

PUBLIC DISCLOSURE

January 21, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mega Bank
Certificate Number: 58401

245 West Valley Boulevard
San Gabriel, California 91776

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

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.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Needs to Improve**.

An institution in this group needs to improve its overall record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Needs to Improve.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- A substantial majority of loans are outside the institution's AA.
- The geographic distribution of small business and consumer loans reflects reasonable dispersion throughout the AA.
- The distribution of borrowers reflects, given the demographics of the AA, poor penetration among businesses of different sizes and individuals of different income levels (including LMI).
- The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

The institution's community development (CD) performance demonstrates adequate responsiveness to CD needs in its AA through CD loans, qualified investments, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AA.

DESCRIPTION OF INSTITUTION

Mega Bank (MB) is a \$517.5 million community bank headquartered in San Gabriel, California. MB is a Chinese minority depository institution that offers traditional community banking services. The institution does not have a holding company or any affiliates. MB received a Satisfactory CRA Rating at its prior FDIC Performance Evaluation dated November 15, 2021, based on Interagency Intermediate Small Institution Examination Procedures.

MB operates four branches, of which three are located in Los Angeles County and one is located in Orange County. On January 31, 2022, MB closed its Irvine branch and opened a new Irvine branch approximately 4 miles away from the previous location. There was no impact to LMI areas as the prior branch was located in a middle-income census tract (CT) while the new branch is located in an upper-income CT.

Loan product offerings include commercial real estate, commercial and industrial, construction, multi-family, and SBA government-guaranteed loans. MB does not originate residential mortgage loans. The institution's lending strategy changed significantly since the prior evaluation. In 2022, MB began purchasing commercial and industrial loans from a new third party, Bankers Healthcare Group (BHG). In 2024, MB also commenced purchasing a significant volume of consumer loans from BHG and resumed purchasing a significant volume of consumer auto loans from Woodside Credit. Lastly, the institution ceased purchasing mortgage loans from 2021 through 2023, and subsequently began purchasing mortgage loans in 2024 from a new third party, xChange Mortgage.

The institution offers a variety of deposit products including checking, savings, money market, and certificates of deposit. Alternative delivery systems include online and mobile banking, remote deposit capture, and an ATM at each branch location. Beginning in February 2024, MB introduced Zelle, a peer-to-peer payment service for its consumer deposit account holders.

According to the September 30, 2024 Call Report, the institution reported total assets of \$517.5 million, total deposits of \$439.1 million, total loans of \$405.6 million, and total equity capital of \$65.1 million. The table on the following page illustrates MB's loan portfolio distribution as of September 30, 2024.

Loan Portfolio Distribution as of 09/30/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	118,088	29.1
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	28,529	7.0
Secured by Multifamily (5 or more) Residential Properties	32,640	8.0
Secured by Nonfarm Nonresidential Properties	165,863	40.9
Total Real Estate Loans	345,120	85.0
Commercial and Industrial Loans	18,247	4.5
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	7,549	1.9
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Loans to Nondepository Financial Institutions	19,830	4.9
Lease Financing Receivable (net of unearned income)	14,902	3.7
Less: Unearned Income	(55)	(0.0)
Total Loans	405,593	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the institution's ability to meet AA credit needs.

DESCRIPTION OF ASSESSMENT AREA

MB delineated one AA wholly consisting of Los Angeles and Orange Counties. Together these two counties comprise the Los Angeles-Long Beach-Anaheim, CA MSA. The delineated AA complies with the technical requirements of the CRA regulations and does not arbitrarily exclude any LMI areas.

Economic and Demographic Data

Based on the 2020 U.S. Census Bureau data, the AA consists of 3,112 CTs of which 178 are low-, 856 are moderate-, 926 are middle-, 1,071 are upper-income, and 81 do not have an income designation. The table on the following page illustrates the AA demographic characteristics according to the 2020 U.S. Census data and the 2024 D&B data.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3,112	5.7	27.5	29.8	34.4	2.6
Population by Geography	13,200,998	5.2	28.3	30.9	34.4	1.1
Housing Units by Geography	4,661,034	4.8	25.4	29.8	38.7	1.3
Owner-Occupied Units by Geography	2,129,700	1.4	17.1	31.6	49.6	0.3
Occupied Rental Units by Geography	2,242,805	8.2	33.8	28.7	27.3	2.0
Vacant Units by Geography	288,529	4.4	21.4	25.3	46.4	2.4
Businesses by Geography	2,120,886	3.4	19.0	27.3	47.6	2.6
Farms by Geography	21,319	2.8	18.7	29.0	47.9	1.5
Family Distribution by Income Level	2,953,482	23.7	16.5	17.9	41.9	0.0
Household Distribution by Income Level	4,372,505	25.6	15.2	16.7	42.5	0.0
Median Family Income MSA - 31084 Los Angeles-Long Beach-Glendale, CA		\$80,317	Median Housing Value			\$696,400
Median Family Income MSA - 11244 Anaheim-Santa Ana-Irvine, CA		\$106,451	Median Gross Rent			\$1,676
			Families Below Poverty Level			9.6%
Source: 2020 U.S. Census and 2024 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

During the evaluation period, the source of demographic data for the AA changed from the 2015 ACS data to the 2020 U.S. Census data. Notable changes between the 2015 ACS data and the 2020 U.S. Census data include the number of CTs in the AA increased from 2,929 to 3,112, the median family income for the Los Angeles-Long Beach-Glendale MD increased from \$62,703 to \$80,317, and the median family income for the Anaheim-Santa Ana-Irvine MD increased from \$86,003 to \$106,451.

Examiners also obtained economic information from Moody's Analytics as of November 2024. The following includes discussions of employment conditions, housing affordability, and major employers in each county.

Los Angeles County

Los Angeles County's economy is experiencing a downturn. The entertainment industry has been slow to rebound following the labor strikes in 2023 while unemployment has slowly risen from 4.7 to 4.8 percent in the past year, with most gains coming from a slow labor force rebound. The healthcare and logistics industries are strong, but gains in those areas are only offsetting weaknesses in the entertainment and technology industries. Los Angeles County continues to lose more residents on net than before the pandemic, driven by high costs of living and a housing shortage. The area's strengths include a strong healthcare base and a growing technology presence that

provides well-paying jobs; global links through entertainment, tourism, and fashion; a diverse industrial base; and San Pedro Harbor's ability to accept megaships. Weaknesses include high costs and out-migration; susceptibility to disaster such as drought, wildfires, and earthquakes; and the effect of consumer sentiment on trade activity at the ports. The top employers in the area are Cedars-Sinai Medical Center; Los Angeles International Airport; University of California, Los Angeles; VXI Global Solutions; and the Walt Disney Company.

Orange County

Orange County's economy is strong but has experienced a recent slowdown. Housing prices continue to rise at a faster rate than the rest of the U.S and are increasing further. Unemployment is trending at 4.0 percent, above the prior year's rate of 3.5 percent. Employment gains in healthcare, technology, and hospitality have slowed and are struggling to offset losses in manufacturing. Strengths include a highly trained, well-educated workforce; lower business costs than the Bay Area; and a coastline and climate that attract residents and tourism. Weaknesses include a contracting population, tourism's sensitivity to changes in consumer sentiment, and sensitivity to the capital-raising aspect of business cycle fluctuations. The area's top employers include Disney Resorts; University of California, Irvine; Peraton State and Local Inc.; Broadcom; and Kaiser Permanente.

Competition

Financial services are highly competitive in the AA. According to the June 30, 2024 FDIC Deposit Market Share Report, 107 financial institutions operate 1,968 offices within the AA. Including MB, the 107 FDIC-insured institutions account for over \$667.1 billion in total deposits within the AA. MB ranks 60th and holds 0.07 percent of the total deposit market share within the AA. The top 5 institutions control 62.5 percent of the AA's deposit market share with combined deposits of approximately \$417.2 billion.

Community Contact

Examiners reviewed one recent community contact interview with a local CDFI that makes direct loans and investments in community and economic development projects. The contact noted that the AA has experienced some economic improvements and revitalization since the COVID-19 pandemic; however, the current economic conditions still present challenges. Real estate projects in the area face historically high construction costs, as well as a challenging regulatory and political environment. Small business owners face challenges such as past due lease payments and increased costs for labor, food, and other supplies, which has led to an increased need for capital. The contact also noted that a shift in consumer behavior has affected business in the area, with much less daytime activity in downtown areas. Further, high costs of living make it difficult for many of the area's primary industries, such as service and tourism, to find workers, resulting in many businesses operating with limited workforce. The contact identified a need for subsidies, grants, and financing for economic development projects. Local small businesses need fixed, low-rate loans with longer terms. Additional opportunities include involvement in federally guaranteed lending programs, pass-through grants to small business for equipment, more affordable capital to CDFIs, and permanent financing for affordable housing projects.

Credit and Community Development Needs and Opportunities

Considering area demographics, economic data, and community contact information, examiners determined that small business lending represents the AA's primary credit need. Additionally, there is a CD need for affordable housing.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated November 15, 2021, to the current evaluation dated January 21, 2025. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate MB's CRA performance.

Activities Reviewed

Examiners determined that MB's major product lines are small business and consumer loans. This conclusion considered the bank's business strategy, loan portfolio composition, and the number and dollar volume of loans originated and purchased during the evaluation period. In 2024, MB purchased 7 home mortgage loans totaling \$4.8 million. Examiners analyzed these purchased home mortgage loans but did not present them in this Performance Evaluation as the nominal volume would not affect the Lending Test conclusions. MB does not offer small farm loans. In 2024, MB began purchasing a significant volume of consumer loans from BHG and resumed purchasing a significant volume of consumer auto loans from Woodside Credit. Examiners reviewed these purchased consumer loans and determined that they represent a major product line by both number and dollar volume. As a result, consumer loans are included in this Performance Evaluation.

Examiners considered the universe of small business loans originated and purchased from January 1, 2021 to December 31, 2024, as collected within the bank's records. During the evaluation period, MB originated or purchased 7 small business loans totaling \$3.7 million in 2021, 75 small business loans totaling \$18.6 million in 2022, 41 small business loans totaling \$11.0 million in 2023, and 34 small business loans totaling \$8.7 million in 2024. Examiners analyzed and presented all four years of small business lending data due to lending volume fluctuations.

Examiners also considered the universe of consumer loans purchased from January 1, 2024 to December 31, 2024, as collected within the bank's records. During the evaluation period, MB purchased 158 consumer loans totaling \$15.8 million in 2024. Examiners only presented purchased consumer loans from 2024 since this was the only year during the evaluation period in which MB purchased such loans.

Given the institution's primary product offering of commercial loans as well as the greater duration of commercial lending focus during the evaluation period, examiners placed greater weight on MB's small business loan performance. While both the number and dollar volume of loans are presented in tables, examiners emphasized performance by number volume since it is a better indicator of the number of businesses and individuals served. Examiners compared MB's lending

performance to D&B data, 2015 ACS data, 2020 U.S. Census data, and the institution's previous performance.

The evaluation of CD activities included all qualified activities since the prior evaluation date of November 15, 2021 to the start of this evaluation. Examiners also considered any qualified prior period investments that were still outstanding as of the current evaluation date.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

MB's Lending Test performance is rated Needs to Improve. Performance under the Assessment Area Concentration and Borrower Profile criteria primarily support this conclusion.

Loan-to-Deposit Ratio

MB's LTD ratio is reasonable given the institution's size, financial condition, and AA credit needs. The net LTD ratio averaged 88.8 percent over the past 12 quarters from December 31, 2021 to September 30, 2024. The ratio ranged from a low of 81.0 percent as of March 31, 2024, to a high of 95.5 percent as of June 30, 2022. MB's average LTD ratio was below but within a reasonable range of three similarly-situated institutions. Examiners selected the similarly-situated institutions based on asset size, geographic location, and lending focus. The following table shows MB's average net LTD ratio compared to the similarly-situated institutions.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 09/30/2024 (\$000s)	Average Net LTD Ratio (%)
Mega Bank	517,535	88.8
Similarly-Situated Institution #1	661,901	97.1
Similarly-Situated Institution #2	562,346	132.3
Similarly-Situated Institution #3	893,022	92.4
Source: Reports of Condition and Income 12/31/2021 – 09/30/2024		

Assessment Area Concentration

MB made a substantial majority of its small business and consumer loans outside its AA. Overall, the institution originated or purchased 15.2 percent by number and 32.8 percent by dollar volume of small business and consumer loans in the AA. The table on the following page shows the distribution of lending inside and outside the AA for each loan product's evaluated year.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Small Business										
2021	3	42.9	4	57.1	7	1,484	40.2	2,212	59.8	3,696
2022	12	16.0	63	84.0	75	7,327	39.3	11,318	60.7	18,645
2023	9	22.0	32	78.0	41	4,312	39.2	6,686	60.8	10,998
2024	13	38.2	21	61.8	34	4,731	54.6	3,926	45.4	8,657
Subtotal	37	23.6	120	76.4	157	17,854	42.5	24,142	57.5	41,996
Consumer										
2024	11	7.0	147	93.0	158	1,112	7.0	14,687	93.0	15,799
Total	48	15.2	267	84.8	315	18,966	32.8	38,829	67.2	57,795
Source: Bank Data Due to rounding, totals may not equal 100.0%										

MB's lending inside its AA declined substantially from the prior evaluation where the institution originated or purchased 70.5 percent by number and 75.2 percent by dollar volume of small business and mortgage loans in the AA. The institution's significant decline in Assessment Area Concentration performance is due to MB's strategy to purchase commercial and industrial loans on a nationwide basis beginning in 2022 and consumer loans on a nationwide basis in 2024.

Geographic Distribution

The geographic distribution of small business and consumer loans reflects reasonable dispersion throughout the AA.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. The following table depicts the geographic distribution of small business loans within the AA by year and income level.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2021	4.9	0	0.0	0	0.0
2022	3.4	1	8.3	250	3.4
2023	3.4	0	0.0	0	0.0
2024	3.4	3	23.1	1,636	34.6
Moderate					
2021	19.3	0	0.0	0	0.0
2022	18.6	4	33.4	3,183	43.4
2023	18.7	1	11.2	362	8.4
2024	19.0	1	7.7	990	20.9
Middle					
2021	24.7	0	0.0	0	0.0
2022	27.3	1	8.3	250	3.4
2023	27.8	4	44.4	1,756	40.7
2024	27.3	5	38.4	459	9.7
Upper					
2021	49.3	3	100.0	1,484	100.0
2022	48.1	6	50.0	3,644	49.8
2023	47.5	4	44.4	2,194	50.9
2024	47.6	3	23.1	796	16.8
Not Available					
2021	1.9	0	0.0	0	0.0
2022	2.6	0	0.0	0	0.0
2023	2.6	0	0.0	0	0.0
2024	2.6	1	7.7	850	18.0
Totals					
2021	100.0	3	100.0	1,484	100.0
2022	100.0	12	100.0	7,327	100.0
2023	100.0	9	100.0	4,312	100.0
2024	100.0	13	100.0	4,731	100.0
Source: 2021, 2022, 2023 & 2024 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

MB's small business lending in low-income CTs varied throughout the evaluation period. In 2021, the institution did not make any small business loans in low-income CTs. MB's performance improved in 2022 and outperformed D&B data for this year. The institution's performance declined in 2023 with zero loans in low-income CTs but improved significantly in 2024.

Similarly, the institution's small business lending in moderate-income CTs fluctuated during the evaluation period with zero loans in moderate-income CTs in 2021. The institution's performance improved significantly in 2022 where it was nearly double D&B data. However, MB's performance declined again in 2023 and 2024 to levels below D&B data. Overall, the institution's performance fluctuated but remained reasonable.

Consumer Loans

The geographic distribution of consumer loans reflects reasonable dispersion throughout the AA. The following table details the geographic distribution of consumer loans within the AA by income level.

Geographic Distribution of Consumer Loans					
Tract Income Level	% of Households	#	%	\$(000s)	%
Low					
2024	4.9	0	0.0	0	0.0
Moderate					
2024	25.7	3	27.3	121	10.9
Middle					
2024	30.1	1	9.1	30	2.7
Upper					
2024	38.2	7	63.6	961	86.4
Not Available					
2024	1.2	0	0.0	0	0.0
Totals					
2024	100.0	11	100.0	1,112	100.0
Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%					

Although MB did not purchase any consumer loans in low-income CTs in 2024, the percentage of households within the AA indicated a limited opportunity in such CTs. The institution's volume of purchased consumer loans within moderate-income CTs was slightly higher than the percentage of households in moderate-income CTs. Overall, MB's performance was reasonable.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, poor penetration among businesses of different sizes and individuals of different income levels, including LMI.

Small Business Loans

The distribution of borrowers reflects poor penetration among businesses of different sizes. The following table illustrates MB's small business loans by gross annual revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	90.6	1	33.3	400	27.0
2022	91.7	6	50.0	3,896	53.2
2023	92.4	2	22.2	542	12.6
2024	92.7	6	46.1	2,674	56.5
>\$1,000,000					
2021	3.8	1	33.3	984	66.3
2022	3.2	5	41.7	3,331	45.5
2023	2.9	6	66.7	3,670	85.1
2024	2.7	5	38.5	1,641	34.7
Revenue Not Available					
2021	5.6	1	33.3	100	6.7
2022	5.1	1	8.3	100	1.3
2023	4.8	1	11.1	100	2.3
2024	4.6	2	15.4	416	8.8
Totals					
2021	100.0	3	100.0	1,484	100.0
2022	100.0	12	100.0	7,327	100.0
2023	100.0	9	100.0	4,312	100.0
2024	100.0	13	4,731	4,731	100.0
Source: 2021, 2022, 2023 & 2024 D&B Data; Bank Data; "—" data not available. Due to rounding, totals may not equal 100.0%					

MB's lending to businesses with revenues of \$1.0 million or less fluctuated throughout the evaluation period but remained significantly below D&B data for all four years. In 2021, MB made 33.3 percent of its small business loan to businesses with revenues of \$1.0 million or less; however, examiners noted that the institution only made three small business loans inside the AA this year. Although the institution's performance improved in 2022 to 50.0 percent, it declined significantly in 2023 to 22.2 percent. MB's borrower profile performance improved in 2024 but remained half the corresponding D&B data for that year.

While not used as a direct benchmark for lending performance, aggregate lending data is a useful tool to gauge small business lending activity in the AA. In 2022, aggregate lending data showed that 51.9 percent of reported small business loans were originated to businesses with revenues of

\$1.0 million or less. MB's 2022 performance of 50.0 percent was similar to the reported aggregate data. Aggregate data for 2023 and 2024 was not available as of the date of this evaluation.

Examiners noted a significant decline in the bank's performance from the prior evaluation where MB originated 42.9 percent in 2018 and 75.0 percent in 2019 of its small business loans to businesses with revenues of \$1.0 million or less. Although the institution's performance declined in 2020 to 3.6 percent, this was due to MB's large volume of SBA Payment Protection Program loan originations. In 2020, the institution originated 134 loans under the program, of which 80.6 percent had loan amounts of \$100,000 or less. Considering MB's weak performance against D&B data and the decline in performance since the prior evaluation, MB's overall small business borrower profile performance is poor.

Consumer Loans

The distribution of borrowers reflects very poor penetration among individuals of different income levels. The following table illustrates the institution's consumer loans by borrower income level.

Distribution of Consumer Loans by Borrower Income Level					
Borrower Income Level	% of Households	#	%	\$(000s)	%
Low					
2024	25.6	0	0.0	0	0.0
Moderate					
2024	15.2	0	0.0	0	0.0
Middle					
2024	16.7	0	0.0	0	0.0
Upper					
2024	42.5	11	100.0	1,112	100.0
Not Available					
2024	0.0	0	0.0	0	0.0
Totals					
2024	100.0	11	100.0	1,112	100.0
Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0					

In 2024, all of the purchased consumer loans were made to upper-income individuals. The institution did not purchase any consumer loans to LMI individuals in 2024.

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

MB's CD Test performance is rated Satisfactory. The institution's CD performance demonstrates adequate responsiveness to CD needs in its AA through CD loans, qualified investments, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the AA.

Community Development Loans

During the evaluation period, MB originated 22 CD loans totaling \$56.9 million. The institution's volume of CD lending represents 11.9 percent of average total assets and 15.6 percent of average total loans. MB's level of CD lending increased significantly and is more than double the volume noted at the prior evaluation where the institution originated 13 CD loans for \$23.6 million. The institution's CD lending as a percentage of average total assets and average total loans also increased significantly from the prior evaluation's figures of 6.0 percent and 7.4 percent, respectively. The following table depicts MB's CD lending by year and CD category.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
11/15/2021 – 12/31/2021	0	0	0	0	0	0	1	5,000	1	5,000
2022	2	5,830	1	1,000	3	3,348	0	0	6	10,178
2023	0	0	1	1,471	7	17,865	2	12,742	10	32,078
2024	2	4,220	0	0	3	5,448	0	0	5	9,668
Total	4	10,050	2	2,471	13	26,661	3	17,742	22	56,924
<i>Source: Bank Data</i>										

The following are notable examples of MB's CD loans.

- In 2021, MB refinanced a \$5.0 million loan that supported the revitalization and stabilization of a moderate-income CT. The borrower intends to use the loan proceeds to renovate a commercial retail property to attract new businesses to the moderate-income CT.
- In 2022, the institution originated a \$1.0 million line of credit to a community service organization. The organization provides mental health and social services to LMI youth, foster children, and families in the AA. Since 1989, the organization has helped over 30,000 children and families in Los Angeles County's LMI areas.
- In 2023, MB refinanced a \$1.5 million loan for the purpose of converting and renovating a commercial property into a transitional housing facility. The borrower's mission is to provide temporary, short-term, and long-term housing to the AA's homeless population.

In addition to the CD loans listed in the table, MB originated 13 CD loans totaling \$23.6 million that supported economic development in the broader statewide area that includes the institution's AA. Since MB has been responsive to the CD needs of its AA, examiners positively considered

these 13 CD loans. Overall, MB's total level of CD lending by dollar volume was significantly higher than two similarly-situated institutions. Specifically, MB's total CD lending was 34.7 percent higher than one similarly-situated institution and 39.0 percent higher than the second similarly-situated institutions.

Qualified Investments

Overall, MB made and/or maintained \$796,300 in qualified investments and donations, which represents 0.2 percent of average total assets and 4.9 percent of average total securities since the prior evaluation. The institution's level of qualified investment and donation activity declined from the prior evaluation where it made and/or maintained \$4.1 million in qualified investments. Additionally, MB's level of qualified investments by dollar volume is lower than two similarly-situated institutions.

The current qualified investment activity consists of 2 new deposits totaling \$500,000 in 2 CDFIs headquartered in the AA, 1 prior period investment with an outstanding amount of \$250,000 in a nationwide economic development organization, and 11 CD donations totaling \$46,300 to community service organizations.

The following is a description of MB's notable qualified investment and donation activity.

- MB continues to hold \$250,000 in a prior period investment with a nationwide CDFI headquartered in Los Angeles. The CDFI supports economic development opportunities for small business borrowers in LMI areas. The organization is ranked second nationwide in SBA Community Advantage lending, and also administers government and private grant programs.
- MB granted a total of \$40,000 during the evaluation period to a philanthropic community service organization that serves LMI youth in the AA through higher education scholarships.
- During the evaluation period, the institution granted \$6,000 in CD donations to a community service organization that assists LMI communities with employment, education, housing, and business development.

Community Development Services

During the evaluation period, MB employees provided 291 CD service hours of financial expertise or technical assistance to 2 different organizations. This level of CD service activity represents an increase in CD service hours since the prior evaluation's 221 hours of CD service, but a decrease in the prior evaluation's number of 5 organizations. MB's level of CD service hours was below one similarly-situated institution but in line with another similarly-situated institution. The table on the following page shows CD service activities by hours, year, and CD purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
11/15/2021 – 12/31/2021	0	0	0	0	0
2022	0	44	36	0	80
2023	0	80	38	0	118
2024	0	78	15	0	93
Total	0	202	89	0	291
<i>Source: Bank Data</i>					

The following is a description of MB's CD service activity.

- Several MB employees used their financial expertise to select LMI students for higher education scholarships.
- MB's president served on the loan committee of a qualified economic development organization that assists LMI communities with employment, education, housing, and business development.

Additionally, MB's San Gabriel headquarters and branch is located in a moderate-income CT. This location operates an ATM and offers the same loan and deposit products, and alternative delivery systems noted in the Description of Institution section.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.