

Small Bank Performance Evaluation

Public Disclosure

Date of Evaluation: February 22, 1999

Community Reinvestment Act Performance Evaluation

**Boca Raton First National Bank
Charter #20923**

**7301-A West Palmetto Park Road
Boca Raton, Florida 33433**

**Supervisory Agency: Comptroller of the Currency
Southeastern District Office
245 Peachtree Center Avenue, N.E.
Marquis One Tower, Suite 600
Atlanta, Georgia 30303**

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 *Boca Raton First National Bank* prepared by the *Office of the Comptroller of the Currency*, the institution's supervisory agency, as of February 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 *Needs Improvement*.

The following major factors provide support for Boca Raton First National Bank's rating:

- < The loan-to-deposit ratio is unreasonable considering the bank's opportunities and capacity to lend.
- < A majority of loans and other lending related activities are not in the bank's assessment area.
- < Since the middle of 1996, the bank has made a minimal number of new loans due to a dramatic curtailment of lending activity, mostly during the period when it was owned by First Union Corporation. As a result, the bank's overall lending record, including its lending record to individuals of different income levels and businesses of different sizes throughout all sections of the assessment area, has demonstrated disregard for community credit needs.
- < There have been no adverse complaints against the bank for failure to adequately meet the credit needs of the local community.

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

Small Institution Assessment Criteria	Boca Raton First National Bank 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	<i>No formal complaints have been received against this institution since the last CRA examination was conducted.</i>		

Description of the Institution

Boca Raton First National Bank (BRFNB) is a \$15 million dollar institution headquartered in the city of Boca Raton, Florida. The bank is wholly owned by a one-bank holding company, First Telebank Corp. This holding company was formed solely to acquire 100% interest in BRFNB from its prior owner, First Union Corporation, of Charlotte, North Carolina. First Telebank Corp. closed on the purchase of BRFNB from First Union on December 30, 1998. First Union had owned BRFNB since April 1997, when it purchased the bank from its original owners. The bank has shrunk in size significantly since the end of 1996, when it had total assets of approximately \$37 million.

The main office is the only banking location. The facility is reasonably accessible to the community. A drive-in facility is available and banking hours provide average accessibility to the community. Standard deposit products and services are offered. Loan products have not been marketed since the bank was purchased by First Union in 1997. However, current management has taken initial steps to bring the bank's lending function back on-line. The bank faces no legal or financial impediments that would prevent it from extending credit within the local community.

Description of Boca Raton First National Bank's Assessment Area

BRFNB's assessment area essentially includes the city of Boca Raton and communities adjacent to the city limits. The assessment area officially includes 33 contiguous census tracts in the southern portion of Palm Beach County, Florida. Palm Beach County is designated as Metropolitan Statistical Area (MSA) 8960 by the U.S. Census Bureau. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Palm Beach County is located just north of Dade and Broward Counties and these three counties make up the area commonly referred to as South Florida. Palm Beach County's 1990 population as presented by the U.S. Census was approximately 865,000 and is estimated to be up to 1.1 million by the year 2000; it is the state's third most populated county. The county's economy is dominated by tourism in its eastern portion and by agriculture in its western portion. Economic indicators are positive in all major sectors. The county's population base is mainly comprised of middle and upper income persons. The updated annual median family income for the county/MSA in 1998 was \$51,200.

The county is made up of several municipalities. Boca Raton is the most southerly city in Palm Beach County and is heavily influenced by forces in both Broward and Palm Beach counties. The city's population is estimated at approximately 70,000 persons. Of the 33 census tracts in the bank's assessment area, twenty (20) are designated as upper income, ten (10) are middle income, one is moderate income, and two (2) tracts do not have an income level designated. No low income tracts are in the assessment area. The bank operates in a fiercely competitive banking environment as numerous banks and savings and loans operate in the assessment area. The president of a local business group was interviewed during this examination. This person indicated that while the local economy is extremely healthy, there exists a continuing need for small business loans and funding for

upcoming community development projects. This person also stated that local banks as a group have always been responsive to the community's credit needs.

Conclusions with Respect to Performance Criteria

Since the middle of 1996, BRFNB has made minimal efforts to meet community credit needs due to a dramatic curtailment of lending activity, mostly during the period when the bank was owned by First Union Corporation. New loan production ceased almost completely. Lending activities consisted of collection of existing loans and certain maturing loans were renewed. As a result, a meaningful analysis could not be performed of the dispersion of loans among individuals of different income levels and businesses of different sizes throughout all sections of the assessment area. The bank is not subject to the Home Mortgage Disclosure Act (HMDA) because of its size and has not made a HMDA-reportable loan since February 1996.

The following chart depicts the volume of the number of all new loans extended since 1996. The loans primarily consisted of commercial loans and leases and consumer instalment loans. The chart also demonstrates a severe drop off in lending activity during the tenure of the bank's prior ownership.

Time Period	Number of New Loans Made
January 1996 through June 1996	46
July 1996 through December 1996	9
January 1997 through March 1997	8
April 1997 through December 1997	3
All of 1998	1
January 1999 through February 1999	0

It should also be noted that the bank acted upon only twenty-two (22) applications for credit in 1997 and two (2) applications in 1998. Under the bank's new management and ownership, a few applications for credit have been received in 1999 and were being processed at the time of this examination.

The bank's loan-to-deposit ratio was analyzed for each quarter since the date of the bank's last CRA examination, August 1995. Data was obtained from reports which utilize information from the

Consolidated Reports of Condition and Income. A noticeable downward trend in the loan-to-deposit ratio is reflected in this analysis. The average quarterly loan-to-deposit ratio for the period commencing September 30, 1995 through December 31, 1998 was 54.70%. The December 31, 1998 ratio was 40.12%. Considering both the bank's opportunities and capacity to lend money, these figures are considered low. This is especially apparent after comparing the bank's average loan-to-deposit ratio to that of its peers and local competitors. Peer data indicates that other similarly situated community banks throughout the nation had an average loan-to-deposit ratio of approximately 64%. Competitor banks headquartered in Palm Beach County also had an average loan-to-deposit ratio of approximately 64%. In essence, this analysis is an indication that the bank's lending activities have not been productive.

A review of lending activity within BRFNB's assessment area was also conducted. The bank generates a report which shows where its outstanding loans are located. The report indicated that approximately 48% of the number of outstanding loans were for the benefit of individuals and businesses residing within the bank's assessment area. This figure does not constitute a majority and is an indication that the bank has not directed sufficient resources toward the credit needs within its local community.

Due to the low volume of loans made since 1996, a meaningful analysis of the bank's compliance with fair lending laws could not be performed. However, during this examination, no discriminatory policies and no practices to discourage applications for credit on a prohibited basis could be detected.