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**BANK** Comptroller of the Currency  
Administrator of National Banks

**SMALL**

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

## **PUBLIC DISCLOSURE**

**September 22, 1999**

# **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 22, 1999**. 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: **ASatisfactory®**

We evaluated Security Bank N.A.'s (**Security Bank=s**) CRA performance using the small bank performance criteria. Our evaluation covered the period from September 1997 through September 22, 1999, although we focused on 1998 and year-to-date 1999 lending activity. **Our performance evaluation finds that Security Bank=s performance is ASatisfactory®.** The primary reasons for this rating are:

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

## DESCRIPTION OF INSTITUTION

Security Bank is a community bank headquartered in the city of North Lauderdale in central Broward County. The bank has seven branches. Four branches are in Broward County (North Lauderdale, Fort Lauderdale, Sunrise, and Davie), two are in Palm Beach County (Lake Worth and Boynton Beach), and one is in Dade County (Miami). The Boynton Beach branch opened in late 1997. Three of the Broward branches are in middle income census tracts and

one is in an upper income tract. The Lake Worth branch is in a moderate income tract and the Boynton Beach and Miami branches are in middle income tracts.

There is no holding company. Security's wholly owned subsidiary, SecurityBanc Mortgage Company, is located in the Sunrise branch. Banking offices offer most traditional banking services and are accessible to many neighborhoods of the assessment areas. Security Bank is primarily a business lender, but the bank also originated and purchased a significant volume of residential mortgage loans during the evaluation period.

As of June 30, 1999, Security Bank had total assets of \$94 million. Loans totaled \$63 million and deposits were \$81 million. The percentage of net loans to total assets was 67%. Capital was 7.3% of total assets. The loan portfolio was comprised of 33% residential real estate, 26% commercial, 21% commercial real estate, and 11% multifamily. The bank was profitable in 1997 and 1998. Security Bank incurred losses year-to-date 1999, however, the bank has the capacity to lend. No legal or other factors impede the bank's ability to meet the credit needs in its assessment areas. Security Bank's last CRA performance evaluation was performed in September 1997 and resulted in a rating of A Satisfactory. @

## **DESCRIPTION OF THE ASSESSMENT AREAS**

Security Bank's assessment areas consist of Broward County and portions of Dade and Palm Beach Counties. Broward, Dade and Palm Beach Counties are each Metropolitan Statistical Areas (MSAs). The southeastern section of Dade County is the portion that Security Bank may reasonably be expected to serve with its one branch. The central eastern section of Palm Beach County is the portion that Security Bank may reasonably be expected to serve with its two branches. The assessment areas meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

### **Broward County MSA**

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 1999 updated median family income of the Broward County MSA is \$53,200. Twenty percent of the families in the MSA are considered low income, 18% moderate income, 22% middle income, and 40% upper income.

The Broward County MSA had a 1990 population of 1.3 million. There has been significant population growth since the 1990 census. Broward County has a large retiree population with about 21% of the people over 65 years of age. Some of the major industries include tourism, real estate development, health care, and retail services.

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, community banks, mortgage companies, and credit unions.

### **Assessment Area In Dade County**

The bank's assessment area in Dade County consists of 26 census tracts which are distributed as follows: 13 low income, 8 moderate income, 3 middle income, and 2 upper income census tracts. The percentage of census tracts in each income category are: 50% low income, 31% moderate income, 11% middle income, and 8% upper income.

The 1999 updated median family of the Dade County MSA is \$42,400. In Security Bank's assessment area in Dade County, 44% of the families are considered low income, 20% moderate income, 15% middle income, and 21% upper income.

The Dade assessment area had a 1990 population of 139 thousand. The area has a diverse population including a large number of immigrants from Latin America. Major industries include tourism, real estate development, and financial services.

The local economy is stable and competition from other financial institutions is strong. The competition includes larger community banks, affiliates of regional and multinational banks, mortgage companies, and foreign banks.

### **Assessment Area In Palm Beach County**

The bank's assessment area in Palm Beach County consists of 87 census tracts which are distributed as follows: 0- low income, 28 moderate income, 44 middle income, and 15 upper income census tracts. The percentage of census tracts in each income category are: 0% low income, 32% moderate income, 51% middle income, and 17% upper income.

The 1999 updated median family of the Palm Beach County MSA is \$55,600. In Security Bank's assessment area in Palm Beach County, 21% of the families are considered low income, 22% moderate income, 24% middle income, and 33% upper income.

The Palm Beach assessment area had a 1990 population of 373 thousand. The area has a large retiree population with 27% of the people over 65 years of age. Some of the major industries include health care, retail services, and tourism. Public services including hospitals, government, and education are other major sources of employment. Businesses are predominantly small.

The Palm Beach assessment area's economy is good and competition from other financial institutions is strong. Security Bank has strong competition from affiliates of regional banks and multinational banks, community banks, mortgage companies, and credit unions.

### **Assessment Areas- Credit Needs**

During 1998 and 1999, OCC and Federal Reserve examiners contacted four community organizations that operate in Security Bank's assessment areas to identify local credit needs. During this review, an OCC examiner contacted the Community Development Department for the City of North Lauderdale. These contacts revealed that loans are needed to purchase or rehabilitate affordable single family homes and rental housing, and to finance small businesses.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

### **LOAN TO DEPOSIT RATIO**

**Conclusion:** We rate this performance category as satisfactory. Security Bank's average loan to deposit ratio since the last CRA examination is reasonable.

#### **Support of Conclusion:**

Security Bank's quarterly average loan to deposit ratio since the last CRA examination was 79%. This ratio is higher than the average ratio of 72% of four similarly situated banks in the assessment area. These four community banks are similar in asset size and have main offices and branches in Broward County and additional branches in Palm Beach or Dade Counties.

## LENDING IN THE ASSESSMENT AREAS

**Conclusion:** We rate this performance category as satisfactory. A majority of the loans made or purchased in 1998 and year-to-date 1999 were inside of the assessment areas.

**Support of Conclusion:**

*Business Loans - 1998 and Through August 1999*

AMOUNT OF LOANS			
INSIDE Assessment Areas		OUTSIDE Assessment Areas	
\$12,779,000	or	\$ 3,410,000	or
	<b>79%</b>		<b>21%</b>
NUMBER OF LOANS			
INSIDE Assessment Areas		OUTSIDE Assessment Areas	
112	or	26	or
	<b>81%</b>		<b>19%</b>

*Residential Mortgage Loans - 1998 and Through August 1999*

AMOUNT OF LOANS			
INSIDE Assessment Areas		OUTSIDE Assessment Areas	
\$9,188,000	or	\$11,152,000	or
	<b>45%</b>		<b>55%</b>
NUMBER OF LOANS			
INSIDE Assessment Areas		OUTSIDE Assessment Areas	
82	or	46	or
	<b>64%</b>		<b>36%</b>

Security Bank's primary loan types are business and residential mortgage loans. Of the above residential mortgage loans, 22 loans for a total of \$5,296,000 were purchased from local lending institutions and located in the assessment areas. An additional 25 loans for \$7,387M were purchased from local institutions, but located outside the assessment areas.

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

**Conclusion:** We rate this performance category as satisfactory. Lending to businesses of different sizes and to borrowers of different incomes is reasonable.

**Support of Conclusion:**

The following table summarizes the distribution of a sample of business loans made from January through August of 1999:

**Distribution of Business Loan Originations/Purchases in Assessment Areas  
During 1998 and Through August 1999**

<b>LOAN TYPE</b>	<b># Loans</b>	<b>% of Total</b>	<b>\$ (000s)</b>	<b>% of Total</b>
<b>Small Business(a)</b>	32	70%	2,113	49%
<b>Large Business</b>	14	30%	2,229	51%
<b>TOTAL</b>	46	100%	4,342	100%

**(a) Loans to businesses with gross annual revenues less than \$1 million.**

Business Loans

Business loans were the largest volume type of loan originated by Security Bank in its assessment areas during the evaluation period. Business credits include commercial and industrial, and commercial real estate including loans guaranteed by the Small Business Administration.

In the sample of business loans made year-to-date 1999, Security Bank originated 32 small business loans for \$2,113 thousand. Small business loans represented 70% by number and 49% by dollar volume of all business loans made. In Broward County, 90% of all businesses are small businesses. Security Bank's origination of small business loans helps address identified community credit needs for small business loans. Lending to businesses of different sizes is reasonable.

Residential Mortgage Loans

Residential mortgage loans are the next largest volume type of loan originated or purchased by Security Bank. The following table shows the distribution of residential mortgage loans (originations and purchases) based on borrower income. The table shows distribution of loans in the Broward County assessment area. Security Bank made a total of 65 home loans in Broward County in 1998 and year-to-date 1999, however, only 56 had the borrower's income. The 56 loans were for a total of \$5,180.

**Distribution of Residential Mortgage Loans In Broward County Assessment Area  
Based on Borrower Income  
1998 and Year-To-Date August, 1999**

Income Levels	Distribution of 1-4 Family Residential Mortgage Loans # of Loans as % of Total	Distribution of 1-4 Family Residential Mortgage Loans \$ of Loans as % of Total	% of Families in these Income Levels in the Assessment Area
Low Income	<b>13%</b>	<b>7%</b>	<b>20%</b>
Moderate Income	<b>16%</b>	<b>9%</b>	<b>18%</b>
Middle Income	16%	9%	22%
Upper Income	55%	75%	40%
<b>TOTAL</b>	100%	100%	100%

There were not enough residential loans made in the Dade and Palm Beach assessment areas to perform a meaningful analysis. The bank made only 5 residential loans in its Dade assessment area and 6 in its Palm Beach assessment area.

The distribution of residential loans to borrowers of different incomes reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. These loans helped meet affordable housing credit needs in the community.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

**Conclusion:** We rate this performance category as satisfactory. The loans originated or purchased in the assessment areas reflect reasonable dispersion among census tracts of different income levels.

Census tracts in assessment areas without loan penetration are due to Security Bank's relatively small asset size (\$94 million total assets) and large assessment area in Broward County. Also, the Brickell branch makes primarily international loans. These limitations prevent Security Bank from penetrating all areas in the Broward County, Dade, and Palm Beach assessment areas. For example, Security Bank made a total of 65 home loans and 92 business loans in Broward County in 1998 and year-to-date 1999, however, there are 164 census tracts in the County.

**Support of Conclusion:**

Business Loans

The following table shows the geographic distribution of 92 business loans for total of \$11,375,000 made in the Broward County assessment area during the evaluation period. The table shows that a significant percentage of loans were originated or purchased in low- and moderate-income census tracts of the assessment area relative to the percentage of low- and moderate-income census tracts of the assessment area. Note: this table groups low- and moderate- income census tracts together and middle- and upper-census tracts together because that is how the bank maintains its business geo-coding data.

**Distribution of Business Loans Made in 1998 + through August, 1999 Compared to Distribution of Census Tracts in the Broward County Assessment Area**

Income Level of Census Tract	Distribution of Bank Loans in the Census Tract (Number of Loans)	Distribution of Bank Loans in the Census Tract (Amount of Loans)	Distribution of Census Tracts in Assessment Area
Low/Moderate	<b>24%</b>	<b>18%</b>	<b>25%</b>
Middle/Upper	76%	82%	73%
Uninhabited	0%	0%	2%
Total	100%	100%	100%

There were not enough business loans made in the Dade and Palm Beach assessment areas to perform a meaningful analysis. The bank made only 9 business loans in its Dade assessment area and 10 in its Palm Beach assessment area.

Residential Mortgage Loans

The following table shows the geographic distribution of the 65 residential mortgage loans for a total of \$7,441,000 originated or purchased in the Broward County assessment area. This table also shows that no residential loans were made in low income census tracts, however, a significant volume of loans were made in moderate income census tracts relative to the percentage of owner-occupied housing in those tracts.

**Distribution of Home Loan Originations/Purchases in 1998 + through August, 1999 Compared to Distribution of Census Tracts in the Broward County Assessment Area**

Income Level of Census Tract	Distribution of Bank Loans in the Census Tract (Number of Loans)	Distribution of Bank Loans in the Census Tract (Amount of Loans)	Distribution of Owner-Occupied Housing in the Assessment Area
Low	<b>0%</b>	<b>0%</b>	<b>1%</b>
Moderate	<b>9%</b>	<b>4%</b>	<b>14%</b>
Middle	63%	55%	59%
Upper	28%	41%	26%
Total	100%	100%	100%

**RESPONSE TO COMPLAINTS**

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

**COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

For our fair lending portion of the examination, we reviewed residential mortgage loans made in 1998 and year-to-date 1999 using the loan terms approach. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. Fair lending policies and procedures are satisfactory.