



Comptroller of the Currency
Administrator of National Banks

Miami Duty Station
5757 Blue Lagoon Drive, Suite 200
Miami, Florida 33126

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT PERFORMANCE
EVALUATION**

December 27, 1996

First National Bank of South Miami
Charter # 15000
5750 Sunset Drive
South Miami, Florida 33143

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First National Bank of South Miami** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **September 30, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated:

Needs to improve record of meeting community credit needs.

BANK AND COMMUNITY PROFILE

First National Bank of South Miami (FNBSM) is a mid-sized community bank located in the City of South Miami, which is a well established, primarily affluent municipality in the southern portion of Dade County. As of the date of this examination the bank had approximately \$260 million in assets. It currently operates out of its only office which has been in the same location since 1952. The bank had a branch in a retail center across the street from its main office, but it is now temporarily closed since the center was recently demolished for reconstruction.

According to the 1990 census figures, Dade County has experienced dramatic population growth over the past three decades. Immigration from Latin America and the Caribbean basin accounts for most of the increase. The county's current population stands at approximately 2 million residents. Hispanics comprise roughly 50% of Dade County's population.

The Dade County Metropolitan Service Area (MSA), which is equal to the county's area, has 267 census tracts. According to the 1990 Census, median family income in this area was \$31,113. Based on this figure, there are 93 census tracts, or about 35%, that are considered low- and moderate-income tracts, with average family income equal or less than 80% of the median. Within the county as a whole, about 40% of the families were considered low- and moderate-income families by the 1990 Census.

The economic backbone of the county is a broad range of small businesses. Collectively, they employ the largest percentage of residents. The federal, state and local governments are also significant employers along with several large corporations headquartered in the area. Service and tourism industries are a major economic force. However, over the past several years the county has emerged as a major financial and trading center for Latin America. Competition among providers of financial services in the county is very strong.

Based on its size and head office location, FNBSM has chosen to designate a rectangular portion of the Dade County MSA as its primary service area. The bank's delineated community encompasses 30, or approximately 11% of the total census tracts within the MSA. Only 3 census tracts within the bank's delineated community are considered low- or moderate-income areas. Residents in the area delineated by the bank are also more affluent. According to 1990 census data, median family income within the bank's delineated community equals \$49,434 vs. \$31,113 for the county as a whole. Only 20% of the families residing in this area are considered low- and moderate-income families.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **The Board of Directors and senior management have not formally identified the credit needs of the delineated community. We did not note any efforts by the Board of Directors or senior management to explore and offer flexible lending products within safe and sound practices.**

The activities conducted by the Board of Directors and senior management to ascertain the credit needs of the community have been limited. The bank maintains ongoing contact with several civic and community organizations that promote community development. Examples of these include: "The Fellowship House", a community-based organization that provides shelter for the homeless; "Habitat for Humanity", an ecumenical effort to provide affordable housing for the poor; "Working Capital Partnership for Self Employment", which promotes employment opportunities through development of small businesses; and, "St. John A.M.E. Church", a local African-American congregation involved in many community projects within the City of South Miami.

While serving to provide opportunities for community development, these relationships have not given the Board and senior management the insight needed to identify specific credit needs. The bank has no formal officer-calling program, but has made use of occasional surveys or questionnaires to learn of banking services needed within its community.

During August of 1995, the bank conducted a "*Customer Satisfaction and Product Concept Survey*". This survey was performed by an outside firm which made 300 telephone interviews of existing bank customers only. The purpose of the survey was to obtain opinions about the bank's products and services. However, survey responses regarding credit needs and desired products were limited. Only about 20% of the customers surveyed indicated a credit need, or provided a product suggestion. Those respondents suggesting added products and services mentioned overdraft protection, credit cards, mortgages, and home equity loans as products needed. According to senior management, the results of this survey prompted them to offer home equity lines of credit.

Additionally, during the second half of 1996 the bank sent letters to local community representatives to inquire about the bank's products and services. The bank only received one response which, while positive, was very general and did not provide any insight into the community's credit needs. No other efforts to reach the non-customer population within their delineated community was noted, and therefore the credit needs of non-customers has not been effectively ascertained.

During the examination, we contacted the Office of Development for the City of South Miami. The purpose of the contact was to gather information as to credit needs in the bank's community. This office's efforts are currently directed to the redevelopment of a targeted area in the City of South Miami, adjacent to Highway U.S. 1, a major thoroughfare just north of the bank. This area is within the bank's delineated community and its credit needs include: financing to increase and rehabilitate multi-family housing, and loans to rehabilitate distressed commercial properties in order to re-attract business to the area. The ultimate goal would be to foster job creation and better the standard of living of the residents in this area.

This is consistent with information gathered through other community contacts made recently with organizations operating within the bank's delineated community. These contacts also identified rehabilitation of housing stock within the inner city and re-attracting small businesses as two primary needs of the bank's delineated community.

Assessment Factor C - The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purposes of CRA.

- **The Board of Directors provides adequate oversight over CRA activities. However, the bank's self-assessment methodology and analysis of disposition of loan applications is limited.**

The Board of Directors provides policy oversight of CRA, supports CRA training for personnel, and occasionally reviews CRA activities. Members of the Board are involved in civic and charitable organizations. However, the general objective of these organizations do not meet the purpose of the CRA.

The Board of Directors does not have a comprehensive self-assessment process to help them evaluate on an ongoing basis the bank's performance in helping to meet its community's credit needs. The bank's self-assessment analysis is limited to the completion of a CRA rating matrix on an annual basis. Each CRA assessment factor, as covered by this evaluation, is rated without any support for the rating assigned. Also, the bank does not perform an analysis of the disposition of credit applications received, or its record of compliance with anti-discrimination laws.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **The bank has made efforts to market its products and services in its entire community, without excluding any low- and moderate- income neighborhoods.**

The Board and management maintain oversight of the bank's formal marketing and advertising program. FNBSM 's marketing efforts are directed by a board-appointed Marketing Director. This person ensures that advertising media reaches all segments of the bank's delineated community and that it adequately informs the community about the bank's products and services.

Advertisements done to date promote the bank's image and featured general loan and deposit-related products and services. Some advertising campaigns have also been designed to stimulate awareness of specific loan products, such as the recent effort undertaken to promote their Home Equity Line of Credit program. The advertising campaign organized for this product made use of special promotional offers, such as a vacation package when an account is opened. The bank has also sponsored and participated in small business seminars.

Due to limited advertising resources, their marketing strategy has been to use mostly print media to carry advertising. The publications used reach the bank's entire delineated community and neighboring areas. They also advertise in community newspapers and in specific organizations' bulletins or event programs.

They also make extensive use of lobby displays and brochures to inform customers of the bank's willingness to serve their needs. An officer call program is not formally in place, but officers occasionally visit local businesses and individuals to promote bank services and products.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **The bank does not offer residential mortgage loans, but it does offer home improvement and home equity loans. The majority of the bank's commercial loans are to small businesses.**

Overall, the bank's lending volume is low in relation to its available resources. As of the examination date, FNBSM had approximately \$24 million in loans, representing 11.5% of its deposits. This loan to deposit ratio has averaged about 12% during the last 3 years.

The loan portfolio represents about 9% of total assets and the mix is approximately 57% commercial, and 43% consumer purpose loans. There are no residential real estate mortgage loans to finance the purchase, or refinancing, of residential real estate. The Board has chosen not to engage in this type of lending and has made a business decision not to allocate the necessary resources to underwrite them. The extent of the bank's housing related lending

involves loans to individuals for varied purposes, secured by the equity in their residences, and for home improvement.

As an alternative to direct mortgage lending, the bank had a relationship with a local mortgage broker to refer mortgage loan inquiries, but that relationship ended when that company went out of business. To date, no other arrangements have been made with other mortgage brokers and lenders for referrals. They have not purchased any loans originated within the community.

In keeping with its business orientation and strategic focus, commercial loans represent the largest component of the bank's lending. Loans to small businesses are a large majority. Records indicate that about 96% of the bank's commercial loans outstanding are to small businesses, defined as those having \$1 million or less in annual revenues.

Although data was not available for 1994 and 1995, loans originated during 1996 continue to show the small business orientation of the bank's lending. The table below summarizes the bank's loan originations since January 1996:

DESCRIPTION	AMT & PCTG. (000'S)	# OF LOANS & PCTG.
Total loans originated	7,194 (100%)	198 (100%)
--Home equity loans/lines	1,132 (15.8%)	46 (23.2%)
--Consumer loans, secured by Motor Vehicles	785 (10.9%)	57 (28.8%)
--Other consumer loans	116 (1.6%)	14 (7%)
--Small business loans	3,341 (46.4%)	78 (40%)
--Other commercial loans	1,820 (25.3%)	3 (1%)

Assessment Factor J - The institution's participation in governmental-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- **The bank has not made any governmentally insured, guaranteed, or subsidized loans.**

The bank was recently approved to make loans partially guaranteed by the U.S. Government's Small Business Administration (SBA) under the SBA's Low Doc program. These are loans

up to \$100,000, with streamlined documentation, that benefit small businesses which may not qualify for traditional underwriting. As of the date of this evaluation, they have not made any SBA loans, but are planning to promote this product as a complement to their regular small business lending.

The bank does not participate in any other government-guaranteed or subsidized programs, such as the Federal Housing Administration or Veterans Administration loan guaranteed programs since these programs are for residential lending.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- **The bank's delineated community is reasonable and does not arbitrarily exclude low- and-moderate income neighborhoods.**

For purposes of the CRA, the bank's delineated community surrounds the town of South Miami where the main office is located. This represents the bank's effective service area. The method used to determine the delineated community meets the purpose of the CRA. In determining the delineation, management and the Board considered their effective service area, location, financial resources and strategic plan. Please refer to the Community Profile section in the front of this evaluation for a description of the bank's delineated community.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- **The geographic distribution of the bank's credit extensions is reasonable.**

Our review of their geographic lending pattern reflects a reasonable distribution of credit within the delineated community. As of the date of examination, 366 loans, or about 58% of the total number of loans outstanding, were located within the bank's delineated community. It is important to note that 96% of the bank's outstanding loans are within the Dade County MSA.

As a percentage of total loans outstanding, the loans that are located in low- and moderate-income areas within the bank's delineated community appear low at only 2.2%. But this ratio is in line with the number of census tracts that are considered low- or moderate-income within the bank's delineated community. There are only three census tracts that are classified low- and moderate-income, according to the 1990 Census. They represent 10% of total census tracts in the bank's delineated community, and only one tract is considered low-income. It

mostly encompasses the grounds of the University of Miami, which houses a large student population with a limited demand for credit.

We also noted a reasonable geographic and income distribution in the bank's recent loan activity. Based on information gathered by the bank since January 1996, approximately 63% of the 198 loans originated by the bank thus far this year were made within its delineated community. Out of these, 3 loans or 2.4%, were made within low- and moderate-income areas. This is again representative of the demographic make up of the bank's delineated community, as mentioned above.

In relation to individual borrowers' income, the distribution of consumer-type loans originated since January 1996 is also reflective of the community's demographics. Within its delineated community, the bank originated 68 consumer-type loans, or about 58% of total consumer loans originated this year. Of these, about 28% were made to low- and moderate-income borrowers within the community. This is in line with the percentage of low- and moderate-income families within the bank's delineated community (20%), as described in the **Bank and Community Profile** section of this document. No data was available for prior periods since our last examination, but there is nothing to indicate that a different pattern would be noted, since the bank's lending activities have remained constant.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- **The has not opened or permanently closed any branches since our last examination.**

The bank has operated out of the same South Miami location since 1952. Its only branch was located across the street from the main office, in a retail shopping center known as *The Bakery Center*. During 1996, the bank was forced to temporarily close this branch due to the demolition of the center. Notification procedures of the closing were appropriate. They expect to open this branch again once renovation of the commercial center is completed.

The bank's main office is reasonably accessible to the entire community. Office hours are reasonable and in line with competition. Extended drive thru hours help ensure additional availability to the community. The Board and management reviewed the hours and services offered to ensure they meet the needs of the community.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- **The bank does not engage in any practices intended to discourage applications for the types of credit set forth in its CRA statement. No complaints against the bank have been filed regarding discriminatory practices.**

Our fair lending review did not reveal any practice intended to discourage credit applications or disparate treatment in the underwriting or structuring of loans. The bank conducts regular reviews of their compliance with technical provisions of fair lending laws and provides training to employees. However, the bank does not perform a comparative testing of its credit applications and denials to determine if there is disparate treatment. There is a formal process in place to review all adverse credit decisions before notification to the customer.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- **No evidence of discriminatory credit practices was noted.**

Our review for discriminatory practices was based on a comparison of the treatment given to denied single applicants requesting car loans and joint applicants approved for this same type of credit. Our examination also revealed that the bank is in compliance with the substantive provisions of the Equal Credit Opportunity Act, Fair Credit Reporting Act, and Fair Housing regulation. The bank is not subject to the Home Mortgage Disclosure Act.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **Management of the bank has done a reasonable job in contacting community groups to identify opportunities that promote development and redevelopment projects.**

Currently, the bank participates in various organizations geared toward revitalizing the community. The bank offers Habitat for Humanity, an organization that provides low cost housing, a \$200,000 line of credit which has been actively utilized. This organization has built seven houses within the South Miami area, all financed by the bank.

They also participate with an organization called Working Capital Partnership for Self Employment in helping the self-employed and small businesses in the Miami area by extending a \$25,000 line of credit which is fully funded. This organization educates and provides funds to small businesses and is helping to meet a critical need in the area.

The bank has also extended a \$250,000 line of credit to Metro Miami Community Development Corporation, an organization that provides minorities with funds to start small

business. The bank's current participation of loans to these community groups represents approximately 6% of total loans.

In addition to the above community participation, the bank has provided funds to build a minority church in South Miami (St. John A.M.E. Church) and donated funds to buy the pews. The church provides support and is active in the community. Furthermore, President Sibley is a member of the Board of Directors of the Fellowship house, an organization that helps house the homeless. The bank has provided them with two loans and a line of credit.

The bank also has invested \$850,000 in Dade County municipal bonds of which a majority benefited local community projects. Proceeds from some of these bond issues went to expanding local health care facilities (Jackson Memorial Hospital) that serve a largely indigent population. Other bonds were for the expansion of South Miami Hospital, which is located within the bank's delineated community. Going forward, the bank's strategic goal is to increase community development investments by \$1 million, if available.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- **Overall, the bank has the ability to help meet the credit needs of the community.**

Management's level of awareness and involvement in community programs is adequate. They exhibit a willingness to serve the credit needs of the community. There is no financial or economic conditions that would impede them from helping to meet the credit needs of their entire community, including low- and moderate-income areas.

However, the bank's overall level of lending in relation to its available resources is relatively low. The percentage of deposits that the bank has invested in loans during the last three years has averaged around 12%. This loan to deposit ratio is significantly lower than similarly sized banks in the area and is a reflection of the bank's own strategic orientation.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

None