



## **PUBLIC DISCLOSURE**

March 10, 2014

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Terrabank National Association  
Charter Number 20157

3191 Coral Way  
Miami, FL 33145

Office of the Comptroller of the Currency

Doral Costa Office Park  
9850 NW 41st Street, Suite 260  
Miami, FL 33178-2970

**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**

The major factors that support this rating include:

- The Bank's average quarterly loan-to-deposit ratio is reasonable for the evaluation period;
- A substantial majority of loan originations are within the Bank's assessment area;
- The distribution of loans among businesses of different sizes exhibits reasonable penetration; and
- The geographic distribution of loans within the assessment area exhibits excellent dispersion throughout the assessment area.

## **SCOPE OF EXAMINATION**

We evaluated Terrabank National Association's (Terrabank) Community Reinvestment Act (CRA) performance using Small Bank Performance criteria. Our evaluation period was October 1, 2008, the date of the last CRA examination, through December 31, 2013. In consideration of changes to demographics and geographies related to the 2010 Census update during the evaluation period, we prepared separate analyses to evaluate the geographic distribution of loans and lending to businesses of different sizes. The 2000 Census applies to the years of 2008 through 2011. The 2010 Census applies to the years 2012 and 2013.

We evaluated the Bank's performance based on its strategic focus on loans to businesses, the Bank's primary product. This evaluation is based on accurate data verified through the selection of a sample of business loans to conduct our analysis. The Bank originates residential loans; however, residential lending is not a primary business line for the Bank, and the residential lending volumes during the evaluation period did not produce a meaningful analysis of home purchase, home improvement, and home refinance loans. Therefore, we omitted Tables 2 and 3 that would have displayed the analyses of residential lending to borrowers of different incomes and the geographic distribution of residential loans.

## **DESCRIPTION OF INSTITUTION**

Terrabank is an intrastate community bank headquartered in Miami, Florida. The Bank has no operating subsidiaries or affiliates. It operates three branches in Miami-Dade County. Two branches are located in the City of Miami and one is in the City of Hialeah. The three offices are located in middle-income geographies.

The Bank offers a variety of deposit and loan products for businesses and individuals, as described in the CRA Public File. However, the Bank's primary lending strategy is loans to businesses, primarily for real estate purposes. As of December 31, 2013, total loans, which represent 66.68 percent of total assets, equaled \$179.4 million and consisted of 91.43 percent commercial real estate loans, 5.57 percent residential real estate loans, 2.71 percent commercial and industrial loans, and 0.29 percent other loans (including consumer loans).

As of December 31, 2013, total assets equaled \$269 million with total deposits of \$234 million and Tier 1 Capital of \$28 million. Regarding earnings, the Bank reported net income of \$1.6 million and a return on average assets of 0.62 percent.

There are no legal, financial, or other factors that impede the Bank's ability to meet the credit needs in its assessment area. At its last CRA evaluation, dated October 1, 2008, the Bank was rated "Satisfactory."

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The Bank's assessment area is Miami-Dade County, which is also known as Metropolitan Division (MD) 33124 (Miami-Miami Beach-Kendall, Florida). The delineated assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies.

According to the 2000 Census, the Miami-Dade MD consists of 347 geographies distributed as follows: 27 (8 percent) low-income, 99 (29 percent) moderate-income, 114 (33 percent) middle-income, 104 (29 percent) upper-income and 3 (1 percent) no income data. The majority of the low- and moderate-income geographies are located within the City of Miami. The total population is approximately 2.5 million. Between the 2000 and 2010 Census, the population increased 10.8 percent with the continued influx of immigrants from Latin America and the Caribbean, and the relocation from northern cities in the United States.

According to the 2010 Census, the Miami-Dade MD geographies increased to 518 geographies distributed as follows: 31 (6 percent) low-income, 132 (26 percent) moderate-income, 166 (32 percent) middle-income, 172 (33 percent) upper-income and 17 (3 percent) no income data.

The cost of living in the Miami-Dade MD remains high even though there are indications of improvements in unemployment, real estate foreclosures, and other economic conditions during the evaluation period. Unemployment as of December 31, 2013, was 6.8 percent and has decreased compared to 10.3 percent in 2011 and 13.6 percent in 2010 that represent years of high unemployment. The Department of Housing and Urban Development (HUD) estimated median family income is \$51,900 for 2011, \$51,600 for 2012, and \$49,000 for 2013. Based on the median family income, low- and moderate-income (LMI) people have incomes of less than 80 percent of the median family income, or less than \$41,520, \$41,280, and \$39,200, respectively for the years discussed. The poverty level remains high at approximately 18 percent for both the 2000 and 2010 Census reports of demographic information. Housing costs are high with the median sales price of a single-family home of \$235,000 as of August 2013, according to the most recent assessment by the Miami-Association of Realtors. The high median cost makes it difficult for LMI people to own a home in the assessment area without the help of loan subsidies. In addition, the high property tax and insurance premiums add significant cost to owning a home. Major industries include real estate development, trade business with Latin America, and tourism. According to Dunn and Bradstreet, there were 430,864 non-farm businesses in the Miami-Dade MD for 2013 of which 70.89 percent are considered to be small business. Small businesses are defined as having revenues of \$1 million or less. The majority (73 percent) of all non-farm business are concentrated in the County's middle- and upper-income geographies.

The banking industry is very competitive in the assessment area. The Federal Deposit Insurance Corporation (FDIC) deposit data as of June 30, 2013 showed 69 institutions operating 687 banking offices in the Miami-Dade MD. Terrabank ranks forty-fifth in deposit market share at 0.24 percent.

Community credit needs in the assessment area were determined by reviewing CRA Performance Evaluations of other banks operating in the same assessment area and by conducting one community contact with a nonprofit community service organization that operates in the assessment area. We determined that the most pressing credit needs in the assessment area are affordable housing and small business lending. The contact also indicated that small business owners need financial technical assistance from banks and an understanding of how technology could help them maintain their financial records.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The Bank’s performance under the Lending Test is rated Satisfactory.

### Loan-to-Deposit Ratio

- **Terrabank’s loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.**

The Bank’s quarterly average loan-to-deposit ratio since the last CRA Performance Evaluation is 57.29 percent and is within the range of other similarly situated banks in the assessment area for the same time period. The similarly situated banks had quarterly average ratios ranging from 50.39 percent to 78.83 percent. Similarly situated Bank’s included Executive National Bank, Bank of Coral Gables, 1st National Bank of South Miami, and First National Bank of South Florida.

### Lending in Assessment Area

- **Lending in the Bank’s assessment area exceeds the standard for satisfactory performance.**

A substantial majority of the Bank’s loan originations are in the assessment area, based on an analysis of a random sample of 67 business loans originated during the evaluation period. Overall, 95.52 percent of the number of loans and 93.34 percent of the dollar volume of loans were in the Bank’s assessment area.

Loan Type	Number of Loans				Total	Dollars of Loans (000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Business Loans	64	95.52	3	4.48	67	77,255	93.34	5,511	6.66	82,766

Source: Sample of 67 loans taken from loan origination reports fourth quarter 2008 through December 31, 2013.

## Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

- **The distribution of loans to businesses of different sizes exhibits reasonable penetration and meets the standard for satisfactory performance.**

In the Bank's Miami-Dade assessment area for the fourth quarter 2008 through December 31, 2011, the number of the Bank's loans was near to the percentage of small businesses (businesses with revenues of \$1 million or less) in the assessment areas. The dollar volume of the Bank's loans to small businesses was below the percentage of small businesses in the assessment area, as depicted in the following table.

<b>Table 2A - Borrower Distribution of Loans to Businesses Miami-Dade MD</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	69.18	2.25	28.57	100%
% of Bank Loans in AA by #	64.10	28.21	7.69	100%
% of Bank Loans in AA by \$	55.07	37.45	7.48	100%

*Source: Loan sample had 39 loans inside the assessment area. Dun and Bradstreet data 2011.*

For the years 2012-2013, the number and dollar volume of the Bank's loans to small businesses exceeds the percentage of small businesses in the assessment area, as depicted in the following table.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Miami-Dade MD</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.89	2.76	26.35	100%
% of Bank Loans in AA by #	72.00	16.00	12.00	100%
% of Bank Loans in AA by \$	72.90	20.03	7.07	100%

*Source: Loan sample had 25 loans inside the assessment area. Dun and Bradstreet data 2013.*

## Geographic Distribution of Loans

- **The geographic distribution of loans within the assessment area exhibits excellent dispersion and exceeds the standard for satisfactory performance.**

As reflected in the following table for fourth quarter 2008 through December 31, 2011, the percentage of Terrabank's loan originations in low-income geographies exceeds the percentage of businesses located in such geographies. In moderate-income geographies, the percentage of Terrabank's loan originations also exceeds the percentage of businesses located in such geographies. The sample of loans included 7.69 percent of the loans located in geographies with unknown income. There were no unexplained conspicuous gaps in lending. Census tracts in the assessment areas with no loan penetration are due to Terrabank's limited number of branch offices. This limitation prevents the Bank from penetrating all areas in the assessment areas.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Miami-Dade MD</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses/	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	3.98	5.13	19.56	33.33	32.37	30.77	43.51	23.08

Source: Loan sample had 39 loans inside the assessment area. U.S. 2000 Census data. No revenue information for 0.59 percent

As depicted in the following table for the years 2012 and 2013, Terrabank’s loan originations in low-income geographies exceed the percentage of businesses located in such geographies. In moderate-income geographies, the percentage of Terrabank’s loans also exceeds the percentage of businesses located in such geographies. The sample of loans included 8.00 percent of the loans located in geographies with unknown income.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Miami-Dade MD</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses/	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	3.10	8.00	22.28	32.00	27.62	24.00	45.47	28.00

Source: Loan sample had 25 loans inside the assessment area. U.S. 2010 Census data. No revenue information for 1.53 percent

### Responses to Complaints

The Bank received no CRA performance related complaints during the evaluation period

### Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a National Bank’s (bank) or Federal Savings Association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

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