



## **WHOLESALE BANK**

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

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### **Public Disclosure**

**August 8, 2008**

### **Community Reinvestment Act Performance Evaluation**

**Delta National Bank and Trust Company  
Charter Number: 20547**

**650 Fifth Avenue, 31st Floor  
New York, NY 10019**

**Office of the Comptroller of the Currency  
New York Metro-South  
340 Madison Avenue, Fourth Floor  
New York, NY 10173**

**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.

## **INSTITUTION'S CRA RATING:**

### **The institution is rated Satisfactory**

The conclusions for the three rating criteria are:

- The bank demonstrates an adequate level of community development activity in its assessment areas.
- The bank demonstrates no use of innovative or complex qualified investments, community development loans, or community development services.
- The bank demonstrates adequate responsiveness to credit and community development needs in its assessment area.

### **Scope of the Examination**

We evaluated Delta National Bank & Trust Company's performance under the CRA regulation for the period of August 26, 2005 to August 8, 2008. We accomplished this by reviewing the level and nature of community development lending, qualified investments, and community development services present at the bank. At the last examination dated August 25, 2005 Delta was rated "satisfactory."

### **Data Integrity**

As part of our examination, we performed an on-site data integrity review in August 2008. As Delta Bank does not report HMDA data, our review focused on the assessment of the processes and controls for collecting, reporting, and verifying data for community development related activities. We also reviewed all the supporting files for qualified investments such as bonds, donations, and Certificates of Deposit, three loan files, and the community service file. We found the bank's processes and controls for collecting and reporting CRA related data to be satisfactory.

### **Description of Institution**

Delta National Bank and Trust Company (Delta Bank) has been in operation since 1986. Delta was designated a wholesale bank for CRA purposes in 1996. The bank is a wholly owned subsidiary of Delta North Bancorp, which is owned by Delta Investment Company located in Grand Cayman.

Delta Bank is a full service commercial bank offering a wide selection of investment and fiduciary services to meet the needs of its overseas customers. The bank's primary focus is on private banking, asset management and investment services to its high net worth customers in South America, primarily Brazil. There is no direct lending in the U.S.

Currently, Delta Bank has two branches in the U.S. The branches are located in Miami, Florida and New York, NY. As such, Delta is an interstate bank with two assessment areas (AA).

Descriptions of the assessment areas and the banks' CRA performance are discussed separately in this performance evaluation.

The Florida branch is located on the fifth floor of an office building in downtown Miami. The New York branch is located on the 26<sup>th</sup> floor of a midtown building. There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its assessment areas.

Table 1 outlines the bank's financial information during the evaluation period:

**Table 1: Financial Information (000s)**

	Year-end 2005	Year-end 2006	Year-end 2007	Through Quarter-end 06/30/2008**	Average for Evaluation Period
<b>Tier 1 Capital</b>	43,267	44,894	46,076	47,927	45,541
<b>Total Income</b>	26,053	29,379	31,494	14,231	25,289
<b>Net Operating Income</b>	770	2,471	3,491	1,851	2,146
<b>Total Assets</b>	294,930	295,831	292,386	215,338	274,621

Source: Consolidated Report of Condition and Income and bank reported data.

\*\* Annualized or Projected data reported.

## STATE OF NEW YORK

### CRA RATING FOR NEW YORK: Satisfactory

Delta Bank demonstrates an adequate level of participation in community development activities in its assessment area. The bank addresses community needs through qualified investments and loans.

### Description of the New York AA

The New York AA consists of the five New York City boroughs; Manhattan, Queens, Brooklyn, the Bronx, and Staten Island. This is part of the New York White Plains, NY-NJ Metropolitan Division #35644 under the New York – Newark-Edison, NY-NJ-PA Metropolitan Statistical Area #35620. The AA meets legal requirements and does not arbitrarily exclude low- or moderate-income geographies.

Table 2 outlines demographic information of the AA:

**Table 2: Assessment Area Description – New York**

	Number	Low	Moderate	Middle	Upper
<b>Tracts</b>	2,515	13.20%*	25.29%*	28.27%*	30.78%*
<b>Families</b>	2,203,975	14.35%**	27.55%**	25.88%**	32.22%**
<b>Business</b>	775,422	7.90%	19.19%	20.75%	51.05%

Source: Demographic Data - 2000 U.S. Census.

\* 2.5% of tracts do not have income designation.

\*\* Represents families by income level.

According to the 2000 U.S. Census data, the population of the New York AA is 9.3 million. The census median family income (MFI) is \$49,461, while the 2008 Department of Housing and Urban Development updated MFI is \$63,000. Within the AA there are 3.7 million housing units, 95% of which are occupied. Owner-occupied units make up 33% of total housing units, while 62% are rental units. At \$244,538 the median housing value remains high, making homeownership difficult for low- and moderate-income individuals. Although real estate prices have plummeted in other regions, in the New York City area they have mostly held steady.

The New York City economy is the largest regional economy in the United States. The city continues to be a financial leader of the world and a premier location for leading global financial services companies. As a banking center, New York City is headquarters for five of the six largest United States banks and more than 400 institutions total. New York is also home to the countries' two major stock exchanges. Other important sectors include media, entertainment, telecommunications, tourism, publishing, and garment production. New York tourism continues to contribute greatly to the local economy as tourists visit to experience New York City's arts and culture.

In the last few years, New York City was experiencing a robust growth in the economy, with Wall Street salaries having a multiplier effect throughout New York and surrounding areas. However, over the last year the economy has taken a downturn. With so many New York City area jobs tied to the financial sector and Wall Street, the contraction in the financial sector as a result of the credit crises has led to job cuts with expectations of more. According to the New York State Department of Labor the unemployment rate in New York City is 5.2% as opposed to the AA unemployment rate of 4.01%. The downturn in the economy and the job cuts make homeownership more difficult for low- and moderate-income individuals.

Delta Bank continues to operate in a strongly competitive market with a variety of multinational, foreign, and large banks. Major banks operating in the area include Citibank, JP Morgan Chase, HSBC, Bank of America, and Washington Mutual.

A community contact indicated that affordable housing development and rehabilitation remains a major need within the AA. Additionally, foreclosure counseling and education has emerged as a major need due to the downturn in the economy and a rise in foreclosures.

## **CONCLUSIONS ON PERFORMANCE IN NEW YORK**

### **Summary**

Delta Bank's CRA performance in the New York AA is satisfactory. The bank had an adequate level of community development lending and investment activity. Although the investments and loans were not innovative or complex, they demonstrate an adequate responsiveness to the credit and development needs of the community.

- The level of Delta Bank's community development activities is adequate given its capacity and the opportunities available. During the evaluation period, the bank funded two new loans to an organization promoting homeownership through affordable mortgages, financing, and education to low- and moderate-income individuals. Additionally, Delta Bank funded two investments and made seven donations to organizations that support affordable housing,

training initiatives, literacy, financial education, and quality of life programs for low- and moderate-income individuals. Delta Bank continues to support minority owned banks through certificates of deposits.

- As the bank's community development efforts consisted of qualified investments and lending, the activities were not particularly complicated. These services are non-complex and are routinely provided by other entities.
- Delta Bank's community development activities in this AA demonstrate adequate responsiveness to the needs and opportunities in the community. Identified community needs include affordable housing and financial education programs for low- and moderate-income individuals. All of the bank's lending and investments are made to organization supporting such programs.

## **Qualified Investments**

The bank provided an adequate level of qualified investments to meet community needs. During the evaluation period, Delta Bank made seven donations totaling \$88 thousand to five organizations. The organizations provide literacy programs, workforce readiness to young people, homeownership education, and housing assistance to low- or moderate-income individuals. Additionally, the bank made a grant in the amount of \$28 thousand to an organization promoting homeownership through mortgages and education programs. Delta Bank has been a supporter of these programs and organizations for 15 years.

Delta Bank invested \$302 thousand to a CRA qualified investment fund supporting housing developments for low- and moderate-income individuals. The bank continues to support minority owned banks through certificates of deposits (CDs). During the evaluation period, the bank purchased six new CDs totaling \$1.5 million. The deposits are placed with minority owned banks with focus on community redevelopment and assistance to low- and moderate-income individuals. Although the investments Delta Bank made are non-complex, they do address credit and community needs.

**Table 3: Qualified Investment Activity (000s)**

	<b>Benefits AA</b>
<b>Originated Investments</b>	1,890
<b>Originated Grants</b>	28
<b>Prior-Period Investments that Remain Outstanding</b>	0
<b>Total Qualified Investments</b>	<b>1,918</b>

**Table 4: Qualified Investment Percentages**

	<b>Benefit AA (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	4.2%
<b>Total Investments/Average Total Income</b>	<b>7.6%</b>

## **Community Development Lending**

Delta Bank originated an adequate amount of community development loans. During the evaluation period, the bank originated two new loans totaling \$234 thousand. The loans were made to a non-profit organization supporting homeownership for low- and moderate-income individuals. The loans were applied toward small home repair loans and closing costs to qualified applicants. The loans addressed identified needs in the AA. Additionally, Delta Bank had three previously committed lines of credit with a current outstanding amount of \$139 thousand.

**Table 5: Community Development Lending Percentages**

	<b>Benefits AA (%)</b>
<b>Total CD Lending/Average Tier 1 Capital</b>	0.8%
<b>Total CD Lending/Average Total Income</b>	1.5%

## **Community Development Services**

Delta Bank did not provide any community development services during the evaluation period in this AA.

## **STATE OF FLORIDA**

### **CRA RATING FOR FLORIDA: Satisfactory**

Delta Bank has an adequate level of participation in community development activities in its AA. The bank addresses community needs primarily through qualified investments.

### **Description of the Florida AA**

The Florida AA consists of the Miami-Miami Beach-Kendall, FL Metropolitan Division Miami - Dade County # 33124. This Metropolitan Division is part of the Miami-Fort Lauderdale, Miami Beach, FL. Metropolitan Statistical Area # 33100. The AA meets legal requirements and does not arbitrarily exclude low-or-moderate income geographies.

Table 6 outlines demographic information of the AA:

**Table 6: Assessment Area Description – Miami MSA**

	<b>Number</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
<b>Tracts</b>	347	7.78%*	28.53%*	32.85%*	29.97%*
<b>Families</b>	552,484	4.31%**	27.42%**	35.92%**	32.34%**
<b>Business</b>	349,415	4.97%	22.25%	32.20%	40.13%

Source: Demographic Data - 2000 U.S. Census.

\* .86% of tracts do not have income designation.

\*\* Represents families by income level.

According to the 2000 U.S. Census Data, the population of the Florida AA is 2.3 million. The census median family income (MFI) is \$40,266, while the Department of Housing and Development updated MFI is \$49,200. Within the AA there are 852 thousand housing units, 91% of which are occupied. Owner-occupied units make up 53% of total units, while 38% are rental units. The median housing value remains moderate at \$123,974.

The Miami-Dade County is located on the southeastern part of Florida. It is the most populous county in the state of Florida, and the eighth most populous county in the United States. Miami-Dade is a vibrant community with a large urban market, an international gateway, a tourist destination, and full of opportunity for entrepreneurial activity. The tourist industry remains the county's main industry, employing about 15% of the labor market and contributing around 14 billion/annual toward the economy. The county attracts over 10 million overnight visitors each year.

However, the county has a growing problem, its wide gap between the rich and the poor. The region, specifically Miami city has a very small middle class. The county is failing to retain residents, including immigrants, who have moved up the income ladder. Contributing to the small middle class are the following challenges; a low level of education attainment, a low-wage economy, and the regions export of the middle class, as more people left the county in the recent years than moved in.

Additionally, low- and moderate-income individuals face the following challenges that hinder them from becoming middle class; decentralized growth patterns isolate low- and moderate-income individuals from opportunities, basic necessities consume a majority of low- or moderate-income individual's income, and limited use of mainstream financial institutions and government support programs impedes the wealth-building capacity of low- and moderate-income individuals. Although the AA's current unemployment rate of 3.7% is slightly better than the states 4.3%, the overall decline in the economy makes homeownership difficult for low- and moderate-income individuals.

In Florida, Delta Bank competes with a variety of community, foreign, and large banks. The county includes number of Latin-American owned banks with products and services focusing on Latin-American customers.

## **CONCLUSIONS ON PERFORMANCE IN FLORIDA**

### **Summary**

Delta Bank's CRA performance in the Florida AA is satisfactory. The bank had an adequate level of community development service, lending, and investment activity. Although the investments and loans were not innovative or complex, they demonstrated an adequate responsiveness to the credit and development needs of the community.

- The bank's community development performance is adequate in relation to its capacity and the opportunities available. During the evaluation period, Delta Bank made five new investments to fund organizations supporting housing development in low- and moderate-

income geographies and specially designated areas. Delta made nine donations to organizations supporting various housing programs for low- and moderate-income individuals. The bank has four loans and nine bonds outstanding from the previous evaluation period. Delta bank continues to support minority owned banks through certificates of deposits. Additionally, the CRA Officer provided community services to a bank consortium making zero interest loans.

- The banks community development performance consists of lending, qualified investments, and community services. These activities are neither innovative nor complex as they are routinely provided by other entities.
- Delta Bank's responsiveness to credit and community development needs is adequate. All of the bank's loans and investments are to provide housing financing and assistance to low-and moderate income geographies and individuals.

### **Qualified Investments**

Delta Bank made an adequate level of qualified investments in the Florida AA. During the evaluation period, Delta Bank originated five investments totaling \$704 thousand with five different organizations. All of the organizations pursue community and housing development in low- and moderate-income geographies and specially designated areas. Most of the developments supported by these organizations accept section 8 vouchers from low- and moderate-income and senior individuals. Delta bank also made nine donations totaling \$11.5 thousand. The donations were to organizations in support of decent, affordable housing and improvement of quality of life.

Additionally, Delta Bank has a \$40 thousand investment outstanding from the previous evaluation period. The investment is to a consortium of banks that make zero interest loans to low- and moderate-income individuals. The bank has nine bonds outstanding from the previous evaluation period. The bonds totaling \$1.06 million finance housing for low and moderate income individuals. The bank continues to support minority-owned banks through certificates of deposits. During the evaluation period, Delta Bank purchased eight new certificates of deposit totaling \$771 thousand. Additionally, Delta Bank has nine certificates of deposit in the amount of \$870 thousand outstanding from the previous examination. The deposits are placed with banks focusing mainly on community development and housing assistance to low- and moderate-income individuals.

**Table 7: Qualified Investment Activity (000s)**

	<b>Benefits AA</b>
<b>Originated Investments</b>	\$1,487
<b>Originated Grants</b>	0
<b>Prior-Period Investments that Remain Outstanding</b>	\$1,970
<b>Total Qualified Investments</b>	<b>\$3,457</b>

**Table 8: Qualified Investment Percentages**

	<b>Benefit AA (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	7.6%

<b>Total Investments/Average Total Income</b>	13.7%
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## Community Development Lending

Delta Bank has an adequate amount of community development lending in its Florida AA. Although the bank did not originate any new loans, it has six loans outstanding from the previous evaluation period. The current outstanding balance on the loans totals \$50 thousand. The loans were made to two different affordable housing organizations. The purpose of the loans was to provide funding to the organizations' operations and to provide housing financing to low- and moderate- income individuals. Additionally, Delta Bank qualifies for lending activity in the amount of \$22 thousand through its 2.5% participation in the Community Reinvestment Group consortium.

**Table 9: Community Development Lending Percentages**

	<b>Benefits AA (%)</b>
<b>Total CD Lending/Average Tier 1 Capital</b>	.15%
<b>Total CD Lending/Average Total Income</b>	.28%

## Community Development Services

During the evaluation period, the Miami CRA officer provided community service to Community Reinvestment Group (CRG), a consortium of banks making zero interest loans to qualified Community Development Corporations. The CRA officer served as the bank's representative at CRG meetings discussing outstanding loans and the approval of new ones. Additionally, the CRA officer provided recruiting services to bring in more banks into the group.

## Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## **Definitions and Common Abbreviations**

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate** – Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Assessment Area (AA)** – A geographic area that consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

**Benefit to Assessment Area** – A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity has the potential to benefit the assessment area and is located in the broader statewide or regional area that includes the bank’s assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

**CEBA** – Competitive Equality Banking Act of 1987, which permitted corporations to form limited-purpose credit card banks, whose operations are restricted to credit card activities, without the corporation becoming subject to the limitations of a “bank holding company” under the Bank Holding Company Act. A CEBA credit card bank engages only in credit card operations, does not accept demand deposits or savings or time deposits of less than \$100,000 (other than to secure extensions of credit), maintains only one office and does not engage in the business of making commercial loans. [*This definition is not needed for non-CEBA Limited Purchase or Wholesale Institutions.*]

**Census Tract (CT)** – Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

**Community Development (CD)** – Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** – The statute that requires the OCC to evaluate a bank’s record of meeting the credit needs of its local community, consistent with the safe and sound

operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Geography** – A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Median Family Income (MFI)** – The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Net Operating Income** – As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments. [*Schedule RI - Income Statement, line 8 or UBPR, page 2, “PreTax Operating Income (TE)”*]

**Tier 1 Capital** – The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries. [*Schedule RC-R - Regulatory Capital, line 3a(1) or UBPR, page 11A, “Net Tier One”*]

**Total Assets** – Total bank assets as listed in the Consolidated Report of Condition and Income. [*Schedule RC - Balance Sheet, line 12 or UBPR, page 4, “Total Assets”*]

**Total Income** – From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income. [*Schedule RI - Income Statement, Total Interest Income, line 1g and Total Noninterest Income, line 5g, except for banks with domestic offices only and total assets less than \$100 million, line 5c or UBPR, page 2, “Total Interest Income” and “Noninterest Income”*]

**Wholesale Institution** – An institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and for which a designation as a wholesale bank is in effect.