



Comptroller of the Currency
Administrator of National Banks

South Florida Field Office
5757 Blue Lagoon Drive, Suite 200
Miami, Florida 33126

PUBLIC DISCLOSURE

September 19, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Security Bank, N.A.
Charter Number 16870**

**1450 South State Road Seven
North Lauderdale, Florida 33068**

Office of the Comptroller of the Currency

**South Florida Field Office
5757 Blue Lagoon Drive, Suite 200
Miami, Florida 33126**

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

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 **Security Bank, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 19, 1997**. 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: **“Satisfactory”**

Security Bank, N.A.'s (**Security**) last CRA performance evaluation was performed in May 1994 and the bank earned a “Satisfactory” rating.

Security's current performance was evaluated using the performance criteria for small banks. While we did evaluate the bank's overall performance since the time of the last CRA exam, lending performance figures quoted in this evaluation cover primarily the calendar year 1996 and 1997 through August, 31. Our assessment included loan originations by Security's wholly owned mortgage subsidiary, SecurityBanc Mortgage Company.

Security's average loan to deposit ratio exceeds that of similar sized banks within its assessment areas. A substantial majority of the loans are within the assessment areas. Lending to borrowers of different incomes, businesses of different sizes and the geographic distribution of loans is reasonable. The bank or its subsidiary have not received complaints regarding CRA.

The following table indicates the performance level of **Security Bank, N.A.** with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | <u>SECURITY BANK, N.A.</u> PERFORMANCE LEVELS | | |
|--|--|---|---|
| | Exceeds Standards for Satisfactory Performance | Meets Standards for Satisfactory Performance | Does not meet Standards for Satisfactory Performance |
| Loan to Deposit Ratio | X | | |
| Lending in Assessment Area | X | | |
| Lending to Borrowers of Different Incomes and to businesses of Different sizes | | X | |
| Geographic Distribution of Loans | | X | |
| Response to Complaints | No complaints were received since the prior CRA examination. | | |

DESCRIPTION OF INSTITUTION

Security is a small community bank headquartered in central Broward County. The bank has six offices located in Broward, Dade and Palm Beach counties.

The main office is located in the City of North Lauderdale, Broward County. Three branches are also located in Broward county. One branch, which opened in December 1996, is located in Lake Worth, Palm Beach county and the sixth location is in Miami, Dade county. Security's wholly owned subsidiary, SecurityBanc Mortgage Company, is housed at the Sunrise office. All offices are reasonably accessible to most neighborhoods of the assessment areas.

The offices in Broward and Palm Beach counties offer traditional banking services. The Miami office offers specialized lending for international trade purposes with foreign banks and to a lesser extent to domestic borrowers, some of which are engaged in international trade. The bank and its mortgage subsidiary are active in the direct and indirect origination of residential mortgage loans. The bank participates actively in offering financing via programs sponsored by the Small Business Administration.

Loans to individuals are primarily comprised of mortgage loans for the purchase and refinancing of residential properties. Most of the mortgage loans held by the bank are purchased from other institutions. Income information for purchased loans is normally not contained in the Home Mortgage Disclosure Act Statement. Information on the income of borrowers on purchased loans contained in this evaluation was derived from file reviews. Residential mortgages originated by the wholly owned mortgage company are largely sold to investors.

The bank's financial condition allows it to serve its community credit needs at a level commensurate with its size and resources. As of August 31, 1997, the bank had total assets of \$62 million. Loans totaled \$47 million and deposits were \$54 million. The loan portfolio was comprised of 53% residential real estate, 22% commercial real estate, 15% trade finance and 10% commercial and other type loans. Capital was 12% of total assets. The bank is profitable.

DESCRIPTION OF THE ASSESSMENT AREAS

Security's assessment areas consist of all of the census tracts within the counties of Broward, Dade and Palm Beach. These are separate Metropolitan Statistical Areas (MSA's). The three assessment areas are contiguous. The majority of the bank's offices are located in Broward county, where most of the direct lending activity takes place. A significant proportion of lending in Dade and Palm Beach counties arises indirectly through the purchase from other institutions of mortgages on residential properties located throughout these two counties. This results in Security's lending to be more dispersed geographically than is customary for similar size banks.

Broward County MSA

This MSA consists of 164 census tracts and has a population of 1.3 million. Some of the areas major industries include services, retail trade, finance, insurance, real estate development and health care.

According to the **1990** U.S. Census the composition of census tracts by income characteristics is as follows: 5% low income, 20% moderate income, 47% middle income, 26% upper income. Income characteristics are not available for 2% of the tracts. The median family income is \$36,801. The distribution of families by income is: 20% low income, 18% moderate income, 23% middle income, and 39% upper income.

The **1997** median family income of the Broward County MSA as updated by the U.S. Department of Housing and Urban Development (HUD) is \$47,700.

Dade County MSA

The Dade County MSA consists of 267 census tracts and has a population of 1.8 million. Some of the major industries include tourism, real estate development, health care, and trade business with Latin America. The area has a diverse population including a large immigrant population from Latin America.

The demographics of the assessment area's census tracts according to the **1990** U.S. Census are as follows: 13% are low income census tracts, 21% are moderate income tracts, 36% are middle income tracts, 28% are upper income tracts and for 1% of the tracts income characteristics are not reported. The median family income for this MSA was \$31,113. Twenty three percent of the families in the MSA are considered low income, 16% moderate income, 19% middle income, 41% upper income.

The **1997** HUD updated median family income of the Dade County MSA is \$39,100.

Palm Beach County MSA

The Palm Beach MSA consists of 211 census tracts and has a population of 864 thousand. All of the major urban development is located in the eastern one-fifth of the county. The balance of the county's land area includes truck and ornamental agricultural activities, and the largest sugarcane region in the continental United States. Major industries include agriculture, tourism, manufacturing, real estate development and health care. The economy is also fueled by the immigration of retired persons from other parts of the country.

The demographics of the assessment area's census tracts according to the **1990** U.S. Census are as follows: 5% are low income census tracts, 21% are moderate income tracts, 41% are middle income tracts, 31% are upper income tracts and for 2% of the tracts income characteristics are not reported. The median family income for this MSA was \$38,000 in 1990. Nineteen percent of the families in the MSA are considered low income, 19% moderate income, 23% middle income, 39% upper income.

The **1997** HUD updated median family income for Palm Beach County is \$48,800.

Assessment Areas' Credit Needs

Information about the credit needs of the assessment areas was obtained from recent community contacts conducted by federal bank regulators in connection with other CRA examinations. These contacts revealed a variety of credit needs. The most pressing credit needs are for affordable home financing, home improvement, and small business loans.

Security is a small community bank. It has strong competition from local offices of large regional and multinational banks, community banks of larger and similar size, mortgage companies, and credit unions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

Security's average loan to deposit ratio since the last CRA examination *exceeds standards* for satisfactory performance. The loan to deposit ratio notably exceeds that of similar sized institutions located in the three assessment areas.

Security's average loan to deposit ratio based on quarter end data from March, 1994 to June, 1997 inclusive is 81%. The range during this period is from a low of 74% (June 30, 1996) to a high of 88% (June 30, 1997). In comparison, the average loan to deposit ratio as of March, 1997 for similar size institutions located in the three assessment areas is 62%.

Lending in the Assessment Area

Security's lending in the three assessment areas *exceeds standards* for satisfactory performance. More than a majority of loans are made within the three assessment areas.

Of total loans outstanding as of August 31, 1997, 94% are to borrowers located in the three assessment areas. A substantial majority of loans purchased or originated by the bank and its mortgage subsidiary in 1995, 1996, and for this year-to-date 1997 were within the assessment areas.

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

The record of lending to borrowers of different income levels and businesses of different sizes in the assessment areas *meets standards* for satisfactory performance. Loans to individual borrowers are reasonably distributed among different income levels. This includes a reasonable proportion of loans to individuals of low- and moderate-income. Loans to domestic businesses include a reasonable proportion of loans to businesses with revenues below \$1 million. The bank's ability to make loans to businesses is enhanced by its participation in loan guaranty programs sponsored by the Small Business Administration.

We sampled loan file information to identify the income levels of borrowers. The categorization of different income levels used in analyzing this information was done for each individual MSA based on published data on the median family income for each MSA.

Of the total number of residential mortgage loans made in 1996 (purchased or originated by the bank) in the three MSA's, 33% were to low and moderate income borrowers. Additionally, 10% of the loans originated by the mortgage subsidiary in the three MSA's (which are mostly sold to investors) were to low and moderate income borrowers. On a combined basis, the bank and its mortgage subsidiary purchased or originated 73 loans in 1996 to borrowers of various income levels. Of these 73 loans, 16 or 22% were to low to moderate income borrowers.

In 1996, the bank made 121 loans to businesses totaling \$27MM. Loans to businesses with revenues of less than \$1 million totaled 35 (or 29% of the business loans) and aggregated \$1,313M (or 5% of the total dollar amount). Businesses loans granted in 1996 include 11 loans totaling \$1.2 million that were made under programs sponsored by the Small Business Administration.

Geographic Distribution of Loans

The geographic distribution of loans originated or purchased in the assessment areas *meets the standard* for satisfactory performance. The distribution among geographies and census tracts of different income levels is reasonable.

Of total loans held by the bank as of August 31, 1997, 20% are to borrowers located in low and moderate income census tracts. Of the total residential mortgage loans purchased or originated by the bank during 1996, 21% was to borrowers located in low and moderate income census tracts. Additionally, 18% of the total number of loans originated by the mortgage subsidiary for sale to investors were to borrowers located in low and moderate income tracts. On a combined basis the bank and its mortgage subsidiary purchased or originated 73 mortgage loans in 1996 of which 14 or 19% were to borrowers located in low and moderate income tracts.

Response to Complaints

Security has not received any complaints regarding its CRA performance.

Compliance with Anti-discrimination Laws and Regulations

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.