



## **PUBLIC DISCLOSURE**

June 30, 2014

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

City First Bank of D.C., National Association  
Charter Number 22968

1432 U Street, NW  
Washington, DC 20009

Office of the Comptroller of the Currency

Washington, D.C. Field Office  
400 7th Street SW  
Washington, D.C. 20291

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S CRA RATING: Outstanding**

**The Lending Test is rated: Outstanding**

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

The major factors that support these ratings include:

- The loan-to-deposit ratio is more than reasonable based on the Bank's size and relevant competitive factors.
- The Bank's record of lending in its assessment area is outstanding. Of the total loans originated during the evaluation period, a substantial majority were originated within the Bank's assessment area.
- The overall performance of lending to businesses of different sizes reflects excellent penetration of lending to small businesses.
- The overall performance of geographic distribution of small business loans reflects excellent dispersion of lending in low- to moderate-income tracts.
- The Bank's community development activities demonstrate outstanding responsiveness to the community development needs of its assessment area.

## **SCOPE OF EXAMINATION**

The Community Reinvestment Act (CRA) Performance Evaluation (PE) for City First Bank of DC (“CFB” or “Bank”) was conducted in accordance with the small bank evaluation procedures. This Small Bank examination assesses the Bank’s performance under the lending test. The lending test evaluates the Bank’s record of meeting the credit needs of its assessment area (AA) through its lending activities. In addition to the lending test, CFB requested a review and evaluation of its performance in community development lending, qualified investments, and community development services.

The evaluation period for the lending test is January 1, 2012 through March 31, 2014. Based upon the Bank’s business strategy and loan portfolio composition at March 31, 2014, the Bank’s primary loan product is small business lending. Therefore, conclusions regarding the Bank’s lending performance are based on small business lending.

The evaluation period for the Community Development (CD) test is November 14, 2007 through June 30, 2014. The CD test evaluates the Bank’s responsiveness to the community development needs of its assessment area through its CD lending, qualified investments, and CD services. To perform the community development test, we reviewed all of the CD loans, qualified investments, and CD services management submitted to ensure that they met the regulatory definition for community development.

## **DESCRIPTION OF INSTITUTION**

City First Bank of DC is a designated Community Development Financial Institution (CDFI) headquartered in Washington D.C. The Bank opened on November 24, 1998, and is wholly owned by CFBanc Corporation, Inc., a one-bank holding company. CFB has one wholly owned subsidiary, City First New Markets Advisors (CFNMA), which was created to administer the New Market Tax Credit (NMTC) transactions. Subsidiary activities were considered in the Community Development evaluation.

As of March 31, 2014, the Bank had total assets of \$211 million and Tier 1 Capital of \$31.7 million. At March 31, 2014, the Bank reported net loans and leases of \$149.7 million, or 71% of total assets.

CFB's primary mission is to provide financial and other services in low- to moderate-income communities in Washington, D.C. The Bank targets the underserved neighborhoods east of the Anacostia River, Ward 6, Ward 7 and Ward 8, as well as other local underserved suburban communities. CFB's mission is providing credit, banking services, and access to financial education for individuals, organizations and businesses. The Bank's primary customers are developers, small businesses and nonprofit organizations that are involved in the delivery of education, community services, or affordable housing to low- and moderate-income individuals and families.

CFB offers a full range of banking and financial services, including specialized products that are designed to support their Community Development mission. The Bank has three primary lending niches. The first is commercial real estate lending for the acquisition and renovation of affordable housing and urban retail and office locations. The second is nonprofit facility and working capital lending for day care centers, homeless shelters, charter schools, special-needs housing, and faith-based organizations. The third is small business lending including lines of credit, term loans, letters of credit, and Small Business Administration (SBA) guaranteed loans. Deposit products and services include checking and savings accounts with no fees and minimal deposit balance requirements, certificates of deposit, and money market accounts.

All of the Bank's products and services are available at CFB's only full service branch located at 1432 U Street, NW, Washington D.C. The bank also offers e-banking services to its customers. The Bank's sole branch is located in a moderate-income geography surrounded by primarily low- and moderate-income census tracts. There have been no branches opened or closed, and there were no mergers or acquisitions since the last CRA evaluation.

CFB was assigned an Outstanding CRA rating at its preceding CRA evaluation dated November 13, 2007. There were no legal or regulatory impediments adversely affecting the Bank's ability to meet community credit needs during this review period.

## **DESCRIPTION OF ASSESSMENT AREA**

CFB's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. The Bank has one assessment area (AA) that includes all 179 census tracts located in Washington, D.C. These 179 census tracts are located within the Washington-Arlington-Alexandria metropolitan statistical area (MSA).

In assessing the Bank’s performance, we contacted a community service organization and reviewed other community contact data to gain a better understanding of the community needs. Affordable housing, lack of capital for small businesses, and financial literacy education are the primary concerns in the assessment area. The contact specifically noted Wards 7 and 8 as significantly underserved and in need of better access to traditional banking services and affordable housing. According to the community contact, there are opportunities for local financial institutions to participate in the community beyond monetary contributions. The contact stressed that financial literacy and educational training programs, specifically to youth, administered by bank staff would be beneficial to the community.

City First’s main areas of focus are neighborhoods east of the Anacostia River, specifically Wards 6, 7, and 8. Per the 2010 U.S. Census, the total population for Wards 7, and 8 are 71,068 and 73,662, respectively. Ward 7 has a poverty rate of 26% and Ward 8 has a poverty rate of 37%. As of January 2014, the Bureau of Labor Statistics reported that the unemployment rate for Ward 7 is 11.6%, which decreased more than 7% from a high of 18.3% in June 2011. Similarly, the unemployment rate in Ward 8 decreased more than 9% from a high of 26.9% to 17.7%. Both Ward 7 and 8 show a high rate of unemployment in comparison to the citywide rate of 7.5%. Consequently, these focus areas experience a high level of distress within the Washington, D.C. area. In Ward 8, the median household income is \$28,536 (26.9% of HUD adjusted median income), and 66% of households have income below \$49,999. Similarly, the median household income for Ward 7 is \$36,188 (34.2% of HUD adjusted median income), and 64% of households have income below \$49,999.

Table 1 includes 2010 Census data, sets forth certain demographic characteristics of the Bank’s assessment area:

<b>Table 1: Demographic Information for City First 2014 AA</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	179	32.40	26.82	13.41	25.70	1.68
Population by Geography	601,723	31.27	24.89	12.23	30.34	1.27
Owner-Occupied Housing by Geography	111,879	17.28	25.65	16.37	40.70	0.00
Business by Geography	77,061	12.26	21.66	10.61	52.36	3.12
Farms by Geography	325	16.00	22.46	11.69	49.54	0.31
Family Distribution by Income Level	109,171	38.50	15.62	13.91	31.97	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	59,086	52.15	29.37	8.85	9.63	0.00

Median Family Income	100,890	Median Housing Value	470,441
HUD Adjusted Median Family Income for 2013	105,900	Unemployment Rate (April 2014 Bureau of Labor Statistics)	7.5%
Households Below Poverty Level	16%		

Source: 2010 US Census and 2013 HUD updated MFI.

Of the 179 census tracts located in the Bank’s assessment area there are 58 low-income geographies (32.40%), 48 moderate-income geographies (26.82%), 24 middle-income geographies (13.41%), 46 upper-income geographies (25.70%), and 3 geographies (1.68%) that were not assigned an income classification.

The 2010 Census data reported the total population of the assessment area at 601,723. Within the assessment area, there are 109,171 families. Of these, 38.50% of families are low-income, 15.62% of families are moderate-income, 13.91% of families are middle-income, and 31.97% of families are upper income. Median family income is \$100,890 and approximately 16% of households are below the poverty level. The median housing value is \$470,441. According to the 2010 Census, the Washington, D.C. region is experiencing rapid growth in outer suburban jurisdictions. Since the 2000 Census, the number of people living in outer suburbs increased by 45%.

Business in the Bank’s assessment area total 77,061. Of these, 12.26% are in low-income census tracts, 21.66% are in moderate-income tracts, 10.61% are in middle-income tracts, and 52.36% are in upper-income tracts. The top five occupations held by individuals in the assessment area are office and administrative support (13.9%), business and financial operations (10.1%), sales and related (8.5%), management (8%), and computer and mathematical (7.7%). Based on data from the Bureau of Labor Statistics, the top five employers in the assessment area based on the number of people employed include the Federal Government, Medstar Health, Northrup Grumman, Verizon Wireless, and Walmart.

The Bank faces competition from branches of larger regional and national banks as well as local community banks in its assessment area. These larger financial institutions have extensive branch network systems throughout the region. According to the June 30, 2013 FDIC Summary of Deposit Market Share report, five financial institutions have 61.35% of the deposit market share, while CFB has 0.10% of its assessment area’s deposit market share.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Lending Test

CFB’s performance under the lending test is Outstanding. CFB has excellent penetration among businesses of different sizes. The bank’s geographic distribution of business loans reflects an excellent dispersion throughout census tracts of different income levels. The lending test criteria are documented below.

### Loan-to-Deposit Ratio (LTDR)

CFB’s average LTDR for the nine quarters of the review period is more than reasonable. The Bank’s average LTDR of 80.73% compares favorably to its peer average of 76.36%. The bank’s LTDR ranged from a quarterly low of 72.78% to a quarterly high of 88.50% during this review period.

### Lending in Assessment Area

CFB’s lending in assessment area is more than reasonable. Based on our loan sample, the bank originated 82.05% of the number and 83.92% of the dollar amount of small business loans in its Bank’s AA.

Table 2 details the Bank’s lending within the AA by number and dollar amount of loans:

<b>Table 2 - Lending in the Washington DC AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	32	82.05%	7	17.95%	39	15,991	83.92%	3,065	16.08%	19,056

Source: *Sampled business loan data 1/1/12-3/31/14; Data collected by the Bank.*

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

CFB’s record of lending to businesses of different sizes is Outstanding. The distribution of loans reflects excellent penetration among businesses of different sizes. The percentage of small loans to small businesses (businesses with gross annual revenues of \$1 million or less) exceeds the percentage of small businesses in the AA.

Table 3 details the Bank’s performance in lending to businesses of different sizes:

<b>Table 3 - Borrower Distribution of Loans to Businesses in the Washington DC AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65.82%	0.00%	34.18%	100%
% of Bank Loans in AA by #	68.75%	31.25%	0%	100%
% of Bank Loans in AA by \$	70.20%	29.80%	0%	100%

Source: Sampled business loan data 1/1/12-3/31/14; Data collected by the Bank.

**Geographic Distribution of Loans**

The geographic distribution of small business loans is more than reasonable. The distribution of loans to businesses reflects excellent dispersion among businesses in low- and moderate-income census tracts. The percentage of loans to businesses in low- and moderate-income geographies significantly exceeds the percentage of businesses in the respective geographies.

Table 4 details the Bank’s performance as compared to the percentage of businesses in each census tract income level:

<b>Table 4 - Geographic Distribution of Loans to Businesses in the Washington DC AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans
Business	12.26	50.00	21.66	43.75	10.61	0.00	52.36	6.25

Source: Sampled business loan data 1/1/12-3/31/14; Data collected by the Bank.

**Community Development Test**

CFB’s performance under the community development test is “outstanding” and exceeds the standards for satisfactory performance in its responsiveness to the community development needs of its assessment area. CFB has demonstrated an excellent responsiveness to the community development needs of the AA, considering its performance context and the needs and opportunities within the AA. The examiner considered community development activities submitted by the Bank from November 14, 2007 through June 30, 2014.

**Number and Amount of Community Development Loans**

CFB’s record of community development lending is excellent. During the evaluation period, CFB originated 208 qualified community development loans totaling \$179.7 million in its AA, and 45 qualified community development loans totaling \$49 million



outside its AA. The following highlights some examples of the types of community development loans the Bank originated in the AA:

- CFB extended a \$4 million loan to renovate a property owned by a cooperative association located in a moderate-income census tract. The loan helped to preserve the affordability of 92 units in a rapidly gentrifying neighborhood.
- The Bank extended a \$2 million line of credit, with a one-time option to convert to a 24-month term loan at below market pricing, to a national nonprofit. Loan proceeds will be used to finance affordable housing and community facilities in underserved markets.
- The Bank extended a \$3 million loan to refinance an 84-unit apartment building in a middle-income area. The units are leased at below market pricing, making the building affordable to moderate-income families.
- CFB originated a \$1.1 million loan to refinance a 14,759 square foot facility that provides at-risk children with arts education, financial literacy and obesity prevention programs to enhance life skills. The facility is located in a moderate-income census tract, serving 5,380 low-income children and clients per year. The loan aided in retention of ten jobs.
- CFB extended a \$1.87 million loan for the acquisition and renovation of a 26-unit apartment building located in a low-income tract. The building will be converted into 29 housing units, all of which will be affordable for low- and moderate-income families.
- The Bank originated a \$1.65 million loan to purchase a defaulted multifamily property located in a low-income census tract. All of the 36 units required rehabilitation. The rent will be below market, making units affordable for low-income families.

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

CFB's record of qualified investments is excellent. During the evaluation period, CFB made 85 grants and donations totaling \$240,280 to organizations that provide economic development, affordable housing, and community services to low-and-moderate income individuals.

In addition, the Bank made four investments in the form of concessionary loans to CDFIs, which totaled \$6 million. These loans were made with concessionary features,

allowing borrowers to re-lend the funds to other businesses at a higher rate and use the difference to cover operations and administrative costs.

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

CFB provides an outstanding level of community development services within its assessment area. The Bank's Board of Directors and staff members are actively engaged in providing support to community development organizations and in volunteer efforts. The Bank provided support to community development organizations including small business and economic development, affordable housing, and community services, which target low- and moderate-income individuals and families. The following highlights the community development services provided during the evaluation period:

- One Bank officer provides financial expertise by reviewing business plans of start-up day care and home childcare centers applying for grant funds for a local nonprofit organization;
- One Board member sits on the finance committee for a non-profit organization made up of over 300 non-profit organizations that work together to improve the quality of life for the greater Washington area.
- One Bank employee provides financial expertise by offering volunteer tax assistance to low- and moderate-income individuals through a nonprofit organization;
- Bank officers currently serve on the Low Income Investment Fund Board of Directors. Low Income Investment Fund is an organization dedicated to creating pathways for low-income people and communities.

In addition to the above, CFB provides community development services through its participation in the New Markets Tax Credit Program (NMTC). Established by Congress in 2000, the NMTC aims to provide a reduction in federal liability to investors who are willing to finance commercial development in low-income communities. City First Bank, one of the first recipients, has been awarded \$418 million in NMTC since the beginning of the NMTC program. The Bank received \$255 million in NMTC during the evaluation period. The NMTC has helped to provide affordable housing to individuals and families in low- and moderate-income areas. In addition, it has helped create community facilities and revitalize the community with respect to CFB's mission of improving the economic vitality of the low-wealth communities it serves. In May of 2014, the Bank's affiliate had deployed all previously awarded tax credits and was awarded an additional \$48 million in NMTCs, with the expectation that at least half of the allocation be

deployed to distressed communities by the end of the year. The NMTC allocation authority will invest in projects to distressed low-income communities in Washington D.C., Maryland, Virginia, Delaware and Pennsylvania.

### **Responsiveness to Community Development Needs**

The Bank's community development activities demonstrate outstanding responsiveness to the community development needs of its assessment area.

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

Pursuant to 12 CFR 25.28(c) or 12 CFR 195.28(c), in determining a National Bank's (Bank) or Federal Savings Association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the Bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the Bank's or FSA's lending performance.

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