



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

June 25, 1996

Northern Trust Bank of Florida, N.A.
Charter Number 17487
700 Brickell Avenue
Miami, Florida 33131

<p>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.</p>
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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Northern Trust Bank of Florida, N.A. 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 June 25, 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:

“Satisfactory Record of Meeting Community Credit Needs.”

Background

Northern Trust of Florida N.A. (Northern) is headquartered in Miami with 22 banking and trust/investment offices throughout Florida. Currently, the bank operates in the following 9 counties: Dade, Broward, Martin, Palm Beach, Collier, Indian River, Lee, Sarasota, and Pinellas. Northern has significant resources with average banking assets of \$1.9 billion during the first quarter of 1996.

The demographics and economic characteristics of each county differ. For example, Dade county is more ethnically diverse than the other counties. The bank's delineated communities in Dade, Broward and Palm Beach counties have relatively larger urban areas and more low-and moderate-income areas.

Northern is a subsidiary of the Northern Trust Corporation, which began its trust business in Chicago, Illinois in 1889. The Florida subsidiaries began trust operations in late 1971 and offered only trust services. Banking powers for the bank's four Florida subsidiaries were not obtained until 1982. Over the next ten years the Florida banking units were consolidated into Northern and the bank experienced tremendous asset growth.

Northern's customer base has developed primarily from its trust customers. The bank's lending opportunities primarily come from referrals from current or prospective trust customers. As a result, a high percentage of the lending done is to customers referred to the bank by trust related sources. These trust customers are generally high net worth individuals.

The bank has also been responsive to lending opportunities in low-and moderate-income areas, and endeavors to serve the credit needs of low-and moderate-income individuals without sacrificing its strong trust orientation. We considered the bank's business focus in our evaluation of the bank's CRA performance.

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.

- o The bank maintains regular contact with a wide range of private, public sector, and community groups. These contacts allow management to effectively ascertain the credit needs of the bank's communities, including those of low-and moderate- income (LMI) areas.

The credit needs ascertainment activities for the bank are centered around a community calling program that is an integral part of the bank's CRA program. Management and the Board of Directors have maintained an ongoing community outreach program which involves calling on individuals representing a full range of community-based organizations.

This calling program is formalized within each delineated community and reports from community contacts are provided to senior management quarterly. Over 801 calls were performed during 1995 for credit needs assessment, business development, credit education, or product evaluation.

The principal credit needs identified by the outreach program are affordable housing loans and credit education and counseling, primarily for LMI applicants who often have not had access to credit previously or need to re-establish good credit. The bank has responded to these needs through the development of its own home purchase loan product with more affordable terms and flexible underwriting for LMI individuals. This product has been received well in most of the communities, with 118 and 168 loans originated during 1994 and 1995, respectively. This product is reflective of the board's willingness to offer loan products with innovative underwriting criteria.

Northern also originates affordable home loans by participating in various local government loan programs which are detailed under Assessment Factor I. Northern also participates in affordable housing projects with affordable housing developers and community development organizations. Examples of these programs include: Homes for South Florida and Greater Miami Neighborhoods in Dade County as well as with the Community Financing Consortium which serves Broward, Palm Beach and Martin Counties.

To address the identified need for credit counseling and education of LMI applicants, the bank has actively pursued opportunities to provide group credit counseling. These efforts are in addition to the normal credit counseling routinely done with prospective home mortgage applicants who may display a negative credit history. During 1995, the bank sponsored or participated in 26 different group sessions, reaching approximately 1,200 LMI individuals.

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 the Community Reinvestment Act.

- o The bank's board of directors and senior management have an active role in formulating policies and monitoring the bank's CRA performance.

Senior management and the board have developed a written CRA program, with quantitative goals and a mechanism for periodic reporting. The program requires each county to ascertain community credit needs and to develop action plans for meeting identified needs, including those of LMI individuals/areas. The program also requires management to conduct annual self-assessments of CRA performance.

To evaluate Northern's CRA performance, County CRA Committees meet regularly to review and develop strategies for the respective areas. Quarterly, information from these committees is provided to the board's CRA Oversight Committee which evaluates statewide activities. Members of this committee include each county's president, the Senior Credit Officer, the CRA Officer, and General Counsel. The entire board reviews the minutes of this committee monthly.

The board has adopted an expanded CRA Statement. The CRA Statement includes summaries of the bank's efforts to ascertain and meet community credit needs and accurately lists the types of credit offered. The bank has adequate controls in place to ensure effective compliance with the technical requirements of the CRA. The board is supportive of the bank's CRA training efforts.

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.

- o The bank has implemented a marketing program which promotes products and services primarily through its Officer Call Program and direct contact with members of its communities.

Management's marketing efforts consist primarily of fostering the direct relationships that have been developed with individuals, and with public/private sector, religious, and community development organizations that operate within their delineated communities. These relationships represent a productive source of referrals, and have proven to be a much more effective marketing tool than mass advertising in the bank's efforts to reach out to each segment of their communities.

The various credit-related educational seminars that the bank has conducted jointly with local organizations and other financial institutions have also proven to be a good way to reach LMI segments of the communities. During these sessions participants learn about the bank's affordable home loan programs and other credit-related products and how to apply for and manage credit.

The bank's product-specific advertising is limited. However, print advertising for their affordable mortgage product has been placed in widely circulated newspapers in each office's trade area. Credit-related advertising is also published in minority-oriented publications, church bulletins, and residential communities' newsletters. Some advertising was done in Spanish in an effort to reach the Spanish-speaking population within Northern's communities.

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.

- o The bank has originated a significant volume of home mortgage loans, its primary loan product. Management's efforts to provide affordable housing loans are helping to meet a primary need in each of its communities. Although commercial lending is not a primary focus of the bank, small business loans are originated in each of its communities.

The bank's percentage of housing related loans is significant in relation to total lending, and the ratio has shown a steady increase. As of year-end 1995, approximately 64% of the bank's loans were residential mortgages. This is an increase from 57% and 51% as of year-ends 1994 and 1993, respectively.

Housing related lending activity within the communities for the last two years, as reported under the Home Mortgage Disclosure Act (HMDA), shows the following:

Home Mortgage Disclosure Loans (HMDA)				
Originations	1994		1995	
	Number	Dollar (000s)	Number	Dollar (000s)
Total Housing Related Loans	965	206,140	951	175,468
Affordable Housing Loans	153	7,883	147	7,293

The affordable housing related loans are made to people with low- or moderate-incomes and include Northern's Homebuyers Mortgage product and loans made through government-subsidized, affordable housing loan programs. Examples of these programs include:

- The City of Miami Second Mortgage Program;
- The Dade County Surtax Program;
- Community Financing Consortium for Broward, Palm Beach and Martin Counties, Greater Miami Neighborhoods;
- The Broward County's Housing Finance Authority Lender's Program;
- The City of Sarasota's Community Development Home Improvement loan program;
- The City of Sarasota's Down payment Assistance Program;
- The City of St. Petersburg's Working to Improve our Neighborhoods (W.I.N.) Program;
- and
- Dade County's People Acting for Community Together - A.C.T. Programs.

In addition, Northern's volume of small business loans (defined by the bank as loans to businesses with gross revenues of less than \$1 million) is reasonable given the bank's orientation and strategic focus. The bank originated 189 such loans totaling \$20.1 million in 1995 and 220 loans totaling \$30.9 million in 1994. Terms and rates are comparable to standard commercial loans offered by other financial institutions.

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

- o The bank participates in numerous governmentally subsidized affordable housing related loan programs.

The bank participates in numerous governmentally subsidized programs that promote affordable housing for LMI people. The programs and dollar volume of this lending is discussed in Assessment Factor I.

In addition, the bank has provided financing for the construction or rehabilitation of affordable rental housing under the U.S. Department of Housing and Urban Development (HUD) Section 8 program. In 1995, the bank made two loans totaling \$1,775,000 which provided 92 units of this type of subsidized rental housing.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- o The delineations of the bank's communities are reasonable. Low-and moderate-income areas are not arbitrarily excluded.

Northern operates 22 offices in 9 counties and has defined 12 communities. However, while there are 12 separate delineations each of these are within the 9 counties described in the Background section of this report. The bank conducts ongoing analyses of the geographic distribution of its lending activities as a part of its annual review of each delineated community.

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

- o The geographic distribution of credit extensions reflects reasonable penetration in the delineated communities, including low-and moderate-income areas.

Management prepares annual reports showing the geographic distribution of the entire loan portfolio by census tracts. As of December 31, 1995, \$1 billion or 75% of the bank's loans were within the delineated communities and 86% of the census tracts contained bank loans. In addition to the portfolio analysis, management performs a detailed geographic analysis of residential lending patterns as this is its primary lending product.

The following table shows the bank's distribution of residential mortgage loan originations during 1994 and 1995 in low- and moderate-income census tracts as a percentage of total residential mortgage originations. The percentage of census tracts within the community which are either low- or moderate-income is also identified. The Indian River and Martin County offices were recently opened and are not included in the geographical distribution analysis in this evaluation. The table indicates that the bank is reasonably penetrating low- and moderate-income areas of its communities.

Northern's Distribution of Lending in LMI Census Tracts			
County and Percent of LMI Census Tracts		Percent of Loan Originations	
		1994	1995
Broward	31.00%	5.80%	16.60%
Collier	5.60%	1.20%	0.00%
Dade	48.00%	19.30%	40.40%
Lee	0.00%	0.00%	0.00%
Palm Beach	25.00%	23.00%	10.50%
Pinellas	41.40%	24.40%	17.00%
Sarasota	9.80%	6.60%	7.00%
Total	32.40%	12.10%	14.10%

The following table reflects a reasonable distribution of affordable residential mortgage originations made to LMI borrowers as a percentage of all residential originations. The percentage of families which are considered LMI within each community is also identified.

Northern's Distribution of Lending to LMI Borrowers			
County and Percent of LMI Families		Percent of Loan Originations	
		1994	1995
Broward	42.70%	8.20%	10.00%
Collier	32.20%	13.90%	7.10%
Dade	47.70%	18.50%	31.10%
Lee	31.90%	4.80%	7.10%
Palm Beach	38.00%	24.80%	14.10%
Pinellas	43.70%	18.40%	17.10%
Sarasota	33.10%	13.70%	12.10%
Total	41.20%	15.90%	15.50%

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

- o The bank has opened seven full-service branches since the last examination. The bank follows formal procedures for opening and closing offices. All office locations provide virtually the same banking, lending, and trust services.

The bank's 22 full-service branches are reasonably accessible to all segments of the communities. Since the last examination, the bank has acquired 3 branches in Indian River County, and opened one branch each in Broward, Palm Beach, Martin, and Lee Counties. The bank's full-service branches offer identical products and services. Overall, banking services and hours reasonably accommodate all segments of the communities. The bank has not closed any of its offices.

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).

- o The Board of Directors and senior management have developed policies, procedures, and training programs to prevent illegal discouragement and prescreening of credit applicants. No discriminatory credit practices were noted.

The bank receives applications from all segments of the community and seeks lending opportunities in low-and moderate-income areas. Bank employees have been provided training on the CRA and fair lending and fair housing laws.

In an effort to assess the pre-application process, management engaged independent professional testers to compare the treatment given to minority and non-minority testers

when inquiring about various loan products. Overall, bank personnel treated testers similarly.

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

- o No evidence was noted of prohibited discrimination or other illegal credit practices.

As part of the examination, we reviewed a sample of residential loan applications processed by the bank during 1995. Based on our review, the bank is in compliance with the substantive provisions of the Equal Credit Opportunity Act, Fair Housing Act, and the Home Mortgage Disclosure Act. We tested for illegal discrimination based upon race by reviewing all minority applicant denials for residential home loans and 100 loan approvals for white applicants. We did not note any instances where similarly situated applicants were treated differently.

V. COMMUNITY DEVELOPMENT

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

- o The bank regularly participates in community development projects within its communities. These projects provide affordable housing, infant day care, and other social services targeted towards LMI people.

Management and the board of directors maintain periodic contact with various community development organizations and lending consortiums in the communities. Numerous projects have been identified in which the bank can participate as one of several lenders funding a project, and projects which the bank can fund individually. The bank has identified and participated in community development projects in each of its communities.

The bank's largest community development projects resulted through participation in multi-family affordable housing consortium projects in Dade County. During 1994 and 1995, the bank's portion of three projects through Homes for South Florida totaled \$3.1 million and will help provide 603 affordable housing rental units once completed. The bank has made significant progress towards funding its original \$10 million commitment to fund Homes for South Florida projects.

Northern also identifies multi-family affordable housing projects that it funds on its own rather than through consortiums. During 1995 the bank extended a \$775 thousand loan to purchase and rehabilitate a 35 unit rental complex. During 1996, the bank extended a \$850 thousand loan for a 21 unit rental complex.

The bank originated a total of \$1 million in loans to various Community Development Corporations and builders which resulted in 25 affordable housing units being rehabilitated or constructed along with providing funds for business operations for several community development corporations until their government funding was obtained.

Another community development need that the bank has helped meet is affordable day care services for LMI families. During 1994 and 1995, the bank funded three such projects totaling \$648 thousand. The largest of the projects can serve a maximum of 144 children.

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.

- o There are no physical, economic, or legal impediments which would hinder the bank's ability to meet its responsibilities under the CRA.

Please refer to the Background section for additional information.

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.

- o The bank contributes funds to organizations engaged in affordable housing or other social services targeted towards LMI people.

During 1994 and 1995, the bank made contributions totaling \$246 thousand to organizations providing affordable housing or social services targeted towards LMI people.

ADDITIONAL INFORMATION

None