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Comptroller of the Currency  
Administrator of National Banks

Wholesale Purpose

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## **Public Disclosure**

**March 19, 2001**

# **Community Reinvestment Act Performance Evaluation**

**Pacific National Bank  
Charter Number: 20010**

**1390 Brickell Avenue  
Miami, Florida 33131-3324**

**Office of the Comptroller of the Currency  
South Florida Field Office  
5757 Blue Lagoon Drive, Suite 200  
Miami, Florida 33126-2048**

**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 Satisfactory.**

The conclusions for the three rating criteria are:

- The bank demonstrates an adequate level of community development lending, community development services, and qualified investment activity.
- The bank demonstrates occasional use of innovative or complex qualified investments.
- The bank demonstrates adequate responsiveness to credit and community development needs in its assessment area.

## **Scope of the Examination**

In evaluating the bank's performance under the CRA, we reviewed community development activities from April 1, 1998 through March 19, 2001. We reviewed the level and nature of qualified investments, community development lending, and community development services. At the prior examination dated March 16, 1998, Pacific National Bank received a Satisfactory CRA rating.

## **Description of Institution**

Pacific National Bank (PNB) was organized in 1982 as the Banco del Pacifico International, a corporation formed under the Edge Act (12 USC 2247). Edge Act Corporations are chartered primarily for financing international trade and are prohibited from participating in most domestic activities common to full service banks. Banco del Pacifico International applied to U.S. bank regulators to convert from an Edge Act Corporation to a National Bank. Approval to convert was granted effective July 22, 1985.

Pacific National Bank is a wholly owned subsidiary of Banco del Pacifico, S.A., headquartered in Guayaquil, Ecuador. Banco del Pacifico, S.A. is the second largest bank in Ecuador. Pacific National bank, with one office in Miami, operates primarily as a vehicle to service Ecuadorian-based customers.

The bank offers a wide array of trade related products including letters of credit, banker's acceptances, direct advances to banks and placements. As of December 31, 2000, PNB had total assets of \$202 million and a loan portfolio of \$48 million. The vast majority of the loan portfolio (91%) represented loans to foreign entities to facilitate international trade. The remainder of the loan portfolio consisted of 1-4 family residential loans (3%) and commercial loans (6%). Net loans represented 25% of total deposits.

Pacific National Bank was approved for designation as a wholesale bank for purposes of the CRA on January 16, 1996. As defined by the CRA, a wholesale bank is an institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers.

Pacific NB is under a Formal Agreement with the Office of the Comptroller of the Currency addressing capital, liquidity and emerging market exposures. The Agreement, dated August 20, 1999, does not impede the bank’s ability to meet the credit needs of its designated assessment area.

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

	<b>Year-end 1998</b>	<b>Year-end 1999</b>	<b>Year-end 2000</b>	<b>Average for Evaluation Period</b>
<b>Tier 1 Capital</b>	20,422	17,779	19,155	19,119
<b>Total Income</b>	23,441	19,680	15,768	19,630
<b>Net Operating Income</b>	947	(2,645)	1,374	(108)
<b>Total Assets</b>	300,175	201,940	201,613	234,576

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

### **Description of Assessment Area**

Pacific National Bank has designated the City of Miami as its assessment area (AA). The City of Miami is a geographically compact, densely populated area with 381,228 individuals living in a 35 square mile area. This very high population density of over 10,000 inhabitants per square mile places Miami within the top ten cities in the country in terms of population density.

Miami is an international city as evidenced by its residents, tourists, and economy. Miami is the center of international finance and trade transactions with Latin America and the Caribbean. It is also a city of intense poverty. Miami is the fourth poorest city in the United States among cities below 500,000 in population. Thirty-two percent of households are below the poverty level. In the majority of community development target areas, the poverty rate is above 40%. The 2000 Department of Housing and Urban Development (HUD) median family income for the Miami MSA was \$43,700. Median housing value was \$100,570 with median year built of 1968.

According to the 1990 Census figures, the City of Miami had about 144,550 housing units. Two-thirds of the present housing stock is rental and one-third is owner-occupied. The median housing price for the City of Miami was \$73,961 with a median year built of 1962. The city is experiencing a substantial increase in the demand for housing, a very tight housing market and higher rents. The supply of affordable housing has not kept pace with the demand. One of the major concerns in providing affordable housing is that the real property taxes that are usually the major source of income for local governments is going down. As buildings get older and fall in disrepair, neighborhoods begin to decline and the tax base falls. Other areas of concern are:

- Tougher building codes that are being used as a result of Hurricane Andrew;

- A building moratorium based on limited sewage treatment capacity;
- Impact fees being assessed in designated Community Development Block Grant project areas.

Miami’s unemployment rate, at 5.3% as of March 1, 2000, remains above the national unemployment rate of 4.2%.

Community credit needs and opportunities were determined from a number of sources. The 1995 HUD Consolidated Plan describes a growing need for housing throughout Miami, particularly affordable housing for low- and moderate-income individuals.

**Table 2: Assessment Area Description**

	<b>Number</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
<b>Tract*</b>	75	37%	43%	16%	3%
<b>Families</b>	90,045	41%	20%	17%	22%
<b>Small Business</b>	16,364	38%	34%	19%	9%

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data.

\* 1% of Census Tracts are not income categorized.

We conducted a community contact with a non-profit organization whose mission was to foster economic development in the poorest sections of Miami. We also reviewed previous community contacts prepared by representatives of bank regulatory agencies. These community contacts confirmed that the greatest credit need in Miami is affordable housing for low- and moderate-income individuals. The need exists for both multi-family and single family homes.

Opportunities for CD lending, investments and services exist throughout the City of Miami. Community development opportunities include working with, and purchasing bonds issued by, government organizations that finance affordable housing for low- and moderate-income individuals. According to the HUD Consolidated Plan for Miami, there are eleven Community Development Corporations (CDC) receiving government funding to undertake housing-related activities for low-and moderate-income individuals. There are non-profit organizations whose community services target low- and moderate-income individuals. There are non-profit organizations whose mission is economic development. Types of CD investments available in Miami include, but are not limited to, bonds, tax credits for low- income housing and contributions to qualified non-profit organizations. There is also a federally designated Enterprise Zone that is targeted for economic development.

## **Conclusions About Performance**

### Summary

Pacific National Bank’s overall CRA performance as a wholesale designated bank is Satisfactory. The bank’s level of community development activities was adequate. The bank’s use of innovative or complex community development activities was occasional. The bank’s responsiveness to credit and community development needs in its assessment area was adequate.

Pacific National Bank's level of community development activities was adequate. During the evaluation period, the bank made investments totaling \$287,000 with up to \$500,000 committed to additional investments. CD loans totaled \$50,000 with an additional \$3 million in CD loan commitments. The level of CD services was also adequate. During the evaluation period, bank representatives provided finance-related services to four qualified community development organizations.

Pacific National Bank's use of innovative or complex community development activities was occasional. Pacific National Bank occasionally demonstrated originality or creativity when making investments. The bank's investment in a local CD organization is in the form of a limited partnership, a creative and original way to structure such an investment.

Pacific National Bank's responsiveness to the credit and community development needs in its assessment area was adequate. The credit and community development need identified as being the most pressing throughout the assessment area was affordable housing for low- and moderate-income individuals, both multi-family and single family housing. All investments originated during the evaluation were for affordable housing for low- and moderate-income individuals.

### **Qualified Investments**

Pacific National Bank originated an adequate level of qualified investments given its resources and available CD opportunities within its assessment area. Table 3 shows that during the evaluation period, investments totaling \$287,000 were originated. This total was comprised of a \$285,000 equity investment in an affordable-housing community development corporation (CDC) and two grants to qualified CD organizations totaling \$2,000. The two grants were made to non-profit organizations that help low-income people acquire affordable housing. There were no outstanding investments that were made prior to April 1998.

On March 12, 2001, Pacific National Bank entered into a legally binding, written commitment with the Federal National Mortgage Association (FNMA) to purchase \$500,000 in bonds with certain underwriting requirements. The loans backing the FNMA securities must have the following underwriting criteria: (a) original terms to maturity must be between 15 and 20 years, (b) interest rates must be fixed, (c) at least 90% of the principal amount of the securities will be backed by loans made to borrowers with incomes less than 80% of the respective median income where the homes securing the loans are located and (d) residential properties must be located in the City of Miami.

Pacific National Bank's use of innovative or complex investments was occasional. The bank's investment with the CDC demonstrates originality and creativity because the equity investment is in the form of a limited partnership. The CDC is a limited partnership where Pacific National Bank is the sole limited partner and the CDC is the general partner. The partnership agreement provides that the bank's \$285,000 investment be used exclusively to acquire or rehabilitate affordable housing in the Little Haiti neighborhood. This housing must yield a pro-forma return to the limited partner of approximately 8%. This return, however, is not paid to the bank, but is

continuously reinvested in more affordable housing acquisition or rehabilitation projects in the Little Haiti neighborhood.

Pacific National Bank’s investments provided adequate responsiveness to community development needs in its assessment area. All (100%) CD investments originated by the bank during the evaluation period were to community development organizations whose missions are to build and rehabilitate affordable housing for low- and moderate-income individuals.

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

	<b>Benefits AA</b>
<b>Originated Investments</b>	285
<b>Originated Grants</b>	2
<b>Prior Period Investments that Remain Outstanding</b>	0
<b>Total Qualified Investments</b>	287
<b>Unfunded Commitments*</b>	500

\* “Unfunded Commitments” means legally binding investment commitment that is tracked by the bank’s financial reporting system.

Table 4 shows qualified investments as percentages of Average Tier 1 Capital and Average Total Loans.

**Table 4: Qualified Investment Percentages**

	<b>Benefit AA (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	2%
<b>Total Investments/Average Total Income</b>	2%

Qualified investments had a positive impact on the bank’s assessment area. Pacific National Bank’s equity investment in the limited partnership will result in the availability of affordable housing for low- and moderate-income families. The partnership’s first project after inception in December of 1998 was the rehabilitation of a 14-unit apartment building for low-income residents. The bank’s equity investment will be continuously reinvested in more affordable housing acquisition or rehabilitation projects in the low-income neighborhood known as Little Haiti.

**Community Development Lending**

Pacific National Bank originated an adequate level of qualified CD loans. Table 5 shows CD loans as a percent of Average Tier 1 Capital and Average Total Income. During the evaluation period, Pacific National Bank originated one CD loan totaling \$50,000. This loan is a 1-year line of credit extended to a CDC on October 10, 2000. This CDC is a non-profit organization that builds and renovates affordable housing for low-income individuals. The purpose of the line of credit is to pay hard and soft construction costs for the rehabilitation of 6 affordable homes for low-income people in Miami.

Other loan data include three legally binding loan commitments totaling \$3,000,000 to a second CDC in Miami. Two loan commitments totaling \$2,500,000 resulted from a five-bank loan consortium, of which Pacific National Bank is the lead bank. Pacific National Bank is the sole bank lender on a third loan commitment totaling \$500,000.

A bank consortium committed \$7,122,099 for two projects being developed by the second CDC, whose primary mission is building homes for low- and moderate-income people. Pacific National Bank has committed to fund \$2,500,000 for the two projects. Both projects are located in the City of Miami.

The first consortium loan commitment, dated June 2, 2000, is for a \$2,271,521 first mortgage construction loan for a mixed purpose development that will consist of 45 residential condominium units, approximately 14,500 square feet of retail space and a 90 space parking garage. All condominium units will be sold exclusively to qualified families that earn 80% or less of the Miami MSA median family income. The proposed development will be located in a moderate-income geography. The consortium loan is scheduled to close during the third quarter of 2001. In addition to the \$2.27 million that will be funded by the bank consortium, additional funding will be provided by other governmental and community development organizations.

The second consortium loan commitment, dated June 16, 2000, is a \$4,850,578 first mortgage construction loan for a mixed purpose development that will consist of 80 residential condominium units, approximately 5,000 square feet of retail space and a four-story parking garage. All condominium units will be sold exclusively to qualified families that earn 80% or less of the Miami MSA median family income. The proposed development will be located in a low-income geography. The consortium loan is scheduled to close during the second half of 2001. In addition to the \$4.85 million that will be funded by the bank consortium, additional funding will be provided by other governmental and community development organizations.

Pacific National Bank also has a \$500,000 loan commitment to a local CDC in connection with the Federal Home Loan Bank of Atlanta (FHLB) Affordable Housing Program. Pacific National Bank is the project sponsor of the FHLB's affordable housing program for Phase I of a housing project for low- and moderate-income individuals called Casa Grande. The project has been approved and will be funded in the latter part of 2001.

Pacific National Bank's use of innovative or complex CD loans was non-existent.

Pacific National Bank's CD lending provided adequate responsiveness to credit and community development needs in its assessment area. The \$50,000 in CD loans and \$3 million in CD loan commitments were to nonprofit organizations whose primary goal was to build affordable housing for low- and moderate-income individuals.

**Table 5: Community Development Lending Percentages**

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

**Community Development Services**

Pacific National Bank provided an adequate level of CD services. Pacific National Bank representatives provided financial-related services to four non-profit CD organizations during this evaluation period. Services provided were adequately responsive to assessment area credit and community development needs. Three of the organizations to which Pacific National Bank provided services had affordable housing for low- and moderate-income individuals as their primary mission. The fourth CD organization provides CD services to low- and moderate-income individuals.

During the evaluation period, Pacific National Bank representatives provided CD services to the following Miami-based CD organizations:

*Habitat for Humanity of Greater Miami, Incorporated.*

This is a non-profit organization that builds affordable homes for low-income individuals. A Pacific National Bank director is a member of the Board of this organization and provides financial advice on budgeting and fund raising.

*East Little Havana Community Development Corporation*

This is a non-profit CDC that builds affordable housing for low- and moderate-income individuals. The organization also provides assistance with homebuyer education. A bank director is chairman of the Finance and Budget Committee for this organization.

*Downtown Miami Community Development Corporation*

This is a non-profit CDC that builds affordable housing for low-and moderate-income individuals. The organization also provides assistance with homebuyer education and ultimate purchase of a home. The organization has developed and currently operates approximately 190 units of affordable housing for low- and moderate-income individuals in downtown Miami. A bank director of Pacific National Bank is a founding director of this organization and is currently Vice-Chairperson. This bank director participates in budgeting, fund raising, and provides legal advice.

*Community Partnership for Homeless, Incorporated*

This is a non-profit organization that operates two emergency facilities for low-income, homeless individuals. One of these facilities is in the City of Miami. These facilities provide services for low-income individuals. The organization is a first step program for identifying and assisting with housing needs and directing rehabilitation of the homeless. A Pacific National Bank director serves on the Executive Committee, which prepares the budget and raises funds.



## **Compliance with Anti-Discrimination Laws and Regulations**

An analysis of 1999 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. The analysis of the information revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in March of 1998.

## 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 by 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 which consists generally of one or more MSAs (using the MSA 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.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. The United States Census Bureau has established BNAs in conjunction with state agencies.

**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 ten-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.

**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 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 or a block numbering area 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 ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Low-Income Family or Geography** - An income level that is less than 50% of the MFI.

**Moderate-Income Family or Geography** - An income level that is at least 50% and less than 80% of the MFI.

**Middle-Income Family or Geography** - An income level that is at least 80% and less than 120% of the MFI.

**Upper-Income Family or Geography** - An income level that is 120% or more of the MFI.

**Metropolitan Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Net Operating Income** - As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments. (Schedule RI - Income Statement, line 8)

**Tier 1 Capital** - The total of common shareholders equity, perpetual preferred shareholders equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries. (Schedule RC-R - Regulatory Capital, line 3a(1))

**Total Assets** - Total bank assets as listed in the Consolidated Report of Condition and Income. (Schedule RC - Balance Sheet, line 12)

**Total Income** - From the Consolidated Report of Condition and Income -- Total Interest income plus Total noninterest income. (Schedule RI - Income Statement, Total Interest Income, line 1g and Total Noninterest Income, line 5g, except for banks with domestic offices only and total assets less than \$100 million, line 5c)

**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. An institution will not be considered in the business of extending loans to retail customers if it does not hold itself out to the retail public as providing such loans and the institution's revenues from extending such loans are insignificant when compared with the revenues from its overall lending operations. Wholesale institutions may engage in very limited retail lending if this activity is incidental and is done on an accommodation basis.