

PUBLIC DISCLOSURE

April 8, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Farmers and Merchants Bank of Central California
12-06-0580-0000**

121 West Pine Street, Lodi, California 95240

**FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET
SAN FRANCISCO, CALIFORNIA 94105**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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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 subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Farmers and Merchants Bank of Central California** prepared by the **Federal Reserve Bank of San Francisco**, the institution's supervisory agency, as of April 8, 1996. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Farmers and Merchants Bank of Central California's overall CRA (Community Reinvestment Act) performance is rated satisfactory based upon a review of its provision of credit, qualified investments, and services to its community. Evidence was found during the examination that management had taken an affirmative role in meeting credit needs throughout its assessment area, including low- and moderate-income neighborhoods, low- and moderate-income individuals, and small businesses and small farms, in a manner consistent with its resources and capabilities.

A substantial majority of the bank's loans are originated within its assessment area. Moreover, those loans reflect penetration throughout most of the bank's assessment area by geographies and customers of different income levels and by businesses and farms of different sizes. Also, the bank's poor level of qualified investments is counterbalanced by the bank's high level provision of both retail and community development services.

The following table indicates the performance level of Farmers and Merchants Bank of Central California with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	FARMERS AND MERCHANTS BANK OF CENTRAL CALIFORNIA		
	— PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X		
Needs to Improve		X	
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION:

Farmers and Merchants Bank of Central California has defined its assessment area as Sacramento County less the following census tracts: 0033.00, 0057.01, 0057.02, 0058.01, 0058.03; San Joaquin County less the following census tracts: 0037.00, 0050.01, 0050.02, 0051.01; Merced County; and Stanislaus County less the following census tracts: 0021.00, 0022.00, 0033.98, 0032.00, 0034.98, and 0042.98. Much of the assessment area is located within the San Joaquin Valley and the Sacramento Delta.

Given its geographic location, the bank's assessment area represents one of the world's most productive agricultural areas. Although the San Joaquin Valley's economic base has diversified since the late 1970's due to increased industrial and population growth, agriculture and related industries are expected to remain the dominant economic forces for the foreseeable future. However, despite industrial growth, the U.S. Bureau of Labor Statistics shows an 8.5% unemployment rate for the area which is slightly higher than the 6.5% average unemployment rate for California.

The assessment area population, based upon 1990 U.S. Census data, is 825,782. According to the California State Department of Finance, population growth within the assessment area has increased at an annual compounded rate of 2.1% since 1990. Much of the growth can be attributed to the migration of people from other areas. Many of the new residents are commuting to jobs in other communities, including the Sacramento and San Francisco Bay areas. The bulk of the population growth has occurred near existing cities including Lodi, Tracy, Manteca, and Stockton.

There are 160 census tracts that comprise the bank's assessment area. Six of those tracts are low-income and 33 of them are moderate income, representing almost 25% of the total census tracts within the assessment area (see Table I below).

TABLE I

Population	Census Number	Tracts Percent
Low-Income	6	4%
Moderate-Income	33	21%
Middle-Income	76	47%
Upper-Income	45	28%
Assessment Area	160	100%

There are over 825,000 people that live within the bank's assessment area. This

population includes 3,233 low-income people and 167,153 moderate-income people. The combination of low- and moderate-income people represents slightly more than 20% of the total population within the assessment area (see Table II).

TABLE II

Income Category	Population Number	Population Percent
Low-Income	3,233	0.5%
Moderate- Income	167,153	20.2%
Middle-Income	409,092	49.5%
Upper-Income	246,304	29.8%
Total	825,782	100.0%

The bank operates 14 branches, including full-service branches and drive-up facilities, throughout the four counties of its assessment area. The bank is headquartered in the San Joaquin Valley in the City of Lodi, which is located 34 miles south of Sacramento.

As of December 31, 1995, Farmers and Merchants Bank of Central California had assets of \$600 million. The directors and management consider it to be a full-service bank although it has specifically targeted business and agriculture as its market focus. Business and agriculture as the bank's market focus is acutely evident in the bank's asset/loan portfolio mix. The combination of business and agriculture loans represent 65% of the bank's total loan portfolio.

There are no legal impediments that would hinder the bank from helping to meet the identified credit needs of its community. The focus of the bank's CRA activities continues to result solely from senior management directives.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

A peer group of similarly situated financial institutions was developed as a contextual reference by which to evaluate Farmers and Merchants Bank of California's performance in the lending, investment, and service tests under the CRA. The peer group was identified on the basis of similarities in asset size, branch network, targeted market, service area, investment structure, and major product lines.

Lending Test:

Examiners averaged the bank's quarterly loan-to-deposit (LTD) ratio over the four quarters since the previous examination plus the quarter prior to the previous examination to overall average arrive at an annual loan-to-deposit ratio of 48%. Examiners factored in the \$8 million in mortgage loans sold by the bank to the secondary market resulting in an adjusted LTD ratio of 50%. Although this is an improvement over the quarterly average LTD of 45% noted at the previous examination, it is lower than the adjusted LTD of 56% that examiners noted at the previous examination. Also, it is lower than the bank's peer group which has LTDs that range from 58% at its lowest to a high of 73% for an overall average LTD of 66%. Given the bank's improved average quarterly LTD, without the adjustments, and management's desire for controlled growth, the bank's lending levels reflect adequate responsiveness to assessment area credit needs.

For the purposes of evaluating the bank's distribution of loans, examiners reviewed its two major product lines identified as business loans and agriculture loans. The bank's concentration of loans within its assessment area is excellent. Examiners noted that 94% of its farm loans and 96% of its business loans originated within the bank assessment area.

The bank's geographic distribution of loans by income level of census tracts reflects adequate penetration throughout most of its assessment area. As referenced in Table II, the bank's assessment area is comprised of 4% low-income census tracts and 21% moderate-income census tracts. Although none of the bank's small farm loans are in low-income census tracts, examiners noted that 5% of both the total number and the total dollar amount of the bank's small farm loans originated in moderate-income census tracts. Whereas, for small business loans, the bank originated 2% of the total number and the total dollar amount in low-income geographies, and 18% of the total number and 19% of the total dollar amount in moderate-income geographies.

Aside from the low level of small farm loans in low- and moderate-income census tracts, examiners noted eight moderate-income geographies (census tract numbers 0016.01, 0016.02, 0017.00, 0022.00, 0023.00, 0030.20, 0031.00, 0038.02 in the Ceres and Turlock vicinities) where there has been no small business, small farm, or Home Mortgage Disclosure Act (HMDA) reportable loan penetration. The bank provided explanations for some of the anomalies (i.e., 0016.01 is predominately comprised of the Gallo Winery compound, 0017.00 includes a state easement for access to Highway 99, and 0023.00 contains two golf courses); however, seven geographies remain with unexplained lending anomalies.

The bank's distribution of borrowers reflects, given the product lines offered by the bank, good penetration among retail customers of different income levels and business customers of different sizes. When reviewing the bank's farm loans originated since the previous examination, examiners noted that, of the total number of loans (368), 58% were made to small farms. Also, of the total amount of farm loan dollars (\$64 million), 30% were lent to small farms.

Similarly, while reviewing the bank's business loans, examiners noted that small business loans comprised 64% of the 742 loan total. Also, 34% of the total amount of business loans (\$95 million) were to small businesses.

Within the small farm/small business classification, examiners further sub-grouped the bank's lending patterns by the number of loans and its percentage, and the amount of loans and its percentage (see Table III below).

TABLE III
Distribution of Small Farm Loans by Loan Amount

Loan Amount	< \$100,000	100M<250M	250M<1MM	Total
Total # of Lns to Small Farms	149	48	15	212
% of Ttl Lns	70%	23%	7%	100%
Ttl Loan \$	6,110,275	7,497,415	\$5,328,962	18,936,652
% of Ttl Lns	32%	40%	28%	100%

Distribution of Small Business Loans by Loan Amount

Loan Amount	< \$100,000	100M<250M	250M<1MM	Total
Total # of Lns to Small Businesses	414	41	23	478
% of Ttl Lns	87%	9%	5%	100%
Ttl Loan \$	13,373,563	6,754,559	\$11,943,918	32,072,040
% of Ttl Lns	42%	21%	37%	100%

As demonstrated in Table III, with its concentration of loan numbers and loan amounts to businesses and farms with revenues of less than \$250M, the bank has exhibited a good record of serving the credit needs of very small businesses and small farms consistent with safe and sound banking practices.

However, the bank has made a low level of community development loans. Since the previous examination, the bank has extended 39 loans (representing 5% of its total

business/farm loan originations) that were identified as community development loans. The loans total \$7.5 million and represent 3% of the bank's loan portfolio. The loans were originated to construct single-family housing in the Sacramento area and to help renovate the Old Royal Hotel in downtown Modesto. The latter is located in the two block redevelopment area known as the Plaza Project.

Since the previous examination, the bank introduced an innovative and flexible loan program called the "Pilot Program." The program is for borrowers who live within the city limits of Lodi and Woodbridge and have an income of less than 80% of the median income for this MSA. It is geared toward consumer lending and allows for loans as low as \$500. The specific loans types include: unsecured, automobile, home improvement and equity, lending against savings and CDs, cash value life insurance, and debt consolidation. Moreover, it allows for alternative methods to establish a credit history, such as rent receipts, and does not penalize seasonal workers for irregular employment.

The program was originally initiated at the Eastside Loan Production Office (LPO). Since the closure of the LPO, the loan officers that are familiar with the product are now at the main office. However, other loan officers at the main office are unfamiliar with the Pilot Program, and seldom offer this product to customers.

The bank has also retained several flexible loan programs from prior years. One example is the Community Homebuyer Assistance Loan program which allows a minimum 5% downpayment on a fixed rate mortgage. Of that 5%, 2% may be an unsecured loan from either the bank or a non-profit organization. During the scope of this examination, the bank originated 18 loans totaling \$1.2 million under this program.

Another retained program is the bank's Residential Improvement Loan program. The product is a revolving line of credit secured by a deed of trust and priced at 1% below the Prime rate to target low- and moderate-income persons.

Additionally, the bank continues to offer its Community Business Loan program. This program allows for a non-revolving line of credit secured by the business owner's personal residence. Although the pricing varies, it may go as low as 1% below the Prime rate.

The bank has several commendable loan programs with flexible underwriting criteria. However, with the exception of the pilot program for the Eastside Loan Production office, the loan programs have already been evaluated under a previous examination. Moreover, the concept of the loan programs is increasingly being adopted by other financial institutions, thus diminishing the programs' innovativeness. The bank has made limited use of innovative or flexible lending practices in meeting community credit needs.

Investment Test:

The bank continues to participate in the California Community Reinvestment Corporation (CCRC), a non-profit public benefit corporation originally created by 46 California banks to help develop affordable housing through a loan consortium. In doing so, the bank is

helping to meet the need for permanent, fixed-rate, long-term financing for multi-family affordable housing projects throughout the state. The bank's on-going commitment is \$2.3 million, which represents 1.1% of the financing pool.

The bank is a participant in the newly formed Northern California Reinvestment Consortium which administers the Greater Sacramento Area Community Lending Pool (GSACLP), a non-profit public benefit corporation created to develop affordable housing and encourage multi-family rental projects. The bank has committed \$250 thousand to the loan pool in addition to \$2,500 annually to cover administrative costs although the consortium has not yet originated any loans.

The bank's participation in the loan consortia demonstrates its occasional use of complex investments to support community development initiatives. However, during interviews with the bank's Chief Financial Officer, examiners learned that the bank does not actively seek CRA qualified investments when reviewing potential investment prospects. Moreover, training given to the Chief Financial Officer on what constitutes a CRA qualified investment was limited and insufficient to enable recognition of qualified investment opportunities.

Of the \$70.2 million in bank investments, the bank identified \$47.7 million as CRA qualified investments. However, upon closer review, examiners could validate only \$3.7 million, representing 8% of the bank's identified investments, as actual qualified investments under the revised CRA (see Table IV).

Table IV
BANK IDENTIFIED QUALIFIED INVESTMENTS (SECURITIES)
 (CRA Qualified Investments Denoted in Bold in the Comment Column)

CUSIP*	DESCRIPTION	AMOUNT (BV)**	COMMENT
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CUSIP*	DESCRIPTION	AMOUNT (BV)**	COMMENT
313388QD5	FHLB	2,006,780.00	Unknown Purpose
313388QM5	FHLB	2,008,800.00	Unknown Purpose
313389LV8	FHLB	2,000,000.00	Non-targeted
313389LP1	FHLB	2,000,000.00	Unknown Purpose
313389L48	FHLB	2,000,000.00	Unknown Purpose
3133895Y0	FHLB	971,550.00	Unknown Purpose
3133897J1	FHLB	2,000,000.00	Non-targeted
3133922D3	FHLB	2,000,000.00	Unknown Purpose
313392D74	FHLB	2,000,000.00	Non-targeted
313388J43	FHLB	2,000,000.00	Unknown Purpose
313390MK9	FHLB	1,984,840.00	Unknown Purpose
3133884D9	FHLB	2,000,000.00	Unknown Purpose
3133884D9	FHLB	2,000,000.00	Unknown Purpose
313390G67	FHLB	2,000,000.00	Non-targeted
313391UC6	FHLB	2,000,000.00	Non-targeted
3133894J4	FHLB	1,992,760.00	Non-targeted
313391E67	FHLB	2,000,000.00	Non-targeted
313392CA8	FHLB	2,000,000.00	Non-targeted
263594AA1	Duarte CA Redev	500,055.00	Housing
263594AA1	Duarte CA Redev	1,000,000.00	Housing
263594AA1	Duarte CA Redev	1,000,000.00	Housing
220508AJ4	Corte Madera CA	305,000.00	Storm Drainage
350784FN9	Fountain Valley CA	499,305.00	School District
50784FN9	Fountain Valley CA	104,707.00	School District
533029AA2	Lincoln CA Redev	699,504.00	Housing
556903AL6	Madera Co CA	299,526.20	Detention Facility
556903AM4	Madera Co CA	218,713.00	Detention Facility

556903AM4	Madera Co CA	201,780.00	Detention Facility
600038HE6	Mill Valley CA	563,895.15	School District
612413DQ4	Monterey CA Redev	500,000.00	Waterfront Restoration
617404AN8	Morgan Hill CA	545,000.00	School District
617404AW8	Morgan Hill CA	500,000.00	School District
630356AX1	Napa Co CA	550,000.00	Renovate City Hall
671876AG5	Oakdale CA Irr Dist	685,837.40	Replace Pipes
684408AH0	Orange Co	277,200.00	Unknown Purpose
698118BC9	Panama Buena Vista	613,548.60	School District
702623BL2	Paso Robles CA	516,375.00	Unknown Purpose
702627AS9	Paso Robles CA	678,340.05	School District
769112FZ1	Riverside Co	502,630.00	Flood Control
773754BE5	Rocklin CA	581,419.80	School District
801770AL2	Santa Cruz CA	443,700.00	Sewer Replacement
801770AM0	Santa Cruz CA	474,300.00	Sewer Replacement
802804AQ7	Sta Inez Valley	473,500.65	School District
801770AK4	Santa Cruz CA	155,000.00	Sewer Replacement
Total	Investments	47,784,066.85	100%
Allowable	Amount	3,699,559.00	8.0%

* Bond/Security Identification Number

** Book Value

The combination of municipal bonds and other securities, along with the bank's investments in the loan consortia, is greatly deficient given the bank's demonstrated capacity for investments. Therefore, the bank has an inadequate level of qualified community development investments and grants, particularly those that are not routinely provided by private investors. Moreover, the bank exhibits poor responsiveness to credit and community economic development needs through its investment activities.

Services Test:

The bank has in place delivery systems that are accessible to essentially all portions of the bank's assessment area. The provide Automated Teller Machines (ATM) access cards (with nationwide network access), and a good distribution of ATMs are within the bank's assessment area. The bank also has Telephone Banking for after-hours banking.

The bank's full service branches (located throughout the bank's assessment area with several in low- and moderate-income census tracts) enable customers to obtain or apply for any of the deposit/credit products offered by the bank. The branches offer a variety of consumer (including personal, auto, and mobile home), business/farm, and residential loans. To seize a unique opportunity within its community, the bank also offers small short-term consumer loans to members of Future Farmers of America for the purpose of acquiring livestock which is then raised and sold at local fairs.

The branches maintain regular lobby hours from 9:00 AM to 4:00 PM, Monday through Thursday. All of the branches offer some form of extended lobby hours that vary, dependant upon the particular needs of a given market area. Some branches stay open on Fridays until 7:00 PM, but do not offer Saturday hours; others offer Saturday hours, but close at 6:00 PM on Fridays.

The location of the bank's branches, combined with their reasonable hours of operation, demonstrates that services do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or individuals.

Employees, officers and directors of Farmers and Merchants Bank of Central California provide a relatively high level of community development services (see Table V) that enhance the assessment area by providing greater access to affordable housing and by revitalizing the local economy. These services benefit various geographies within the bank's assessment area. For example, branch personnel supported six not-for-profit and governmental agencies serving Lodi, Modesto, Turlock and Sacramento, and staff from the mortgage loan and the Small Business Administration (SBA) departments assisted four organizations serving San Joaquin and Stanislaus Counties. Moreover, the chairman of the board is a member of several community development corporations that serve broader geographic areas which include the bank's assessment area.

In order to address issues pertaining to affordable housing, bank staff participated in programs to construct affordable housing and to restore existing older structures located in the moderate-income areas of the city. During July 1995, personnel from the Lodi Branch planned fund raising events for Habitat for Humanity (HFH). HFH is a national not-for-profit organization which provides housing for low-income families by constructing single family homes with the assistance of the prospective buyer and community volunteers. The first HFH home in Lodi was constructed in August 1995 and was sold to a low-income family on a 20-year, no interest mortgage. The Lodi Branch staff also supported an innovative program to restore existing housing stock in the city's low- and moderate-income eastside area. Working with the Eastside Improvement Committee, the bank supported the Home Improvement Workshop and Bungalow Home Tour. The goal of the workshop was to introduce potential homebuyers to older, affordable homes and to provide information about

financing the purchase of and improvements to older housing stock. In addition to increasing the availability of affordable housing, bank personnel assisted potential home owners by conducting several first time home buyers seminars. One such program was developed in conjunction with the Conant Meadows project, a residential development of three and four bedroom homes offered exclusively to first time home buyers. The program was sponsored jointly by Farmers and Merchants Bank of Central California and the Housing Authority of Stanislaus. The bank also provided homeownership education to migrant residents of San Joaquin County through the Migrant Education/ Parent Committee. This program was conducted in Spanish and focused on qualification and documentation requirements for mortgage loans.

The majority of the bank's community development services pertained to economic development and community revitalization. The manager of the Modesto branch offered technical assistance to the Citizen's Housing and Community Development Committee and the Economic Development Loan Committee. As a member of both committees, the manager evaluated and recommended the allocation of Block Grant funds. The branch manager of the Sacramento Branch is a member of the loan approval committee for the Sacramento Housing and Redevelopment Agency. In the Turlock region, branch personnel assisted the Turlock Redevelopment Agency's efforts to promote the availability of credit in Central Turlock by providing technical expertise on banking matters. The bank also recognizes that the stability of the business community adds to the revitalization of the assessment area. In this regard, bank personnel recently joined the San Joaquin County Certified Development Corporation (CDC). The goal of the CDC is to motivate businesses to move to the central valley of California and the encourage existing businesses to remain in the area. To accomplish this goal, the corporation provides long-term financing through the SBA 504 program. Loan funds can be used to purchase fixed assets and to improve facilities. Bank personnel contribute to this process by reviewing loan applications, analyzing financial data and gathering information on local economic and industry trends. The CDC is currently very active with over 22 loan requests in the pipeline.

Directors also participate in community development service organizations which benefit the entire state. The chairman of the board is a director of the California Community Reinvestment Corporation (CCRC), which is a non-profit mortgage banking consortium comprised of banks representing all areas of California. The director provides technical expertise to this program and the bank participates in loan extensions. Locally, the bank's chairman provides advice and guidance regarding banking and economic issues to the San Joaquin Business Council and Business Partnership. The purpose of the council is to improve the community by creating jobs and by supporting existing industries within the community.

Some of the bank's community development services are not specifically related to the promotion of credit availability, but are relevant to community needs by promoting general banking services. One such program is BANCO (Banking Community Outreach). This organization endeavors to bridge the gap between the financial service providers and the Hispanic community through education. Farmers and Merchants of Central California contributed to the organization by producing a video explaining a variety of basic financial

services which are available to consumers.

Bank management recognizes the benefits of investing in the future of their community as well, and helps organizations such as the California Future Farmers of America (FFA) and Diekman Future Farmers of America. Farming is essential to the economy of the central valley, and the FFA helps ensure the ongoing success of this vital industry. Because of the seasonal nature of agriculture, it is an industry that is highly dependent on financing, and therefore, information provided by bankers is an important aspect of the program.

Table V
COMMUNITY DEVELOPMENT SERVICES

ORGANIZATION	BANK STAFF	LOCATION	SERVICES RENDERED
Habitat for Humanity	Loan Officer	San Joaquin/ Lodi	HFH committee member, participated in planning and organized fund raisers (7/95, 8/95)
Housing Authority of the County of Stanislaus	Dept. Manager	Stanislaus County	Manager conducted first time home buyers education (8/95 - 11/95)
Migrant Education	Dept. Manager	Lodi	loan process education - presented in Spanish (4/95)

Citizen's Housing & Community Development Committee	Br. Manager	Modesto	technical expertise - evaluates and recommends allocations of Block Grant funds (12/95, 11/95, 8/95, 9/25, 4/21, 3/95, 2/95),
Economic Development Loan Committee	Br. Manager	Modesto	technical expertise evaluates and recommends allocations of Block Grant funds (12/95)
Sacramento Housing & Redevelopment Agency	Br. Manager	Sacramento	participation on loan approval committee (semi-monthly 5/95)
Turlock Redevelopment Agency	Br. Manager	Turlock	provided technical expertise for redevelopment of Central Turlock (2/95)

ORGANIZATION	BANK STAFF	LOCATION	SERVICES RENDERED
Eastside Improvement Committee - Bungalow Home Tour	Asst. Vice President	Lodi (Eastside)	provided instruction on how to apply for home improvement loans, donated \$500 (4/96)
Diekman Future Farmers of America (FFA)	Board Chairman	San Joaquin County	provided technical expertise for non-profit organization which supports small farm owners
California Future Farmers of America	Board Chairman	California	provided technical expertise for non-profit organization which supports small farm owners
California Community Reinvestment Corp (CCRC)	Board Chairman	California	Non-profit organization serving low and moderate income housing needs

San Joaquin Business Council and Partnership	Board Chairman	San Joaquin County	Non-profit organization with the primary focus of economic development through the creation of jobs by attracting businesses to San Joaquin Co.
BANCO	Br. Manager	Modesto	produced a video on banking services
Community Development Corp	Br. Manager	Tracy/ San Joaquin County	reviews loan files, participates in loan decisions

Compliance with Fair Lending Laws and Regulations:

The bank is in compliance with the antidiscrimination provisions of the Fair Housing Act (FHA) and the Home Mortgage Disclosure Act (HMDA). There were nominal violations of the technical aspects of Regulation B (Equal Opportunity Act); however, bank management was quick to respond and corrections were easily made. The violations were limited to a few offices and did not have a negative effect on the bank's CRA rating.

Generally, the bank has comprehensive policies, procedures, training programs, and internal assessment program in place to prevent discriminatory or other illegal credit practices.

SCOPE OF EXAMINATION:TIME PERIOD REVIEWED: 1/23/95 to 4/08/96

FINANCIAL INSTITUTION	PRODUCTS REVIEWED
Farmers and Merchants Bank of Central California	Small Business Small Farm Real Estate

AFFILIATES	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
Not Applicable	Not Applicable	Not Applicable

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION:

ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
CALIFORNIA: MSA 4940 Merced MSA 5170 Stanislaus MSA 6920 Sacramento MSA 8120 San Joaquin	On-site Off-site On-site On-site	Modesto Sacramento Lodi Main, Galt	