

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Riverside National Bank of Florida** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **September 3, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: **“Outstanding Record of Meeting Community Credit Needs.”**

Background

Riverside National Bank of Florida (Riverside) commenced operations in September of 1982 in Fort Pierce, St. Lucie County, Florida. The bank's first expansion was into the counties directly to its North and South, Indian River County and Martin County. The bank entered Brevard County during 1993 with the purchase of three former banking offices from the Federal Deposit Insurance Corporation. The bank's very recently established communities of Volusia County and Palm Beach County are not included as part of this analysis. Riverside serves its communities with 14 full service branches. The bank has significant resources with average banking assets of \$640 million during the second quarter of 1996. Riverside is wholly owned by Riverside Banking Company, a single bank holding company.

The demographics and economic characteristics of the bank's communities differ. The bank's communities include most of the census tracts within each of the various counties. The 1996 U.S. Department of Housing and Urban Development median family incomes for the bank's specific communities are as follows: St. Lucie County \$31,068; Indian River County \$31,769; Brevard \$35,571; and Martin \$37,507. Only Indian River County is located in a Non-Metropolitan Statistical Area.

The “Treasure Coast” of Florida includes St. Lucie, Indian River, and Martin Counties. These counties primary employers are citrus, trade and service firms, light industry, and local government. The citrus industry has been negatively impacted during the past three years as a result of price declines for citrus. The service sector includes a strong health care component that supports the large elderly retirement community. Brevard County industry is comprised of services, wholesale and retail trade, manufacturing, and government. Over 50,000 people are employed in high tech and aerospace including the 12,00 people that are employed by Patrick Air Force Base.

Information on credit needs was determined through discussions with management and by reviewing recent community contacts performed by the OCC for other examinations in the same area.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- o **The bank maintains regular contact with a wide range of private, public sector, and community groups. These contacts allow management to effectively ascertain the credit needs of the bank's communities, including those of low- and moderate- income (LMI) areas.**

The credit needs ascertainment activities for the bank are centered around a community calling program that is an integral part of the bank's CRA program. Management and the Board of Directors have maintained an ongoing community outreach program which involves calling on individuals representing a wide range of community-based organizations. Examples of these contacts include:

- Cities of Fort Pierce and Port St. Lucie
- Various Chambers of Commerce
- Indian River County Affordable Housing
- Neighborhood Services of Fort Pierce
- Community Housing Initiative Trust
- Treasure Coast Council of Local Governments
- Local Government Planning and Development Organizations
- St. Lucie County Housing and Finance Agency

This calling program includes extensive community involvement among directors, officers, and employees of the bank in organizations throughout the communities. Through this involvement the bank is able to actively ascertain its communities' ongoing credit needs. In addition to the ongoing contact, letters were submitted to numerous individuals and/or groups in an attempt to identify any unmet credit needs. Riverside offers a wide array of credit products, including products targeted to LMI individuals and government sponsored, guaranteed or subsidized loans.

Primary credit needs identified by the outreach program include affordable housing loans and credit education and counseling, primarily for LMI applicants who often have not had access to credit previously or who need to re-establish good credit. The bank has responded to these needs through the development of its own home purchase loan product with more affordable terms and flexible underwriting for LMI individuals.

Riverside also originates affordable home loans by participating in various local government loan programs which utilize the Florida State Housing Initiatives Partnerships (SHIP) Housing Assistance Program. The SHIP program provides affordable housing and emergency repair/rehabilitation assistance to persons in certain income ranges and also provides funding to eligible home buyers for downpayments and closing costs associated with buying a home. Riverside identifies many of its affordable housing opportunities as a member of lending consortiums serving St. Lucie, Martin and Indian River Counties.

To address the identified need for credit education and counseling of LMI applicants, the bank has actively pursued opportunities to provide such training as a member of various lending consortiums. The bank also offers equivalent services free of charge for each declined applicant for a Riverside residential mortgage.

Senior management and the Board regularly review lending services, and consider suggestions for product development. The Board has demonstrated a willingness to offer loan products with flexible underwriting criteria.

Periodically, the bank collects and analyzes demographic data to better understand the composition of each of its communities and help determine potential credit needs.

Assessment Factor C - The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- o The bank's Board of Directors and senior management have an active role in formulating and monitoring the bank's CRA performance.**

Senior management and the board have developed a CRA program which includes a mechanism for periodic reporting and annual self-assessment of CRA performance. The board receives monthly reports on activities, meetings attended and bank participation throughout the communities.

The bank's CRA statement accurately lists the types of credit offered. The bank has adequate controls in place to ensure effective compliance with the technical requirements of the CRA. The board is supportive of the bank's CRA training efforts.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- o The bank has implemented a marketing program which promotes products and services through a variety of media, reaching all segments of its communities.**

Management's marketing program uses a variety of media including newspapers, radio, television, statement stuffers, lobby displays and outside signage. Mass media advertisements are particularly important to increase Riverside's awareness among customers in its newer communities. Management also relies on word-of-mouth advertising and expends significant resources to determine levels of customer satisfaction through periodic surveys.

The various credit-related educational seminars that the bank has conducted jointly with local organizations and other financial institutions have also proven to be a good way to reach LMI segments of the communities. During these sessions participants learn about the bank's affordable home loan programs and other credit-related products and how to apply for and manage credit.

The bank's product-specific advertising has included various residential mortgage products, products with streamlined approval processes, and credit card products. These advertisements have been conducted via newspapers, television, and radio.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- o The bank has originated a large volume of home mortgage and other consumer loans. Management's efforts to provide affordable housing loans are helping to meet a primary need in each of its communities. Although commercial lending is not the primary focus of the bank, small business loans are originated in each of its communities.**

The bank has originated a large volume of loans as evidenced by an average loan to deposit ratio of 78% for years ending 1993, 1994, and 1995. The average ratio understates the volume of lending due to the volume of residential loans which were sold on the secondary market. During 1994 and 1995 the bank sold 233 loans totaling \$13.9 million. The bank's loan to deposit ratio has continued to increase and was 86% as of 6/30/96. The vast majority of the bank's loans are located within its communities.

The bank's percentage of housing related loans is significant and has been relatively stable in relation to total lending. Market data for 1995 indicates that Riverside generates the largest market share of any lender operating within St. Lucie and Martin Counties and is within the top ten lenders for Brevard County. Riverside's competitors in those counties includes members of larger banking companies such as Barnett Bank and Sun Bank. As of 6/30/96 approximately 55% of the Riverside's loans were residential mortgages. This ratio was 55% and 57% as of year-ends 1995 and 1994, respectively. Personal loans to individuals is also considered a major category of lending.

Housing related lending activity within the communities for the last two years, as reported under the Home Mortgage Disclosure Act (HMDA), shows the following:

RESIDENTIAL MORTGAGE LENDING				
Loan Type	1994		1995	
	Number	Amount (000)s	Number	Amount (000)s
All Residential	1,194	\$51,405	1,086	\$42,867
Affordable Mortgages*	483	\$14,149	443	\$10,511

* Management does not track all affordable mortgage products. Management indicated that the vast majority of residential loans to LMI borrowers are affordable mortgages.

Affordable mortgages represent approximately 40% of residential loans originated during 1994 and 1995. The affordable housing volumes above include not only the bank's own Homebuyers Mortgage product, but loans made through the government-subsidized affordable housing SHIP program. All of these loans are made to LMI people.

The following chart summarizes personal, small business and small farm loan activity within the communities for the past two years. The bank has extended a large volume of personal and small business loans during the two year period. Small farm loans are not considered a primary loan product. The bank defines small businesses as those businesses with gross revenues of less than \$1million.

OTHER LENDING ACTIVITY				
Loan Type	1994		1995	
	Number	Amount (000)s	Number	Amount (000)s
Small Business	553	\$37,524	569	\$36,753
Small Farm	N/A	N/A	5	\$823
Personal	5,135	\$46,436	4,409	\$34,398

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- o **The bank participates in several governmentally insured housing programs, a subsidized government affordable housing program, and various U.S. Small Business Administration programs.**

The bank participates in government housing programs sponsored by the Farmers Home Administration, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and the Veterans Administration. The bank extended 16 loans through these programs totaling \$972 thousand during 1994 and 11 loans totaling \$585 thousand during 1995. The bank also funded 28 SHIP affordable housing loans totaling \$1.4 million and 8 Small Business Administration loans totaling \$953 thousand during the same two year period. All of these loans are included in the residential and small business loan volumes discussed in Factor I above.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- o **The delineations of the bank's communities are reasonable. LMI areas are not excluded.**

Riverside operates 14 full-service offices in 6 counties. The bank has defined 7 communities using primarily the effective lending territory method. Each of its counties contain one community, with the exception of Brevard County which contains two communities due to the large distance between branches. The Volusia County and Palm Beach County communities were only recently opened and are not included in the following geographical distribution analysis. The bank performs annual analyses of the geographic distribution of its lending activities to confirm its effective lending territory. Delineations are reviewed annually.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- o **The geographic distribution of credit extensions reflects reasonable penetration in the delineated communities, including LMI areas. The bank has a strong distribution of affordable housing loans to LMI borrowers, substantially meeting primary credit needs of its communities.**

Management prepares annual reports showing the geographic distribution of the all loan originations. These reports indicate the vast majority of lending is located within the bank's communities. During 1995, Management identified 79% of its residential lending to be within the communities. This ratio is significantly understated since management has not identified residential loans extended in Indian River County. For loans other than residential real estate, management identified 88% to be within the communities.

The following table shows the bank's distribution of residential mortgage loan originations during 1994 and 1995 as reported subject to the Home Mortgage Disclosure Act. Information for Indian River County was unavailable since it is not located in Metropolitan Statistical Area (MSA) and management did not geographically locate residential loans in non-MSAs. The table details the loans located in LMI census tracts as a percentage of total residential mortgage originations along with the overall market distribution of loans within the same areas. The percentage of census tracts within the community which are LMI is also identified. The table indicates that the bank is reasonably penetrating LMI areas of its communities. Riverside's penetration compared to market is noteworthy in St. Lucie and Martin Counties, the bank's major communities.

RESIDENTIAL MORTGAGE LENDING BY CENSUS TRACT					
County	% Originations in LMI Tracts				% LMI Tracts in Community 1990 Census
	1994		1995		
	Bank	Mkt.	Bank	Mkt.	
Martin/St. Lucie	13.1	7.3	18.9	8.2	24.5
Brevard	10.7	13.7	7.1	14.7	28.8

A further analysis based upon borrower income characteristics indicates that Riverside makes a large volume of affordable housing loans in its communities. The following table shows the distribution of residential mortgage originations made to LMI borrowers as a percentage of all residential originations. It also details the overall market distribution of residential loans to LMI borrowers and identifies the percentage of families which are considered LMI within each community. The table indicates that the bank significantly outperforms the market in reaching LMI borrowers, particularly in the bank's major market of St. Lucie and Martin Counties.

RESIDENTIAL MORTGAGE LENDING BY BORROWER INCOME					
County	% Loans to LMI Borrowers				% LMI Families in Community
	1994		1995		
	Bank	Mkt.	Bank	Mkt.	
St. Lucie/Martin	39.6	29.3	42.5	30.5	37.7
Brevard	43.1	29.7	33.1	31.1	37.7

Management also performs a geographic distribution analysis for all non residential mortgage products. The bank uses zip-code analyses to analyze the distribution of all other loans. An outside vendor provides the bank with appropriate income categories for each zip-code in the bank's communities. Following are the distributions for all non-residential loan originations for the most recent two calendar years. The ratios reflect a reasonable distribution of lending in LMI areas identified by Zip-Code.

ALL OTHER LENDING BY ZIP-CODE			
County	% Originations in LMI Zip-Codes		% LMI Zip-Codes
	1994	1995	
Martin	6.3	4.3	12.5
St. Lucie	22.0	27.1	40.0

Brevard	13.5	12.7	23.1
Indian River	22.4	8.0	44.4

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- o The bank has a strong record of opening offices and providing a wide range of services. All office locations provide identical banking and lending services.**

The bank's 14 full-service branches are reasonably accessible to all segments of the communities. Four of the bank's branches are located in LMI areas, two each in St. Lucie and Brevard Counties. Since the last examination in 1991, the bank has opened or acquired 12 branches. Banking services and hours reasonably accommodate all segments of the communities. The bank initiated a "Lifetime Free Checking" account during 1993 which offers customers a no service charge checking account with unlimited check writing ability and no minimum balance requirement. The bank consolidated two nearby branches during the period and relocated three others. Management followed their formal policy in each instance and did not note any material impact on the provision of financial services.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- o The board of directors and senior management have developed policies, procedures, and training programs to prevent illegal discouragement and prescreening of credit applicants. No discriminatory credit practices were noted.**

The bank receives applications from all segments of the community and seeks lending opportunities in LMI areas. Bank employees receive periodic training on the CRA and fair lending and fair housing laws.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- o No evidence was noted of prohibited discrimination or other illegal credit practices.**

As part of the examination, we reviewed a sample of residential home purchase applications processed by the bank during 1995 and 1996. Based on our review, the bank is in compliance with the substantive provisions of the Equal Credit Opportunity Act, Fair Housing Act, and the Home Mortgage Disclosure Act. We tested for illegal discrimination based upon race by reviewing all 26 minority applicant denials and 118 or 90% of all loan approvals for white applicants. We did not note any instances where similarly situated applicants were treated differently.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- o Riverside originates a large volume of affordable housing loans for LMI borrowers in its communities. By extending these loans the bank is significantly meeting the primary credit needs of its communities. Riverside also makes financial contributions to organizations engaged in affordable housing or other social services targeted towards LMI people.**

Management and the directors maintain periodic contact with various community development organizations, and the bank is an active member of various lending consortiums in its communities. Management has identified numerous opportunities for single family affordable housing loans in its communities and is considered a market leader in extending those loans in St. Lucie and Martin Counties. The volumes of affordable housing lending are detailed above under Factor I.

During 1994 and 1995, the bank made contributions totaling \$40 thousand to organizations providing affordable housing or social services targeted towards LMI people. The amount includes a \$10 thousand annual contribution to a local affordable housing non-profit organization to fund operations. President Smith was instrumental in helping to establish the organization.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- o There are no physical, economic, or legal impediments which would hinder the bank's ability to meet its responsibilities under the CRA.**

Please refer to the Background section for additional information.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- o Board members, management, and employees are active members of organizations promoting social, educational, and health issues in each of the bank's communities. Those activities promote overall community development efforts in the bank's communities.**

ADDITIONAL INFORMATION

None