



# WHOLESALE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

September 17, 2007

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Intervest National Bank**

Charter Number: 23712

One Rockefeller Plaza  
New York, New York 10020

Office of the Comptroller of the Currency

New York Metro East Office  
343 Thornall Street, Suite 610  
Edison, New Jersey 08837

**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:**

**This institution is rated Outstanding.**

The conclusions for each rating criteria are:

- The bank demonstrates a high level of community development lending;
- The bank exhibits excellent responsiveness to credit and community development needs in its assessment area; and
- The bank demonstrates no use of innovative or complex community development loans and community development investments.

### **Scope of the Examination**

In evaluating the bank's performance under the Community Reinvestment Act (CRA), community development activities were reviewed from January 9, 2002 through June 30, 2007. The level and nature of qualified investments and community development lending was reviewed. This is the bank's first CRA examination as a Wholesale Bank.

On April 18, 2006, the Office of the Comptroller of the Currency (OCC) approved the designation of Intervest National Bank (INB) as a Wholesale Bank for evaluation under the CRA. A financial institution so designated is evaluated pursuant to the community development test, which assesses a bank's record of meeting assessment area (AA) credit needs through community development lending, qualified investments, or community development services, as applicable. Prior to receiving that designation, INB was examined as a "Small" Bank. The most recent CRA examination of the bank took place on January 9, 2002 with a rating of "Outstanding".

For this review, INB presented for consideration loans and investments that provided funds for community development purposes. The bank did not present any activities conducted by its affiliates for consideration in this evaluation and there are no known legal constraints that may impact the bank's ability to meet the community development needs of its AAs.

### **Allocation of Capital, Income, Receivables**

INB operates in the state of New York and Florida. The overall rating is based on CRA performance in both states. Ratios and financial measures contained in this public evaluation (PE) were derived by allocating bank capital and income to the states and AAs, where feasible and reasonable. The allocation is based on the amount of banking deposits contained in each state and AA. Appropriate adjustments were made for deposits outside of the multistate metropolitan area. As of June 30, 2007, bank

deposits totaled \$1.7 billion. Of this amount, 56% or \$943 million is attributed to the New York office and 44% or \$740 million is attributed to the Florida offices. Therefore, 56% of income and capital was allocated to New York while the remainder was allocated to the Florida offices.

## **Description of Institution**

INB is a nationally chartered commercial bank that has its headquarters and one full-service banking office in New York City, New York. INB also has six full-service banking offices in Pinellas County, Florida. INB is a wholly owned subsidiary of Intervest Bancshares Corporation (IBC), a holding company. In addition to INB, Intervest Investment Company (IIC) is a wholly owned subsidiary of IBC. These affiliates did not have a negative impact on the bank's ability to meet the credit and investment needs of its AAs.

INB's primary lending activity is the origination of mortgage loans secured by commercial and multifamily real estate properties. Investment securities are also purchased. The bank offers a variety of deposit accounts to address the needs of their customers.

As of June 30, 2007, INB had total assets of \$1.9 billion, Tier 1 Capital of \$189.7 million, net loans of \$1.5 billion, investments of \$366 million, and total deposits of \$1.7 billion. Loans were primarily (99%) comprised of commercial real estate and construction loans. The remaining loan balance was comprised of commercial and industrial loans, and loans to individuals.

INB provides a variety of personalized commercial and consumer banking services to small- and middle-market businesses and individuals. These loans are made for acquiring rental and cooperative/condominium apartment buildings, office buildings, mixed-use properties, shopping centers, hotels, restaurants, industrial properties, parking lots/garages and vacant land. The bank tends to lend in areas that are in the process of being revitalized or redeveloped, concentrated in properties located in New York and the State of Florida. A large number of the properties in New York are located in Manhattan, Brooklyn, Queens and the Bronx. A large number of the properties in the Florida area are located in Clearwater, Tampa, Fort Lauderdale, Miami, Orlando and St. Petersburg.

There are no financial, legal, or regulatory restrictions that could restrict the bank's ability to help meet the credit needs of its AA.

**Table 1: Financial Information (000s)**

	Year-end 2003	Year-end 2004	Year-end 2005	Year-end 2006	Most Recent Quarter-end 6/30/2007	Average for Evaluation Period
Tier 1 Capital	71,399	106,724	156,842	181,176	189,693	141,167
Total Income	42,920	60,040	92,780	123,354	131,172**	90,053
Net Operating Income	8,666	10,865	17,355	22,969	20,574**	16,086
Total Assets	789,567	1,183,509	1,598,393	1,857,825	1,929,134	1,471,686

Source: Consolidated Report of Condition and Income and bank reported data. \*\*Annualized data reported.

## **State of New York Rating**

### **CRA Rating for New York: Outstanding**

The conclusions for each rating criteria are:

- The bank demonstrates a high level of qualified investments and community development lending;
- The bank exhibits excellent responsiveness to credit and community development needs in its assessment area.
- The bank demonstrates no use of innovative or complex qualified investments and community development loans.

### **Description of the Assessment Area within New York State**

INB's New York AA consists of Queens, New York, Kings, Richmond, Bronx, and Nassau counties. These counties represent the five boroughs of New York City and the Nassau county of Long Island, and are otherwise referred to as Queens, Manhattan, Brooklyn, Staten Island, the Bronx and Nassau, respectively. This AA is located in the NY-NJ-PA (35620) Metropolitan Statistical Area.

As of June 30, 2007, the FDIC Summary of Deposit data ranked INB 35<sup>th</sup> in deposit share with 0.18% of the market share within the AA. The three major competitors in the same MSA were JP Morgan Chase Bank, N.A. which dominated the market with 37.82%, market share, Citibank, N.A. with a 9.31% market share, and HSBC Bank USA, N.A. with a 7.55% market share. There are a total of 2,494 census tracts in this AA. The AA conforms to CRA regulations and does not arbitrarily exclude low- or moderate-income geographies.

The economies of Kings, New York, and Queens Counties are stable. Although the New York economy has experienced a negative trend in job growth, residential construction activity has stabilized while per capita income has increased. The populations of Queens, New York, and Kings Counties include households of a variety of income levels, and as such, this AA contains an adequate representation of low-, moderate-, medium-, and upper-income tracts.

Within the AA there are approximately 3.7 million housing units. The AA housing is predominantly renter-occupied housing, with 60.06% of housing units being renter-occupied compared to 34.75% of housing units being owner-occupied. Multifamily units (five or more families) represent 54.52% of the housing units. The majority of the multifamily units are located throughout Manhattan and the Bronx, and to a lesser degree Brooklyn. The median housing value in the AA is \$245,652, making homeownership difficult for low- and moderate-income individuals (LMI).

The New York AA's households are characterized as 25.10% upper-income, 33.72%

middle-income, 25.38% moderate-income, and 13.15% low-income. There are 17.83% of households that fall below the poverty level. The census medium family income (MFI) was \$52,433. While this MFI appears to be relatively high, it is impacted by the relatively large bonuses and salaries paid to some employees of financial services firms on Wall Street.

The total population of the AA was 9.3 million. The unemployment rate for this AA was relatively low at 4.5%. Refer to table 2 below for the income characteristics of the census tracts.

In the AA, banking competition is very strong for loans, deposits, and community development (CD) loans and investments. Considering that 38.53% of households in the AA have low- and moderate-income, there are adequate community development opportunities for institutions with a smaller presence, such as INB.

The New York AA has a diversified mix of businesses and contains the headquarters of many national and international corporations. Historically, downtown Manhattan has been dominated by the financial services industry. Industries operating in midtown Manhattan include advertising, publishing, and garment production. The retail sector is also a major employer along with health and social care. The major employers in the AA include the New York-Presbyterian Healthcare System, Citigroup, Inc., JP Morgan Chase and Company, Verizon Communications, Inc., Federated Department Stores, Inc., Continuum Health Partners, Columbia University, Time-Warner, Inc., North-Shore Long Island Jewish Health System, New York University, Mount Sinai Medical Center, Personal Touch Home Care, Inc., Consolidated Edison, Inc., Saint Vincent Catholic Medical Centers, Montefiore Medical Center, Morgan Stanley, Medisys Health Network Inc., Memorial Sloan-Kettering Cancer Center, Bank of New York Company, and Merrill Lynch and Company, Inc.

Affordable housing is limited in the AA and real estate market studies indicate that the price of housing in New York City has continued to increase despite the slowdown exhibited elsewhere in the nation. Demographic studies show that middle- and moderate-income families are dominant in most tracts, but within those tracts there are also many low- to moderate-income (LMI) individuals in need of housing. This population includes a significant amount of minorities and senior citizens.

**Table 2: New York Assessment Area Description**

	Number	Low	Moderate	Middle	Upper
<b>Tracts</b>	2,494	13.15%	25.38%	33.72%	25.10%
<b>Families</b>	2,219,503	14.14%*	27.52%*	34.13%*	24.20%*
<b>Businesses</b>	700,842	7.49%**	18.33%**	29.92%**	43.21%**

*Source: Demographic Data – 2000 U.S. Census, Dun & Bradstreet Data. \*Represents families by income level.*

*\*\*Represents businesses by income level of census tract. Do not add to 100% due to rounding.*

**Community Contact**

During the examination, we interviewed a community contact that specializes in economic development and providing support and services to the local community. Our

sources identified affordable housing and investment in low-income neighborhoods as primary needs of the AA.

## Conclusions About Performance in New York

INB has an overall high level of community development lending and investments within the AA. A majority of the community development loans and investments were within the AA. INB does not utilize innovative or complex qualified investments and loans.

### Qualified Investments

As noted in Table 3, qualified investments totaled \$35.3 million. All of the qualified investments were originated during the evaluation period as there were no outstanding investments from the prior CRA evaluation period. The bank’s qualified investments assisted in providing affordable housing for low- and moderate-income individuals and community revitalization, primarily for the benefit the bank’s AA. These investments help to address the community’s need for affordable housing development.

**Table 3: Qualified Investment Activity (000s)**

	<b>Benefits New York AA**</b>
<b>Originated Investments</b>	35,335
<b>Prior-Period Investments that Remain Outstanding</b>	0
<b>Total Qualified Investments</b>	35,335

*\*\* Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA.*

**Table 4: Qualified Investment Percentages**

	<b>Benefits New York AA (%)*</b>
<b>Total Investments/Average Tier 1 Capital</b>	45%
<b>Total Investments/Average Total Income</b>	70%

*\* Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA. Calculations reflect capital, income, and receivables, if applicable, allocated by location of deposits as reported by the bank in its annual Summary of Deposits report.*

### Community Development (CD) Lending

INB originated a high level of CD loans during the evaluation period. CD loans are defined as (1) loans that have a primary purpose of community development, as defined by 12 CFR 25.12(h); (2) have not been reported, or collected, by the bank or an affiliate for consideration as home mortgage, small business, small farm or consumer loans, unless they are multifamily dwelling loans; and (3) benefit the bank’s AA or a broader statewide or regional area that include the bank’s AA.

CD loans totaled \$129 million and addressed identified credit needs for affordable housing and small business capital targeting LMI individuals.

**Table 5: Community Development Lending Percentages**

	<b>Benefits New York AA (%)*</b>
<b>Total CD Lending/Average Tier 1 Capital</b>	163%
<b>Total CD Lending/Average Total Income</b>	256%

\* CD loans included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA. *Calculations reflect capital, income, and receivables, if applicable, allocated by location of deposits as reported by the bank in its annual Summary of Deposits report, available at [www.fdic.gov](http://www.fdic.gov).*



## **State of Florida Rating**

### **CRA Rating for Florida: Outstanding**

The conclusions for each rating criteria are:

- The bank demonstrates a high level of community development lending and adequate level of qualified investments;
- The bank exhibits excellent responsiveness to credit and community development needs in its AA; and
- The bank demonstrates no use of innovative or complex qualified investments and community development loans.

### **Description of the Clearwater Florida Assessment Area (AA)**

This AA consists of Pinellas County and is part of the Tampa-St. Petersburg-Clearwater (45300) Metropolitan Statistical Area (MSA). The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

Within the AA there are approximately 481,573 housing units. The AA housing is predominantly owner-occupied housing, with 61.02% of housing units being owner-occupied compared to 25.15% of housing units being renter-occupied. Multifamily units (five or more families) represent 27.62% of the housing units. The median housing value in the AA is \$94,926, making home ownership fairly accessible to people with a low- or moderate-income.

The total population of the AA was 921,482. The census median family income (MFI) was \$49,093. The Department of Housing and Urban Development's MFI was \$52,150. The unemployment rate for this AA was relatively low at 3.9%. The percentage of households below the poverty level was relatively high at 9.48%. Refer to table 2A below for the income characteristics of the census tracts.

Clearwater is an urban area that has a diverse mix of businesses that is shared with established regional industries that include manufacturing, information technologies, marine sciences, medical technologies and financial service industries. In addition, there is also a stable and growing retail service sector ranging from small boutiques to major shopping centers. Clearwater's development capacity is limited, with few available tracts of land, as is characteristic of the Tampa Bay Region. However, the nature of its aging properties in its downtown area provides for both development and investment opportunities.

Clearwater presents several opportunities for community reinvestment as its participation in small business programs attracts small and under-utilized businesses. Its greater downtown area is a Community Redevelopment Area, generating Tax

Increment Financing funds that are invested into its downtown infrastructure. In addition, portions of its downtown area are classified as Brownfields, Small Business Administration HUB Zones for historically under-utilized businesses, and Enterprise Zones that provide tax incentives to local employers, which provide further opportunity for community reinvestment.

In the AA, banking competition is very strong for loans, deposits, CD loans, and investments. As of June 30, 2007, the bank’s deposit market share ranked 8<sup>th</sup> out of 38 institutions with a 3.13% deposit market share. The three major competitors in the same MSA were Raymond James Bank, FSB with a 21.39% market share, Bank of America with a 16.78% market share, and Wachovia Bank, N.A. with a 12.68% market share.

The major employers in Clearwater include The City of Clearwater, Crum Staffing, Honeywell International, Inc., Meristar, Morton Plant Hospital, the United States Postal Service, Baycare Health System, Inc., Conmed, Linvatec Corp., The Hospice of Florida, and Times Publishing.

**Table 2A: Clearwater Assessment Area Description**

	Number	Low	Moderate	Middle	Upper
<b>Tracts</b>	208	1.92%	19.71%	56.25%	22.12%
<b>Families</b>	244,901	0.90%*	15.55%*	56.80%*	26.75%*
<b>Businesses</b>	86,570	0.64%**	16.54%**	56.43%**	26.40%**

Source: Demographic Data - 2000 U.S. Census, Dun & Bradstreet Data. \*Represents families by income level. \*\*Represents businesses by income level of census tract. Do not add to 100% due to rounding.

Community credit needs in this AA were determined by recent community contacts conducted by the OCC in connection with CRA examinations of banks operating in the same AA. Our reviews revealed that the greatest credit need within the Pinellas MSA is financing for the development and construction of affordable housing units for LMI residents.

## Conclusions About Performance In Florida

INB has a high level of CD activities within the MSA. A majority of the CD loans and investments were within the AA. INB does not use any innovative or complex qualified loans and investments.

### Qualified Investments

As noted in Table 3A, qualified investments totaled \$2 million, which represents the funded portion of the bank’s commitment in a loan pool. All of the qualified investments were originated during the evaluation period as there were no outstanding investments from the prior period. The bank’s qualified investments for this AA were limited to one investment that is a participation in a member loan pool. This investment provides financing for developers of affordable housing for low- and moderate-income individuals and community revitalization. The financing is provided to borrowers in West Florida, which benefits the bank’s AA. This investment responds to the community’s need for

affordable housing development.

**Table 3A: Qualified Investment Activity (000s)**

	<b>Benefits AA**</b>
<b>Originated Investments</b>	2,000
<b>Prior-Period Investments that Remain Outstanding</b>	0
<b>Total Qualified Investments</b>	2,000

\*\* Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA.

**Table 4A: Qualified Investment Percentages**

	<b>Benefits Clearwater AA (%)*</b>
<b>Total Investments/Average Tier 1 Capital</b>	3%
<b>Total Investments/Average Total Income</b>	5%

\* Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA. Calculations reflect capital, income, and receivables, if applicable, allocated by location of deposits as reported by the bank in its annual Summary of Deposits report, available at [www.fdic.gov](http://www.fdic.gov).

## Community Development Lending

INB originated a high level of CD loans during the evaluation period. CD loans totaled \$104 million and addressed identified credit needs for LMI individuals.

**Table 5A: Community Development Lending Percentages**

	<b>Benefits Clearwater AA (%)*</b>
<b>Total CD Lending/Average Tier 1 Capital</b>	167%
<b>Total CD Lending/Average Total Income</b>	262%

\* Community development loans included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA. \*\*Community development loans included in the Outside AA column have no potential benefit to the AA. Calculations reflect capital, income, and receivables, if applicable, allocated by location of deposits as reported by the bank in its annual Summary of Deposits report, available at [www.fdic.gov](http://www.fdic.gov).

## Fair Lending or Other Illegal Credit Practices Review

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

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Assessment Area (AA):** A geographic area that consists generally of one or more MAs (using the MA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

**Benefit to Assessment Area:** A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity benefits a broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

**Census Tract (CT):** Small, locally defined statistical areas within Metropolitan Areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

**Community Development (CD):** Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or

- (iii) Distressed or underserved non-metropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-

## **Definitions and Common Abbreviations (continued)**

- a. Rates of poverty, unemployment, and population loss; or
- b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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

**Median Family Income (MFI):** The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

**Metropolitan Area (MA):** Refers to an MSA or a metropolitan division.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

## **Definitions and Common Abbreviations (continued)**

**Net Operating Income:** As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments.

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

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Total Assets:** Total bank assets as listed in the Consolidated Report of Condition and Income.

**Total Income:** From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income.

**Wholesale Institution:** An institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and for which a designation as a wholesale bank is in effect.