



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**June 21, 2004**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Terrabank National Association  
Charter Number 20157**

**3191 Coral Way  
Miami, FL 33145**

**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.**

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

The major factors that support this rating include:

- The overall level of lending is excellent, given available lending opportunities and the bank's business strategy in its assessment area.
- Overall, the level of community development lending is excellent and has a positive impact on lending performance. The bank is one of the primary lenders in the assessment area for meeting the critical housing needs of low- and moderate- income families. Although the bank is small in comparison to many institutions in the assessment area, it is ranked number three out of all lenders for multi-family lending. A substantial majority of the bank's multi-family loans meet the community development definition.
- The overall geographic distribution of loans within the bank's assessment areas is excellent, particularly as it relates to multi-family affordable housing projects and single family residential lending.
- The overall distribution of loans by income level of the borrower is excellent. The bank has exceeded the demographic percentage of multi-family housing units as well as for single family residences.

## **DESCRIPTION OF INSTITUTION**

Terrabank is a community bank with \$330 million in assets and is located in Dade County, Florida. The bank is owned by Terrabank Holding Company, a one bank holding company. The bank focuses on commercial and multi-family real estate lending. Real estate typically represents over 70% of the loan portfolio. The remainder is primarily commercial and industrial loans, with consumer loans generally being made on an accommodation basis to commercial customers. Terrabank is headquartered slightly east of Coral Gables and operates a branch in West Dade County and one in Hialeah. Full banking services are offered at all locations. There are no legal impediments that would hinder the bank's ability to meet the credit needs of its assessment area. Terrabank received a Satisfactory rating at its most recent CRA examination in December, 1998.

## **DESCRIPTION OF Miami Dade MSA**

The bank's assessment area consists of all of the Miami-Dade MSA, which is equivalent to the boundaries of Miami-Dade County. The assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies. The table above provides demographic information about the assessment area.

The Miami-Dade MSA, Florida's largest metropolitan area, is a densely populated urban center. According to the 1990 Census, the total population was approximately 2 million people, residing in a nearly 2 thousand square mile area. The 2000 Census shows the MSA population to be 2.3 million, a 16.3 percent increase. The increase is a result of an influx of immigrants from Latin America and the Caribbean, as well as relocation from northern cities in the United States.

The City of Miami, located entirely in the Miami-Dade MSA, represents approximately 20 percent of the MSA population and 28 percent of the MSA census tracts. However, a disproportionately large portion of the City is categorized as low- and moderate-income with 62 percent of the MSA's low- and moderate-income census tracts being located in the City. Based on the 1990 Census, the City of Miami is considered to have the 4<sup>th</sup> highest poverty rate among cities with a population of 100,000 or larger. Miami-Dade County overall has the 6<sup>th</sup> highest poverty rate among counties with a population of 500,000 or more.

Housing costs in the Miami-Dade MSA are high. In 2002, the National Association of Realtors estimated the median sales price of an existing single-family home in the Miami Metropolitan area to be \$189,800. When compared with a HUD Adjusted Median Family Income of \$45,600 for 2002 it is clear that the unsubsidized purchase of an average single-family residence would be beyond the financial means of many individuals classified as low- and moderate-income. Generally, large parcels of land are no longer available for housing development, except in the southern portion of the MSA. This includes the areas around Homestead and Florida City, which were devastated by Hurricane Andrew in 1992. Housing revitalization efforts have been somewhat slow in these communities, which are mostly low- and moderate-income, as officials focused first on economic development efforts to provide employment opportunities.

The Miami-Dade MSA's economy is diverse. Major industries include real estate development, trade businesses with Latin America, tourism and banking. The proximity of the Caribbean, Central and South America plus superior seaport and airport capabilities provide this area with a distinct advantage as a global trading center. There are many service businesses in the area and in the extreme southern portion of the MSA agriculture is a major industry (e.g. tomatoes, citrus, and other vegetables).

Competition within the bank's assessment area is intense. FDIC data as of June 30, 2002 showed 433 banking offices of national and regional banks as well as community banks operating in the MSA. There were 463 HMDA reporters of home purchase loans in 2001 for the Miami-Dade MSA. The top ten lenders, with a 45 percent market share, were mortgage companies that operate nationally or subsidiaries of some the largest banks in the nation. National credit card lenders dominate the small business loan market. In 2001, the top five small business loan reporters were credit card companies that had a combined market share of 63 percent in the Miami-Dade MSA.

There is a wide range of opportunities for community development lending throughout the Miami-Dade MSA. However, larger institutions in the MSA aggressively compete for available opportunities. A community contact was conducted during this examination with a community development organization knowledgeable of affordable housing needs in Dade County. The organization representative expressed a critical need for affordable rental housing, particularly for the lowest income families that cannot afford to purchase a home. The need for such housing is exacerbated by the influx of immigrants that typically have few resources and obtain lower paying jobs.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio exceeds expectations with an average quarterly loan-to-deposit ratio of 87% since the last CRA evaluation. The ratio is above the peer group 78% for the same time period. During this period, Terrabank originated an exceptional volume of multi-family housing loans that meet the definition of community development. Among all lenders, the bank was ranked number three in multi-family originations, a very impressive achievement given the bank's size in relation to other providers in the market. A review of the bank's multi-family lending files revealed the bank originated 78 loans meeting the community development definition. These loans aggregated \$45 million and were used to purchase, refinance, or improve 1,370 units of affordable housing.

### Lending in Assessment Area

Lending in the bank's assessment area exceeds the standards for satisfactory performance, given the performance context. A substantial majority of housing related and small business loans were inside the assessment area. This is particularly true of the community development multi-family loans, which are all within the assessment area.

<b>Table 1 - Lending in Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Housing related	107	91	11	9	118	44,595	91	4,369	9	48,964
Small business	233	82	52	18	285	70,369	78	19,764	22	90,133
Totals	340	84	63	16	403	114,964	83	24,133	17	139,097

Source: Data reported under HMDA for 2001 and 2002, bank data for small loans to businesses originated 2001 and 2002.

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Lending to borrowers of different incomes and to businesses of different sizes exceeds the standards for satisfactory performance, given performance context.

The bank's origination of small loans to businesses of different sizes meets the standards for satisfactory performance.

A judgmental sample of 20 loans made within the assessment area showed that 40% of loans sampled were to small businesses (businesses with gross annual revenues of \$1 million or less). This percentage is consistent with the level of businesses in the assessment area having revenues of \$1 million or less.

**Table 2 - Borrower Distribution of Loans to Businesses in Assessment Area**

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	54.9			100%
% of Bank Loans in AA by #	40.0	60.0	0	100%
% of Bank Loans in AA by \$	18.0	82.0	0	100%

Source: Loan sample; D&B 2002 data.

A review of the dollar amount of small loans to businesses originated in 2001 and 2002 supports the conclusion that the bank's performance regarding lending to small businesses meets the standards for satisfactory performance. Loans in the bank's portfolio made within the evaluation period were categorized according to size, under the assumption that small businesses require smaller loan amounts.

The table below shows that 12% of loans were for \$250 thousand or less, and 31% were for \$500 thousand or less, suggesting that a significant portion of loans were to small businesses.

Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	94	40	4,817	7
\$100,001 - \$250,000	21	9	3,731	5
\$250,001 - \$500,000	38	16	13,385	19
\$500,001 - \$1,000,000	66	29	15,291	22
Over \$1,000,000	14	6	33,144	47

Source: Data collected by the bank.

The bank's housing related loans originated to borrowers of different income levels exceeds the standards for satisfactory performance, given performance context. High housing costs and low-income levels make it very difficult for low-income borrowers to afford homeownership. Resultantly, a higher emphasis is given to the loans made to moderate-income borrowers. The bank's percentage of loans to moderate-income borrowers was almost twice the demographic percentage. The bank also exceeded the demographic percentage for home refinancing for moderate-income borrowers.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	13.5	4.4	12.2	22.2	17.9	17.8	56.4	51.1
Home Improvement	13.5	12.5	12.2	25.0	17.9	25.0	56.4	37.5
Home Refinance	13.5	5.6	12.2	14.8	17.9	24.1	56.4	48.1

Source: Data reported under HMDA 2001 and 2002; U.S. Census data (1990).

## Geographic Distribution of Loans

The geographic distribution of loans exceeds the standards for satisfactory performance.

The percentage of small loans to businesses originated in low- and moderate-income tracts is comparable to the percentage of businesses in those tracts, as shown in the following table.

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
Small Business	8.82	5	17.32	18	31.73	35	42.14	42

Source: Data collected by bank; D & B data (2002).

The distribution of housing-related loans originated during the evaluation period exceeds the requirements for satisfactory performance. This conclusion is primarily based on the strong distribution of affordable multi-family housing loans located in low- and moderate-income areas as well as strong performance in single family residential lending in low- and moderate- income areas.

The percentage of multi-family loans is particularly strong compared to the demographic and reflects the bank's focus on this primary credit need for low- and moderate-income families.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA MF Units	% of Number of Loans	% of AA MF Units	% of Number of Loans	% of AA MF Units	% of Number of Loans	% of AA MF Units	% of Number of Loans
Multi-family	13.42	25.93	21.25	42.59	36.01	27.78	29.33	3.70

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

The percentage of home purchase loans made in low- and moderate-income tracts is consistent with, and home improvement and refinance loans significantly exceed the percentage of owner-occupied housing in the same tracts, as illustrated in the following table.

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	3.26	3.23	12.86	12.90	40.83	32.26	43.05	51.61
Home Improvement	3.26	0	12.86	33.33	40.83	44.44	43.05	22.22
Home Refinance	3.26	15.38	12.86	30.77	40.83	15.38	43.05	38.46

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

## **Responses to Complaints**

The bank did not receive any complaints regarding its CRA performance during the evaluation period.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.