



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**April 07, 2008**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Independent National Bank  
Charter Number 23484

60 Southwest 17th Street  
Ocala, FL 34478-0000

Office of the Comptroller of the Currency

**NORTH FLORIDA FIELD OFFICE**  
8375 Dix Ellis Trail, Suite 403  
Jacksonville, FL 32256

**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 Satisfactory.**

- Independent National Bank's average loan-to-deposit ratio is reasonable in comparison to similar-sized institutions.
- The bank makes a substantial majority of its loans within the assessment area.
- The bank's record of lending reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

**SCOPE OF EXAMINATION**

Independent National Bank (INB) was evaluated based on an analysis of primary lending activities in the bank's full assessment area. The time period for this evaluation is December 1, 2003 through April 18, 2008. The last Community Reinvestment Act (CRA) evaluation for INB was completed on November 12, 2003, when the bank received a "Satisfactory" rating. The focus of this evaluation is on residential mortgage products and loans to businesses. Refer to the "Performance Criteria" analysis within this evaluation for a discussion of the loan sampling methodology used for this review.

**DESCRIPTION OF INSTITUTION**

Independent National Bank was chartered in 1988 and is wholly-owned by Independent Bancshares, Inc., a one-bank holding company. The main office is located in Ocala, Florida in Marion County. INB also has three branch offices in Marion County—two in Ocala and one in Belleview. There is also a branch office in Lady Lake in Lake County, Florida. The bank offers automated teller machine (ATM) access at all of its branches. Other banking services include drive-up facilities at all offices, telephone banking and online banking. INB offers a variety of lending programs but generally its primary focus has been in business and residential real estate lending which represents 46% and 32%, or \$71 million and \$49 million, respectively, of the loan portfolio as of December 31, 2007. As of year-end 2007, the bank had total assets of approximately \$214 million with net loans accounting for 72% of total assets. There are no financial or regulatory constraints that would prevent the bank from meeting the credit needs of the community.

**DESCRIPTION OF ASSESSMENT AREA(S)**

INB's assessment area (AA) includes the entire area of Marion County. The AA also includes three census tracts in Lake County and two census tracts in Sumter County. The income categories of the AA census tracts are detailed below.

| Census Tract Category | # of Census Tracts | % of Total    |
|-----------------------|--------------------|---------------|
| Low-Income            | 1                  | 2.0%          |
| Moderate-Income       | 4                  | 7.8%          |
| Middle-Income         | 35                 | 68.6%         |
| Upper-Income          | 11                 | 21.6%         |
| <b>Total</b>          | <b>51</b>          | <b>100.0%</b> |

Marion County includes the cities of Ocala, Belleview and Dunnellon, and comprises the Ocala Metropolitan Statistical Area (MSA #36100). The Ocala MSA encompasses 46 census tracts. Based on year 2000 Census Bureau data, the median family income is \$37,494. With this income criterion, one census tract in the MSA is classified as low-income, three are moderate-income, thirty-two are middle-income and ten are classified as upper-income census tracts. The Department of Housing and Urban Development (HUD) estimates the 2007 median family income at \$44,900 for the Ocala MSA. Based on this estimate, 17% of the families in the AA are classified as low-, 20% moderate-, 23% middle- and 40% upper-income.

The AA also includes three census tracts located in the northwest portion of Lake County and two census tracts located in the northeast portion of Sumter County. The area comprises the City of Lady Lake and the community of The Villages. Lake County is part of the Orlando MSA (MSA #36740) while Sumter County is a non-metropolitan area and not located in a census MSA. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geography. The bank's size and office locations support the designated assessment area.

The assessment area has a significant percentage of 31% retirees. Twenty-seven percent (27%) of the population is over 65 years of age. Forty-eight percent (48%) of the population receives social security income. Less than 12% of the population lives below the poverty level. Eighty-seven (87%) of all housing units are occupied, while 71% are owner-occupied. Retail trade and services largely support the economy of Marion County. The largest private-sector employers include Munroe Regional Medical Center, Wal-Mart and Publix Supermarkets<sup>1</sup>.

Banking competition consists of 23 financial institutions having 98 banking offices in Marion County. INB has 2.8% of the market share of deposits in Marion County. For the Lake County portion of the Orlando MSA, there are 22 financial institutions having 102 offices. INB has 0.8% of the market share of deposits in Lake County. For Sumter County, INB did not have a share of the market's deposits as of June 30, 2007.<sup>2</sup>

1 Source: Ocala/Marion County Economic Development Corporation, [www.ocalaedc.org](http://www.ocalaedc.org)

2 Source: Federal Deposit Insurance Corporation, [www.fdic.gov](http://www.fdic.gov); data as of June 30, 2007

During the evaluation period, we contacted a local community organization to identify credit needs within the community. The discussion with this organization noted the challenges of rising unemployment and the declining stock of affordable housing in Ocala. As with many markets in Florida, the Ocala MSA has experienced significant increases in home prices. For the years 2004 through 2007, median home prices increased from \$91,900 to \$168,600, making homeownership options difficult to achieve for low- or moderate-income residents. Primary credit needs in the community include affordable housing and consumer loans with flexible programs.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

- **Loan-to-Deposit Ratio - Meets the Standard for Satisfactory Performance**

The bank’s average loan-to-deposit (LTD) ratio is reasonable and consistent with peer averages. The bank’s quarterly average LTD ratio from the fourth quarter of 2003 through the fourth quarter of 2007 is 83%. The average LTD ratio for peer banks nationwide is 82%. Peer banks are those of similar asset size operating in metropolitan areas. The average LTD ratio for peer banks in Marion County is 90%.

- **Lending in Assessment Area – Exceeds the Standard for Satisfactory Performance**

*The bank makes a substantial majority of its loans within the assessment area.* We based our conclusions on a sample of the bank’s two primary loan products—residential mortgages and business loans. First, we performed an analysis using all residential mortgage loans originated in 2006 and 2007. This included loans to purchase or refinance home mortgages. We also obtained a random sample of 37 loans to businesses made within this same time frame. Our results for both loan types are summarized below.

| <b>Table 1 - Lending in Independent NB AA</b> |                 |        |         |       |       |                                |        |         |       |          |
|---|-----------------|--------|---------|-------|-------|--------------------------------|--------|---------|-------|----------|
| Loan Type                                     | Number of Loans |        |         |       |       | Dollar Volume of Loans (\$000) |        |         |       |          |
|   | Inside          |        | Outside |       | Total | Inside                         |        | Outside |       | Total    |
|   | #               | %      | #       | %     |       | \$                             | %      | \$      | %     |          |
| Residential Mortgages                         | 207             | 94.09% | 13      | 5.91% | 220   | \$27,873                       | 94.50% | \$1,621 | 5.50% | \$29,494 |
| Business Loans                                | 35              | 94.59% | 2       | 5.41% | 37    | \$5,630                        | 92.27% | \$472   | 7.73% | \$6,102  |

- **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes - Meets the Standard for Satisfactory Performance**

*The bank record of lending reflects a reasonable penetration among individuals of different income levels.* This analysis used the sample of residential mortgage loans originated within the assessment area that is discussed above. We compared the income distribution of the bank’s borrowers in our sample to the income distribution of families within the assessment area. The borrowers were categorized into income groups based on the 2006 HUD median family income

of \$44,900 for the Ocala MSA and \$57,400 for the Orlando MSA. The distribution of families in the assessment area (% of AA Families in AA) is based on 2000 U.S. Census Bureau data. This analysis is depicted in the following table. While the bank’s level of lending to low- or moderate-income borrowers is lower by comparison, it is considered reasonable given the size of the bank, the level of other banking competition in the area and the challenges of making loans for affordable housing discussed within the *Description of the Assessment Area* section of this evaluation.

The record of lending to borrowers of different incomes is enhanced by additional efforts to reach low- or moderate-income families in the AA. In 2007, INB developed a micro-loan program that provides small dollar loans to consumers. This product was developed based on discussions with community leaders regarding the need for low-cost, small dollar loans for non-housing related needs. Often these types of products are available from non-bank financial institutions with high interest rates or excessive fees. In 2007, the bank made 12 loans under this program in amounts of \$400-\$500 each.

| Table 2 - Borrower Distribution of Residential Real Estate Loans in Independent NB AA |                  |                    |                  |                    |                  |                    |                  |                    |
|---|------------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|
| Borrower Income Level   | Low-Income       |                    | Moderate-Income  |                    | Middle-Income    |                    | Upper-Income     |                    |
| Loan Type   | % of AA Families | % of INB Loans (#) | % of AA Families | % of INB Loans (#) | % of AA Families | % of INB Loans (#) | % of AA Families | % of INB Loans (#) |
| Residential Mortgages   | 16.82%           | 7.73%              | 20.32%           | 10.14%             | 24.20%           | 21.26%             | 38.67%           | 51.69%             |

*The bank record of lending reflects a reasonable penetration among businesses of different sizes.* This was based on an analysis of the sampled 35 business loans originated within the assessment area during the evaluation period. We determined that the bank makes loans to businesses of varying sizes, but primarily to small businesses (those with total revenues less than \$1 million). The analysis showed 60% of the total number of business loans sampled, and 48% based on respective loan amounts, were to small businesses. In comparison, economic data supports that 65% of all businesses operating within the assessment area are considered small businesses (revenue data was not available for 32% of assessment area businesses).

| Table 2A - Borrower Distribution of Loans to Businesses in Independent NB AA |              |              |               |         |
|--|--------------|--------------|---------------|---------|
| Business Revenues (or Sales)   | <\$1,000,000 | >\$1,000,000 | Not Available | Total   |
| % of AA Businesses by #  | 64.86%       | 2.95%        | 32.20%        | 100.00% |
| % of Bank Loans in AA by #   | 60.00%       | 8.57%        | 31.43%        | 100.00% |
| % of Bank Loans in AA by \$  | 47.55%       | 10.30%       | 42.14%        | 100.00% |

INB also makes a large portion of their business loans in smaller dollar amounts. Our sample included loans with original amounts ranging from \$7,500 to \$508,000. A breakdown of loans by size is given below. This is a favorable indicator that INB makes loan amounts that meet the needs of smaller businesses. A detailed breakdown by loan amount is presented below.

| Table 2B - Borrower Distribution of Loans to Businesses by Loan Size in Independent NB AA |                 |                   |                        |                          |
|---|-----------------|-------------------|------------------------|--------------------------|
| Loan Size (000's)   | Number of Loans | Percent of Number | Dollar Volume of Loans | Percent of Dollar Volume |
| \$0 - \$100,000   | 18              | 51.43%            | \$774,676              | 13.30%                   |
| \$100,001 - \$250,000   | 7               | 20.00%            | \$1,187,424            | 20.38%                   |
| \$250,001 - \$500,000   | 7               | 20.00%            | \$2,088,500            | 35.84%                   |
| \$500,001 - \$1,000,000   | 3               | 8.57%             | \$1,776,174            | 30.48%                   |
| Over \$1,000,000  | 0               | 0.00%             | \$0                    | 0.00%                    |
| Totals  | 35              | 100.00%           | \$5,826,774            | 100.00%                  |

- **Geographic Distribution of Loans – Meets the Standard for Satisfactory Performance**

*The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.* The distribution of INB’s loans reflects lending in most tracts. For this analysis, we first compared the geographic distribution of the residential loans sampled within the assessment area to the level of owner-occupied housing within each geographic area. The level of owner-occupied housing is an indicator of the opportunities available for residential mortgage financing. The lower level of owner-occupied housing indicates fewer opportunities available for home improvement, refinance or other mortgage loans. This factor is also evaluated in the context of the bank’s size and the level of banking competition in the area. Based on our findings, the bank has a reasonable record of lending to individuals in different geographies. The results of our analysis are summarized in the following table.

| Table 3 - Geographic Distribution of Residential Real Estate Loans in Independent NB AA |                                |                          |                                |                          |                                |                          |                                |                          |
|---|--------------------------------|--------------------------|--------------------------------|--------------------------|--------------------------------|--------------------------|--------------------------------|--------------------------|
| Census Tract Income Level   | Low- Income                    |                          | Moderate-Income                |                          | Middle-Income                  |                          | Upper-Income                   |                          |
| Loan Type   | % of AA Owner Occupied Housing | % of Number of INB Loans | % of AA Owner Occupied Housing | % of Number of INB Loans | % of AA Owner Occupied Housing | % of Number of INB Loans | % of AA Owner Occupied Housing | % of Number of INB Loans |
| Residential Mortgages   | 0.30%                          | 0.00%                    | 4.77%                          | 1.45%                    | 75.27%                         | 71.01%                   | 19.66%                         | 27.54%                   |

Next, we analyzed the geographic distribution of business loans. For this analysis, we used the sample of business loans originated within the assessment area during the evaluation period. We noted the geographic location of the business or property purchased, depending on the nature of the loan. For comparison, we reviewed economic data that shows the geographic location of businesses in each assessment area. Based on our findings, which are depicted below, the bank has a reasonable record of lending to businesses in different geographies.

| Table 3A - Geographic Distribution of Loans to Businesses in Independent NB AA |                    |                          |                    |                          |                    |                          |                    |                          |
|--|--------------------|--------------------------|--------------------|--------------------------|--------------------|--------------------------|--------------------|--------------------------|
| Census Tract Income Level  | Low-Income         |                          | Moderate-Income    |                          | Middle-Income      |                          | Upper-Income       |                          |
| Loan Type  | % of AA Businesses | % of Number of INB Loans | % of AA Businesses | % of Number of INB Loans | % of AA Businesses | % of Number of INB Loans | % of AA Businesses | % of Number of INB Loans |
| Business Loans   | 0.69%              | 0.00%                    | 5.99%              | 8.57%                    | 71.79%             | 62.86%                   | 21.54%             | 28.57%                   |

**Responses to Complaints – Not Applicable**

We reviewed records of consumer complaints regarding INB made to our agency and those maintained by the bank in the public file. There were no complaints made relative to the Community Reinvestment Act during this evaluation period.

**Fair Lending or Other Illegal Credit Practices Review – Not Applicable**

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