



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**April 26, 2004**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Natbank, National Association  
Charter Number 23523**

**4031 Oakwood Boulevard  
Hollywood, FL 33020**

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

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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## 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 **Natbank, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 26, 2004**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

## INSTITUTION'S CRA RATING

This institution is rated **Outstanding**.

We evaluated Natbank N.A.'s (Natbank's) CRA performance using the small bank performance criteria. Our evaluation covered the period from February 2000 through March 2004, although we focused on lending activity for 2001 and 2002.

The primary factors supporting the bank's outstanding performance include:

- o The bank's average loan to deposit ratio since the last CRA examination was more than reasonable.
- o A majority of the bank's loans were originated inside the assessment area.
- o Residential loan originations reflected excellent penetration among individuals of different incomes, including low- and moderate-income individuals. The distribution of loans to businesses of different sizes was excellent.
- o Residential loans originated in the assessment areas reflected excellent dispersion among census tracts of different income levels, including low- and moderate-income census tracts.

## **DESCRIPTION OF INSTITUTION**

Natbank is a community bank headquartered in the city of Hollywood in Broward County. The bank also has a branch in Pompano Beach in Broward County. The main office is located in a lower-income census tract while the Pompano Beach branch is located in an upper-income census tract.

Natbank is wholly owned by NATBC Holding Corporation. The holding company is located in Montreal, Quebec, Canada. On January 31, 2004, National Bank of Canada assets totaled \$81 billion (Canadian dollars). Banking offices offer most traditional banking services and are accessible to many neighborhoods of the assessment area. Natbank is primarily a residential mortgage lender, but the bank also originated a significant volume of business loans during the evaluation period.

As of December 31, 2004, Natbank had total assets of \$80 million. Loans totaled \$48 million and deposits were \$65 million. The percentage of net loans to total assets was 72%. Tier 1 Leverage capital was \$13.9 million while the Tier 1 Leverage capital ratio was 16.95%. Natbank's major product lines are residential mortgage loans (mostly home purchase and refinance) and loans to small businesses. The loan portfolio was comprised of 68% residential real estate, 23% commercial, 3% multifamily, and 6% loans to individuals. The bank was profitable during the evaluation period. No legal or other factors impede the bank's ability to meet the credit needs in its assessment area. Natbank's last CRA performance evaluation was in March 2000 and resulted in a rating of "Satisfactory."

## **DESCRIPTION OF THE ASSESSMENT AREA**

Natbank's assessment area is Broward County. Broward County is a Metropolitan Statistical Area (MSA). The assessment area meets the requirements of the regulation.

According to the 1990 U.S. Census, the Broward County MSA area consists of 164 census tracts which are distributed as follows: 9 low-income, 32 moderate-income, 77 middle-income, and 42 upper-income census tracts. Four census tracts are uninhabited. The percentage of census tracts in each income category are: 5% low-income, 20% moderate-income, 47% middle-income, 26% upper-income, and 2% uninhabited.

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

The 2002 updated median family income of the Broward County MSA is \$60,200. Twenty percent of the families in the MSA are considered low income, 18% moderate income, 22% middle income, and 40% upper income.

The 2000 census reported Broward County had a population of 1.6 million, a 29% increase since 1990. Some of the major industries include tourism, real estate development, wholesale trade companies, health care, financial services, and retail services. The current unemployment rate is 4.8%, which is below the national average. Broward County's economy is strong and competition from other financial institutions is strong. The competition includes community banks, affiliates of regional and multinational banks, mortgage companies, and credit unions.

Local groups were contacted to obtain information about the assessment area. These sources revealed that the most pressing credit needs in Broward County are lines of credit for small businesses and affordable housing credit and housing rehabilitation loans.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **LOAN TO DEPOSIT RATIO**

**Conclusion:** Natbank's average loan to deposit ratio since the last CRA examination is more than reasonable. The bank exceeds standards for satisfactory performance for this category.

**Support of Conclusion:** Natbank's quarterly average loan to deposit ratio from March 31, 2000 through December 31, 2003 was 88%. This ratio is higher than the average ratio of 68% of four similarly situated banks in the assessment area. These four community banks are similar in asset size (all less than \$110 million in total assets) and have main offices and branches in Broward County. The range of loan to deposit ratios for the four banks was from 65% to 74%.

## LENDING IN THE ASSESSMENT AREAS

**Conclusion:** A majority of the loans made in 2001 and 2002 were inside the assessment area, thus the bank meets standards for satisfactory performance for this category.

**Support of Conclusion:** Natbank's primary loan types are residential mortgage and business loans.

<b>Table 1 - Lending in Broward County Assessment Area (AA)</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA	105	76	33	24	138	14,322	74	5,061	26	19,383
Business	19	73	7	27	26	3,355	79	917	21	4,272
Totals	124	76	40	24	164	17,677	75	5,978	25	23,655

*Source: Data reported under HMDA, sample of loans for small business.*

## LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

**Conclusion:** Lending to borrowers of different incomes and businesses of different sizes is excellent therefore this performance category exceeds standards for satisfactory performance.

**Support of Conclusion:** We reviewed the distribution of the bank's primary product lines (residential mortgage loans and small business loans).

### Residential Mortgage Loans

Residential mortgage loans are the largest volume type of loans originated by Natbank. The following table shows the distribution of residential mortgage loans based on borrower income. The table shows distribution of loans in the Broward County assessment area. Natbank made a total of 105 home loans (with income information available) in Broward County in 2001 and 2002 for a total of \$14,322,000.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Broward County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.6	19.2	18.3	21.8	22.5	20.5	39.6	38.5
Home Refinance	19.6	7.7	18.3	30.8	22.5	11.5	39.6	50.0

Source: Data reported under HMDA; 1990 U.S. Census data.

The National Association of Realtors noted that the median sales price of an existing single-family residence in Broward County in 2002 was \$197 thousand. Natbank's distribution of residential loans to borrowers of different incomes reflects excellent penetration among individuals of different income levels, including low- and moderate-income borrowers. These loans helped meet affordable housing credit needs in the community.

The following table summarizes the distribution of all business loans made by Natbank in 2001 and 2002 in its assessment area.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Broward County AA</b>		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	57.50	4.79
% of Bank Loans in AA by #	80	20
% of Bank Loans in AA by \$	85	15

Source: Loan sample; 2002 Dunn and Bradstreet data.

\* 37.71% of AA businesses did not report revenue data.

### Business Loans

Business loans were the next largest volume type of loans originated by Natbank in its assessment area. Business credits include commercial and industrial and commercial real estate loans. The bank's percentage of commercial lending to small businesses is excellent. Natbank's origination of these credits helps address identified community credit needs for loans to small businesses.

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

**Conclusion:** Residential loans originated in the assessment area reflect excellent dispersion among census tracts of different income levels. Business loans, including community development loans, reflect reasonable dispersion among census tracts of different income levels. Natbank exceeds standards for satisfactory performance for this category.

Census tracts in the assessment area without loan penetration are due to Natbank's relatively small asset size (\$80 million total assets, two locations) and large assessment area (Broward County). These limitations prevent Natbank from penetrating all areas in the Broward County. For example, there are 164 census tracts in the assessment area. This compares with the total of 105 home loans and 26 business loans originated in Broward County by the bank in 2001 and 2002.

**Support of Conclusion:**

Residential Mortgage Loans

Residential loans, especially home purchase loans, are the largest volume type of loan originated by the bank. The following table shows the geographic distribution of residential mortgage loans (with census tract information available) originated in the assessment area in 2001 and 2002. This table shows that no residential loans were made in low-income census tracts, however, only 1% of owner-occupied housing in the assessment area is located in low income tracts. Natbank made a substantial volume of home purchase and home refinance loans in moderate-income census tracts relative to the percentage of owner-occupied housing in those tracts. Natbank also still has on its books a \$17 thousand interest-only loan made to Habitat to Humanity in 1996.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1.1	0	14.4	26.9	58.9	50.0	25.6	23.1
Home Refinance	1.1	0	14.4	26.9	58.9	42.3	25.6	30.8

*Source: Data reported under HMDA; 1990 U.S. Census data.*

Business Loans

Natbank made a relatively smaller volume of business loans during the evaluation period. Therefore, this type of lending receives less emphasis than residential lending. The following table shows the geographic distribution of a sample of 19 business loans totaling \$3,335,000 made in the Broward County assessment area during 2001 and 2002. The table shows that none of the 19 loans were originated in low-income census tracts. The percentage of business loans originated in moderate-income census tracts of the assessment area was low relative to the percentage of businesses in moderate-income census tracts in the assessment area. However, two loans (see below) to finance a redevelopment project in a low-income geography contributed to a satisfactory dispersion of business loans.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Broward County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	4.5	0	14.9	7	50.4	10	30.2	63

*Source: Loan sample; 2002 D & B data.*

In addition to the above business loans, Natbank made a \$300 thousand line of credit in 2002 to finance the construction of four model units (pre-fabricated houses) as part of a redevelopment project. The project is located in a low-income geography in the city Fort Lauderdale. It is in a distressed neighborhood targeted by the city for urban renewal. The borrower used his personal funds to purchase 51 lots in the neighborhood on which to build housing. Natbank's loan was repaid in 2003. Natbank made a second line of credit for \$500 thousand to the same borrower in 2003. The purpose of this loan was real estate development on the same project. This loan is still outstanding.

## **QUALIFIED INVESTMENTS AND CD SERVICES**

**Conclusion:** Natbank's qualified investments in and services to community development organizations helped support the bank's overall rating of Outstanding.

**Support of Conclusion:** Natbank made donations to community organizations, which supported community development activities such as affordable housing and small business lending. The donations totaled \$19 thousand during the evaluation period. This equaled 0.13% of the bank's tier one leverage capital. Natbank's CRA officer participated in various seminars for community groups and helped provide general information to consumers on first time home buying as well as on how to obtain business financing.

## **RESPONSE TO COMPLAINTS**

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

## **COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

For the fair lending portion of our examination, we reviewed residential mortgage loans made in 2003 using the loan terms approach. We compared approved loans from female applicants who applied for credit alone to approved loans to male applicants who applied for credit alone. We compared all loans terms to applicable rate sheets and found no evidence of disparate treatment. We found no evidence of illegal discrimination or other illegal credit practices. Fair lending policies, procedures, and training efforts are satisfactory.