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Comptroller of the Currency  
Administrator of National Banks

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South Florida Field Office  
5757 Blue Lagoon Drive, Suite 200  
Miami, Florida 33126

## **PUBLIC DISCLOSURE**

**March 15, 1999**

# **COMMUNITY REINVESTMENT ACT SMALL BANK PERFORMANCE EVALUATION**

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

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

**Office of the Comptroller of the Currency**

**South Florida Field Office  
5757 Blue Lagoon Drive, Suite 200  
Miami, Florida 33126**

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

## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Enterprise National Bank of Palm Beach** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 15, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

**INSTITUTION'S CRA RATING:** This institution is rated: **“Needs To Improve”**

**Enterprise National Bank’s CRA performance Needs Improvement. The primary reasons for this rating are:**

- o **ENB’s lending activity in its assessment area during the evaluation period was very low in relation to its available resources and the credit needs in the area.**
- o **The relatively low volume of loans originated or purchased in the assessment area were poorly distributed among census tracts of different income levels, including low- and moderate-income census tracts.**
- o **ENB’s quarterly average loan to deposit ratio since the last CRA evaluation is less than reasonable given the financial resources that were available to lend and the credit needs of the assessment area. The ratio is also lower than the ratio of three similarly situated banks in its assessment area.**

While the bank experienced strategic and managerial changes during the evaluation period, it had the ability and responsibility to reasonably meet the credit needs in its assessment area, but did not.

The following table indicates the performance level of **Enterprise National Bank of Palm Beach** with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b><u>ENTERPRISE NATIONAL BANK</u> PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
Loan to Deposit Ratio			X
Lending in Assessment Area			X
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans			X
Response to Complaints	No complaints were received since the prior CRA examination.		

## **DESCRIPTION OF INSTITUTION**

Enterprise National Bank of Palm Beach (ENB) is an independent community bank owned by local investors and located in Palm Beach County, Florida. The bank's sole office is located in the city of North Palm Beach in northeastern Palm Beach County. ENB is not a subsidiary of a holding company. ENB's last CRA performance evaluation was performed in April 1996 and the bank earned a "Satisfactory" rating.

We evaluated ENB's CRA performance using the performance criteria for small banks. This evaluation period covers performance since the previous review although we focused on the lending activity in the bank's assessment areas during 1997, 1998, and through February 24, 1999.

As of December 31, 1998, the bank had total assets of \$145 million. Loans totaled \$61 million and deposits were \$130 million. Net loans represented was 42% of total assets. The loan portfolio was composed of 41% residential real estate, 26% commercial real estate, 22% consumer loans, 6% commercial, 3% construction and development, 1% multifamily, and 1% home equity. However, the composition of the loan portfolio fluctuated significantly over the evaluation period as ENB purchased and sold loans, i.e. pools of auto loans and commercial real estate loans. No legal, financial, or other factors impede the bank's ability to meet the credit needs in its assessment area.

ENB underwent a shift in focus after a 3/29/96 change in control. The new owners/directors changed ENB's primary lending focus from traditional community bank activities to the wholesale purchase of loan pools/portfolios located outside of the bank's assessment area. For example, in late 1996, ENB purchased a pool of sub-prime auto loans for a total of \$14,900,000. In 1997 and 1998 ENB purchased \$34,435,570 of commercial and commercial real estate loans - some of which were partially guaranteed by the Rural Development Authority. In 1998, ENB purchased \$58,166,480 of higher quality auto loans. ENB subsequently sells all or a portion of the purchased loan portfolios. Almost all of the above purchased loans were located outside ENB's assessment area.

The new CEO is attempting to achieve more balance between wholesale and local area lending. In late 1998 and early 1999, as part of efforts to increase local lending, ENB purchased pools of residential mortgage loans located inside the assessment area. See the **Lending in the Assessment Area** performance criteria for details.

## **DESCRIPTION OF THE ASSESSMENT AREA**

ENB's assessment area consists of Palm Beach County. Palm Beach County is a Metropolitan Statistical Area (MSA). The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

According to the 1990 U.S. Census, the Palm Beach County MSA consists of 211 census tracts which are distributed as follows: 10 low-income, 45 moderate-income, 87 middle income, and 65 upper

income census tracts. Four census tracts are uninhabited. The percentage of census tracts in each income category are: 5% low income, 21% moderate income, 41% middle income, 31% upper income, and 2% uninhabited.

Note: A low income census tract has a median family income of less than 50% of the MSA median family income, a moderate income tract has 50% to 80%, a middle income tract has 80% to 120%, and an upper income census tract has 120% or more of the MSA median family income.

There are 244,633 families in the assessment area. The number of families in each income category are: 46,089 low income, 46,578 moderate income, 55,287 middle income, and 96,679 upper income. The percentage of families in each income category are: 19% low income, 19% moderate income, 23% middle income, and 39% upper income.

The 1998 updated median family income is \$51,200. This income level was used to evaluate the reasonableness of the distribution of bank loans originated in the assessment area to individuals of different income levels.

The MSA had a 1990 population of 864,000. There has been significant population growth since the 1990 census. Palm Beach County has a large retiree population with 24% of the people over 65 years of age. Some of the major industries include tourism, real estate development, health care, and retail services. The major private employer is Pratt Whitney & Company. Public services including hospitals, government, and education are other large sources of employment. Businesses are predominantly small.

Palm Beach County's economy is good and competition from other financial institutions is strong. ENB has strong competition from affiliates of regional banks and multinational banks, community banks, mortgage companies, and credit unions.

During 1997 and 1998, Federal Reserve and FDIC examiners contacted community organizations that operate in ENB's assessment area to identify local credit needs. During this review, an OCC examiner contacted the program director for the Local Initiatives Support Corporation (LISC), a community development corporation. This chapter of LISC serves Palm Beach County. These contacts revealed that loans to purchase or rehabilitate affordable single family homes and finance small businesses are needed. Credit needs related to loans to purchase affordable single family homes include the need for construction loans and permanent take-out loans.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

### **Loan to Deposit Ratio**

**Conclusion:** ENB's average loan to deposit ratio since the last CRA examination is less than reasonable given the bank's size, financial condition, and the assessment area credit needs.

## Support of Conclusion:

ENB's average loan to deposit ratio since the last CRA examination was 52%. This ratio is significantly lower than the average ratio of 69% of three similarly situated banks in the assessment area. The three similarly situated banks are local community banks that serve portions of ENB's assessment area. The average loan to deposit ratios of the three banks ranged from 55% to 79% (combined average of 69%).

ENB had resources available for additional lending. The following table shows the bank maintained moderately high levels of liquid assets throughout the evaluation period, some of which could have been used to fund loans. The column in the far right shows ENB's liquid assets at each quarter-end.

Quarter	Net Loans	Deposits	Loan to Deposits	Liquid Assets*
9/30/96	\$18 million	\$45 million	39%	\$62 million
12/31/96	\$35	\$50	69%	\$20
3/31/97	\$36	\$63	57%	\$29
6/30/97	\$34	\$74	47%	\$37
9/30/97	\$24	\$81	30%	\$61
12/31/97	\$60	\$89	67%	\$33
3/31/98	\$54	\$96	57%	\$41
6/30/98	\$61	\$100	61%	\$42
9/30/98	\$50	\$118	43%	\$60
12/31/98	\$61	\$130	47%	\$75

\* Liquid assets consist of interest-bearing deposits with other banks, federal funds sold, unpledged U.S. Government Treasury and Agency Securities, and other securities. It does not include cash on hand or non-interest bearing deposits with correspondent banks used in daily operations.

## Lending in the Assessment Area

**Conclusion:** Lending in the assessment area is very poor. A substantial majority of ENB's loans in the evaluation period were located outside of the assessment area.

ENB's four major lending activities during the evaluation period were the purchase of high quality auto loans, the purchase of commercial real estate loans, the origination and purchase of residential mortgage

loans, and the purchase of sub-prime auto loans. All of the purchased commercial real estate loans and almost all of the auto loans were located outside of ENB's assessment area. Most of the residential loans were within the assessment area.

**Support of Conclusion:**

1997, 1998, + Through February 24, 1999

DOLLAR VOLUME OF LOANS	
INSIDE Assessment Area	OUTSIDE Assessment Area
\$16,782,895 or <b>12%</b>	\$121,592,454 or <b>88%</b>

In late 1996, bank management purchased 1,158 sub-prime auto loans for a total of \$14,900,000. These loans were located across the country and thus, about 99% of these loans were outside the bank's assessment area. Management sold these loans in early 1997.

Starting in 1998, ENB began purchasing large volumes of higher quality auto loans which were also located across the country. As of 12/31/98, management had purchased \$58,166,480 worth of these loans (number of loans unknown). Management then sold about \$35,000,000 of these loans in 1998. As of February 1999, the bank continues to purchase auto loans. Management states they plan to sell the majority of these loans except for \$2,225,747 in loans they plan to keep in the loan portfolio.

In 1997, ENB began purchasing commercial real estate loans - some of which had partial guarantees from the Rural Development Authority. Management typically sells the guaranteed portion of these "RD" loans and retains the unguaranteed portion. The guaranteed portion is typically 80% of the principal balance. During 1997, ENB purchased 20 RD loans for a total of \$29,609,000. In 1998, ENB purchased 4 such loans for \$4,826,570. All of these loans were outside ENB's assessment area.

ENB originates and purchases residential mortgage loans. In 1997, 1998, and through February 25, 1999 ENB originated or purchased 76 loans for \$11,605,000 in the assessment area and 32 loans or \$8,690,000 outside of the assessment area. Therefore, 70% of the number of loans and 57% of the dollar volume of residential mortgage loans were made in the assessment area while 30% and 43% respectively, were outside the area.

ENB also made a small volume of commercial and consumer loans. In 1997, 1998, and through February 25, 1999, ENB originated 46 of these loans for \$5,027,895 in the assessment area and 25 or \$5,300,404 loans outside the assessment area. The dollar volume of credits outside the assessment area was higher because more large commercial loans were made outside of the local area while many of the smaller consumer loans were originated in the assessment area.

## **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

**Conclusion:** The record of lending to borrowers of different income levels and businesses of different sizes is reasonable.

### **Support of Conclusion:**

ENB's main type of lending within the assessment area was residential mortgage lending. During 1997, 1998, and year-to-date February 24, 1999, there were 71 HMDA loans originated or purchased in ENB's assessment area with income information available on the borrower. The distribution of these residential loans to borrowers of different incomes is reasonable although the percentage of loans to low income borrowers is low. The following table shows the distribution of residential mortgage loans based on borrower income.

**Distribution of Residential Mortgage Loans Based on Borrower Income  
Years 1997, 1998, and Year-To-Date February 24, 1999**

Income Levels	Distribution of 1-4 Family Residential Mortgage Loans	Percentage of Families in these Income Levels in Assessment Area
Low Income	4%	19%
Moderate Income	15%	19%
Middle Income	23%	23%
Upper Income	58%	39%

ENB also made a small volume of commercial and consumer loans. In 1997, 1998, and through February 25, 1999, ENB originated 46 of these loans for \$5,027,895 in the assessment area. Most of the commercial loans were to small businesses and this helped meet an identified credit need of the community.

### **Geographic Distribution of Loans**

**Conclusion:** The loans originated or purchased in the assessment area are poorly distributed among census tracts of different income levels, especially low- and moderate-income tracts.

### **Support of Conclusion:**

ENB's main type of lending within the assessment area was residential mortgage lending. The following table shows the geographic distribution of the 76 residential mortgage loans originated or purchased in the Palm Beach County MSA/assessment area during 1997, 1998 and year-to-date February 25,



1999. The table shows that a **significantly smaller percentage** of loans were originated or purchased in low- and moderate-income census tracts of the assessment area relative to the percentage of low- and moderate-income census tracts of the assessment area.

**Distribution of Residential Loan Originations/Purchases Compared to  
Distribution of Census Tracts in Assessment Area**

Income Level of Census Tract	Percentage of Residential Mortgage Loans in the Census Tract (Number of Loans)	Percentage of Residential Mortgage Loans in the Census Tract (Amount of Loans)	Distribution of Census Tracts in the Assessment Area
Low	0%	0%	5%
Moderate	7%	4%	21%
Middle	39%	32%	41%
Upper	54%	64%	31%
Uninhabited	0%	0%	2%

ENB made no loans in low-income census tracts. Lending in moderate-income census tracts reflects a minimal volume given the available resources of the bank and lending opportunities in the assessment area. ENB's single branch location and former smaller assessment area were barriers to lending. However, more effort could have been made to meet the housing credit needs in low- and moderate-income census tracts in the assessment area.

**Response to Complaints**

ENB has not received any complaints regarding its CRA performance during this evaluation period.

**Compliance with Antidiscrimination Laws and Regulations**

For our fair lending portion of the examination, we reviewed consumer loans made in 1998 using the loan terms approach. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. Fair lending policies and procedures are satisfactory.