



## **Public Disclosure**

January 28, 1998

### **Community Reinvestment Act Performance Evaluation**

**First National Bank of Alachua**  
Charter Number 8980

1500 NW 140th Street  
Alachua, Florida 32616

Office of the Comptroller of the Currency  
Southeastern District  
Marquis One Tower, Suite 600  
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**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 CRA performance of *First National Bank of Alachua* prepared by the *Office of the Comptroller of the Currency*, the institution's supervisory agency, as of *January 28, 1998*. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

**Institution's CRA Rating:** This institution is rated SATISFACTORY.

The rating is based on the bank's satisfactory volume of lending within its assessment area, a reasonable average loan-to-deposit ratio and loan penetration throughout the assessment area. Our examination of the bank's residential lending activities did not identify any violations of the antidiscrimination legislation.

The following table indicates the performance level of *First National Bank of Alachua* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST NATIONAL BANK OF ALACHUA</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**

First National Bank of Alachua (FNB) is a full-service community bank and is a wholly-owned subsidiary of First Alachua Banking Corporation, a one bank holding company. FNB operates five offices in the state of Florida; four in Alachua county and one office in St. Johns county. The Alachua county branches include the main office which is located in the city of Alachua, one branch in High Springs and two branches in Gainesville. The St. Johns county office is located in Hastings. As of December 31, 1997, the bank had total assets of approximately \$94 million, earned a return on average assets of 1.54% and met the regulatory standards of a well-capitalized institution.

The bank offers a variety of deposit and lending programs. Loan products include consumer loans, small business loans and a limited number of real estate mortgage products. For example, the bank does not offer adjustable rate residential mortgages and long term fixed mortgages. While limited, approximately 40% of the loan portfolio is centered in residential real estate loans. And, in 1996, the bank opened a Loan Production Office in Gainesville, Florida that offers residential mortgages to the community. In addition to the various deposit products, FNB provides access to automated teller machine at two locations; the main and Millhopper offices.

## **DESCRIPTION OF ASSESSMENT AREA**

First National Bank of Alachua has designated two assessment areas. The assessment areas are located in the Gainesville Metropolitan Statistical Area (MSA 2900) and the Jacksonville MSA (3600). The Gainesville MSA includes the cities of Alachua, Gainesville and High Springs. The second assessment area was formed when the bank acquired a banking office in Hastings, Florida.

We viewed the two MSA's as one assessment area for this evaluation due to the Jacksonville MSA is not substantially beyond the major MSA (Gainesville) and combining both MSA's would not have a material impact assessing the bank's overall lending performance.

The bank's assessment area is comprised of twelve census tracts. Ten census tracts are located in the Gainesville MSA and two tracts are located in the Jacksonville MSA. Based on the 1990 census tract data, one census tract is classified as low-income tract, three are moderate-income, three are middle-income and five are considered to be upper-income tracts.

The current demographic characteristics of the area are as follows: greater than 70% of the households are between the ages of 16-65 years of age, greater than 75% are wage earners, more than 60% own homes and greater than 67% of the households are families. The Department of Housing and Urban Development (HUD) estimates the 1997 MSA's median family income at \$39,400 for the lending area in the Gainesville MSA and \$43,100 for the lending area in the Jacksonville MSA. Based on this income, 18% of the families are classified as low-, 16% moderate-, 18% middle- and 48% upper- income.

The largest city in Alachua County is Gainesville. Gainesville has experienced a strong economy

and continuous growth with the primary economic activity centered in the service and retail industries. Major employers in the cities of Gainesville and Alachua include the University of Florida, Shands Hospital and Energizer Batteries. The city of Hastings' economic activity centers around the agriculture industry.

Another banking regulator recently met with local based organizations in the cities of Alachua and Gainesville. The contacts did not identify any credit related needs in the Alachua area and mentioned a need for affordable housing as a high priority in the Gainesville area.

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

In addition to the review of the bank's two assessment areas as one, we used the data reported by FNB in its 1996 and 1997 Home Mortgage Disclosure Act Loan Application Register (HMDA LAR) to make our determination.

### **Loan-to-Deposit Ratio**

The bank's average loan-to-deposit ratio is reasonable at 60%, considering FNB's size and capacity to lend. The average loan-to-deposit ratio was calculated for each quarter since the last Community Reinvestment Act examination (February 1995). The average loan-to-deposit ratio for other financial institutions in Alachua County during the last three years is 62.43%.

### **Comparison of Credit Extended Inside and Outside of the Assessment Area**

FNB's proportion of lending within the assessment area is good. A majority of the residential real estate loans originated over the past 2 years are in assessment area. Our review found that 64% of the dollar volume (or \$3.8 million) of the loans the bank reported in the bank's 1996 and 1997 HMDA LAR originated within the assessment area. In addition, all of the commercial purpose loans generated during this period were generally located within the assessment area.

### **Lending to Borrowers of Different Incomes**

Loan distribution among borrowers of different incomes is reasonable. Comparing the number of loans extended to the income characteristics, FNB's lending pattern closely correlates to the income distribution of the population. For example, approximately 34% of the families residing within the assessment area are classified as low- and moderate-income. FNB's lending pattern showed that 46% by number, and 32% by dollar amount, of its loans are originated to families in these income brackets. Similar favorable patterns were noted in the remaining income classes. Please refer to the following chart for additional information.

<b>REAL ESTATE LOAN ORIGINATIONS WITHIN THE ASSESSMENT AREA</b>			
<b>Income Characteristic of Borrowers</b>		<b>Loan Originations</b>	
Distribution	% of Population	#	\$
Low	18%	20%	4%
Moderate	16%	26%	28%
Middle	18%	27%	25%
Upper	48%	27%	43%

### **Geographic Distribution of Loans**

This portion of the evaluation concentrated on the loans made within the bank's assessment area. This included 97 loans totaling \$3.8 million. The distribution of the sample is presented in the chart below.

<b>REAL ESTATE LOAN ORIGINATIONS WITHIN THE ASSESSMENT AREA</b>			
<b>Census Tract Characteristics</b>		<b>Loan Originations</b>	
Distribution	% of Census Tracts	#	\$
Low	8%	1%	0.5%
Moderate	25%	23%	34%
Middle	25%	70%	50%
Upper	42%	6%	15.5%

The geographic distributions of loans is reasonable. FNB originated 23% by number, or 34% by dollar amount, of real estate loans, within moderate-income tracts which account for 25% of all census tracts within the assessment area. The remaining lending went to middle- and upper-income census tracts as shown in the chart.

Although, our sample showed a low amount of lending activity to low-income borrowers, several mitigating factors exist. First, there is only one low-income census tract and it represents only 8% of census tracts in FNB's assessment area. Second, 89% of total households residing in these census tracts are renters as opposed to owners of residential property. Third, due to its size and limited resources, the bank does not offer many residential lending products that are traditionally

attractive to this segment of the market. However, FNB now services this segment of the community through its Loan Production Office where the bank will locate a lender that can offer products that better suit a customer's needs. And, lastly, there are several institutions and mortgage companies in the assessment area that do offer affordable loan mortgage products.

### **Response to Complaints**

There were no complaints received by FNB or our Office during the period of review.

To assess the bank's fair lending activities, we reviewed a sample of residential mortgages originated during the evaluation period. Our review found no violations of the substantive provisions of antidiscrimination laws and regulations.