total assessment area deposits (\$468.9 million). In 2009, El Dorado held a 1.3 percent market share in the number of mortgage loans originated and ranked an impressive 17<sup>th</sup> out of 379 HMDA reporters in the California non-MSA assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

There are no low-income geographies in this assessment area; however, El Dorado’s record of lending in moderate-income geographies was excellent compared to other HMDA reporting institutions and significant considering the large national lenders located in the assessment area. El Dorado exceeds the standards for satisfactory performance. Table G4 illustrates El Dorado’s loan originations compared to other HMDA reporting institutions.

<b>Table G4 – Geographic Distribution of HMDA-Reportable Loans By Census Tract Income Level in the Assessment Area</b>				
<b>Census Tract Income Category</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>2009 HMDA Aggregate</b>	<b>Family Distribution</b>
Moderate	31	5.6%	1.9%	5.1%
Middle	240	43.2%	42.6%	50.5%
Upper	285	51.2%	55.5%	44.4%
<b>Total</b>	<b>556</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

El Dorado ranked 3<sup>rd</sup> out of 51 HMDA reporters that originated mortgage loans in moderate-income census tracts in 2009, with a market share of 6.9 percent by count. Wells Fargo and Bank of America, two large national mortgage lenders, claimed the top two positions with a combined market share of 22.4 percent.

LENDING TO BORROWERS OF DIFFERENT INCOMES

A review of El Dorado’s loan originations shows that lending to low- and moderate-income borrowers was significantly higher when compared to other HMDA reporting institutions. El Dorado ranked 6<sup>th</sup> out of 137 institutions originating mortgage loans to low- and moderate-income borrowers in the assessment area with a market share of 3.1 percent. The bank exceeds the standards for satisfactory performance. Table B3 illustrates El Dorado’s performance compared to other HMDA reporting institutions.

<b>Table B3 – Distribution of Residential Mortgage Loans By Borrower Income Level in the Assessment Area</b>				
<b>Borrower Income Category</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>2009 HMDA Aggregate</b>	<b>Family Distribution</b>
Low	46	8.2%	1.9%	15.0%
Moderate	86	15.5%	8.3%	15.9%
Middle	130	23.4%	16.5%	20.7%
Upper	283	50.9%	60.1%	48.4%
Income Not Avail.	11	2.0%	13.2%	-
<b>Total</b>	<b>556</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

RESPONSIVENESS TO CREDIT NEEDS

- During the review period, El Dorado originated, 46 mortgage loans, totaling nearly \$4.0 million, to low-income borrowers within the California non-MSA Assessment Area. This represented 8.2 percent by count of all loans originated with income data collected. This performance was significantly stronger compared to the 2009 HMDA aggregate results of 1.9 percent.
- In 2009, the institution ranked 4<sup>th</sup> out of 67 HMDA reporters in originating loans to low-income borrowers in this assessment area, with a market share of 4.6 percent by count. This ranking is a significant improvement from the previous examination where the institution was ranked 26<sup>th</sup>.
- As stated previously, there are no low-income tracts in this assessment area; however, the bank’s record of lending in moderate-income census tracts was nearly twice that of other HMDA reporters originating loans in the assessment area.

**INVESTMENT TEST**

El Dorado’s “Outstanding” performance under the Investment Test in the California non-MSA Assessment Area is based on the bank’s excellent level of community development investments. El Dorado is responsive to the credit and community development needs of its assessment areas and makes use of complex or innovative investments to support community development initiatives. Please refer to the Investment Test discussion of the Institution section of this Evaluation for more detailed information.

**SERVICE TEST**

El Dorado’s “Outstanding” Service Test rating is based on readily accessible delivery systems that are easily available to all portions of the Combined Assessment Areas. Changes in the bank’s branch locations have not adversely impacted the accessibility of its delivery systems and services are designed to provide convenience and address the needs of the Combined Assessment Areas. El

Dorado is a leader in providing community development services in the Combined Assessment Areas. Please refer to the Investment Test discussion of the Institution section of this Evaluation for more detailed information.

## **State of Nevada**

### **Summary**

#### **CRA Rating for Nevada**

**CRA RATING<sup>c</sup>:**

**The Lending Test is rated:**

**The Investment Test is rated:**

**The Service Test is rated:**

**Satisfactory**

**High Satisfactory**

**Low Satisfactory**

**High Satisfactory**

This is an evaluation of El Dorado's overall CRA performance within its combined Nevada assessment areas during the January 1, 2008 through December 31, 2010 review period. This state evaluation is weighted primarily on El Dorado's performance in its Douglas County, Nevada Assessment Area. El Dorado's lending in its Douglas County Assessment Area represented 72.1 percent of the total number of residential loans El Dorado originated in its combined Nevada Assessment Areas. Further, deposits held in branches in its Douglas County Assessment Area represented 83.9 percent of total deposits in Nevada.

El Dorado's "Satisfactory" rating is based primarily on good volume of loan originations, excellent distribution of loans among individuals of differing income levels, and adequate distribution of those loans among geographies of differing income levels. El Dorado makes an adequate level of community development investments and offers a variety of products and services that are tailored to the needs of the community. El Dorado provides a limited level of community development services within its combined Nevada Assessment Areas.

The bank's Lending Test performance is rated "High Satisfactory," based on good responsiveness to assessment area credit needs in its combined Nevada Assessment Areas. The geographic distribution of El Dorado's loans reflects reasonable penetration and the distribution of El Dorado's loans among borrowers reflects excellent penetration among borrowers of different income levels. The bank has an excellent record of serving the credit needs of low-income individuals. El Dorado did not make any community development loans in its combined Nevada Assessment Areas; however, the bank made extensive use of flexible lending practices in serving assessment area credit needs.

El Dorado's Investment Test performance is rated "Low Satisfactory," due to the adequate level of qualified community development investments and grants relative to the bank's size and marketplace. The bank demonstrated adequate responsiveness to credit and community development needs and

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<sup>c</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

made occasional use of innovative or complex vehicles to support community development initiatives and activities.

El Dorado's Service Test performance is rated "High Satisfactory," as the bank's delivery systems are readily accessible to all portions of its combined Nevada Assessment Areas. El Dorado's record of opening and closing branches has not adversely affected accessibility of its delivery systems, particularly to low- and moderate-income individuals. Services offered by El Dorado are tailored to the convenience and needs of its assessment areas, particularly the needs of low- and moderate-income geographies and individuals. El Dorado provides a limited level of community development services in the Combined Assessment Areas.

We reviewed the bank's compliance with consumer laws and regulations performed in the most recent comprehensive examination of El Dorado and did not identify any illegal credit practices that violate laws, rules, or regulations.

#### Scope of Examination

The OTS evaluated CRA performance under the Large Retail Institution Examination Procedures, which are applicable based on the institution's total assets as of December 31, 2009 and 2010. The procedures apply three tests: the Lending, Service, and Investment Tests. The review period for this evaluation is January 1, 2008 through December 31, 2010. The previous CRA evaluation was October 1, 2007, and was conducted using the Large Retail Institution Examination Procedures. El Dorado was rated "Outstanding."

The Lending Test includes an evaluation of the bank's CRA results based on five performance criteria. These performance criteria are: 1) assessment area concentration; 2) geographic distribution of loans; 3) borrower profile/distribution of loans by borrower income; 4) community development lending activities; and 5) innovative or flexible lending practices. The Service Test is an evaluation of the bank's performance based on the following performance criteria: 1) accessibility of delivery systems; 2) record of opening and closing branches; 3) availability of alternative delivery systems for retail services; 4) range of services provided among geographies. The Investment Test is an evaluation of the bank's performance based on the following performance criteria: 1) dollar amount of qualified investments; 2) innovativeness and complexity of investments; 3) responsiveness of investments to community needs; 4) investments must benefit the assessment area or a broader area that includes the assessment area. We evaluated residential mortgage loans under the Lending Test.

#### Description of Institution's Operations in Nevada

As of December 31, 2010, El Dorado had three branch offices serving the combined Nevada assessment area. The bank reported total deposits of \$57.7 million in these offices, which

represented 4.0 percent of total institution deposits. The dollar volume of loans granted by El Dorado within the state of Nevada represented approximately 3.0 percent of the bank's total lending within its combined assessment areas. The branches are full-service, offering the full range of El Dorado's loan and deposit products.

## Conclusions with Respect to Performance Tests in Nevada

### LENDING TEST

#### CONCLUSION

El Dorado's "High Satisfactory" rating under the Lending Test in its combined Nevada Assessment Area is based on a good lending volume and a high percentage of loan originations made in the assessment area. The bank has a less than adequate record of lending within low- and moderate-income geographies and an excellent record of lending to low- and moderate-income borrowers. El Dorado displayed excellent responsiveness to the credit needs of low-income individuals and areas. El Dorado did not make any community development loans in the combined Nevada Assessment Areas, but did utilize innovative and flexible lending products extensively. The following sections contain the data supporting these conclusions.

#### LENDING ACTIVITY

During the review period, El Dorado originated 45 HMDA-reportable mortgage loans totaling more than \$7.8 million in its combined Nevada Assessment Area. The total mortgage lending activity represented 13.6 percent of total assessment area deposits (\$57.7 million) held within the bank's three Nevada branches.

#### ASSESSMENT AREA CONCENTRATION

During the review period, 70.3 percent of the number and 76.1 percent of the dollar amount of El Dorado's Nevada residential mortgage loan originations were granted within its Assessment Areas.

#### GEOGRAPHIC DISTRIBUTION OF LOANS

El Dorado's residential mortgage lending within low- and moderate-income census tracts is generally considered less than adequate in both the Douglas County and Washoe County Assessment Areas. The bank's performance is lower than other HMDA reporters in the Combined Assessment Areas; however it is important to consider El Dorado's business model as a portfolio lender and the fact that competition in the Combined Assessment Areas is high. Large, nationally recognized mortgage lenders have the majority of the market share in the Combined Assessment Areas. In 2009, El

Dorado ranked an impressive 61<sup>st</sup> of 388 residential mortgage lenders originating loans in moderate-income census tracts in the Douglas County Assessment Area. The bank did not have a ranking in the Washoe County Assessment Area.

#### LOAN DISTRIBUTION BY BORROWER INCOME CHARACTERISTICS

El Dorado's distribution of loans among low- and moderate-income borrowers is excellent in the Douglas County Assessment Area and reasonable in the Washoe County Assessment Area. El Dorado ranked 26<sup>th</sup> out of 53 residential mortgage originators in the Douglas County Assessment Area and ranked 74<sup>th</sup> out of 75 originators in the Washoe County Assessment Area.

#### RESPONSIVENESS TO CREDIT NEEDS

El Dorado displayed a good level of responsiveness to the credit needs of low-income individuals evidenced by the bank's excellent performance in its Douglas County Assessment Areas and reasonable performance in the Washoe County Assessment Area. The bank's distribution of loans to both low-income borrowers was well above the 2009 HMDA aggregate in the Douglas County Assessment Area. The distribution of loans within low- and moderate-income census tracts was lower when compared to other HMDA reporting institutions in the Combined Nevada Assessment Areas, but as mentioned previously the bank is competing with several other large and nationally recognized mortgage originators in the Combined Assessment Areas.

#### COMMUNITY DEVELOPMENT LENDING

El Dorado did not make any community development loans in its combined Nevada assessment areas during the review period; however, the bank still has outstanding community development loans from advances made during the previous review period. Please refer to the Institution section of the evaluation for additional details regarding community development lending.

#### INNOVATIVE OR FLEXIBLE LENDING PRODUCTS

El Dorado offers a variety of special loan programs to assist the needs of low- and moderate-income individuals, first time homebuyers, and borrowers requiring special credit considerations in its combined assessment areas. El Dorado's programs take all safety and soundness factors into consideration and do not put the bank or the borrower at any greater risk of default. Please refer to the Innovative or Flexible Lending Practices discussion of the Institution section of this evaluation for more detailed information.

## INVESTMENT TEST

### CONCLUSION

El Dorado's "Low Satisfactory" performance under the Investment Test in the state of Nevada is based on the bank's adequate level of qualified community development investments in the Combined Assessment Areas. El Dorado makes occasional use of innovative investments to support community development initiatives and shows adequate responsiveness to the credit and community development needs of the Combined Nevada Assessment Areas.

As a stockholder of the Federal Home Loan Bank of San Francisco, El Dorado is supporting the Affordable Housing Program through "forgone dividends" which are used to fund the program. The dividends represent an investment in low-income housing and economic development within the bank's assessment areas and a broader statewide or regional area which includes El Dorado's assessment areas.

El Dorado also contributed \$1,000 in qualifying community development grants during the review period within the Combined Assessment Areas to nonprofit organizations such as:

- Reno Rodeo Foundation – This nonprofit organization distributes the profits from the annual Reno Rodeo to provide scholarships, services, and clothing to disadvantaged children and individuals in the community.

## SERVICE TEST

### CONCLUSION

El Dorado's "High Satisfactory" performance under the Service Test in its combined Nevada Assessment Areas is based on the readily accessible delivery systems in all portions of the assessment area. The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income geographies or individuals. El Dorado's services are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income individuals and geographies and the bank provides a limited level of community development services in its assessment area. Please refer to the Institution portion of this evaluation for a detailed description of the bank's performance under the Service Test.

**Douglas County, Nevada Assessment Area**

*(for metropolitan areas with some or all assessment areas reviewed using full-scope review)*

**Description of Institution’s Operations in Douglas County, Nevada Assessment Area**

As of December 31, 2010, El Dorado had two branch offices serving the Douglas County assessment area. These branches represent approximately 5.7 percent of the bank’s total offices. The bank reported total deposits of \$48.4 million in these offices, which represented 3.3 percent of total institution deposits. The dollar volume of loans granted by El Dorado within the Douglas County assessment area represented approximately 2.2 percent of the bank’s total lending within its combined assessment areas. The branch offices are full-service, offering the full range of El Dorado’s loan and deposit products.

**Description of Douglas County, Nevada Assessment Area**

This assessment area is comprised of Douglas County, located in the western portion of the state of Nevada. The state of California borders the county to the west and is home to a portion of Lake Tahoe. Douglas County is not a part of any larger MSA and has a total area of 751 square miles of land.

Table D1 provides an overview of assessment area demographic data, compiled from the 2000 US Census, that provide the context of the review. According to the US Census Bureau, the population has increased 10.1 percent and is an estimated 45,464 persons. The assessment area houses less than one percent of the population of the state of Nevada. The increase in population and the number and types of housing units would typically suggest a single family lender would have reasonable lending opportunities. Tourism plays a large role in the local economy with some of the largest employers being casinos and hotels. The local government is also important to supporting the region’s economy. According to the Nevada Workforce Research and Analysis Bureau, Douglas County School District is the second largest employer in the county.

<b>Table D1 – Demographic Overview</b>	
<b>Demographic Data</b>	<b>2000 Census</b>
Population	41,259
Total Families	12,004
Total Housing Units	19,006
1-4 Family Units	16,255
Occupied Units	16,401
% Owner-Occupied Units	64%
% Rental Units	24%
% Vacant Housing Units	13%
Median Housing Value	\$216,595

Competition in the assessment area is high. There are a total of seven financial service providers serving the region consisting of both State and Federally chartered institutions. The top three institutions claim more than 78.0 percent of the market share and consist of Wells Fargo, Bank of

America and US Bank. With over \$48.4 million in deposits, El Dorado ranked 4<sup>th</sup>, with a market share of 7.1 percent.

<b>Table D2 - Assessment Area Family Income Distribution Based on 2010 Median Family Income (MFI) and 2000 Census Data</b>				
<b>Income Category</b>	<b>Assessment Area</b>			
	<b>% MFI</b>	<b>Maximum Income</b>	<b># of Families</b>	<b>% of Families</b>
Low	<50%	\$32,099	1,601	13.3%
Moderate	50% - <80%	\$51,359	1,756	14.7%
Middle	80% - <120%	\$ 77,039	2,940	24.5%
Upper	≥120%	NA	5,707	47.5%
<b>Total</b>			<b>12,004</b>	<b>100.0%</b>

Table D2 defines income categories based on the percentage of median family income, and provides the distribution of families based on those income categories. The table reflects relatively even proportions of low- and moderate-income families; however, the median housing value in Table D1 suggests

families in the low income range may face challenges in finding affordable homeownership opportunities. That value reflects housing costs identified in the 2000 Census, and may be understated during significant portions of the evaluation timeframe.

The HUD-updated weighted average median income for the assessment area was \$62,500 in 2008; rose to \$63,800 in 2009 and increased in 2010 to \$64,200. Table D3 shows the most current available unemployment rates published by the Bureau of Labor Statistics for the assessment area compared to the state of California for the review period.

<b>Table D3 – Assessment Area Annual Average Unemployment Rate</b>			
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Nevada	14.9	12.5	6.7
Douglas County	15.9	12.8	7.4

Table D4 details the distribution of assessment area population by census tract income levels. The table indicates the population is mainly located in middle- and upper-income census tracts which suggest reasonable opportunities for lending in those areas. There are no low-income census tracts.

<b>Table D4 - Assessment Area Demographic Information</b>			
<b>Income Category</b>	<b># of Tracts</b>	<b>2000 US Census Data Distributions</b>	
		<b>Family Distribution</b>	
		<b>#</b>	<b>%</b>
Moderate	1	712	5.9%
Middle	4	5,444	45.4%
Upper	5	5,848	48.7%
<b>Total</b>	<b>10</b>	<b>12,004</b>	<b>100.0%</b>

## Conclusions with Respect to Performance Tests in Douglas County, Nevada Assessment Area

El Dorado's overall performance in the Douglas County, Nevada Assessment Area is good based on the bank's good performance under both the Lending Test and Service Test and adequate performance under the Investment Test.

### LENDING TEST

#### CONCLUSION

El Dorado's performance under the Lending Test is based on a good level of lending volume relative to its status as a portfolio lender and less than adequate record of lending within moderate-income geographies. The bank's record of lending to low- and moderate-income borrowers and responsiveness to the credit needs of low-income individuals were excellent and considerably stronger than the HMDA Aggregate. El Dorado did not have any community development lending during the review period; however, the bank utilized innovative and flexible lending products extensively.

#### LENDING ACTIVITY

During the review period, El Dorado originated 29 HMDA-reportable mortgage loans totaling \$5.6 million in the Douglas County Assessment Area. The total mortgage lending activity represented 11.7 percent of total assessment area deposits (\$48.4 million). In 2009, El Dorado held less than a one percent market in the number of mortgage loans originated and ranked 28<sup>th</sup> out of 151 HMDA reporters in the Douglas County assessment area.

#### GEOGRAPHIC DISTRIBUTION OF LOANS

El Dorado's Douglas County Assessment Area does not have any low-income tracts. Although the bank is a portfolio lender and large nationally recognized institutions such as Wells Fargo, Bank of America, and US Bank are leading the market share, El Dorado did not make any loans in moderate-income census tracts which would typically indicate less-than-satisfactory performance. Table G4 illustrates El Dorado's loan originations compared to other HMDA reporting institutions.

<b>Table G4 – Geographic Distribution of HMDA-Reportable Loans By Census Tract Income Level in the Assessment Area</b>				
<b>Census Tract Income Category</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>2009 HMDA Aggregate</b>	<b>Family Distribution</b>
Moderate	0	0%	4.2%	5.9%
Middle	13	44.8%	36.3%	45.4%
Upper	16	55.2%	59.5%	48.7%
<b>Total</b>	<b>29</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

LENDING TO BORROWERS OF DIFFERENT INCOMES

A review of El Dorado’s loan originations shows that lending to low- income borrowers was more than two times than that of other HMDA reporting institutions. The bank’s lending to moderate-income borrowers was generally comparable to other HMDA reporting institutions. El Dorado exceeds the standards for satisfactory performance. Table B3 illustrates El Dorado’s performance compared to other HMDA reporting institutions.

<b>Table B3 – Distribution of Residential Mortgage Loans By Borrower Income Level in the Assessment Area</b>				
<b>Borrower Income Category</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>2009 HMDA Aggregate</b>	<b>Family Distribution</b>
Low	3	10.3%	3.9%	13.3%
Moderate	4	13.8%	14.2%	14.7%
Middle	4	13.8%	22.1%	24.5%
Upper	16	55.2%	46.4%	47.5%
Income Not Avail.	2	6.9%	13.4%	-
<b>Total</b>	<b>29</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

RESPONSIVENESS TO CREDIT NEEDS

- During the review period, El Dorado originated, three mortgage loans, totaling \$161,000 to low-income borrowers within the Douglas County Assessment Area representing 10.3 percent by count of all loans originated with income data collected. This performance was significantly stronger than the 2009 HMDA aggregate results of 3.9 percent.
- In 2009, the institution ranked 26<sup>th</sup> out of 53 HMDA reporters in originating loans to low-and moderate-income borrowers in this assessment area, with a market share of 0.5 percent by count. This ranking is considerably stronger than the previous examination’s rank of 40<sup>th</sup>.
- In 2009, the bank did not have a ranking among the 29 HMDA reporters in originating loans in low- and moderate-income census tracts in this assessment area.

## INVESTMENT TEST

### CONCLUSION

El Dorado's "Low Satisfactory" performance under the Investment Test in the Douglas County Assessment Area is based on the bank's adequate level of community development investments. El Dorado demonstrates adequate responsiveness to the credit and community development needs of its assessment area and makes use of complex or innovative investments occasionally to support community development initiatives. Please refer to the Investment Test discussion of the Institution section of this Evaluation for more detailed information.

## SERVICE TEST

### CONCLUSION

El Dorado's "High Satisfactory" performance under the Service Test in its Douglas County Assessment Areas is based on the readily accessible delivery systems in all portions of the assessment area. The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income geographies or individuals. El Dorado's services are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income individuals and geographies and the bank provides a limited level of community development services in its assessment area. Please refer to the Institution portion of this evaluation for a detailed description of the bank's performance under the Service Test.

### ***Washoe County, Nevada Assessment Area***

*(for metropolitan areas with some or all assessment areas reviewed using full-scope review)*

#### Description of Institution's Operations in Washoe County, Nevada Assessment Area

As of December 31, 2010, El Dorado had one branch office serving the Washoe County assessment area. This branch represents approximately 2.9 percent of the bank's total offices. The bank reported total deposits of \$9.2 million in this office, which represented less than 1.0 percent of total institution deposits. The dollar volume of loans granted by El Dorado within the Washoe County assessment area represented less than 1.0 percent of the bank's total lending within its combined assessment areas. The branch office is full-service, offering the full range of El Dorado's loan and deposit products.

**Description of Washoe County, Nevada  
Assessment Area**

This assessment area is comprised of Washoe County, located in the north western portion of the state of Nevada. The county is bordered by the state of California to the west and the state of Oregon to the north. Washoe County is part of the larger Reno-Sparks, Nevada MSA and has a total area of 6,551 square miles.

Table D1 provides an overview of assessment area demographic data, compiled from the 2000 US Census, that provide the context of the review. According to the US Census Bureau, the population has increased 24.4 percent and is an estimated 414,820 persons. The assessment area houses nearly 16.0 percent of the population of the state of Nevada. The increase in population and the number and types of housing units would typically suggest a single family lender would have reasonable lending opportunities. According to the Nevada Workforce Research and Analysis Bureau, Federal, State, and local government are among the area’s largest employers. Some of the largest employers include: Sierra Nevada Healthcare System, Truckee Meadows Community College, University of Nevada-Reno, and the Washoe County School District.

<b>Table D1 – Demographic Overview</b>	
<b>Demographic Data</b>	<b>2000 Census</b>
Population	333,363
Total Families	82,973
Total Housing Units	140,111
1-4 Family Units	93,579
Occupied Units	129,711
% Owner-Occupied Units	54%
% Rental Units	41%
% Vacant Housing Units	7%
Median Housing Value	\$153,671

Competition in the assessment area is high. There are a total of 13 financial service providers serving the region consisting of both State and Federally chartered institutions. Charles Schwab, the top ranked institution claims nearly 85.0 percent of the market share. With over \$9.2 million in deposits, El Dorado ranked 12<sup>th</sup>, with a market share of less than one percent.

<b>Table D2 - Assessment Area Family Income Distribution Based on 2010 Median Family Income (MFI) and 2000 Census Data</b>				
<b>Income Category</b>	<b>Assessment Area</b>			
	<b>% MFI</b>	<b>Maximum Income</b>	<b># of Families</b>	<b>% of Families</b>
Low	<50%	\$35,599	15,840	19.1%
Moderate	50% - <80%	\$56,959	15,666	18.9%
Middle	80% - <120%	\$85,439	19,153	23.1%
Upper	≥120%	NA	32,314	38.9%
Total			82,973	100.0%

Table D2 defines income categories based on the percentage of median family income, and provides the distribution of families based on those income categories. The table reflects relatively even proportions of low-, moderate-, and middle-income families; however, the median housing value in Table D1

suggests families in the low income range may face challenges in finding affordable homeownership opportunities. That value reflects housing costs identified in the 2000 Census, and may be understated during significant portions of the evaluation timeframe.

The HUD-updated weighted average median income for the assessment area was \$69,500 in 2008; rose to \$70,400 in 2009 and increased in 2010 to \$71,200. Table D3 shows the most current available unemployment rates published by the Bureau of Labor Statistics for the assessment area compared to the state of Nevada for the review period.

<b>Table D3 – Assessment Area Annual Average Unemployment Rate</b>			
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Nevada	14.9	12.6	6.7
Washoe County	14.1	12.3	6.8

Table D4 details the distribution of assessment area population by census tract income levels. The table indicates the largest proportion of the population is located in middle-income census tracts which suggest reasonable opportunities for lending in those areas.

<b>Table D4 - Assessment Area Demographic Information</b>			
<b>Income Category</b>	<b># of Tracts</b>	<b>2000 US Census Data Distributions</b>	
		<b>Family Distribution</b>	
		<b>#</b>	<b>%</b>
Low	2	2,643	3.1%
Moderate	17	20,966	25.3%
Middle	24	32,840	39.6%
Upper	22	26,524	32.0%
<b>Total</b>	<b>65</b>	<b>82,973</b>	<b>100.0%</b>

**Conclusions with Respect to Performance Tests in Washoe County, Nevada Assessment Area**

El Dorado’s overall performance in the Washoe County, Nevada Assessment Area is adequate based on the bank’s adequate performance under the Lending Test and Investment Test and good performance under the and Service Test.

**LENDING TEST**

CONCLUSION

El Dorado’s performance under the Lending Test is based on an adequate level of lending volume relative to its status as a portfolio lender. Lending within low- and moderate-income geographies and

to low- and moderate-income borrowers was lower than that of the HMDA Aggregate; however, the loan volume was not large enough to draw statistically valid conclusions. The bank’s responsiveness to the credit needs of low-income individuals and areas was less than adequate and as stated previously, lower than performance of the HMDA Aggregate. El Dorado did not have any community development lending in the Washoe County Assessment Area during the review period; however, the bank utilized innovative and flexible lending products extensively.

**LENDING ACTIVITY**

During the review period, El Dorado originated 16 HMDA-reportable mortgage loans totaling nearly \$2.2 million. The total mortgage lending activity represented 23.5 percent of total assessment area deposits (\$9.2 million). In 2009, El Dorado held a market share of less than 1.0 percent in the number of mortgage loans originated and ranked 126<sup>th</sup> out of 283 HMDA reporters in the Washoe County assessment area.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

El Dorado did not originate any loans in low- and moderate-income geographies and performance was lower compared to other HMDA reporting institutions. El Dorado’s lending results would typically indicate less than satisfactory performance; however, there are several mitigating factors. The bank faces tough competition as a portfolio lender as large nationally recognized institutions are leading the market share. Additionally, El Dorado has had a limited presence in the Washoe County, Nevada Assessment Area as the bank’s branch has only been open since February 2007 and the loan volume is too low to draw statistically valid conclusions. Table G4 illustrates El Dorado’s loan originations compared to other HMDA reporting institutions.

<b>Table G4 – Geographic Distribution of HMDA-Reportable Loans By Census Tract Income Level in the Assessment Area</b>				
<b>Census Tract Income Category</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>2009 HMDA Aggregate</b>	<b>Family Distribution</b>
Low	0	0%	0.2%	3.1%
Moderate	0	0%	7.9%	25.3%
Middle	4	25.0%	38.2%	39.6%
Upper	12	75.0%	53.6%	32.0%
<b>Total</b>	<b>16</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**LENDING TO BORROWERS OF DIFFERENT INCOMES**

A review of El Dorado’s loan originations shows that lending to low- and moderate-income borrowers was lower when compared to other HMDA reporting institutions. As mentioned

previously there are mitigating factors such as the bank’s business model as a portfolio lender, the presence of nationally recognized lenders with the majority of the market share, and that El Dorado’s branch has been present since only February 2007. Furthermore, the loan volume is too small to make statistically valid conclusions. Table B3 illustrates El Dorado’s performance compared to other HMDA reporting institutions.

<b>Borrower Income Category</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>2009 HMDA Aggregate</b>	<b>Family Distribution</b>
Low	1	6.3%	8.6%	19.1%
Moderate	1	6.3%	20.1%	18.9%
Middle	5	31.2%	21.7%	23.1%
Upper	9	56.2%	33.8%	38.9%
Income Not Avail.	0	0%	15.8%	-
<b>Total</b>	<b>16</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

RESPONSIVENESS TO CREDIT NEEDS

- During the review period, El Dorado originated one mortgage loan totaling \$40,000 to a low-income borrower within the Washoe County Assessment Area. This represented 6.3 percent by count of all loans originated with income data collected. This performance was lower compared to the 2009 HMDA aggregate results of 8.6 percent.
- In 2009, the bank ranked 74<sup>th</sup> out of 75 HMDA reporters in originating loans to low-income borrowers in this assessment area, with a market share of less than 1.0 percent by count. This is the first ranking this assessment area has received as it was too new to rate at the previous examination.
- During the review period, El Dorado did not originate any mortgage loans in low-income tracts within the Washoe County Assessment Area. This performance was generally comparable to that of the 2009 HMDA aggregate results of 0.2 percent.
- In 2009, the institution did not have a ranking among the 18 HMDA reporters in originating loans in low-income tracts in this assessment area; however the leader, PNC Bank held the majority of the market share with only five loan originations or 15.6 percent by count.

**INVESTMENT TEST**

CONCLUSION

El Dorado’s “Low Satisfactory” performance under the Investment Test in the Washoe County Assessment Area is based on the bank’s adequate level of community development investments. El Dorado demonstrates adequate responsiveness to the credit and community development needs of its

assessment area and makes use of complex or innovative investments occasionally to support community development initiatives. Please refer to the Investment Test discussion of the Institution section of this Evaluation for more detailed information.

## **SERVICE TEST**

### CONCLUSION

El Dorado's "High Satisfactory" performance under the Service Test in its Washoe County Assessment Areas is based on the readily accessible delivery systems in all portions of the assessment area. The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income geographies or individuals. El Dorado's services are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income individuals and geographies and the bank provides a limited level of community development services in its assessment area. Please refer to the Institution portion of this evaluation for a detailed description of the bank's performance under the Service Test.

**Appendix A**

**Scope of Examination**

SCOPE OF EXAMINATION		
Full Scope CRA Examination		
<b>TIME PERIOD REVIEWED:</b>	January 1, 2008 through December 31, 2010	
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS REVIEWED</b>
El Dorado Savings Bank, F.S.B.		Home Mortgage Disclosure Act Loans
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>
None		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED <sup>1</sup>	OTHER INFORMATION
El Dorado, Placer, and Sacramento Counties	Full Scope	0	Part of the larger Sacramento-Arden-Arcade-Roseville, CA MSA
Amador, Calaveras, Inyo, Nevada, and Tuolumne Counties	Full Scope	0	California-Non MSA
Douglas County, NV	Full Scope	0	Nevada-Non-MSA
Washoe County, NV	Full Scope	0	Part of the larger Reno-Sparks, NV MSA (Excludes census tracts 33.02 and 9401.00)

<sup>1</sup> There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.

**Appendix B**

Summary of State and Multistate Metropolitan Area Ratings

<b>State or Multistate Metropolitan Area Name</b>	<b>Lending Test Rating</b>	<b>Investment Test Rating</b>	<b>Service Test Rating</b>	<b>Overall State Rating</b>
California	High Satisfactory	Outstanding	Outstanding	Outstanding
Nevada	High Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory

## **CRA Rating Definitions**

There are five separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the intermediate small institution test for intermediate small savings associations; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, service, and community development opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.