



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 03, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Enterprise National Bank of Palm Beach
Charter Number 22008**

**11811 U.S. Highway One
North Palm Beach, FL 33408**

**Comptroller of the Currency
South Florida Field Office
9800 Northwest 41st Street Suite 120
Miami, FL 33172**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- ❖ The bank's loan-to-deposit ratio is reasonable and consistent with those of similarly-situated financial institutions.
- ❖ The distribution of loans to borrowers of different incomes and to businesses of different sizes is reasonable given the demographics of the area.
- ❖ The geographic distribution of loans reflects a satisfactory penetration of census tracts in the assessment area.

DESCRIPTION OF INSTITUTION

Enterprise National Bank (ENB) operates one full-service office in North Palm Beach, in the northeast portion of Palm Beach County, Florida. ENB is an independent community bank and is not a subsidiary of a holding company.

As of March 31, 2002, the bank reported \$111 million in total assets. Net loans represented 76% of total assets. The bank's primary loan products are business loans and residential real estate mortgages which, respectively, represented 39% and 30% of total outstanding loan balances at March 2002. ENB also purchases a substantial volume of residential construction loans. These represented 28% of total outstanding loan balances at March 2002 and 58% of total loans originated or purchased in 2001. This purchasing arrangement began in 1999 as a means to supplement income. ENB's earnings have fluctuated significantly in recent years and the bank reported net losses of \$397 thousand in 2001. Nonetheless, there are no legal, financial or other factors that impede the bank's ability to meet community credit needs.

The evaluation period for this review is April 1999 through June 2002. The last CRA evaluation was done in March 1999. The bank received a rating of "Needs to Improve". Primary factors for this rating included a loan-to-deposit ratio that was low relative to the bank's resources and the ratios of peer banks; the majority of loans were originated outside of the assessment area and the geographic distribution of loans within the assessment area was poor.

DESCRIPTION OF ASSESSMENT AREA

ENB's assessment area consists of the 211 census tracts that comprise Palm Beach County. It is the only county that encompasses the West Palm Beach-Boca Raton Metropolitan Statistical Area (MSA #8960). The assessment area has a total population of 863,518 based on the 1990 Census. There are 244,633 families in the assessment area. Based on the 1990 Census median family income of \$38,539 for the MSA, the census tract designations and family distribution in the assessment area are as follows:

	Census Tracts		Families
Low Income	10	4.8%	18.9%
Moderate Income	45	21.3%	19.0%
Middle Income	87	41.2%	22.6%
Upper Income	65	30.8%	39.5%
Data Not Available¹	4	1.9%	0.0%
Totals	211	100.00%	100.00%

The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income census tracts. The assessment area has a significant number of retirees. Persons over 65 years of age represent 24% of the population, 29% receive retirement income and 40% receive social security income². Seventy-nine percent (79%) of all housing units in the assessment area are occupied, while 57% are owner-occupied. Palm Beach County is one of the wealthiest areas in the United States. Data from the Department of Housing and Urban Development (HUD) estimates the 2002 median family income for the MSA to be \$62,800. That is the highest income level for any metropolitan area in Florida. The local economy is largely supported by retail trade and services. Economic data lists the unemployment rate at 6.2%. Major private employers include Pratt & Whitney and Motorola, Inc. Small businesses (those with annual revenues less than \$1 million) represent 86% of all businesses in Palm Beach County. Banking competition in the MSA is strong with more than 58 financial institutions operating over 450 offices. ENB has less than one percent (.43%) of the market share of deposits in the MSA.³

As part of our examination, we contacted the Director of an organization in Palm Beach County that provides affordable housing for low-income individuals. We discussed the credit needs of the community and the performance of financial institutions in meeting those needs. The discussion indicated a need for more flexible lending standards from banks for residential mortgage loans. And for applicants who do not meet a financial institutions lending standards, the Director encouraged those institutions to refer applicants to local housing organizations that may be able to provide assistance in obtaining alternative financing.

¹ Census Tracts where data is not available are typically uninhabited or woodlands.

² These are not mutually exclusive. Some persons may receive retirement and social security income.

³ Source: FDIC; June 30, 2001

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

❖ **Loan-to-Deposit Ratio - Meets the Standard for Satisfactory Performance**

ENB's loan-to-deposit (LTD) ratio is reasonable and consistent with those of similarly-situated financial institutions. Quarterly data for the LTD ratio was available from December 1999 to March 2002. The bank's quarterly average LTD ratio for this period is 72.19%. The ratio ranged between 54% and 93% over the period. By comparison, the average LTD ratio for the selected peer group was 79% with a range between 69% and 84% over the same period. The peer group of 14 banks consisted of financial institutions headquartered in Palm Beach, Broward, Martin and St. Lucie counties with total assets between \$50 million and \$150 million.

❖ **Lending in Assessment Area - Does not Meet the Standard for Satisfactory Performance**

The bank originated and purchased a majority of loans outside of the assessment area. This conclusion is based on an analysis of loans originated or purchased from January 2000 to May 2002. This includes all residential mortgage originations reported under the Home Mortgage Disclosure Act; all business loans and all purchased residential construction loans. On an aggregate basis, 30% of the total number and 41% of the total dollar volume of loans originated or purchased were to borrowers within the assessment area. The table below presents the distribution by loan product.

Assessment Area	Loans Sampled		% of Loans in the Assessment Area	
	Total Number	Total Dollar Volume	By Number	By Dollar Volume
HMDA Loans	117	\$14,106,000	86%	81%
Business Loans	105	\$37,969,655	91%	90%
Construction Loans	614	\$79,412,493	9%	10%
Total	836	\$131,488,148	30%	40%

During the evaluation period, ENB also acted as a residential mortgage intermediary, originating loans on behalf of third party mortgage companies. The loans were subsequently sold in the secondary market. There were 54 loans totalling \$7,717,848. Of these, 83% of the number and 81% of the dollar volume were to borrowers within the assessment area.

The level of lending within the assessment area has improved significantly from our last CRA examination, when only 12% of the dollar volume of loans were to borrowers within the assessment area. Nonetheless, the majority of lending activity occurred outside Palm Beach County. In determining the impact of this factor on the overall CRA rating, we considered ENB's efforts to improve lending activity in the assessment area. We also considered the distribution of loans made within the assessment area to borrowers of different incomes, businesses of different sizes and the dispersion of loans among census tracts. These factors are discussed throughout the remainder of this Performance Evaluation. Furthermore, we discussed this issue with bank management and advised them of the need to continue to increase total lending activity in the assessment area.

❖ **Lending to Borrowers of Different Incomes and Businesses of Different Sizes - Meets the Standard for Satisfactory Performance**

The bank’s record of lending to borrowers of different incomes is satisfactory given the demographics of the community. This analysis used the 100 HMDA residential mortgage loans totalling \$11,386,000 that were originated within the assessment area. Income information was not available for the purchased residential construction loans located in the assessment area. Income information for the HMDA loans was obtained for each borrower. Borrowers were then categorized as low-, moderate-, middle-, or upper-income based on the HUD Median Family Income figures for 2000-2002. The aggregate results were compared to the total distribution of families in the assessment area. The results are summarized below.

<i>Income Category</i>	<i>Residential Mortgages</i>		<i>Families within the Assessment Area</i>
	By # of Loans	By \$ Volume of Loans	
Low Income	8.0%	2.5%	18.9%
Moderate Income	12.0%	6.6%	19.0%
Middle Income	20.0%	12.3%	22.6%
Upper Income	47.0%	55.4%	39.5%
No Income Data	13.0%	23.2%	0.0%

ENB improved its lending to low-income borrowers over the evaluation period. The improvement is due, in part, to the bank’s involvement in the Community Financing Consortium. The CFC is a not-for-profit consortium of banks in Palm Beach County that targets residential mortgages to low- or moderate-income individuals. ENB joined the CFC in the 4th quarter of 2001. Through April 2002, ENB originated \$755 thousand in CFC mortgages with an additional \$233 thousand committed to fund.

The level of lending to low- and moderate-income borrowers, while improved, remains low in comparison to the number of low- and moderate-income families in the assessment area. However, consideration was given to size of the bank, the number and location of offices and the level of competition in Palm Beach County from other financial institutions.

The bank has a satisfactory record of lending to businesses of different sizes. Revenue data was not readily available for all business loans ENB originated during the evaluation period. Therefore, we sampled 20 loans totalling \$11,506,000 that were made to businesses within the assessment area. We obtained annual revenue information from each loan in the sample. Revenues ranged from \$6 thousand to \$24 million. Our analysis determined that the bank makes loans to businesses of varying sizes within the assessment area, including small businesses. Sixty-five percent (65%) of the total number of loans and 44% of the total dollar volume of loans sampled made were to small businesses. In comparison, 86% of all businesses operating within the assessment area are considered small businesses.

❖ **Geographic Distribution of Loans - Meets the Standard for Satisfactory Performance**

The geographic distribution of loans reflects a satisfactory penetration of geographies within the assessment area. For this analysis we again used the 100 HMDA loans made in the assessment area. Census tract data was not available for the purchased residential construction loans located in the assessment area. We compared the geographic distribution of the loans to the level of owner-occupied housing within each geographic area. The level of owner-occupied housing is an indicator of the opportunities available for residential mortgage financing. The lower the level, the fewer opportunities available for home improvement loans, refinances or other mortgage-related loans. This factor is also evaluated in the context of the number of ENB offices and the location of those offices relative to the location of low- and moderate-income census tracts. Areas of low penetration were noted in census tracts from all income categories, but mainly in those census tracts that are located a significant distance from the bank’s office. The results summarized in the table below show that ENB improved significantly in making loans in low- and moderate-income areas.

<i>Census Tract Designation</i>	<i>Residential Mortgages</i>		<i>% of Owner-Occupied Housing</i>
	<i>By # of Loans</i>	<i>By \$ Volume of Loans</i>	
<i>Low Income</i>	3.0%	.7%	.9%
<i>Moderate Income</i>	12.0%	21.5%	20.9%
<i>Middle Income</i>	40.0%	27.5%	46.3%
<i>Upper Income</i>	45.0%	50.3%	31.9%

Next, we analyzed the geographic distribution of all business loans made in the assessment area. Three percent (3%) of the total number and 2% of the total dollar volume of business loans were made to businesses located in low-income census tracts, while 31% of the total number and 24% of the total dollar volume of business loans were made to business located in moderate-income census tracts. Economic data shows that 2% of all businesses in the assessment area are located in low-income census tracts and 18% of businesses are located in moderate-income census tracts.

❖ **Response to Complaints - Not Applicable**

We reviewed complaint records maintained by our agency and those maintained by the bank. There were no complaints made relative to the Community Reinvestment Act during this evaluation period.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

An analysis of 2000-2001 public comments, consumer complaints and HMDA data was performed according to the OCC's risk-based fair lending approach. Based on analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1999.