SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 06, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Intercredit Bank, National Association
Charter Number 18283

1200 Brickell Avenue
Miami, FL 33131

Comptroller of the Currency
ADC - South Florida (Miami)
9800 Northwest 41st Street Suite 120
Miami, FL 33178

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 more than reasonable, when compared with those of similarly-situated financial institutions.
- A majority of the bank's lending occurred within its assessment area.
- The geographic distribution of loans reflects a satisfactory penetration of census tracts in the assessment area.

DESCRIPTION OF INSTITUTION

Intercredit Bank N.A. (ICB) operates as a foreign-owned community bank with four full-service offices in Miami-Dade County, one of the largest metropolitan areas in the State of Florida. Two of the bank's offices are located in upper-income geographies, and two in middle-income geographies within the county. ICB is not a subsidiary of a holding company.

As of September 30, 2002, the bank reported $300 million in total assets and $238 million in deposits. At $225 million, net loans represented 75 percent of total assets and 94 percent of deposits as of this date. The bank's primary loan products are residential mortgages and commercial real estate loans, which at $136 million and $45 million respectively, represent about 80 percent of total loans outstanding.

In the past, ICB had an international orientation, supported by its location on Brickell Avenue, a sector of the city known for its concentration of international banks. In 1999 the bank made a strategic decision to shift its focus away from international banking and to intensify the development of local business. Towards this end, they hired a new General Manager with an extensive domestic banking background and began targeting local companies with between $500,000 and $5 million in revenues as well as professionals. In the retail sector they concentrated on residential mortgage lending.

ICB also purchased a substantial volume of residential real estate mortgage loans as a means to supplement their domestic lending volumes. Purchasing arrangements with various mortgage lenders began in 2001, which facilitated buying pools of residential mortgage loans on a bulk basis. The outstanding balance of loans purchased under these arrangements was $38.6 million as of year-end 2002. This amount represented about 12% of total loans. In 2002 alone, the bank purchased $25 million in loans from 3 different lenders, equaling 62% of the total dollar amount of home-related loans originated or purchased during 2002.

The evaluation period for this review is January 1998 through September 2002, but their recent lending activities were emphasized in this analysis. The bank received a "Satisfactory" rating at their last CRA evaluation, which was dated December 10, 1997. There are no legal, financial, or other factors that impeded the bank's ability to meet community credit needs.

DESCRIPTION OF ASSESSMENT AREA

ICB's assessment area consists of the 267 census tracts that comprise the Miami-Dade Metropolitan Statistical Area (MSA #5000). This MSA matches the boundaries of Miami-Dade County, which is bordered in the north by Broward County, in the east by the Atlantic Ocean, in the south by Monroe County, and by Collier County in the west. The assessment area meets the requirement of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The assessment area is a densely populated urban area, with a total population of 1.9 million persons, according to the 1990 census. The 2000 census reports a 16.3 percent population increase to 2.3 million persons. Of that number, more than one million reside in unincorporated Miami-Dade County with the balance residing in the county's 29 municipalities. The City of Miami is the largest with a population of nearly 400,000, followed by Hialeah, Miami Beach, North Miami and Coral Gables.

The area has a diverse population, including a large number of immigrants from Latin America. This immigration accounts significantly for the population growth in the MSA, and the trend continues to increase caused by political and economic turmoil in the region. Based on 1990 census data, Hispanics represent 49% of the population and are the largest ethnic group in the MSA, followed only by whites at 30%, and blacks at 19%

According to the 1990 Census, there were 485,213 families and 692,237 households in the assessment area. The weighted average median family income for the MSA was reported at $33,980. Data from the Department of Housing and Urban Development (HUD) estimated the weighted average median family income for the MSA at $48,200 for 2002. Tract designation and family distribution in the assessment area is as follows:

	Census Tracts		Families
Low Income	36	13.48%	23.32%
Moderate Income	57	21.35%	16.40%
Middle Income	96	35.96%	19.19%
Upper Income	75	28.09%	41.09%
Data Not Available[1]	3	1.12%	0.00%
Totals		100.00%	100.00%

Based on the 1990 Census, the housing stock in the MSA consisted of 771,288 total housing units, 48.75% of which were owner-occupied and 41.02% rentals. The weighted average monthly gross rent was $497 and the weighted average median price for a house was $100,570. By 1995 this median price was at $117,700 reflecting the pressures from population increases and the need for more affordable housing.

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1 The NA category consists of geographies that have not been assigned an income classification.
Data Source: 1990 U.S. Census, and 2001 HUD updated MFI.

The Miami-Dade County MSA's economy is stable and diverse. Major industries include merchandise trade with Latin America, tourism, construction, health care, and services. Businesses are predominantly small. Small businesses (those with annual revenues less than $1 million) represent 55% of all businesses in the county.

Known as the major international trading hub of the Americas, Miami-Dade's business community, people, neighborhoods, schools and architecture all exhibit a cosmopolitan character. The proximity to the Caribbean, Central and South America plus superior seaport and airport capabilities provide this area with a distinct advantage as a global trading center.

Also, Miami-Dade's work force, which has grown younger and more culturally diverse, is particularly well suited to employment in today's internationally oriented industries. The unemployment rate is 7.3% with 1.2 million persons employed as of September 2002.

Banking competition in the MSA is strong with more than 591 financial institutions operating in the area. The competition includes many larger community banks, regional and multinational banks, mortgage companies, foreign banks, credit unions, and brokerage firms. The large interstate banks, along with national mortgage companies, are the main home mortgage lenders in the county. Due to its size and resources, ICB's lending market share in the MSA was negligible at less than one percent (0.09% in terms of number of loans made and 0.23% in terms of dollars lent).[2]

Assessment Area Credit Needs

Community credit needs were determined from a number of sources. HUD's 1999 5-Year Consolidated Plan describes a growing need for housing throughout the Miami-Dade County MSA, particularly affordable housing for low- and moderate-income individuals. Demand pressures from a growing population has caused housing prices to skyrocket in recent years. Barriers that have affected the construction of affordable housing to keep up with the increased demand include: tougher building codes resulting from the Hurricane Andrew disaster; building moratoriums based on limited sewage treatment capacity, and; a dwindling supply of buildable land due to the MSA's proximity to environmentally-sensitive areas such as the Everglades National Park.

We conducted a community contact with a Section 501 (c)(3) nonprofit, multi-bank mortgage-lending consortium that is certified as a Community Development Corporation. The CDC has as its mission to promote residential and commercial revitalization of East Little Havana, a neighborhood that is within close proximity to the bank's Main Office.

This CDC partners with other financial institutions in the area, including ICB, by arranging for the financing of multi-family, affordable housing targeted to low- and moderate-income households in the area. The discussion centered on the credit needs of the community and the performance of financial institutions in meeting those needs. We also reviewed three previous community contacts prepared by regulatory agencies in the county.

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2 Data Source: 1990 U.S. Census (STF3)

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

ICB's average loan-to-deposit (LTD) ratio for the evaluation period is more than reasonable, when compared with similarly-situated financial institutions. Quarterly data for the LTD ratio was available from December 1997 to September 2002. Three similarly-situated institutions operating in the bank's assessment area were chosen for comparison. The similarities shared with these institutions include asset size and the offering of similar lending products in the same general market area. At least two of these institutions also had an international orientation, with more recent emphasis in the domestic market.

The table below summarizes the calculation results of the average quarterly LTD ratios for this period:

	AVG. LTD 5-QTRS FRM 9/01 TO 9/02	AVG. LTD 5-QTRS FRM 9/00 TO 9/01	AVG. LTD SINCE 12/31/97
INTERCREDIT BANK, N.A.	87.73	79.90	77.39
Local Peer Group Averages	83.19	82.47	77.25

(The above peer group is comprised of banks headquartered in the Miami-Dade County area with Total Assets between $150MM & $350MM.)

As depicted above, the bank's average LTD ratio for the most recent five quarters exceeded its local peer by 4.5 percent, but it was 2.5 percent below for the period starting with the 3rd quarter of 2000 to September 2001. This reflects the effects of the bank's most recent increased lending efforts, including the bulk purchases of residential real estate loans, as well as its transition from its international lending strategy, during 2000 and the first half of 2001, which decreased its overall lending for this period. The bank's overall LTD ratio since its last CRA evaluation compares favorably with this local peer group.

❖ **Lending in Assessment Area -** **Meets the Standard for Satisfactory Performance**

The bank originated and purchased a majority of its loans within its assessment area. This conclusion is based on an analysis of loans originated or purchased during 2002, including all residential mortgage originations/purchases reported under the Home Mortgage Disclosure Act (HMDA), and all business loans originated between January and September 2002. On an aggregate basis, 61.5% of the total number and 65.5% of the total dollar volume of loans originated or purchased were located within the assessment area.

The table below presents the distribution by loan product:

Type of Loan	Total Loans Originated ($000's)		% of Loans in the Assessment Area	
	Total Number	Total Dollar Volume	By Number	By Dollar Volume
HMDA Loans	210	$40,750	50.5%	52.5%
Business Loans	73	$27,569	93.2%	84.6%
Total	283	$68,319	61.5%	65.5%

During the evaluation period, ICB purchased a substantial number of residential mortgage loans from third party mortgage companies in an effort to supplement its domestic lending while its new lending strategies were being implemented. During 2002, the bank purchased 142 loans totaling $25.3 million, which was over 60% of total dollar volume of HMDA loan originations. Of these only 34% of the number and 32% of the dollar volume were located within the assessment area. This helps to explain the disparity between the HMDA and business loans percentages shown above. Nonetheless, the majority of lending activity occurred within the Miami-Dade County MSA.

- **Lending to Borrowers of Different Incomes and Businesses of Different Sizes in Assessment Area – Does Not Meet the Standard for Satisfactory Performance**

The bank's record of lending to borrowers of different incomes is less than satisfactory given the demographics of the community. This analysis used the 106 HMDA-related loans totaling approximately $21 million that were originated or purchased by the bank within its assessment area. Income information was not available for the majority of these loans (69.81%), especially the purchased residential loans located in the assessment area, which represented almost half of the number of loans evaluated.

Borrowers were categorized as low-, moderate-, middle-, or upper-income based on the 2002 Housing and Urban Development (HUD) Median Family Income figures of $48,200 that was reported for the MSA. According to the HUD definitions, a low-income borrower would report income that is less than 50 percent of the median, a moderate-income person would have between 50 and 79 percent of the median, a middle-income individual would make between 80 and 199 percent, with upper-income borrowers having an income that is more than 120 percent of the median.

The aggregate results were compared to the total income distribution of families in the assessment area. The results are summarized in the table below.

Income Category	***Residential Mortgages***		***Families within the Assessment Area***
	By # of Loans	By $ Volume of Loans	
Low Income	0.0%	0.0%	23.32%
Moderate Income	0.0%	0.0%	16.40%
Middle Income	6.25%	2.80%	19.19%
Upper Income	93.75%	97.20%	41.09%
No Income Data	69.81%	64.43%	N/A

While the above table depicts no lending to low- and moderate-income borrowers, it should be noted that income information was available for only 32 out of the 106 HMDA-related loans made in the assessment area. Although banks are not required to report income amounts for purchased loans, capturing this data would have presented a more complete understanding of the borrowers' characteristics. Consideration was also given to the location of the bank's offices and the level of competition in the county from other financial institutions.

ICB met some of the needs of low- and moderate-income borrowers over the evaluation period through its involvement with the East Little Havana Community Development Corporation (ELHCDC). This CDC is a not-for-profit organization that partners with banks in Miami-Dade County to fulfill its mission to maintain and develop adequate affordable housing, and commercial opportunities for the residents of the Little Havana area. ICB has participated in several multi-family residential projects by granting construction loans to this CDC. It currently has about $18 thousand outstanding, and a lending commitment of $750 thousand to participate in a construction loan for a 6-story, mixed –use condominium building in the area.

A bank representative also serves on the board of the Neighborhood Lending Partners of South Florida, Inc. ICB is a founding member of this affordable housing consortium of 20 banks that is located in the Miami-Dade County MSA. With the support of the Federal Home Loan Bank of Atlanta, the mission of this organization is to provide financing for affordable multi-family rental properties targeted to low- and moderate-income households throughout the county. ICB joined the effort to form this housing consortium in the 1st quarter of 2001 as a way to replace an inactive organization (Homes for South Florida) that operated in the mid-1990's. ICB has funded $5 thousand of the $10 thousand required capital investment and has committed to fund $1 million in qualifying loans.

Revenue data was not readily available for all business loans ICB originated during the evaluation period. As a result, a meaningful analysis of the bank's record of lending to businesses of different sizes could not be conducted using business revenues. An alternate analysis is often used when evaluating small banks' performance that uses a proxy for business lending, which uses the origination of small-business loans. The basis for using the proxy is that small business loans are frequently made to businesses with small revenues. For this evaluation we chose small business loans to be those with an amount of less than $1 million. An adequate penetration of small business lending in the assessment area is noted, with 31% of the small commercial/commercial real estate loans approved between January and September of 2002 within the assessment area, made to businesses located in low- and moderate-income census tracts.

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, the 106 HMDA loans made in the assessment area during 2002 were used. The geographic distribution of the loans among the four different income designations of the census tracts was compared to the level of owner-occupied housing within each of these geographic area designations. 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 location of ICB offices, relative to the location of low- and moderate-income census tracts. The results are summarized in the table below:

Census Tract Designation	*% of HMDA-related loans w/n AA*		*% of Owner-Occupied Housing*
	By # of Loans	*By $ Volume of Loans*	
Low Income	*4.7%*	*5.15%*	*3.26%*
Moderate Income	*7.5%*	*6.89%*	*12.86%*
Middle Income	*19.8%*	*9.92%*	*40.83%*
Upper Income	*67.9%*	*78.02%*	*43.05%*

Based on this table, the distribution of mortgage-related loans made by the bank among the four income designations of the geographic areas within its assessment area is consistent with the levels of owner-occupied housing within those areas. The higher penetration in the middle- and upper-income tracts is also consistent with the location of the bank's offices.

Next, the geographic distribution of business loans made in the assessment area was analyzed, using data produced internally by the bank. About thirty four percent of the total number (33.82%) and total dollar volume of commercial and commercial real estate loans made in the assessment area were made to businesses located in low- and moderate-income census tracts. This distribution compares favorably with the percentage of non-farm businesses located in low- and moderate-income geographies within the assessment area. According to 2002 business demographic data, only 26% of the total numbers of non-farm businesses within the Miami-Dade County MSA were located in low- and moderate-income geographies.

❖ **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 the most recent 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 did not need to be conducted in connection with the CRA evaluation. The latest comprehensive fair lending exam was performed in the year 2000.