



Comptroller of the Currency
Administrator of National Banks

LARGE BANK

Washington, DC 20219

PUBLIC DISCLOSURE

December 31, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Commercebank, National Association
Charter Number: 16804**

**2199 Ponce de Leon Boulevard
Coral Gables, Florida 33134**

**Comptroller of the Currency
Southeastern District Office
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303-1223**

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.

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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 **Commercebank, National Association** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 31, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION

INSTITUTION'S CRA RATING: This institution is rated **SATISFACTORY**.

The following are the primary factors supporting Commercebank, N.A.'s performance under the Lending, Investment, and Service tests.

Lending Test

- About 99% of Commercebank, N.A.'s 1997 domestic lending is located within its assessment area.
- The geographic distribution of the bank's domestic CRA-related loans is good.
- The bank created three innovative loan products to help its small business customers.
- Commercebank, N.A. originated a high level of community development loans, sometimes in a leadership role.

Investment Test

- Commercebank, N.A. made an adequate level of qualified investments.

Service Test

- Delivery systems were reasonably accessible to essentially all portions of the bank's assessment areas and to individuals of different income levels.
- The bank offers a high level of alternative retail delivery products.
- The bank has provided a relatively high level of community development services.

The following table indicates the performance level of Commercebank, N.A. with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>Commercebank, N.A.</u>		
	PERFORMANCE TESTS		
	Lending Test¹	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X	X	
Needs to Improve			
Substantial Noncompliance			

¹ The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

Commercebank, N.A. (Commerce) is headquartered in Coral Gables, Florida. Commerce is owned by Commercebank Holding Co., a one-bank holding company operating in South Florida since 1987. This holding company is in turn owned by two related foreign financial entities, Consorcio Inversionista Mercantil (CIMA) and Banco Mercantil, a \$2.7 billion commercial bank in Venezuela which is the minority owner. The Miami Agency of Banco Mercantil is also located in Coral Gables, and shares space in the same building with Commerce.

The bank has seven banking offices: six in Dade County and one in Broward County. In Dade County, banking offices are located primarily in areas that are close to businesses and professional firms, including Coral Gables, Hialeah, and the Airport West area. The bank's only office in Broward County is located in a largely residential area known as Pompano.

The majority of the bank's business is conducted in Dade County. Lending activities are centered in commercial, commercial real estate, and international trade financing. Management concentrates its resources on serving the commercial banking needs of small and moderate size businesses. Commerce interacts closely with U.S. and foreign affiliates of its holding company. Many of its deposit and loan customers are foreign nationals who may also be customers of Banco Mercantil, Venezuela.

As of December 31, 1997, Commerce had total assets of \$652 million. Loans totaled \$400 million, deposits were \$520 million, and capital totaled \$42 million. The loan portfolio consisted of: 88% commercial, commercial real estate, and construction loans; 5% residential real estate and home equity loans; 5% multifamily real estate loans; and 2% consumer loans. About 47% of the loans on the balance sheet were foreign. The bank derived about 63% of its deposits from foreign customers.

During 1994, Venezuela experienced a financial crisis which prompted many of the parent bank's customers to seek the safety of dollar denominated accounts in the United States. This caused a high influx of international deposits from people and businesses in Venezuela into Commerce that negatively affected its loan to deposit ratio. It has taken several years for the bank to find enough lending opportunities to absorb these additional deposits. Due to the intense competition for domestic loans, most of the bank's recent loan originations have been foreign.

Competition among local providers of financial services is very strong. Due to Miami's geographical location, there are significant opportunities for international trade financing and foreign lending to Latin American entities. Many banks in Dade County are focused primarily on international trade financing and foreign lending. It is common for these types of banks to have sizeable deposits from foreign sources. Commerce has identified several banks that operate in the area as their competition due to relatively similar orientation. The banks include, among others: Republic National Bank, Ocean Bank, Ready State Bank, United National Bank, Capital Bank, Hamilton Bank, N.A., and Eastern National Bank. However, Commerce is unique among these institutions in the closely knit relationship that it maintains with Banco Mercantil. This close relationship is expected to continue affecting Commerce's balance sheet in the future. Due to capital considerations, Banco Mercantil made a strategic decision this year to channel all dollar denominated deposits of its customers to Commerce. This should increase Commerce's foreign deposit base even further. The presence of so many banks with international lending portfolios affects the competition for domestic loans since the banks are subject to local regulations, including the CRA.

There are no legal, financial, or other impediments which would hamper Commerce's ability to help meet the credit needs of its community. The bank's rating in its immediately preceding CRA examination, dated *December 19, 1995* was "*Outstanding Record of Meeting Community Credit Needs.*"

Description of the Assessment Area

Commerce's assessment area consists of Dade and Broward counties, which are the same as the Miami and Fort Lauderdale Metropolitan Statistical Areas (MSAs). These two MSAs are part of the Miami-Fort Lauderdale Consolidated MSA. These two counties are contiguous. The bank's assessment area complies with the regulation.

The bank's assessment area is part of what is often referred to as South Florida. The South Florida economy is growing. While foreign and domestic tourism is still a major factor, some diversification has occurred. Aside from tourism, major industries include real estate development, trade business with Latin America, health care, and banking. The sea ports and airports of Miami and Fort Lauderdale are among the fastest growing in the United States. There are many service businesses in the area. In the extreme southern and northwest sections of South Florida, agriculture is a major industry (e.g. tomatoes, citrus, sugar cane).

The area has a large retiree population and a growing number of immigrants from Latin America. Many residents of the area have moved here from northern cities of the United States and Canada, and others maintain second homes in the area. The coastal communities of South Florida are characterized by many luxury residences and wealthy individuals.

Table 1 shows the distribution of census tracts within the assessment area by income level, for each MSA, and the total AA.

The Miami MSA is Florida's largest metropolitan area and most populous with approximately 2 million people in a 2,000 square mile area. It is also one of the poorest of large metropolitan areas in the United States. Based on a county study, 40% of the Greater Miami community either: lives in poverty; is under employed; is less educated than the national average; or is classified medically indigent. Income levels and poverty rates experienced in Dade County have profound implications for meeting the housing needs of a large portion of the population. HUD updated median family income for 1997 was \$39,100.

Table 1 Distribution of Geographies by Income Level Total Bank							
Distribution of Geographies by Income Level							
MSA	# Census Tracts	Low	Moderate	Middle	Upper	NA	Total
Miami MSA	267	14%	21%	36%	28%	1%	100%
Ft. Lauderdale MSA	164	5%	20%	47%	26%	2%	100%
Total Assessment Area	431	10%	21%	40%	27%	2%	100%

Source: 1990 Census, US Bureau of the Census

Table 2 Distribution of Families and Median Family Income Total Bank						
Distribution of Families by Income Level						
MSA	1997 Median Updated Family Income	Low	Moderate	Middle	Upper	Total
Miami MSA	\$39,100	23%	16%	20%	41%	100%

Ft. Lauderdale MSA	\$47,700	20%	18%	22%	40%	100%
Total Assessment Area	\$41,458	22%	17%	21%	40%	100%

Source: 1990 Census , US Bureau of the Census

The 1990 U.S. Census placed the average median cost of a house in the Miami MSA at \$101,000. This makes owning a home prohibitively expensive for a large percentage of the MSA's population. 1992's Hurricane Andrew also had a big impact: population shifted from the South Dade and Homestead areas into northern Dade and Broward counties. Tens of thousands of homes in low- and moderate-income areas were destroyed; many were never rebuilt. This also created upper pressures on housing cost and availability. According to the 1990 Census, there were 771,288 housing units in Dade County, of which 41% were rental-occupied units. Owner-occupied housing in the Miami MSA was distributed as follows: 3% in low-income census tracts, 13% in moderate-income tracts, 41% in middle-income tracts, and 42% in upper-income tracts.

According to 1996 data from Dunn & Bradstreet there are about 90,000 businesses in the Miami MSA with 66,000, or 74% of these considered small businesses. The distribution of these small businesses among the MSA is as follows: 11% are in low-income census tracts, 19% are in moderate-income tracts, 32% are in middle-income tracts, and 38% in upper-income tracts.

The Fort Lauderdale MSA is one of Florida's largest metropolitan areas and most populous counties with approximately 1.3 million people living in a 1,200 square mile area. Density in urban areas is increasing as the population is growing rapidly from migration from other parts of the United States and former residents of southern Dade County displaced by Hurricane Andrew. These new residents are typically not low- and moderate-income. This MSA is more affluent than the Miami MSA with HUD's 1997 estimated median family income at \$47,700.

Housing costs in the Fort Lauderdale MSA are also higher than in Dade County. The 1990 U.S. Census estimated a median housing cost of \$115,000. There are 628,660 housing units in the Fort Lauderdale MSA, with only 26% being rented-occupied. Owner-occupied units were distributed as follows: 1% located in low-income census tracts, 14% in moderate-income tracts, 59% in middle-income tracts, and 26% in upper-income tracts.

The MSA has a total of 63,156 businesses, of which 77% are small businesses. These are distributed among the MSA's geographies as follows: 6% are in low-income census tracts, 18% are in moderate-income tracts, 52% in middle-income tracts, and 24% in upper-income tracts.

NOTE: A low-income census tract has less than 50% of the median family income of the MSA, a moderate-income census tract has 50% to 79%, a middle-income census tract has 80% to 119%, and an upper-income census tract has 120% or more of the median family income of the MSA. Small businesses are defined as those having \$1 million or less in annual revenues.

Credit Needs of Assessment Area

Information about the credit needs of the assessment area was obtained through discussions with management, review of a recent community contact made by the Federal Reserve examiners, and by contact with a local small business development organization engaged in providing technical assistance and access to start-up capital to primarily women-owned small businesses. In addition, we reviewed the U.S. Department of Housing and Urban Development (HUD) 1995 Consolidated Strategies and Plans for the MSAs within the bank's assessment area.

The type of community organization contacted by the Federal Reserve was a Community Development Corporation engaged in building affordable housing in a small low- and moderate-income area of Southern Dade County known as West Perrine. The CDC is also engaged in the

rejuvenation of the area's business district and provision of assistance for local small businesses.

The Federal Reserve Bank and the OCC contacts revealed a need for affordable housing - both rental and purchase - among the MSA's low- and moderate-income households. The areas' most pressing non-housing need is for small business financing which would promote economic revitalization and job creation. Bank management indicated affordable housing (rental and purchase) were primary needs.

The U. S. Department of Housing and Urban Development (HUD) Consolidated Strategies and Plans are comprehensive planning documents that identify community credit needs and community development opportunities. The Dade County Consolidated Plan identifies affordable housing as an extensive need for the area, especially among the very low-income sector. This need is more serious among renter households and to a lesser extent among homeowner households. The Plan indicates that the problem of affordability is more a function of insufficient income levels than higher housing costs, which are not out of line with other metropolitan areas. This is directly related to the identified need for economic development to promote self sufficiency among the area's low-income residents.

In the case of Broward County, its Consolidated Plan also identifies affordable housing as a pressing need in the community. But the problem here is more related to supply and demand market forces. As a result of an improved economy, lower interest rates, and tremendous post-Hurricane Andrew population growth, the market has driven home and rental prices up. The hurricane also impacted the market conditions by forcing stricter building codes on developers which slowed down home building.

The high home selling prices and high rental rates caused by the demand for housing have created a problem for the very low- and low-income households in Broward County. The Plan reveals that 80 percent of substandard housing is owned by low-income families, and 50 percent of the rental households are in need of housing assistance. It cites the following general housing needs for the very low- and low-income households: increased affordable housing stock; rehabilitation of substandard rental housing stock with minimal impact to existing cost structure; assistance for low-income households to compete for the limited affordable resale properties, thus elevating long-term renters to first-time home buyers; and, incentives for investors and owners to set aside units at affordable rent prices for low-income households.

The assessment area has a number of community organizations, such as county Housing Authorities, Community Development Corporations, and lending consortiums that facilitate lending to low- and moderate-income areas and small businesses in order to help meet identified credit needs. Commerce has very strong competition for these loans, but nonetheless, Commerce has the ability to help meet the credit needs of its assessment area in a manner that is consistent with its resources and business focus.

See the Appendix of this report for a definition of terms used within this public evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

Lending Activity

Commerce's lending activity during 1996 and 1997 was adequate. Table 3 shows the total originations for Commerce during 1996 and 1997. Consistent with the bank's emphasis on foreign lending, 81% of the bank's loan dollars in 1996 and 78% of the loan dollars in 1997 went to foreign loans. By number of loans, about 53% each year went to foreign loans.

Table 3				
1996 and 1997 Loan Originations				
Total Bank, Dollars in Millions				
Type of loan Originated	1996		1997	
	#	\$	#	\$
Total Foreign	1,101	\$443	1,112	\$474
Total Domestic	968	\$103	1,005	\$135
Total Loans Originated	2,069	\$546	2,117	\$609

For purposes of the CRA evaluation, only certain domestic loans within the bank's assessment area were considered. See Table 4. Specifically, bank originations of small business, small farm, Home Mortgage Disclosure Act (HMDA), and Community Development loans during the review period were evaluated. The review period was January 1996 through February 1998.

Table 4						
1996 and 1997 CRA Loan Originations in AA						
Total Bank, Dollars in Thousands						
Type of loan Originated	1996		1997		YTD 1998	
	#	\$	#	\$	#	\$
Small Business	449	\$37,052	356	\$24,567	23	\$1,360
Small Farm	3	\$61	0	0	0	00
HMDA	47	\$8,661	34	\$11,651	N/A	N/A
Community Development	15	\$12,098	15	\$10,009	2	\$1,159
Total CRA related	514	\$57,872	405	\$46,227	25	\$2,519

53% of the number of domestic loans originated during 1996, and 40% during 1997, were CRA-related. This reflects the strong competition in the area for domestic loans and recognizes that the overwhelming reason for banks to be located in the Coral Gables/Miami area is to take advantage of the opportunities to originate foreign loans and international trade financing.

Assessment Area Concentration

Nearly all of the bank's domestic loans were originated within the bank's assessment area. See Table 5. However, when the foreign loan originations are included in the ratio, about 25% of total 1996 loan originations and 19% of total 1997 originations were located within the bank's assessment area.

Table 5 Ratio of CRA Related Loans Inside the Bank's Assessment Area Total Bank								
	Small Business/Farm		HMDA		Community Development		Total	
	1996	1997	1996	1997	1996	1997	1996	1997
Number	463	359	48	34	15	15	526	408
# of Loans Inside AA	452	356	47	34	15	15	514	405
% of Loans Inside AA	98%	99%	98%	100%	100%	100%	98%	99%
Dollars (000's)	38,890	24,717	8,731	11,651	12,098	10,009	59,719	46,377
\$ of Loans Inside AA	37,113	24,567	8,661	11,651	12,098	10,009	57,872	46,227
% of Loans Inside AA	95%	99%	99%	100%	100%	100%	97%	99%

Geographic Distribution

Geographic distribution is good. Distribution of HMDA loans is adequate while distribution of small business loans is good. There were no unexplained gaps in the geographic distribution of the bank's lending within the AA. Loans are generally clustered around the bank's branches. There were no branches located in low-income census tracts (CTs). Aside from one branch that is relatively close to the University of Miami (located in a tract that is low-income due to the University's presence), no low-income CTs had easy access to Commerce's branches. Residents and businesses in these tracts have little incentive to seek out a branch of Commerce. However, one branch is located in a moderate-income CT and two more branches are located very close to moderate-income CTs. We noted one low-income cluster of CTs near downtown Miami in which there was little or no HMDA or small business lending. Management described the area as extremely low-income, with many residents dependent on government assistance; with few businesses located there. They described the needs of this area in terms of social services such as parenting education, support for single parent families, affordable housing, and job creation. Bank management recognized its difficulty in originating small business and HMDA loans in this area, and instead targeted it for community development loans. It made four community development loans totaling \$4.4 million in 1996 and 1997 in this area. In addition, it has committed to fund an additional \$3 million in loans for affordable housing in this area. See section on Community Development loans for further details. Details on HMDA and Small Business loan distribution follow.

Table 6 Geographic Distribution of HMDA Loans by Geography Income Designation Total Bank										
Geography Characteristics			1996 and 1997 HMDA Loan Distribution							
Census Tracts	Owner-occupied Housing		1996				1997			
			#	%	\$	%	#	%	\$	%
Low Income	10%	2%	0	0%	0	0%	2	6%	\$870	7%
Moderate Income	21%	14%	9	20%	\$3,266	38%	2	6%	\$913	8%
Middle Income	40%	50%	19	40%	\$3,339	39%	17	50%	\$8,348	72%

Upper Income	27%	34%	19	40%	\$2,056	24%	13	38%	\$1,520	13%
NA	2%	0	0	0%	0	0%	0	0	0	0
Total	100%	100%	47	100%	\$8,661	100%	34	100%	\$11,651	100%

The geographic distribution of HMDA related loans during the review period is adequate, given the bank's overall business strategy, its branch locations, and the locations of owner-occupied housing. The information in Table 6 is somewhat misleading as it includes all census tracts in both Dade and Broward counties, even though there were very few loans made in Broward county. 34 of the 47 loans made in 1996 were made in Dade county. The geographic distribution within Dade county for 1996 was: 24% of the loans were originated in moderate income areas, 39% in middle income areas, and 37% in upper income areas. This reflects the higher number of loans originated in the moderate areas in Dade county.

Consistent with the bank's overall business strategy, its level of HMDA loans is low. Many of the HMDA loans were accommodation loans to business customers, according to management. The bank is primarily an international, commercial lender and does little owner-occupied residential real estate lending. Most of its domestic loan originations are commercial loans (large and small). About 9% of the 1996, and 8% of the 1997, domestic loan originations, evaluated for this report, and within the bank's AA, were HMDA loans. To enhance the bank's CRA performance and help compensate for its low level of HMDA lending, Commerce actively seeks commercial loans that also qualify for CRA credit. For example, the two loans originated by the bank during 1996, located in low-income CTs, were both secured by multi-family dwellings. The two loans originated by the bank during 1997, located in moderate-income CTs, were also secured by multi-family dwellings. The 1997 loans were also reported as Community Development loans, as they provided affordable housing for low- to moderate-income people. Origination of these larger loans is consistent with the bank's business focus and also helps improve access to affordable housing for the AA's low- or moderate-income families.

Table 7 Geographic Distribution of Small Business Loans Total Bank										
Geography Designation	Distribution of Geography by Income Level	Distribution of Small Businesses by Geography Designation	Distribution of Small Business/Farm Loans by Geography Designation							
			1996				1997			
			#	%	\$	%	#	%	\$	%
Low Income	10%	8%	10	2%	\$645	2%	9	3%	\$1,589	7%
Moderate Income	21%	20%	230	51%	\$15,437	42%	252	71%	\$11,850	48%
Middle Income	40%	40%	77	17%	\$7,946	21%	32	9%	\$2,561	10%
Upper Income	27%	32%	135	30%	\$13,024	35%	63	17%	\$8,567	35%
NA	2%	0%	0	0	0	0	0	0	0	0
Total	100%	100%	452	100%	\$37,052	100%	356	100%	\$24,567	100%

The geographic distribution of small business loans is good, given the bank's business focus, its branch locations, and the location of small businesses in the AA. 87% of 1996 domestic loan originations and 88% of 1997 domestic loan originations considered for this evaluation were small business loans. As previously noted, none of the bank's branches are easily accessible from low-income CTs. The small business loans are generally clustered around the bank's branches which are located in areas with businesses that primarily focus on international lending. For example, the bank has two branches that allow easy access from the Miami International Airport, a hub for

international trade financing. Two other branches are located in or near Coral Gables, which has a very high concentration of businesses that serve Latin American customers. These same geographic areas also have large concentrations of domestic businesses that need business loans. The bank has done a very good job of lending to small businesses located in moderate-income CTs. Due to its branch locations, however, it has not been able to reach many small businesses located in the low-income CTs.

Distribution by Borrower Characteristics

The distribution of CRA-related loans by borrower characteristics is poor. HMDA loans were predominantly granted to people of middle or upper incomes. While the bank originated many small loans to businesses, most of those businesses had annual revenues in excess of \$1 million. Businesses with revenues of that size are not considered small businesses for CRA purposes.

The bank's weak HMDA performance is related to several factors: 1) many of the HMDA loans are accommodation loans for its international and domestic commercial loan customers; 2) the high cost of housing; and 3) the inadequate supply of housing at the lower price levels.

The median housing cost in 1990 for Dade County (where most of the HMDA loans were originated) was \$101,000; in Broward county it was \$115,000. 80% of the 1990 median family income for 1990 for Dade was \$27,184 and Broward was \$30,594. The median housing value would have been out of reach of individuals at these income levels.

While exact figures are not available, Hurricane Andrew, in 1992, also put upward pressure on housing values due to the resulting inadequate supply and additional building costs due to more stringent building codes. Specifically, the supply of housing at the lower prices has also been significantly affected by Hurricane Andrew, as described in the performance context section of this evaluation. Thousands of housing units at the lower price levels were destroyed by the Hurricane and not rebuilt.

Table 8					
Distribution of HMDA Loans by Borrower Income Level					
Total Bank					
Income Level	Distribution of Families by Income Level	Distribution of Borrower Income Level			
		1996 HMDA Loans		1997 HMDA Loans	
		#	%	#	%
Low Income	22%	4	8%	3	9%
Moderate Income	17%	6	13%	2	6%
Middle Income	21%	6	13%	3	9%
Upper Income	40%	26	55%	14	40%
Income Not Available	n/a	5	11%	12	36%
Total	100%	47	100%	34	100%

The distribution of small business loans by loan size is evaluated by reviewing the breakdown of such lending by loan size (Table 9) and also by revenue of the businesses. Loan size is considered a proxy for the size of the business receiving the loans based on the presumption that smaller businesses borrow less. 85% of the bank's 1997 (and 83% of 1996) loans that were reported as small business loans were originated in amounts less than \$100,000. However, as further detailed in Table 10, most of the loans reported as small business loans in 1997 were lent to companies with annual revenues in excess of \$1 million.

Table 9				
Distribution of Small Business Loans and Small Farm Loans by Loan Size				
Total Bank				
Loan Size	1996		1997	
	#	%	#	%
Less than \$100,000	375	83%	304	85%
Between \$100,000 and \$250,000	41	9%	31	9%

Greater than \$250,000	36	8%	21	6%
Total	452	100%	356	100%

As presented in Table 10, during 1996, the bank originated 46% of its small business loans to businesses with revenues less than \$1 million. However, that percentage dropped to 21% for 1997, according to the bank's data. Most of the small business loans were originated in Dade county, where Dun & Bradstreet's 1996 data estimates that 74% of the businesses were small. Management stated that they were operating without a full domestic lending staff due to a local shortage of lenders; and that they also found it very difficult to find good quality, domestic, small business loans due to the strong local lending competition. In an effort to mitigate the situation, management developed two innovative small business loan products. These are discussed in the section titled *Innovative and Flexible Loan Products*. Small business loans originated under the innovative loan products are included in the small business numbers.

Table 10				
Distribution of Small Business Loans and Small Farm Loans by Revenue of the Business/Farm				
Total Bank				
Revenue of the Business/Farm	1996		1997	
	#	%	#	%
Less than or equal to \$1 million	208	46%	75	21%
Greater than \$1 million	N/A	N/A	225	63%
Income not available	N/A	N/A	56	16%
Total	452	100%	356	100%

Community Development Lending

Commerce has a high level of community development (CD) loans for a bank of its asset size. The total dollars and numbers are indicated in Table 11. CD loans represented 21% (by dollar) of total 1996 CRA-related loan originations; and 22% of total 1997 CRA-related loan originations.

Table 11 Community Development Loans Total Bank				
	1996	1997	YTD 1998	Total
Number	15	15	2	32
Dollar Amount (000's)	\$12,098	\$10,009	\$1,159	\$23,266
Number of Complex/Innovative Projects	0	1	0	1
Dollar Amount of Complex/Innovative *	0	100	0	100

* \$100 thousand in complex investments does not include a lending commitment of \$3.1 million. The commitment was approved by the bank during the examination.

Nearly all of the CD loan dollars during the review period were used to provide affordable housing for families at the low- or moderate-income levels, a primary credit need of the AA. About \$10 million of the 1996 originations, and \$4.7 million of the 1997 originations were used to finance multi-family housing that is rented to low- and moderate-income families. These funds provided direct benefit to the area's most disadvantaged families. The remainder of the 1996 dollars, and about \$5 million of the 1997 dollars, were used to build affordable single family homes for sale. In addition, the remainder of the 1997 loan proceeds were used to finance environmental clean-up of property located in low- and moderate-income census tracts that were in the process of redevelopment by local CDCs. Most of the 1998 funds were used to refinance a commercial loan on a factory located in a moderate-income geography that helps to stabilize the area by retaining numerous jobs for people of low- or moderate-income levels. The remainder were used by a local CDC towards construction costs on a low-income housing development.

One of the above CD loans is considered complex. \$100,000 was lent to a developer who is constructing a 128-unit townhouse development in a low-income area near downtown Miami. The loan is part of a \$3.1 million binding commitment, included in the numbers below. The loan is considered complex because the lender worked with the developer and the local municipality to structure a construction loan that will rely in part on government subsidies for the low- and moderate-income buyers of the townhouses for the repayment.

Community development loan commitments:

In addition to the funded loans summarized above, the bank has \$9.4 million in binding loan commitments for CD loans. They include: 2 commitments totaling \$6.7 million to build single family or townhouse type residences for LMI individuals in LMI geographies; and 4 loans totaling \$2.6 million to build multi-family affordable housing.

Innovative and Flexible Loan Programs

Commerce created three loan products to help meet specific small business credit needs of its community, demonstrating leadership in this area. The 1-2-3 program is designed specifically for very small business loans to start up companies that would otherwise not qualify under the bank's normal underwriting practices. During 1996, the bank originated 37 loans totaling \$1.2 million and during 1997 originated 70 loans totaling \$2.6 million.

As part of the bank's community development services, a loan officer assisted in the development of a county program for small contractors to successfully bid for contracts connected with Dade county's billion dollar water and sewer improvement project. The bank's loan officer worked with the Small Business Administration (SBA) to develop a special guarantee loan product for subcontractors, known as the GreenLine loan. The bank originated 5 loans totaling \$275 thousand in 1996 and none in 1997.

The bank also participates in the Dade county surtax affordable housing mortgage program. This is an affordable housing first mortgage product for low-income individuals combined with a second mortgage extended by the county. In 1996, the bank originated one loan under this program, at \$23 thousand. There were no originations in 1997.

In addition to the innovative loans listed above, Commerce originated many CD loans that had flexible terms. In 1996, three CD loans were originated totaling \$405 thousand for which the bank charged reduced or no fees. In 1997, two CD loans were originated totaling \$62,500 for which flexible terms were used.

INVESTMENT TEST

The bank has an adequate level of qualified investments. Total qualified investments made during the review period amounted to \$1,596,000, of which \$1,346,000 were used for affordable housing and/or economic development needs, and \$250,000 for community services. In addition, there were \$1,275,000 in qualified investments which were made in years prior to the review period and are still outstanding.

The following table indicates the timing of the different types of investments:

Qualified Investments (QI) for Commercebank NA - (dollars in thousands)

Purpose of the proceeds of QI	Prior to Dec. 1995	1996	1997 & YTD 1998	Total
Afford. housing	\$1,275	\$0	\$1,330	\$2,605
Cash donations for afford. housing/ economic develop.	\$0	\$6	\$10	\$16
Community Development	\$0	\$225	\$0	\$225
Cash donation for Comm. Serv.	\$0	\$0	\$25	\$25
Total	\$1,275	\$231	\$1,365	\$2,871

Most of the qualified investments were purchased in 1996 and 1997 and consisted of three large investments in securities totaling \$1,550,000. These were:

- A \$330 thousand FNMA multifamily pass-through security, collateralized by pools of first lien mortgages to finance a rental apartment building in Pompano Beach, which is a community within Broward County. This property qualifies as a low- to moderate-income rental property, comparable to HUD's Section 8 properties in the county.
- A \$1 million FNMA multifamily pass-through security, collateralized by pools of first lien mortgages to finance a rental apartment complex in a low- and moderate-income area of the Miami MSA. The apartment complex is approved for HUD Section 8 vouchers, which qualifies it as a low- to moderate-income rental property.
- A \$225 thousand Sales Tax Revenue Bond issued by The City of Lauderhill (Broward County) known as Series 1996 Bonds. The largest portion of the Series 1996 Bonds went to pay for improvement of several city facilities, including parks, roads, and a senior citizen's community center known as the Sadkin Center. The City of Lauderhill is a small municipality encompassing only two census tracts, both of which are moderate-income. There is a higher percentage of low- and moderate-income individuals within this city than in the rest of Broward County.

The bank also made several cash donations during the review period which totaled \$41,000. The donations were made to various organizations that help provide economic development, affordable housing, and community services to people of low- or moderate-income designation.

According to the OCC's Community Redevelopment Specialist for the Southeastern District, there are numerous organizations that qualify to receive qualified investments. Some of these organizations have lending pools for small business loans; others focus on increasing affordable housing supplies.

The qualified investments made by the bank are responsive to some of the credit needs of the assessment areas and do reflect some of the available opportunities. In Dade County, most of the bank's investments are targeted to affordable housing issues, which is a primary need. This complements the bank's lending program which focuses on business lending. In Broward County, the bank's investment focuses on improving social services to low- and moderate-income individuals located in a moderate-income area.

In relation to the bank's capacity and existing opportunities for qualified investments, the level of responsiveness is considered adequate. None of the investments are considered innovative or complex, and are routinely made by other investors in the bank's assessment areas.

SERVICE TEST

Accessibility of Delivery Systems

Commerce's delivery systems are reasonably accessible to all portions of their assessment area. The Main Office and the Biscayne Branch relocated during 1997, but stayed in the same census tract. These minor changes did not negatively impact the accessibility of bank services.

The table below shows the location of Commerce's branches in relation to the income categories of the geographies where they are located within the MSAs:

MSA	Low Income Census Tract	Moderate Income Census Tract	Middle Income Census Tract	Upper Income Census Tract
Miami	-	1	3	2
Fort Lauderdale	-	-	-	1
Distribution	-	14%	43%	43%

The bank's main office, as well as another branch (Le Jeune) are located in Coral Gables. The Le Jeune Branch, although located in an upper-income tract is adjacent to a moderate-income area. Both of the Hialeah locations, and the Airport West office are in close proximity to low- and moderate-income areas and major business districts.

Branch hours are reasonable and convenient to Commerce's customers. The bank offers extended hours at all offices on Fridays, and some of its branches have drive-in and walk-up facilities that open earlier than lobby hours. The branch located in the moderate income census tract has an ATM but no walk-up office. However, it has a drive-in access that provides the same extended hours that the other branches have via either drive-in or walk-up service. A detailed list of hours is available in the public file.

All bank locations offer full services. Of special significance for South Florida is the fact that all services are available in both English and Spanish at all locations. Services do not vary in a manner to inconvenience any portions of the bank's community.

Alternative delivery systems are very good. The bank has an Automated Teller Machine (ATM)

at each branch, except at the Airport West branch (upper income census tract) which is located in a predominantly commercial area which would have a diminished need for this service. They also operate a bank-by-phone system known as "Comline 24". This system allows customers to access their accounts 24 hours a day, seven days a week using the telephone, to query account information and do limited transactions such as transfer deposits. Through the "Powerline" program, customers can prequalify and initiate an application for a home mortgage by phone. In addition, the bank prepares applications for residential mortgages for submission to a third party broker. In 1996, 19 such loans were funded by the broker for \$1.7 million and in 1997, 21 mortgages were funded for \$1.7 million. The bank also offers bank-by-mail and bill paying services.

Community Development Services

Commerce provides a relatively high level of community development services. Primary services include partnerships with a variety of community service, religious, and economic development organizations to provide financial services expertise through board membership, credit counseling, and technical financial assistance for consumers and small businesses.

They also facilitate frequent seminars and loan fairs, both in English and Spanish, targeted to low- and moderate-income individuals and small businesses in their assessment areas. During the review period the bank participated in the following community development efforts in their assessment areas:

- Commerce sponsored six **FNMA Homeownership Counseling** seminars, three in Spanish, targeted to low-income first-time home buyers. These educational efforts were held in conjunction with the area's **Consumer Credit Counseling Center** and various local churches. Participation in the program allows the bank to respond to affordable housing needs in the assessment areas.
- Commerce participated with the **Women's Business Development Center** to sponsor small business workshops, mostly in Spanish, aimed at low-income women interested in starting and growing their own businesses. The bank maintains a relationship with this group which facilitates start-up capital loans for these women after they have completed the small business counseling. This partnership provides for the needs of small businesses in the areas and promotes economic self-sufficiency among low-income individuals.
- Senior officers and employees from Commerce serve on the boards of directors or otherwise volunteer time for a number of community development organizations. The time is largely outside of normal business hours. These efforts are responsive to community needs and are related to the provision of financial services. The organizations for which the bank's staff serve on the board of directors include, but are not limited to:
 - **Miami Capital Development**, an organization that provides low cost loans and technical expertise to small businesses;
 - **Hialeah-Dade Development CDC**, a community development corporation that also provides technical assistance to small businesses in the Miami MSA, primarily in the City of Hialeah. This organization has provided loan referrals for the bank's flexible small business loan product, the "1-2-3 Business Loan";
 - **Little Haiti Housing Services**, an organization involved in construction of affordable housing for low income individuals. The bank participates in the Project Committee of this group, which directly benefits the housing needs of very low-income individuals in an impoverished area of the Miami MSA.
 - **Greater Miami Community Development Council**, where the bank is a founding member. This is a group of local banks, regulators, and other community leaders working together in CRA-related projects. The bank's Senior Vice President of Corporate Lending is the Chairperson of the board.

- **Broward Affordable Housing Task Force**, an organization dedicated to the affordable housing needs of the Fort Lauderdale MSA. The branch manager of their only Broward County office is a board member of this organization.
- **Housing Opportunities Project for Excellence (HOPE)**, a non-profit organization that promotes equal housing opportunities in the area. The bank has sponsored Fair Housing Training with this group to train volunteers as “testers” to survey the local housing market for discrimination in rental and sales of housing.

Commerce also partners with the **Miami-Dade Water and Sewer Department’s Small Contractor Development Program (SCDP)**. This is an outreach, qualification assessment, technical assistance, and contractor monitoring program to prepare small, minority contractors in the area to successfully bid for contracts connected with Dade County’s billion dollar water and sewer improvement project. Commerce spearheaded the banking community’s participation in this program by being the first to provide an experienced small business loan officer to develop a loan program to assist these contractors to obtain bonding and working capital loans. This officer developed a product, the Greenline, that received SBA approval for a special guarantee. This SBA guarantee provides the small contractors with easier access to credit that otherwise would not be available.

In addition, Commerce is heavily involved with the local educational establishment to promote financial responsibility among the area’s youth. For many years, the bank has been a member of the Dade Partners program of the Dade County Public Schools. The bank sponsors several schools in the area and participates in activities that promote excellence in education, encourage good citizenship, and encourage students to start saving at a young age. Each banking office is currently sponsoring a local school in the South Florida area, serving principally low- and moderate-income communities.

Through this partnership the bank offers a student savers club which allows students at the sponsored schools to participate in the Looney Tunes Savings Club. This is a savings product that lets students run their own on-site “bank,” soliciting new accounts and deposits. It gives youngsters the opportunity to deposit funds (as low as \$1.00 weekly) into their own accounts and earn interest. The students run the “bank” and assume responsibilities as tellers, officers, and directors, holding meetings and other “official” functions. Bank officers participate as mentors and trainers, introducing these students to banking.

FAIR LENDING REVIEW

No violations of the substantive provisions of the anti-discrimination laws or regulations were identified. Fair lending policies, procedures, training programs, and internal self-assessments were satisfactory.

APPENDIX

Definition of Terms

The following are definitions of terms used throughout this public evaluation. The definitions are not the strict legal definitions contained in 12 C.F.R. 25.12, but rather a more concise synopsis of their meaning.

Community Development - The primary purpose of the loan, investment, or service is for (1) affordable housing for low or moderate income individuals; (2) community services targeted to low or moderate income individuals; (3) activities that promote economic development by financing small businesses and farms; and (4) activities that revitalize or stabilize low or moderate income areas.

Consumer Loan - A loan to one or more individuals for household, family, or other personal expenditures.

HMDA Loan - A residential real estate loan (home purchase, home refinance, home improvement, or multifamily).

Geography - A census tract or block numbering area.

Low, Moderate, Middle, and Upper Income Area - A low income area is one in which the median family income is less than 50% of the area median income, moderate income is 50% to 79% of the area median family income, middle income is 80% to 119% of the area median family income, and upper income is 120% or more of the area median family income.

Qualified Investment - A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Small Business Loan - A commercial loan with an original loan amount of \$1 million or less.

Small Farm Loan - A farm loan with an original loan amount of \$500,000 or less.