



## **PUBLIC DISCLOSURE**

February 17, 2015

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Delta National Bank and Trust Company  
Charter Number 20547

650 Fifth Avenue, 26th Floor  
New York, NY 10019

Office of the Comptroller of the Currency

340 Madison Avenue  
4th Floor  
New York, NY 10017-2613

**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 CRA RATING:**

**This 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 through qualified investments, community development lending, and community development services.
- 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**

In evaluating the bank's performance under the Community Reinvestment Act (CRA), we reviewed community development activities from February 6, 2012 through February 17, 2015. We reviewed the level and nature of qualified investments, community development lending, and community development services within the bank's assessment areas. Additionally, we reviewed a donation that the bank made outside its assessment area. At the last examination dated February 6, 2012, the bank was rated satisfactory.

## **Description of Institution**

Delta National Bank and Trust Company (the bank) was established in 1986 and is headquartered in New York, NY. The bank is a full service commercial bank offering a wide selection of investment and fiduciary services with a focus on private banking, asset management, and investment services to its high net worth customers in South America, primarily Brazil. The bank generally does not participate in direct lending in the United States.

On May 16, 1996, the Office of the Comptroller of the Currency (OCC) designated Delta National Bank and Trust Company as a wholesale bank. An institution so designated is evaluated pursuant to the community development test, which assesses a bank's record of meeting assessment area credit needs through community development lending, qualified investments, or community development services, as applicable.

The bank currently has two branches operating in the United States, one in New York, NY and one in Miami, FL. As a result, the bank is an interstate bank with two assessment areas. Descriptions of the assessment areas and the bank's CRA performance are discussed separately in this performance evaluation.

As of December 31, 2014, the bank's total assets are \$475 million. The bank is a wholly owned subsidiary of Delta North Bancorp, which is owned by Delta Investment Company

located in Grand Cayman. There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its assessment areas. There was no merger and acquisition activity that impacted the scope of the bank's operations during the evaluation period.

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

	<b>Year-end 2012</b>	<b>Year-end 2013</b>	<b>Most Recent Quarter-end 12/31/2014</b>	<b>Average for Evaluation Period</b>
<b>Tier 1 Capital</b>	50,479	51,218	52,280	51,326
<b>Total Income</b>	16,58	16,512	17,832	16,975
<b>Net Operating Income</b>	1,015	739	1,062	939
<b>Total Assets</b>	407,889	446,047	456,754	436,897

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

## STATE OF NEW YORK

### Description of New York Assessment Area

The bank's New York assessment area consists of the five boroughs of New York City (Manhattan, Queens, Brooklyn, the Bronx, and Staten Island). This area is included as part of the New York-Jersey City-White Plains, NY-NJ metropolitan division (code # 20524). The assessment area meets legal requirements, consists of only whole census tracts, does not arbitrarily exclude any low- or moderate- income areas, and does not reflect illegal discrimination.

According to 2010 United States Census Data, the population of the New York assessment area is 8.2 million and the median family income is \$64,513. Within the assessment area, there are 3.34 million housing units. Of those, 9% are vacant, 30% are owner occupied, and 64% are renter occupied. Additionally, 40% are 1-4 family units and 60% are multifamily units. The weighted average cost of median housing is high at \$526 thousand, making home ownership difficult for low- to moderate- income individuals. A major credit need of the assessment area community is affordable housing.

According to the Bureau of Labor and Statistics, New York City unemployment rates continue to improve. As of December 2014, the unemployment rate is 6.3%, which is a significant decline from the 10-year high of 10.5% in January of 2010. This is a result of improving economic trends in the assessment area.

The bank continues to operate in a very competitive market, which includes a variety of multinational, community, midsized, and large banks. Large financial institutions such as JP Morgan Chase, Bank of America, and Citibank, have an established presence in the New York assessment area and provide strong competition with the bank.

There are no legal, financial, or other constraints impeding the bank's ability to help meet the credit needs in its assessment area.

The Office of the Comptroller of the Currency representative reviewed information provided by community contacts in the New York assessment area. The contact at the organization identified the assessment area's credit needs to be investments, loans, and grants to, rehabilitate aging homes, acquire and build affordable housing, and support non-profit neighborhood-based organizations that build and maintain affordable housing units and provide services to tenants and nearby residents to stabilize and revitalize neighborhoods.

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

	Number	Low	Moderate	Middle	Upper
<b>Tracts</b>	2,168	15.50%	29.20%	29.75%	22.60%
<b>Families</b>	1,842,289	18.54%	31.78%*	27.04%*	22.64%*
<b>Businesses</b>	566,771	10.83%**	22.24%**	22.11%**	41.67%**

Source: Demographic Data – 2010 U.S. Census, Dun & Bradstreet Data. \*Represents families by income level.

\*\*Represents businesses by income level of census tract. *2.95% of Census Tracts are not income categorized*

## Conclusions on Performance in New York

### Summary

The bank's CRA performance in the New York assessment area is satisfactory.

The bank had an adequate level of qualified investments and community development lending activity given the bank's available opportunities and capacity. While the bank only has one outstanding community development loan in New York, the bank continues to invest in programs and donate to organizations that benefit low- and moderate- income individuals in its assessment area. Additionally, the bank continues to support minority owned banks in the New York assessment area through certificates of deposits.

The bank demonstrated an adequate responsiveness to the credit and development needs of the community. All of the bank's community development activities directly benefit the bank's assessment areas. All qualified investments and community development loans were granted to organizations that provide various types of community development services for low- and moderate- income individuals and families.

The bank does not utilize innovative or complex qualified investments, community development loans, or community development services.

### New York - Qualified Investments

During the evaluation period, management purchased two qualified investments in their New York assessment area totaling \$360 thousand. This included a \$300 thousand bond used to finance affordable rental properties in New York City, which includes affordable units set aside for formerly homeless individuals. Additionally, management purchased a \$60 thousand mortgage backed security (MBS) which finances an affordable rental property for the elderly within the New York assessment area.

The bank continues to donate to multiple community development organizations that operate in the New York assessment area. Over the evaluation period, management donated a total of \$41 thousand to an organization that revitalizes underserved neighborhoods by creating and preserving affordable housing and providing home ownership education. Additionally, the bank donated \$11 thousand to an organization that serves New York City's elderly community.

The bank continues to purchase certificates of deposits (CDs) to support minority-owned financial institutions. During the evaluation period, the bank purchased CDs from five minority owned institutions totaling \$675 thousand. The deposits are placed with minority-owned banks with focus on community redevelopment and assistance to low- and moderate- income individuals.

Lastly, the bank made one charitable contribution outside their assessment area. One of the bank's customers donated their bank balance to a charitable foundation upon their passing. The bank donated the standard distribution charge associated with the account closing (\$8 thousand) to the organization. The organization protects vulnerable and impoverished children around the world.

**Table 3a: New York - Qualified Investment Activity (000s)**

	Benefits AA	Outside AA	Totals
<b>Originated Investments</b>	\$1,059	\$8	\$1,067
<b>Originated Grants</b>	\$52	-	\$52
<b>Total Qualified Investments</b>	\$1,111	-	\$1,119

**Table 4a: New York - Qualified Investment Percentages**

	Benefits AA (%)	Outside AA (%)	Total (%)
<b>Total Investments/Average Tier 1 Capital</b>	2.16%	.02%	2.18%
<b>Total Investments/Average Total Income</b>	6.54%	.05%	6.59%

## **New York - Community Development Lending**

During the evaluation period, the bank did not originate any new community development loans. The bank's lending activity is limited given the bank's scope of activities and strategy. The bank maintains one community development line of credit that was originated prior to this evaluation period. The loan is to an organization which creates and preserves affordable housing for low- and moderate- income individuals and families in the New York City assessment area. The outstanding balance on the \$500 thousand line of credit is \$57 thousand as of December 31, 2014.

## **New York - Community Development Services**

The bank does not conduct any community development services in the New York assessment area.

**STATE OF FLORIDA**

## Description of Florida Assessment Area

The bank's Florida assessment area consists of the Miami-Dade County. This area is included as part of the Miami-Miami Beach-Kendall metropolitan division (code# 33124). The assessment area meets legal requirements, consists of only whole census tracts, does not reflect illegal discrimination, and does not arbitrarily exclude any low- or moderate- income areas.

According to 2010 United States Census Data, the population of the Florida assessment area is 2.5 million and the median family income is \$56,643. There are 980 thousand housing units in the bank's Florida assessment area with a median housing value of approximately \$295 thousand. Of those, 15 percent are vacant, 49 percent are owner occupied, and 25 percent are rental units. Additionally, 58 percent are 1-4 family units, 41 percent are multifamily units, and 1.45 percent is mobile homes.

Miami-Dade County is located in the southeastern part of Florida. It is the most populous county in Florida and the seventh-most populous county in the United States. The city's economy is diversified and fueled primarily by tourism and international trade with Latin America and the Caribbean. Top employers consist of Miami-Dade County Public Schools, Miami-Dade County, U.S. Federal Government, Florida State Government, and University of Miami. Due to the housing crisis, the level of homeowner occupancy declined between 2009 and 2014, from 67 percent to 57 percent.

As of December 2014, the Bureau of Labor Statistics reported the unemployment rate of Miami-Dade County as 6.9 percent, which is a significant decline from the 10.3 percent in December of 2011.

Banking competition within the assessment area continues to be competitive. In addition to community and midsize banks, branches of the largest banks in the country operate in Miami-Dade County. The market is dominated by large banks—Bank of America, Wells Fargo, Citi, and Chase, resulting in a highly competitive market for deposits and loans.

The Office of the Comptroller of the Currency representative reviewed information provided by community contacts in the Florida assessment area. The contact at the organization identified one of the assessment area's credit needs to be asset-building products that aid low- and moderate- income residents. This is due to a significant portion (25 percent) of the population paying greater than 30 percent of their income for a home mortgage, which represents a challenge for homeownership among low- to moderate- income residents. Additionally, the contact noted a need for micro consumer loans (less than \$2,000) with low, non-predatory interest rates. This is a result of Miami being one of the highest users of payday lending in the country.

**Table 2: Florida - Assessment Area Description**

	Number	Low	Moderate	Middle	Upper
<b>Tracts</b>	518	5.98%	25.48%	32.05 %	33.20%
<b>Families</b>	571,889	4.69%*	26.61%*	34.35%*	34.34%*
<b>Businesses</b>	360,673	3.13%**	22.09%**	27.08%**	46.04%**

Source: Demographic Data – 2010 U.S. Census, Dun & Bradstreet Data. \*Represents families by income level.  
\*\*Represents businesses by income level of census tract. 17 Census Tracts are not income categorized

## **Conclusions on Performance in Florida**

### **Summary**

The bank's CRA performance in the Florida assessment area is satisfactory.

The level of community development activities is adequate given the bank's available opportunities and capacity. The bank participated in community development loans, qualified investments, and community development services in the Florida assessment area. While the bank maintains only one outstanding community development loan, the bank continues to invest in programs and donate to organizations that benefit low- and moderate- income individuals in its assessment area. Additionally, the bank continues to support minority owned banks in the Florida assessment area through certificates of deposits.

The bank demonstrated an adequate responsiveness to the credit and development needs of the community. All community development activities directly benefit the bank's assessment areas and the bank granted all qualified investments and community development loans to organizations that provide various types of community development services to low- and moderate- income individuals.

The bank does not utilize innovative or complex qualified investments, community development loans, or community development services.

### **Florida - Qualified Investments**

During the evaluation period, management purchased two qualified investments that support the credit needs of their assessment area. The first investment is a \$500 thousand mortgage back security that finances an affordable rental property for low- to moderate-income individuals in the bank's assessment area. The second investment is a \$90 thousand dollar mortgage backed security, which finances an affordable rental property for individuals whose gross income is at or below 60% of the area's median gross income.

The bank continues to donate to organizations that support the needs of the Florida assessment area. During the evaluation period, the bank donated \$24 thousand to a non-profit organization that provides scholarships for low-income and special needs schoolchildren. The bank also donated \$4 thousand to a non-profit organization that provides free housing counseling. Additionally, the bank donated \$636.00 to an organization that works to revitalize neighborhoods in the Florida assessment area.

The bank continues to support minority owned financial institution in the Florida assessment area by purchasing certificates of deposits (CDs). During the evaluation period, the bank purchased \$1.7 million worth of CDs from 11 minority owned banks. The deposits are placed with minority-owned banks, which focus on community development and assistance to low- and moderate- income individuals.

**Table 3b: Florida - Qualified Investment Activity (000s)**

	Benefits AA
Originated Investments	\$2,376
Originated Grants	\$29
Total Qualified Investments	\$2,405

**Table 4b: Florida - Qualified Investment Percentages**

	Benefit AA (%)
Total Investments/Average Tier 1 Capital	4.69%
Total Investments/Average Total Income	14.17%

### Florida - Community Development Lending

During the evaluation period, the bank did not originate any new community development loans. The bank's lending activity is limited given the bank's scope of activities and strategy. The bank maintains one community development loan participation that was originated in a prior evaluation period. The loan is to an organization that finances affordable housing for low- to moderate- income individuals. The current balance of the bank's 2.5% participation on the loan is \$20 thousand as of December 31, 2014.

### Florida - Community Development Services

During the evaluation period, the bank conducted community development services in the Florida assessment area. The bank has a CRA taskforce, which provides community services to a Florida organization. The organization is a consortium of banks that make zero interest loans to qualified community development corporations. The CRA officer serves as the bank's representative at organization meetings, where they discuss outstanding loans, the approval of new loans, and other applicable items. Additionally, the bank's CRA taskforce actively provides recruiting services to bring new banks into the organization.

## 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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**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.

**Limited Purpose Institution:** An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as limited purpose bank is in effect. [*This definition is not needed if bank is designated a wholesale institution.*]

**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)"*]

**Pass-Through Receivables:** Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained on balance sheet as those terms are used in 12 CFR 8. [*If not already reported to the OCC, the bank provides this information. If not applicable to institution being examined, definition is not required.*]

**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.