



PUBLIC DISCLOSURE

November 18, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Homebanc National Association
Charter Number 24612

3701 West Lake Mary Boulevard, Lake Mary, FL 32746

Office of the Comptroller of the Currency

Tampa Field Office, 4042 Park Oaks Blvd., Suite 240, Tampa, FL 33610

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 Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding.

Major factors supporting the institution's rating include:

- *The bank's level of lending, as reflected in the bank's average quarterly net loan-to-deposit ratio (LTD) is more than reasonable given the bank's size and performance context factors.*
- *A majority of the bank's primary loan product originated over the evaluation period was within its combined assessment areas (AAs).*
- *The bank's lending activities shows reasonable penetration among borrowers of different income levels.*
- *Overall, the geographic distribution of loans reflects a reasonable dispersion in comparison to demographic data and the performance context.*
- *The bank's community development performance demonstrates excellent responsiveness to needs of its AAs through community development loans, qualified investments and community development services, considering the bank's capacity and the need and availability of such opportunities for community development in the AAs.*

Scope of Examination

This Performance Evaluation (PE) assesses the bank's record of meeting the credit needs of the communities in which it operates. We evaluated the bank's performance under the Intermediate Small Bank (ISB) Test using the Interagency Community Reinvestment Act (CRA) procedures, which include a lending test and a community development test. The bank's lending performance is evaluated using the small bank lending test. The community development test evaluates a bank's community development lending, investments and service activities.

The lending test covers the bank's performance from July 1, 2010 through September 30, 2013. However, during the evaluation period, the Census Bureau updated the demographic data for the bank's AAs and therefore our lending analysis covers two Census periods-2000 and 2010. For the 2000 Census, we will evaluate the bank's lending performance for the period of July 1, 2010 through December 31, 2011, and for the Census 2010 data, January 1, 2012 up to September 30, 2013.

The evaluation period for community development loans, investments and services begins April 13, 2010 and ends November 18, 2013.

Based on discussions with bank management and an evaluation of originations during the evaluation period, we determined HomeBanc, National Association’s (HBNA’s) primary loan product is residential real estate loans as noted in the table below. As such, in evaluating the bank’s performance, we will focus on the bank’s primary loan product, residential real estate, as this was more representative of its lending strategy during the evaluation period. For our examination, we relied on Home Mortgage Disclosure Act (HMDA) information reported by the bank and loan origination reports generated by the bank for business loans. We performed a data integrity review on the HMDA earlier in the year and determined it to be accurate and reliable for use in our lending analysis. We also performed a data integrity review on a sample of business loans and determined the bank accurately identifies the census tract location for these types of loans. We used business loans in two of the lending performance tests.

During the evaluation period, performance context issues made it difficult to provide home mortgage loans to borrowers located in the AAs (see *Description of AAs comments for details*). Due to the low loan demand in the AAs, HBNA deployed deposits into purchases of 31,000 Guaranteed Student Consumer Loans totaling \$400 million. These consumer loans are not reflected in the lending analysis, as these loans did not affect borrowers in the AAs but rather nationwide.

Loan Originations for the time period of 7/1/10-9/30/13		
Loan Type	Number of originations	Percentage (%)
Home Mortgages	4713	98%
Business Loans	81	2%
Total originations	4,794	100%

Note: Does not include 31,000 in # (\$400 million) of Guaranteed Student Loans purchased during the evaluation period

Community development loans, investments, and services submitted by bank management were verified to ensure accuracy and that they met the regulatory definition of community development.

HBNA has three AAs, all located in the State of Florida. We selected the Hillsborough, Pinellas and Pasco Counties AA as the full-scope area based on its significance to the bank in terms of deposits and volume of loans originated during the evaluation period. Of total bank deposits, 73 percent are in the Hillsborough, Pinellas and Pasco AA. Of residential real estate loans originated during the evaluation period, 89 percent were in the Hillsborough, Pinellas and Pasco AA. In addition, 80 percent of branch offices are also located in this AA. The Seminole and Orange AA and Sarasota and Manatee AA will be evaluated using limited-scope procedures.

Description of Institution

HBNA is an intrastate bank located in Lake Mary, Florida. It is wholly owned by HomeBancorp, Inc., a one-bank holding company headquartered in Tampa, Florida. The bank was established in April 2007 under the name Community National Bank of the South, where its headquarters was located in Lake Mary, Florida. The name was changed in 2008 and the bank's presence is mainly focused in Hillsborough and Pinellas Counties. However, based on its charter location, HBNA's main office is technically in Lake Mary, Florida.

The bank has 14 other offices located along the west coast of Florida and in Central Florida. The bank also operates three Florida-based residential mortgage loan production offices (LPOs) located in Brandon, Gainesville and Belleair Bluffs. LPOs are not considered branches under CRA; therefore, most loans generated from these locations are outside the bank's designated AAs. Between April 2010 and September 2013, the bank closed four LPOs: Lakeland closed in September 2011, Bonita Springs closed in December 2011, Bromley closed in March 2013, and Lake Mary closed in July 2013.

During the evaluation period, the bank acquired approximately \$50.4 million in deposits and two branch offices (Countryside & Belleair Bluffs (now an LPO) from Encore Bank; and approximately \$121 million in deposits and eight branch offices (Countryside, Dunedin, Kenneth City, Pinellas Park, Seminole, Largo, and both St. Petersburg branches)) were acquired from First Bank. HBNA opened an office located in Winter Park in December 2012.

HBNA'S OFFICE LOCATIONS IN FLORIDA		
County/Assessment Area	Office	Opening Date
Hillsborough / Pinellas / Pasco	Belleair Bluffs	February 2009
Hillsborough / Pinellas / Pasco	Central (St. Petersburg)	April 2013
Hillsborough / Pinellas / Pasco	Countryside (Clearwater)	June 2010*
Hillsborough / Pinellas / Pasco	Dale Mabry (Tampa)	September 2008*
Hillsborough / Pinellas / Pasco	Dunedin	Dunedin 2013
Hillsborough / Pinellas / Pasco	Kenneth City	April 2013
Sarasota / Manatee	Lakewood Ranch (Sarasota)	June 2008
Seminole / Orange	Lake Mary	April 2007
Hillsborough / Pinellas / Pasco	Pinellas Park	April 2013
Hillsborough / Pinellas / Pasco	Rocky Point (Tampa)	September 2008
Hillsborough / Pinellas / Pasco	Seminole	April 2013
Hillsborough / Pinellas / Pasco	St. Pete Plaza	April 2013
Hillsborough / Pinellas / Pasco	Walsingham (Largo)	April 2013
Hillsborough / Pinellas / Pasco	Westchase (Tampa)	February 2009
Seminole / Orange	Winter Park	December 2012

NOTE: * Branches relocated to these locations on 04/2013 and 06/2013, respectively.

HBNA provides many services to its customers and offers low-to-no-cost checking and savings accounts that are considered responsive to the banking needs of low- and

moderate-income individuals and to small businesses. HBNA also provides a variety of lending programs, including Small Business Administration (SBA) and commercial and residential real estate lending. However, the primary focus in meeting the credit needs of its AAs during the evaluation period is home mortgage real estate lending.

As noted previously, due to low loan demand and other performance context issues, the loan portfolio is concentrated mainly in consumer loans, as the Guaranteed Student Loans purchased during the evaluation period represented 76.99 percent in number of total loans, or \$330 million. Residential real estate represents 10.83 percent, while commercial and commercial real estate loans represent 12.18 percent combined. The composition of the loan portfolio as of September 30, 2013 is charted below, and is based on total loans of \$429 million.

Composition of the Loan Portfolio as of 9/30/13		
Loan Type	Dollar Amount (000)	Percentage (%)
Consumer	\$330,162	76.99%
Commercial	\$6,232	1.45%
Residential RE	\$46,449	10.83%
Commercial RE	\$45,992	10.73%
Total Loans	\$428,835	100.00%

HBNA's mortgage banking division allows the bank to offer many affordable residential real estate products for the community. HBNA originates and closes residential real estate loans in the bank's name and then subsequently sells these loans in the secondary market to institutional investors. Because the bank sells the majority of residential real estate loans it originates, the bank can offer more affordable and flexible home mortgage products to bank customers, including low- and moderate-income individuals and families that otherwise would not be offered.

HBNA's mortgage banking division originated a significant amount of affordable housing loans during the evaluation period, 3,008 in number and 400 million in total dollar value. Total affordable housing loans originated within the AAs during July 1, 2010 to September 30, 2013 total 1,848 in number and 259 million in dollar volume. Loans originated under these programs were included in the home mortgage lending tests.

HBNA is a U.S. SBA lender, which allows the bank to address the lending needs of small businesses throughout the bank's AA. HBNA is an active participant in SBA. For SBA's fiscal year of 2012, HBNA was ranked 10th in 7(a) loan volume within the state of Florida with over \$15 million in loans. For the SBA fiscal year of 2013, HBNA ranked 18th in 7(a) loan volume within the state of Florida, with over \$17 million in loans originated to small businesses.

Please refer to the *Community Development Section-Services* for more details regarding the bank's products and services that are geared towards low- and moderate-income individuals, families and small businesses.

As of September 30, 2013, the bank had total assets of \$653 million with total loans comprising 65.64 percent of total assets, or \$429 million. There are no financial or legal impediments that would prevent the bank from meeting the credit needs of the community it serves. However, it is important to note that the bank’s ability and opportunity to lend, especially to low- and moderate-income borrowers as well as to small businesses, has been impacted by the downturn in the economy. The State of Florida and all of HBNA’s AAs have experienced significant job losses, a volatile housing market and a record number of delinquencies, foreclosures and bankruptcies. The preceding CRA evaluation dated April 12, 2010 (lending performance evaluation ended December 31, 2009) indicated the bank received a “Satisfactory” rating.

Description of AAs

Full Scope AA

Description of the Hillsborough, Pinellas and Pasco Counties AA

This AA, which is part of the Tampa–St. Petersburg–Clearwater Metropolitan Statistical Area (MSA) #45300, is located on the west coast of Florida. The AA consists of all of Hillsborough and Pinellas Counties, 320 and 245 census tracts, respectively. The AA also includes a portion of Pasco County (34 census tracts), which is also part of the MSA. The portion of Pasco County in the AA is contiguous to Hillsborough County and consists of the towns of Odessa and Trinity and the Central Pasco Census County Division (subdivision of Pasco County). The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

HBNA has 12 branch offices located in the AA. Three branches are located in Hillsborough County and the remaining nine are located in Pinellas County. Out of the 12 branch locations, 1 is located in a moderate-income census tract (Pinellas County); 5 branches are located in middle-income tracts and 6 branches are located in upper-income tracts. The bank also operates a residential LPO in the AA. Specific 2010 and 2013 demographic and economic data for the AA are detailed below.

Census 2010 and 2013 Demographic and Economic Characteristics of the Hillsborough, Pinellas and Pasco Counties AA			
Population		Geographies	
Total Persons	2,299,701	Number of Census Tracts	599
Number of Households	920,587	% Low-Income Census Tracts (30)	5.01%
Median Family Income (MFI)	\$56,800	% Moderate-Income Census Tracts (125)	20.87%
<i>Based on MFI</i>		% Middle-Income Census Tracts (239)	39.90%
Low-Income individuals earn	<\$28,400	% Upper-Income Census Tracts (196)	32.72%
Moderate-Income individuals earn	\$28,401-\$45,440	% NA Census Tracts (9)	1.50%

Income Distribution		Businesses	
Number of Families	565,403	Number of Businesses located in the AA	349,165
Families residing in the AA by income category		% of Small Businesses located in the AA	73.40%
% Low-Income Families	18.14%	% of Large Businesses	2.67%
% Moderate-Income Families	18.36%	% of Business with no revenues reported	23.93%
% Middle-Income Families	24.86%		
% Upper-Income Families	38.64%		
<i>Source: 2010 Census, 2013 FFEIC updated income data and 2012 Dunn and Bradstreet data</i>			

According to the 2010 U.S. Census Bureau economic data, the AA has a total population of 2,299,701 and 11.83 percent of households live below the poverty level. Housing units in the AA total 1,088,177, with 819,819, or 75.34 percent, classified as 1-4 family units, of which 57.25 percent are owner-occupied. Multifamily housing represent 268,358, or 24.66 percent, and rental housing represent 339,155 or 31.17 percent of total housing units in the AA. Over 15 percent, or 167,590, housing units are vacant.

The AA has always enjoyed a diversified economy and is not highly dependent on tourism, although it is a factor. This diversification makes this AA's economy prone to volatility due to its heavy concentration in services such as call centers, human resources, accounting, and back-office operations. Currently, these areas are responsible for a strong recovery in the metro area because of its specialized workforce. According to Moody's Analytics, the Tampa Bay Region is currently considered a state growth leader due to the broad-based expansion in services. The U.S. Conference of Mayors released a report in November 2013 that it projects that the Tampa Metropolitan Area will grow 3.2 percent this year, making it the 16th fastest growing metro area in the country. Tampa is home to U.S. Central Command and the Tampa Bay region has been called the "Wall Street South" for the size and scope of its financial services industry. Financial service organizations that have a major presence in the Tampa Bay Area include JP Morgan Chase, Citigroup, Bank of America and Raymond James.

Healthcare is also an important part of the Tampa Bay regional economy and known for its hospitals and medical research and education programs. The area is also part of the gateway to the Florida High Tech Corridor, a 23-county area that is home to more than 3,000 high-tech companies. Major employers in the AA include MacDill Air Force Base, Verizon Communications and the University of South Florida, with more than 45 thousand employees combined. Leading industries include state and local government, full service restaurants, general medical and surgical hospitals, and employment services.

According to the Pinellas County Economic Development Council, the county is the most popular tourist destination on the Gulf of Mexico with 5.4 million tourists annually. The major industry sectors are health care, retail trade, accommodation and food services, and manufacturing. The largest private employers include Home Shopping

Network, Raymond James Financial, Bright House Networks and Fidelity Information Services.

Pasco County has been ranked as one of the top 40 fastest growing counties in the United States according to the Pasco County Economic Development Council and continues to attract new businesses and employment opportunities. The largest employers in the county include the Pasco County School District, Wal-Mart Supercenters, HCA Healthcare, Physicians Injury Medical Center, and Pasco County Government.

As with most metropolitan areas located in the State of Florida and throughout the country, the economy in the AA has been adversely impacted in the last several years due to high unemployment rates, foreclosures, and significant declines in house values. Weaknesses that continue for the AA according to Moody's Analytics include high living costs relative to per capita income and susceptibility to fluctuations in the national business cycle.

Unemployment rates in the AA during the evaluation period were historically much higher than the national rate. However, the 2012-2013 indicators suggested that the AA was starting to exhibit signs of economic recovery, as evidenced in the continuous unemployment rate-declining trend. According to the U.S. Department of Labor, Bureau of Labor Statistics information, the September 2013 unemployment rates (not seasonally adjusted) for Pasco, Pinellas and Hillsborough counties were 7.5, 6.5 and 6.5 percent, respectively. Current percentages had a significant decline compared to July 2010 numbers of 12.9, 11.6 and 11.9 percent, respectively. The AA's unemployment rates are slightly higher than the State of Florida's September 2013 unemployment rate (not seasonally adjusted) of 6.9 percent and the National September 2013 unemployment rate (not seasonally adjusted) of 7.0 percent, with the exception of Pasco County.

The AA has experienced a volatile housing market in the past several years, as home values quickly escalated and declined in a short period. The falling home values may continue as foreclosures and short sales continue in the AA; however, signs of recovery have improved in the market area. According to The National Association of Realtors, the median housing sales price as of September 2013 for the Tampa–St. Petersburg–Clearwater metropolitan area was \$151,800, a 10 percent increase from the same period last year. According to Zillow, the estimated median home value as of September 2013 for Hillsborough County was \$142,000, a 21.1 percent increase from the same period last year and a 13.6 percent increase in value since July 2010. Additionally, Realtytrac is reporting one in every 284 housing units received a foreclosure filing as of September 2013. For Pinellas County, the estimated median housing value was \$134,000, an increase of 14.8 percent from the same period last year. The county is reporting one in every 370 housing units received a foreclosure filing. For Pasco County, the estimated median housing value was \$105,000, an increase of 13.6 percent from the same period last year; however, it reported a

4.0 percent decline compared to July 2010. Pasco is reporting one in every 256 housing units received a foreclosure filing.

Competition for financial services within the bank’s AA is intense. According to the FDIC deposit market share data as of June 30, 2013, there were 63 financial institutions operating in 745 offices within the AA. The bank has a market share of 0.59 percent in the AA. Major competitors include Bank of America, N.A., Wells Fargo Bank, and SunTrust Bank.

During a CRA evaluation, it is customary for examiners to contact various persons and organizations within the institution’s AA to gain insight regarding local economic conditions and credit needs. An existing community contact in Pinellas County was provided for this evaluation. According to this contact, some of the most pressing financial needs and opportunities for financial institutions are providing affordable multifamily and single-family housing, including to first-time homebuyers. There are opportunities for banks to collaborate with affordable housing developers to fund affordable multifamily dwellings sponsored by the local government-housing agency in conjunction with HUD, as well as local community development loans.

Specific 2000 and 2011 demographic and economic data for the AA are detailed below.

Census 2000 and 2011 Demographic and Economic Characteristics of the Hillsborough Pinellas and Pasco Counties AA			
Population		Geographies	
Total Persons	1,985,086	Number of Census Tracts	468
Number of Households	830,333	% Low-Income Census Tracts (16)	3.42%
Median Family Income (MFI)	\$55,700	% Moderate-Income Census Tracts (99)	21.15%
<i>Based on MFI</i>		% Middle-Income Census Tracts (213)	45.51%
Low-Income individuals earn	<\$27,850	% Upper-Income Census Tracts (140)	29.92%
Moderate-Income individuals earn	\$27,851-\$44,560		
Income Distribution		Businesses	
Number of Families	520,518	Number of Businesses located in the AA	356,079
Families residing in the AA by income category		% of Small Businesses located in the AA	68%
% Low-Income Families	17.71%	% of Large Businesses	2%
% Moderate-Income Families	17.65%	% of Business with no revenues reported	30%
% Middle-Income Families	21.42%		
% Upper-Income Families	43.22%		
<i>Source: 2000 Census, 2011 HUD updated income data and 2011 Dunn and Bradstreet data</i>			

According to the 2000 U.S. Census Bureau economic data, the AA has a total population of 1,985,086, and 10.32 percent of households live below the poverty level. Housing units in the AA total 933,267, with 707,296, or 75.79 percent, classified as 1-4 family units, of which 60.66 percent are owner-occupied. Multifamily housing

represents 225,971, or 24.21 percent, and rental housing represent 263,922, or 28.28 percent of total housing units in the AA. Over 11 percent, or 103,258, housing units are vacant.

Census Demographic Data Comparison			
<i>Census Year</i>	<i>2010</i>	<i>2000</i>	<i>% Change</i>
Low-Income Families	102,564	92,184	+11.26%
Moderate-Income Families	103,808	91,871	+12.99%
Middle-Income Families	140,559	111,495	+26.07%
Upper-Income Families	218,472	224,968	-2.97%
% Households Below Poverty Level	11.83%	10.32%	+14.63%
Population	2,299,701	1,985,086	+314,615

Source: 2000 & 2010 Census data

This AA, which is part of the Tampa–St. Petersburg–Clearwater MSA #45300, is located on the west coast of Florida. The AA consists of all of Hillsborough and Pinellas Counties, 320 and 245 census tracts, respectively. The AA also includes a portion of Pasco County (34 census tracts), which is also part of the MSA. The portion of Pasco County in the AA is contiguous to Hillsborough County and consists of the towns of Odessa and Trinity and the Central Pasco Census County Division (subdivision of Pasco County). The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

As with most metropolitan areas located in the State of Florida and throughout the country, the economy in the AA was adversely impacted during 2010 and 2011 due to high unemployment rates, foreclosures, and significant declines in house values. Unemployment rates in the AA in 2010 and 2011 were historically higher than the national unemployment rate.

LIMITED-SCOPE AAS:

Description of the Seminole and Orange Counties AA

The Seminole and Orange Counties AA, which is part of the Orlando–Kissimmee–Sanford MSA # 36740, is located in Central Florida. The AA consists of all census tracts (86) in Seminole County and a portion of Orange County (20 census tracts), including the contiguous cities of Winter Park and Maitland. The bank’s main office is located in the city of Lake Mary, in Seminole County Florida. In December 2012, the bank increased its presence in the AA by opening a branch in Winter Park, Florida. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

HBNA has two offices located in the AA, one in Lake Mary and one in Winter Park. The office in Lake Mary is located in a middle-income census tract and offers a drive-up

teller facility as well as an automated teller machine (ATM). The other office in Winter Park is located in an upper-income census tract and offers an ATM but does not offer drive-up teller services. Specific 2010 and 2013 demographic and economic data for the AA follows.

Census 2010 and 2013 Demographic and Economic Characteristics of the Seminole and Orange County AA			
Population		Geographies	
Total Persons	493,902	Number of Census Tracts	106
Number of Households	182,338	% Low-Income Census Tracts (1)	0.94%
Median Family Income (MFI)	\$58,500	% Moderate-Income Census Tracts (9)	8.49%
<i>Based on MFI</i>		% Middle-Income Census Tracts (32)	30.19%
Low-Income individuals earn	<\$29,250	% Upper-Income Census Tracts (64)	60.38%
Moderate-Income individuals earn	\$29,251-\$46,800		
Income Distribution		Businesses	
Number of Families	119,233	Number of Businesses located in the AA	97,374
Families residing in the AA by income category		% of Small Businesses located in the AA	77.33%
% Low-Income Families	19.44%	% of Large Businesses	2.70%
% Moderate-Income Families	17.84%	% of Business with no revenues reported	19.97%
% Middle-Income Families	24.66%		
% Upper-Income Families	38.06%		
<i>Source: 2010 Census, 2013 FFIEC updated income data and 2012 Dunn and Bradstreet data</i>			

According to the 2010 U.S. Census Bureau economic data, the AA has a total population of 493,902, and 9.47 percent of households live below the poverty level. Housing units in the AA total 212,664, with 164,010, or 77.12 percent, classified as 1-4 family units, of which 59.72 percent are owner-occupied. Multifamily housing represents 48,654, or 22.88 percent, and rental housing represents 65,628, or 30.86 percent of total housing units in the AA. Over 14 percent, or 30,326, housing units in the AA are vacant.

Seminole and Orange are contiguous counties located in Central Florida within the same MSA. Both counties share the Metro Orlando area, which is the 26th largest metropolitan area in the United States and boasts a gross domestic product (GDP) of more than \$100 billion dollars, according to the Metro Orlando Economic Development Commission. The metro area’s economy benefits from a globally recognized tourism industry, Orlando’s aerospace and defense sector, biotechnology industry, and digital media sector. Major employers include Walt Disney World, Universal Orlando Resort, Wal-Mart Stores, Publix Supermarkets, Inc. and Orlando Regional Healthcare System. The area also serves as headquarters for several companies, including Darden Restaurants, Tupperware Corporation, American Automobile Association (AAA) and Ruth’s Chris Steak House to name a few.

As with most metropolitan areas located in the State of Florida and throughout the country since 2007, the economy in the AA has been adversely impacted by high unemployment rates and an unstable housing market. However, according to the U.S. Department of Labor, Bureau of Labor Statistics information, the unemployment rates (not seasonally adjusted) for Seminole and Orange Counties have significantly improved from 10.9 and 11.4 percent, respectively, in July 2010, to 5.7 and 6.2 percent, respectively, in September 2013. Further, the September 2013 rates are lower than the State of Florida and National unemployment rates (not seasonally adjusted) of 6.9 and 7.0 percent, respectively.

The AA has also experienced a volatile housing market in the past several years, as home values quickly escalated and declined in a short period. The decline in home values may continue as foreclosures and short sales continue in the AA; however, signs of recovery have improved in the market area. According to The National Association of Realtors, the median housing sales price as of September 2013 for the Orlando–Kissimmee metropolitan area was \$167,800, a 23.9 percent increase from the same period last year. According to Zillow, the estimated median home value as of September 2013 for Seminole County was \$164,000, an 18 percent increase from the same period last year and an 8.7 percent increase in value since July 2010. Additionally, Realtytrac is reporting one in every 246 housing units received a foreclosure filing as of October 2013. For Orange County, the estimated median housing value was \$148,000, an increase of 20 percent from the same period last year. The county is reporting one in every 337 housing units received a foreclosure filing.

There is a considerable amount of banking competition for financial services in Seminole and Orange Counties. According to the FDIC deposit market share data as of June 30, 2013, there were 44 financial institutions operating in 433 offices within the AA. Major competitors include SunTrust Bank, Bank of America N.A., Wells Fargo Bank N.A., and JPMorgan Chase Bank N.A.

During a CRA evaluation, it is customary for examiners to contact various persons and organizations within the institution's AA to gain insight regarding local economic conditions and credit needs. During our examination, we spoke with a local organization to discuss credit needs of the community and the responsiveness of financial institutions in the Orlando MSA. The organization is primarily involved in developing affordable multifamily rental housing in Central Florida and indicated there continues to be a need for quality, affordable housing.

Specific 2000 and 2011 demographic and economic data for the AA are detailed below.

Census 2000 and 2011 Demographic and Economic Characteristics of the Seminole and Orange Counties AA			
Population		Geographies	
Total Persons	1,261,540	Number of Census Tracts	268
Number of Households	475,997	% Low-Income Census Tracts (8)	2.99%
Median Family Income (MFI)	\$57,400	% Moderate-Income Census Tracts (56)	20.90%
<i>Based on MFI</i>		% Middle-Income Census Tracts (114)	42.54%
Low-Income individuals earn	<\$28,700	% Upper-Income Census Tracts (90)	33.57%
Moderate-Income individuals earn	\$28,701- \$45,920		
Income Distribution		Businesses	
Number of Families	320,384	Number of Businesses located in the AA	267,594
Families residing in the AA by income category		% of Small Businesses located in the AA	188,746
% Low-Income Families	17.89%	% of Large Businesses	5,517
% Moderate-Income Families	17.59%	% of Business with no revenues reported	73,331
% Middle-Income Families	21.98%		
% Upper-Income Families	42.54%		
<i>Source: 2000 Census, 2011 HUD updated income data and 2011 Dunn and Bradstreet data</i>			

According to the 2000 U.S. Census Bureau economic data, the AA has a total population of 1,261,540 and 9.79 percent of households live below the poverty level. Housing units in the AA total 508,428, with 394,185, or 77.53 percent, classified as 1-4 family units, of which 59.24 percent are owner-occupied. Multifamily housing represent 114,243, or 22.47 percent, and rental housing represent 190,803 or 37.53 percent of total housing units in the AA. Over 6 percent, or 32,570, housing units are vacant.

The Seminole and Orange Counties AA, which is part of the Orlando–Kissimmee–Sanford MSA # 36740, is located in Central Florida. The AA consists of all census tracts (75) in Seminole County and all census tracts (193) in Orange County. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. HBNA changed the boundaries of the AA for the 2010 census period. As such, a table detailing 2000 and 2010 census demographic comparisons is not meaningful.

Description of the Sarasota and Manatee Counties AAs

The Sarasota and Manatee Counties AA, which is part of the Northport–Bradenton–Sarasota MSA # 35840, is located along Florida’s southwest coast. The AA consists of 50 census tracts out of 94 in Sarasota County and 17 census tracts out of 78 in Manatee County. The bank has one branch in the AA located in Sarasota that is in close proximity to Manatee County. This branch opened in June 2008 and offers a drive-up teller facility as well as an ATM. The branch is located in an upper-income

census tract. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Specific 2010 and 2013 demographic and economic data for the AA are detailed on below.

Census 2010 and 2013 Demographic and Economic Characteristics of the Sarasota and Manatee Counties AA			
Population		Geographies	
Total Persons	284,239	Number of Census Tracts	67
Number of Households	121,408	% Low-Income Census Tracts (1)	1.49%
Median Family Income (MFI)	\$59,900	% Moderate-Income Census Tracts (14)	20.90%
<i>Based on MFI</i>		% Middle-Income Census Tracts (29)	43.28%
Low-Income individuals earn	<\$29,950	% Upper-Income Census Tracts (23)	34.33%
Moderate-Income individuals earn	\$29,951-		
	\$47,920		
Income Distribution		Businesses	
Number of Families	75,768	Number of Businesses located in the AA	59,057
Families residing in the AA by income category		% of Small Businesses located in the AA	76.69%
% Low-Income Families	17.62%	% of Large Businesses	2.67%
% Moderate-Income Families	19.29%	% of Business with no revenues reported	20.65%
% Middle-Income Families	24.09%		
% Upper-Income Families	39.00%		
<i>Source: 2010 Census, 2013 FFIEC updated income data and 2012 Dunn and Bradstreet data</i>			

According to the 2010 U.S. Census Bureau economic data, the AA has a total population of 284,239, and 9.34 percent of households live below the poverty level. Housing units in the AA total 148,899, with 121,793, or 81.80 percent, classified as 1-4 family units, of which 60.78 percent are owner-occupied. Multifamily housing represent 27,106, or 18.20 percent, and rental housing represent 34,793, or 23.37 percent of total housing units in the AA. Over 18 percent, or 27,491, housing units are vacant.

Sarasota and Manatee are contiguous counties located along Florida’s southwest coast. The AA is known for its beaches along the Gulf Coast of Florida and attracts tourists from all over the world. Consumer services remain a leading industry for the area due to the outstanding natural resources and high per capita income. However, retail and tourism job growth has not quite kept up with statewide averages according to July 2013 Moody’s Analytics. Further, due to the elevated cost of living, attracting and retaining low-skilled labor is a challenge for the AA. Top employers in the AA include Sarasota Memorial Health Care System, Publix Supermarket and Bon Scours Venice Hospital. Tropicana North America, one of the largest producers of orange juice, also has a major presence in the AA, as well as Beall’s Department Stores, as its headquarters are located in Manatee County.

Similar to most counties in Florida, Sarasota and Manatee Counties’ economies had been negatively impacted by high unemployment rates and falling home prices during the recent economic recession. However, according to the U.S. Department of Labor,

Bureau of Labor Statistics information, the unemployment rate (not seasonally adjusted) for Sarasota and Manatee Counties has improved from 12.0 and 12.5 percent in July 2010 to 6.6 and 7.0 percent in September 2013, respectively. The AA's unemployment rates are near the State of Florida's September 2013 unemployment rate (not seasonally adjusted) of 6.9 percent and the National September 2013 unemployment rate (not seasonally adjusted) of 7.0 percent.

The AA has also experienced a volatile housing market in the past several years, as home values quickly escalated and declined in a short period. Once again, foreclosures and short sales may still affect home values in the AA; however, signs of recovery during 2012 and 2013 have improved values in the market area. According to The National Association of Realtors, the median housing sales price as of September 2013 for the Sarasota–Bradenton–Venice metropolitan area was \$214,000, a 24.3 percent increase from the same period last year. According to Zillow, the estimated median home value as of September 2013 for Sarasota County was \$172,000, or a 13 percent increase from the same period last year and a 14 percent increase in value since July 2010. Additionally, Realtytrac is reporting one in every 467 housing units in Sarasota County received a foreclosure filing as of October 2013. For Manatee County, the estimated median housing value was \$169,000, an increase of 14 percent from the same period last year. Manatee County is reporting one in every 640 housing units received a foreclosure filing.

There is a considerable amount of banking competition for financial services in Sarasota and Manatee Counties consisting of larger regional and national banks. According to the FDIC deposit market share data as of June 30, 2013, there were 43 financial institutions operating in 302 offices within the AA. Major competitors include Bank of America N.A., Wells Fargo Bank N.A., and SunTrust Bank.

An existing community contact in the Sarasota MSA was provided for this evaluation. According to this contact, some of the most pressing financial needs and opportunities for financial institutions in the Sarasota MSA are to strengthen and attract businesses to the area that can provide employment due to the recent economic downturn as they recover from the high unemployment rates that the area has experienced. New businesses that may startup or locate in the area could help fill some of the high office vacancies that are currently in the 15 to 20 percent range. Development of the area's business base is a primary concern in order to build the tax base and subsequently fund economic development incentive programs. Some opportunities that are available and performed by banks within the market are free small business workshops, enterprise certification classes and one-on-one business counseling. Funding for these programs is generally provided through sponsorships with local banks.

Specific 2000 and 2011 demographic and economic data for the AA are detailed below.

Census 2000 and 2011 Demographic and Economic Characteristics of the Sarasota and Manatee Counties AA			
Population		Geographies	
Total Persons	236,144	Number of Census Tracts	59
Number of Households	103,051	% Low-Income Census Tracts (1)	1.69%
Median Family Income (MFI)	\$59,100	% Moderate-Income Census Tracts (8)	13.56%
<i>Based on MFI</i>		% Middle-Income Census Tracts (32)	54.24%
Low-Income individuals earn	<\$29,550	% Upper-Income Census Tracts (18)	30.51%
Moderate-Income individuals earn	\$29,551-\$47,280		
Income Distribution		Businesses	
Number of Families	66,317	Number of Businesses located in the AA	59,985
Families residing in the AA by income category		% of Small Businesses located in the AA	42,961
% Low-Income Families	15.03%	% of Large Businesses	1,323
% Moderate-Income Families	17.07%	% of Business with no revenues reported	15,701
% Middle-Income Families	22.95%		
% Upper-Income Families	44.95%		
<i>Source: 2000 Census, 2011 HUD updated income data and 2011 Dunn and Bradstreet data</i>			

According to the 2000 U.S. Census Bureau economic data, the AA has a total population of 236,144. Approximately 7.37 percent of households live below the poverty level. Housing units in the AA total 116,039, with 96,592, or 83.24 percent, classified as 1-4 family units, of which 66.55 percent are owner-occupied. Multifamily housing represents 19,447, or 16.76 percent, and rental housing represents 28,686, or 24.72 percent of total housing units in the AA. Over 11 percent or 13,195 housing units are vacant.

Census Demographic Data Comparison			
<i>Census Year</i>	<i>2010</i>	<i>2000</i>	<i>% Change</i>
Low-Income Families	13,350	9,967	+33.94%
Moderate-Income Families	14,616	11,320	+29.12%
Middle-Income Families	18,253	15,220	+19.93%
Upper-Income Families	29,549	29,810	-0.875%
% Households Below Poverty Level	9.34%	7.37%	+26.73%
Population	284,239	236,144	+48,095

Source: 2000 & 2010 Census data

The Sarasota and Manatee Counties AA, which is part of the Manatee–Sarasota–Venice MSA # 14600, is located along Florida’s southwest coast of Florida. The AA consists of 46 out of the 83 census tracts in Sarasota County. The bank excluded 36 census tracts located in the lower, southern part of the county, North Port, where there are no bank offices. Additionally, 13 census tracts located in the southern region of Manatee County are included in the AA as the bank office is located very close to the Manatee County line. The bank has one branch in the AA located in Sarasota. This branch opened in July 2008 and offers a drive-up teller facility as well as an ATM. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Conclusions with Respect to Performance Tests

The Lending Test analysis that follows evaluates the bank’s lending activity as described earlier in the scope section. The factors considered are as follows: (1) Loan-to-Deposit (LTD) Ratio; (2) Lending in the AA; (3) Lending to Borrowers of Different Income Levels; (4) Geographic Distribution of Loans; and, (5) Response to CRA Complaints.

LENDING TEST

HBNA’s performance under the Lending Test is Satisfactory. In reaching our overall conclusion, primary consideration was given to performance in the Hillsborough/Pinellas and Pasco AA. This AA represents 73 percent of the bank’s deposits. As such, limited consideration was given to performance in the Seminole/Orange and the Sarasota/Manatee AAs. HBNA has reasonable penetration among borrowers of different income levels given their performance context. HBNA’s geographical dispersion of loans is reasonable considering the bank’s AAs contain a minimal number of low-income census tracts and no low-income locations where branches are located.

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

The bank’s level of lending, as reflected in the bank’s average quarterly net LTD ratio, is more than reasonable given the bank’s size and performance context factors. The bank’s average quarterly LTD ratio since the preceding CRA evaluation (14 quarters beginning with the second quarter of 2010) is 94.11 percent, ranging from a high of 105.83 percent in the second quarter of 2011 to a low of 70.24 percent in the third quarter of 2010. For the same period, HBNA’s average quarterly ratio of 94.11 percent is significantly higher than the 78.65 percent ratio of six similarly situated banks in its peer group (total assets greater than \$400 million and less than \$800 million) operating in the three AAs. The average high LTD ratio for the peer group throughout the 14 quarters was 93.45 percent and the low was 63.69 percent.

The average quarterly average LTD ratio for each similarly situated bank located in the three AAs is depicted in the table below:

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 09/30/2013)	Average Loan- to-Deposit Ratio
HomeBanc N.A.	\$653,303	94.11%
Florida Bank	\$544,287	78.82%
Bay Cities Bank	\$488,606	63.79%
Platinum Bank	\$450,042	88.35%
Bankfirst	\$667,317	68.71%
Urban Trust Bank	\$598,753	93.45%
Old Florida National Bank	\$799,935	78.76%

Source: Consolidated Reports of Condition and Income from June 2010 to September 2013.

Lending in AA

- **Lending in AA - Meets the Standard for Satisfactory Performance**

A majority of the bank's primary loan product originated over the evaluation period was within its combined AAs. This conclusion is based on an analysis of all home mortgage loans (4,713) reported on the HMDA LARs for the period of July 1, 2010 through September 30, 2013. We also included all business loans (81) originated during the same period. As detailed in the table below, 67 percent in number and 71 percent by dollar amount of originated loans were inside the AAs. This lending pattern is expected and reflective of the large volume of mortgage loans generated from the bank's mortgage lending division in which loan originations usually occur outside of the AAs. In addition, lower loan demand was generally impacted by weak economic conditions, declining home values and high foreclosure rates in Florida during the majority of the evaluation period.

Lending in Assessment Area for the period of July 1, 2010 through September 30, 2013										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	2,741	67%	1,372	33%	4,113	\$493,247	73%	\$186,256	27%	\$679,503
Home Refinance	408	68%	192	32%	600	\$91,285	70%	\$39,515	30%	\$130,800
Business Loans	49	60%	32	40%	81	\$34,325	60%	\$22,496	40%	\$56,821
Totals	3,198	67%	1,596	33%	4,794	\$618,857	71%	\$248,267	29%	\$867,124

Source: Data Reported under HMDA home mortgage originations and bank reports for all business originations for the period of July 1, 2010 through September 30, 2013.

Lending to Borrowers of Different Incomes - Meets the Standard for Satisfactory Performance

HBNA's lending activities shows reasonable penetration among borrowers of different income levels given its performance context. Our analysis is based on all residential real estate loans (3,149) originated in the AAs during the evaluation period. For the Census 2000 period, our analysis consisted of 1,453 home mortgage loans, and for the Census 2010 period our analysis consisted of 1,696 home mortgage loans. We compared the income distribution of the bank's borrowers to the income distribution of the families within the AAs, using the HUD median family income levels for the years 2010 and 2011 and the Federal Financial Institutions Examination Council (FFIEC) median family income levels for 2012 and 2013.

During the evaluation period, performance context issues made it difficult to provide home mortgage loans, particularly to low- and moderate-income borrowers. The mortgage crisis and subsequent economic crisis caused lenders, both primary and secondary investors, to modify or discontinue special lending programs, especially some of those targeted to low- and moderate-income borrowers. For example, down payment requirements were increased as well as qualifying credit scores. Declining home values reduced the level of equity in homes, affecting the ability of borrowers to refinance existing loans. High unemployment rates and foreclosure rates also significantly affected the overall decline in mortgage lending.

All of these factors had significant impact on low-income and some moderate-income borrowers' ability to purchase or refinance home mortgage loans. In addition, poverty rates affect the ability of low-income and some moderate-income borrowers to become homeowners. In the Hillsborough, Pinellas and Pasco AA, the poverty rates for the Census 2000 and 2010 periods were 10.32 percent and 11.83 percent, respectively, and homeownership 60.66 percent and 57.25 percent, respectively.

Due to these factors, we placed more emphasis on performance to moderate-income borrowers in reaching our conclusions. In addition, as mentioned in the *Scope of Examination* section, we placed more emphasis on the Hillsborough, Pinellas and Pasco AA lending due to the significance of the volume of loans and deposits in this AA in relation to the bank overall.

**Census 2000
FULL-SCOPE AA**

Table 2 - Borrower Distribution of Residential Real Estate Loans in Hillsborough, Pinellas and Pasco AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	17.71	10.21	17.65	23.10	21.42	20.91	43.22	45.78
Refinance	17.71	1.32	17.65	9.21	21.42	17.76	43.22	63.82

Source: Data reported under HMDA for the period of July 1, 2010 through December 31, 2011, 2000 U.S. Census data and HUD median income data. Income NA for 7.89% of refinancing loans.

Home Purchase Loans

Given the performance context, the bank’s home purchase lending to low- and moderate-income borrowers in the Hillsborough, Pinellas and Pasco AA shows excellent penetration. For low-income borrowers, the percentage of the bank’s loans is slightly lower than the percentage of low-income families. For moderate-income borrowers, the percentage of loans is greater than the percentage of moderate-income families.

Refinance Loans

Given the performance context, the bank’s refinance lending to low- and moderate-income borrowers in the Hillsborough, Pinellas and Pasco AA shows reasonable penetration. For low-income borrowers, the percentage of the bank’s loans is significantly lower than the percentage of low-income families. For moderate-income borrowers, the percentage of loans is lower than the percentage of moderate-income families. As discussed this is consistent with the economic impact to this borrowers and the declining real estate values during this time period.

Limited-Scope AAs:

Table 2 - Borrower Distribution of Residential Real Estate Loans in Seminole and Orange AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	17.89	15.93	17.59	37.04	21.98	22.96	42.54	24.07
Refinance	17.89	4.76	17.59	14.29	21.98	28.57	42.54	52.38

Source: Data reported under HMDA for the period of July 1, 2010 through December 31, 2011, 2000 U.S. Census data and HUD income data.

Home Purchase Loans

Given the performance context and our limited-scope review, HBNA’s performance in the Seminole and Orange AA is not inconsistent with the bank’s performance under the lending test. As shown in the table above, the percentage of home purchase loans made to low-income borrowers is slightly lower than the percentage of low-income families. For moderate-income borrowers, the percentage of loans is significantly greater than the percentage of moderate-income families.

Refinance Loans

Given the performance context and our limited-scope review, HBNA’s lending performance in the Seminole and Orange AA is not inconsistent with the bank’s performance under the lending test. As shown in the table above, the percentage of the bank’s refinance loans to low-income borrowers is lower than the percentage of low-income families. For moderate-income borrowers, the percentage of loans is slightly lower than the percentage of moderate-income families in the AA.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Sarasota and Manatee AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	15.03	0.00	17.07	30.77	22.95	0.00	44.95	69.23
Refinance	15.03	0.00	17.07	16.67	22.95	33.33	44.95	50.00

Source: Data reported under HMDA for the period of July 1, 2010 through December 31, 2011, 2000 U.S. Census data and HUD income data.

Home Purchase Loans

Given the performance context and our limited-scope review, HBNA’s performance in the Sarasota and Manatee AA is not inconsistent with the bank’s performance under the lending test. As shown in the table above, the bank did not originate any home purchase loans to low-income families residing in the AA during the evaluation period, which is considered reasonable due to the performance context and limited lending opportunities. Further, HBNA only has one office location and it is located in upper-income geography. For moderate-income borrowers, the percentage of loans is significantly greater than the percentage of moderate-income families in the AA.

Refinance Loans

Given the performance context and our limited-scope review, HBNA’s lending performance in the Seminole and Orange AA is not inconsistent with the bank’s

performance under the lending test. As shown in the table above, the bank did not originate any home purchase loans to low-income families residing in the AA during the evaluation period, which is considered reasonable due to the performance context and limited lending opportunities. Further, HBNA only has one office location and it is located in upper-income geography. For moderate-income borrowers, the percentage of loans is slightly lower than the percentage of moderate-income families in the AA.

2010 Census

Full-Scope AA

Table 2 - Borrower Distribution of Residential Real Estate Loans in Hillsborough, Pinellas and Pasco AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	18.14	2.10	18.36	13.34	24.86	19.88	38.64	64.68
Refinance	18.14	1.36	18.36	8.64	24.86	16.82	38.64	71.82

Source: Data reported under HMDA for the period of January 1, 2012 through September 30, 2013, 2010 U.S. Census data and FFIEC income data. Income NA for 1.36% of refinancing loans.

Home Purchase Loans

Given the performance context, the bank's home purchase lending to low- and moderate-income borrowers shows reasonable penetration. For low-income borrowers, the percentage of the bank's loans is significantly lower than the percentage of low-income families. For moderate-income borrowers, the percentage of loans is slightly lower than the percentage of moderate-income families. As mentioned previously, there are limited lending opportunities in low-income tracts. In addition, the bank has only two branch offices in the AA (one opened in December 2012) and none are located in low- and moderate-income geographies.

Refinance Loans

Given the performance context, the bank's refinance lending to low- and moderate-income borrowers shows reasonable penetration. For low-income borrowers, the percentage of the bank's loans is significantly lower than the percentage of low-income families. For moderate-income borrowers, the percentage of loans is lower than the percentage of moderate-income families. As mentioned in the performance context, due to weak economic conditions and low equity-high mortgage positions, the refinancing opportunities were impacted. In addition, the bank has only two branch offices in the AA (one opened in December 2012) and none are located in low- and moderate-income geographies. The level of lending performance in the AA is considered reasonable due to low demand for refinancing.

Limited-Scope AAs:

Table 2 - Borrower Distribution of Residential Real Estate Loans in Seminole and Orange AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.44	9.09	17.84	9.09	24.66	27.27	38.06	54.55
Refinance	19.44	0.00	17.84	0.00	24.66	0.00	38.06	100.00

Source: Data reported under HMDA for the period of January 1, 2012 through September 30, 2013, 2010 U.S. Census data and FFIEC income data.

Home Purchase Loans

Given the performance context and our limited-scope review, HBNA's performance in the Seminole and Orange Counties AA is not inconsistent with the bank's performance under the lending test. As shown in the table above, the percentage of home purchase loans made to low-income borrowers is lower than the percentage of low-income families. For moderate-income borrowers, the percentage of loans is lower than the percentage of moderate-income families.

Refinance Loans

Given the performance context and our limited-scope review, HBNA's lending performance in the Seminole and Orange Counties AA is not inconsistent with the bank's performance under the lending test. As shown in the table above, the bank did not originate any refinance loans to low-income families residing in the AA. The bank also did not originate any refinance loans to moderate-income families residing in the AA. However, the level of lending performance is considered reasonable, given local banking competition and the ability to refinance loans during the evaluation period was impacted as many homeowners continue to experience a negative home equity position. In addition, the bank only has two branch offices in the AA. One just opened in December 2012. Neither branch is located in low- or moderate-income geographies.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Sarasota and Manatee AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	17.62	9.52	19.29	0.00	24.09	14.29	39.00	76.19
Refinance	17.62	0.00	19.29	0.00	24.09	0.00	39.00	100.00

Source: Data reported under HMDA for the period of January 1, 2012 through September 30, 2013, 2010 U.S. Census data and FFIEC income data.

Home Purchase Loans

Given the performance context and our limited-scope review, HBNA's performance in the Sarasota and Manatee AA is not inconsistent with the bank's performance under the lending test. As shown in the table above, the percentage of home purchase loans made to low-income borrowers is lower than the percentage of low-income families. The bank did not lend to moderate-income borrowers residing in the AA during the evaluation. The AA and adjacent areas were the hardest hit during the recent economic downturn and foreclosure crisis as area demographics support in the description of the AA. In addition, the bank has only one branch office in the AA, which is located in an upper-income geography.

Refinance Loans

Given the performance context and our limited-scope review, HBNA's lending performance in the Sarasota and Manatee Counties AA is not inconsistent with the bank's performance under the lending test. As shown in the table above, the bank did not originate any refinance loans to low-income families residing in the AA. The bank also did not originate any refinance loans to moderate-income families residing in the AA. As mentioned in the performance context, ability to provide refinance loans during the evaluation period was impacted as many homeowners continue to experience a negative home equity position. In addition, the bank has only one branch office in the AA, which is located in an upper-income geography.

Geographic Distribution of Loans-Meets the Standard for Satisfactory Performance

- Overall, the geographic distribution of loans reflects a reasonable dispersion in comparison to demographic data and the performance context.

Our analysis was based on the same residential mortgage loans originated during the evaluation period as discussed in the borrower distribution analysis above. The following tables illustrates the geographic distribution of home mortgage loans originated within these income tracts in comparison to the percentage of owner-

occupied units in each income geography. Although the bank did not lend in all geographies in the three AAs, we did not identify any conspicuous gaps that could not be explained by the performance context, including the location of HBNA’s branches, limited lending opportunities and the level of competition in the AAs.

Based on the demographic data presented in the *Description of AAs*, the number of owner-occupied housing units in low-income geographies in each AA is very low—all under 1 percent of all housing units for both the 2000 and 2010 Census, with the exception of Hillsborough, Pinellas and Pasco AA for the 2010 Census, which was slightly below 2 percent. In addition, we noted there are very limited opportunities for lending in all moderate-income geographies as presented in the demographic data and explained in the tables below. Further, competition to lend in low- and moderate-income geographies is intense among all 150 financial institutions operating in 1,391 offices in the three AAs. There are 63 financial institutions and 745 banking offices located just in the Hillsborough, Pinellas and Pasco Counties AA. It should also be noted that the performance context factors discussed in the borrower distribution analysis above also had an impact on home mortgage lending in low- and moderate-income geographies.

Census 2000

Full-Scope AA:

Table 3 - Geographic Distribution of Residential Real Estate Loans in Hillsborough, Pinellas and Pasco AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.97	0.08	15.06	12.72	47.71	41.09	36.26	46.11
Refinance	0.97	0.00	15.06	4.61	47.71	27.63	36.26	67.76

Source: Data reported under HMDA for the period of July 1, 2010 through December 31, 2011 and 2000 U.S. Census data.

Home Purchase Loans

Given the performance context, the bank’s home purchase lending in low and moderate-income geographies in the Hillsborough, Pinellas and Pasco Counties AA reflects reasonable penetration. The percentage of the bank’s home purchase loans in low-income geographies is lower than the percentage of owner-occupied housing units in low-income geographies. The percentage of the bank’s home purchase loans in moderate-income geographies is slightly lower than the percentage of owner-occupied housing units in moderate-income geographies. Lending opportunities are limited, as the AA only consists of 16 low-income geographies representing 3.42 percent of all

geographies in the AA. Further, housing units in the low-income geographies are mainly rental units, as less than one percent was reported as owner-occupied.

Refinance Loans

Given the performance context, the bank’s refinance lending in low- and moderate-income geographies reflects reasonable penetration. The percentage of the bank’s home purchase loans in moderate-income geographies is lower than the percentage of owner-occupied housing units in moderate-income geographies. The bank did not originate refinance loans in low-income geographies, which is consistent with performance context factors. As mentioned above, there are limited lending opportunities in low- and moderate-income geographies within the AA. In addition, the demand for refinance loans was very low due to the low percentage of homeowners in these geographies and the negative impact on housing values with the downturn in the economy during the evaluation period.

Limited-Scope AAs:

Table 3 - Geographic Distribution of Residential Real Estate Loans in Seminole and Orange AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.86	0.37	14.02	10.00	43.19	47.04	41.93	42.59
Refinance	0.86	0.00	14.02	0.00	43.19	28.57	41.93	71.43

Source: Data reported under HMDA for the period of July 1, 2010 through December 31, 2011 and 2000 U.S. Census data.

Home Purchase Loans

Given the performance context, the bank’s home purchase lending in low- and moderate-income geographies in the Seminole and Orange Counties AA is not inconsistent with the bank’s performance under the lending test. The percentage of the bank’s home purchase loans in low-income geographies is slightly lower than the percentage of owner-occupied housing units in low-income geographies. The percentage of the bank’s home purchase loans in moderate-income geographies is slightly lower than the percentage of owner-occupied housing units in moderate-income geographies.

Refinance Loans

Given the performance context and our limited-scope review, the bank’s refinance lending in low- and moderate-income geographies in the Seminole and Orange

Counties AA is not inconsistent with the bank's performance under the lending test. The level of lending performance is reflective of the demographics of the AA. There are limited lending opportunities in low- and moderate-income geographies within the AA. There are only eight low-income geographies, representing 2.99 percent of all geographies in the AA. Further, housing units in the low-income and moderate-income geographies are mainly rental units, as only 0.86 percent and 14 percent, respectively, are listed as owner-occupied. In addition, the demand for refinance loans was very low due to the low percentage of homeowners in these geographies and the negative impact on housing values with the downturn in the economy during the evaluation period.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Sarasota and Manatee AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.78	0.00	10.59	0.00	52.53	46.15	36.10	53.85
Refinance	0.78	0.00	10.59	0.00	52.53	33.33	36.10	66.67

Source: Data reported under HMDA for the period of July 1, 2010 through December 31, 2011 and 2000 U.S. Census data.

Home Purchase Loans

Given the performance context and our limited-scope review, HBNA's performance in the Sarasota and Manatee Counties AA is weaker than the bank's performance under the lending test. As shown in the table above, the bank did not originate any home purchase loans in low-income or moderate-income geographies. As noted in the *Scope of Examination*, performance in this AA was given minimal weight in the overall conclusions, with only one full-service branch and it is located in an upper-income geography, and 10 percent of the bank's total deposits and 8 percent of total loan originations are located there.

Refinance Loans

Given the performance context and our limited-scope review, HBNA's lending performance in the Sarasota and Manatee Counties AA is weaker than the bank's performance under the lending test. As noted in the *Scope of Examination*, performance in this AA was given minimal weight in the overall conclusions. There is only one full-service branch, which is located in an upper-income geography, and 10 percent of the bank's total deposits and 8 percent of total loan originations are located there. Further, while the bank did not originate any home refinance loans in low-income or moderate-income geographies; we did note the level of lending opportunities are limited with significant competition.

Census 2010

Full-Scope AA

Table 3 - Geographic Distribution of Residential Real Estate Loans in Hillsborough, Pinellas and Pasco AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1.95	0.42	16.65	5.37	42.04	34.56	39.36	59.65
Refinance	1.95	0.91	16.65	4.55	42.04	23.64	39.36	70.90

Source: Data reported under HMDA for the period of January 1, 2012 through September 30, 2013 and 2010 U.S. Census data.

Home Purchase Loans

Given the performance context, the bank's home purchase lending in low- and moderate-income geographies in the Hillsborough, Pinellas and Pasco Counties AA reflects reasonable penetration. The percentage of the bank's home purchase loans in low-income geographies is slightly lower than the percentage of owner-occupied housing units in low-income geographies. The percentage of the bank's home purchase loans in moderate-income geographies is significantly lower than the percentage of owner-occupied housing units in moderate-income geographies; however, it is consistent with the performance context factors. In the AA, lending opportunities are limited as less than 2 percent of owner-occupied units are in the low-income geographies and only 16.65 percent of the housing units are owner-occupied in the moderate-income geographies.

Refinance Loans

Given the performance context, the bank's refinance lending in low- and moderate-income geographies in the Hillsborough, Pinellas and Pasco Counties AA reflects reasonable penetration. The percentage of the bank's refinance loans in low-income geographies is slightly lower than the percentage of owner-occupied housing units in low-income geographies. The percentage of the bank's refinance purchase loans in moderate-income geographies is significantly lower than the percentage of owner-occupied housing units in moderate-income geographies; however, it is consistent with the performance context factors. As mentioned above, the lending opportunities in low- and moderate-income geographies are limited due to the low percentage of owner-occupied housing units located in the AA. In addition, due to the downturn in the economy and the impact on housing values, the demand for refinance loans was very low.

Limited-Scope AAs:

Table 3 - Geographic Distribution of Residential Real Estate Loans in Seminole and Orange AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.20	0.00	4.23	0.00	32.84	36.36	62.73	63.64
Refinance	0.20	0.00	4.23	0.00	32.84	0.00	62.73	100.00

Source: HMDA Data for the period of January 1, 2012 through September 30, 2013 and 2010 U.S. Census data.

Home Purchase and Refinance Loans

Given the performance context and our limited-scope review, HBNA's performance in the Seminole and Orange AA is weaker than the bank's performance under the lending test. While lending opportunities are limited based on demographics and competition, as shown in the table above, the bank did not originate any home purchase and refinance loans in low-income or moderate-income geographies.

As noted in the *Scope of Examination*, performance in this AA was given minimal weight in the overall conclusions with only two full-service branches located in middle- and upper-income geographies, and less than 20 percent of the bank's total deposits and total loan originations are located there.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Sarasota and Manatee AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.64	0.00	14.93	0.00	41.24	33.33	43.19	66.67
Refinance	0.64	0.00	14.93	0.00	41.24	0.00	43.19	100.00

Source: Data reported under HMDA for the period of January 1, 2012 through September 30, 2013 and 2010 U.S. Census data.

Home Purchase and Refinance Loans

Given the performance context and our limited-scope review, HBNA's performance in the Sarasota and Manatee AA is weaker than the bank's performance under the lending test. While there limited opportunities for lending in low-and moderate-income geographies in the AA; as shown in the previous table, the bank did not originate any

home purchase and refinance loans in low-income geographies. The bank also did not originate any home purchase and refinance loans in moderate-income geographies.

As noted in the *Scope of Examination*, performance in this AA was given minimal weight in the overall conclusions, with only one full-service branch and it is located in an upper-income geography, and 10 percent of the bank's total deposits and 8 percent of total loan originations are located there.

Responses to Complaints

There have been no CRA-related complaints received by the bank or our office since the last CRA examination during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test is rated "Outstanding".

The bank's community development performance demonstrates excellent responsiveness to the needs of its AAs through community development loans, qualified investments (QI) and community development services, considering the bank's capacity and the need and availability of such opportunities for community development.

We reviewed information provided by HBNA for community development activities within the AAs during the evaluation period. The information was reviewed to validate that the activities supported community development and were responsive to community needs.

Community Development Loans

Assessment Area	#	\$ MM
Hillsborough/Pinellas/Pasco Assessment Area	6	\$ 8.6
Seminole/Orange Assessment Area	1	\$ 1.6
Sarasota/Manatee Assessment Area	0	\$ 0
Outside Assessment Area/inside in a contiguous county AA	1	\$ 0.4
Totals	8	\$ 10.6

HBNA's community development loan performance demonstrates excellent responsiveness to community needs, given the limited opportunities in the AA. Based on our community contacts made in the AAs, these loans addressed affordable housing geared towards low- and moderate-income individuals and families and lending to small businesses to promote economic development; both have been identified as important credit needs.

During the evaluation period, HBNA originated seven loans totaling \$10.2 million in the AAs. Six out of the seven loans originated in the Hillsborough, Pinellas, and Pasco Counties AA. As mentioned in the *Scope of Examination* section, we placed more

emphasis on this AA for community development lending due to the significance of the bank's presence in Hillsborough, Pinellas and Pasco Counties in relation to the bank overall. The one community development loan totaling \$418,000 originated in a county contiguous to the Seminole and Orange Counties AA and was given consideration due to the bank adequately meeting the community development needs within its AAs.

Total community development loans represent 17 percent of tier 1 capital as of September 30, 2013.

Hillsborough, Pinellas, Pasco Counties AA: (Full Scope)

The bank originated six community development loans totaling \$8.6 million within this AA.

HBNA addressed the AA's need for affordable housing by originating two community development multifamily affordable housing loans totaling \$2.3 million. One community development loan totaling \$1.04 million funded the refinancing of four multifamily apartment complexes affordable for low- and moderate-income individuals and families. In addition, three of the four apartment complexes are located in moderate-income geographies and in the City of St. Petersburg Enterprise Zone. An Enterprise Zone is a government-designated area that encourages economic growth and development by attracting and retaining businesses and residents in order to revitalize and stabilize a low- or moderate-income geography. In addition to the above loan, the bank provide financing in the amount of \$1.3 million to purchase two affordable multifamily apartment complexes located in areas that primarily serve low- and moderate-income individuals and families.

HBNA addressed the AA's need for promoting economic development by funding three qualified community development loans totaling \$1.4 million to small businesses who also qualified for SBA 7(a) loans and one community development loan for \$4.9 million to finance the purchase of an office building located in an Enterprise Zone.

- HBNA originated a \$4.9 million community development loan to provide financing to purchase an office building in a moderate-income tract in downtown Clearwater. The building is located in a moderate-income geography and the Clearwater Enterprise Zone.
- Community development loans made to small businesses include a loan originated for \$924,000 to a small business to finance business expansion in a moderate-income geography. The business is also located in the designated Drew Park Community Redevelopment Area, an area that encourages economic development. HBNA also originated a \$100,000 loan to a small business to provide working capital for a new retail store located in a low-income geography and in the designated Tampa Enterprise Zone. The third loan HBNA made was a \$360,400 loan to a small business to fund start-up costs for a new health care facility recently opened and located in a moderate-income census tract in

Clearwater. The urgent care benefits and supports low- and moderate-income individuals and families in the area.

Limited-Scope AAs:

Sarasota / Manatee Counties AA:

The bank did not make any qualified community development loans in this limited-scope AA, which is considered acceptable performance due to the performance context factors. As noted in the demographic data, opportunities for community development lending in this AA was very limited due to downturn in the economy and the impact on housing values and employment opportunities. In addition, there is a considerable amount of financial institutions in the AA, all competing to provide financing for the limited amount of qualified community development loans.

Seminole and Orange Counties AA:

To promote economic development in this AA, HBNA refinanced one community development loan totaling \$1.6 million. The loan refinanced four buildings all located in a moderate-income tract as well as in the designated Orange County Enterprise Zone. Goodwill Industries, which provides training for disabled persons, is a tenant in one of the buildings.

HBNA made a \$417,500 SBA 7(a) loan to a small, female-owned business located in Melbourne, Florida (Brevard County) to fund the purchase of a wheelchair and medical supply store. The store is located in a moderate-income geography and in a county contiguous to Orange County that may potentially benefit and support low- and moderate-income individuals in the AA.

Number and Amount of Qualified Investments

Community Development investments represent excellent responsiveness to AA needs, given the bank's size, capacity to provide such investments and the level of opportunities in the AAs. In total, HBNA invested \$20.8 million in qualified investments during the evaluation period.

During the evaluation period, HBNA made seven donations totaling \$19,920 to organizations whose primary focus meets one of the definitions of community development. These grants were made to community development organizations that provided services targeted to low- or moderate-income persons and families in all of the AAs with the majority benefitting the Hillsborough, Pinellas, Pasco Counties AA.

Hillsborough, Pinellas, Pasco Counties AA (Full-Scope):

Community Development investments represent *excellent* responsiveness to the Hillsborough, Pinellas, and Pasco Counties AA needs, given the bank's size, capacity to provide such investments and the level of opportunities in the AAs.

HBNA made two Fannie Mae (FNMA) and one Ginnie Mae (GNMA) investment totaling \$4.5 million. The three investments are mortgage-back securities collateralized by multifamily affordable housing properties and a pool of 1-4 single-family residences located in low- and moderate-income geographies or to low- and moderate-income borrowers in the AA. Based on our community contacts, affordable housing is considered a critical need in the AA.

Limited-Scope AAs:

Seminole and Orange Counties AA:

During the evaluation period, a few donations were made that benefitted the AA directly and indirectly. Due to the bank's limited presence in the AA, less emphasis was placed on the overall level of qualified investments during the evaluation period. Opportunities for qualified investments in this AA were limited due to the downturn in the economy during the evaluation period and the high volume of financial institutions located in Seminole and Orange Counties, all competing for limited qualified investments.

Sarasota and Manatee Counties AA:

During the evaluation period, a few donations were made that benefitted the AA directly and indirectly. Due to the bank's limited presence in the AA, less emphasis was placed on the overall level of qualified investments during the evaluation period. Opportunities for qualified investments in this AA were limited due to the downturn in the economy during the evaluation period and the high volume of financial institutions located in Sarasota and Manatee Counties, all competing for limited qualified investments.

Investments in Minority-Owned and Community Development Banks:

HBNA invested in 20 minority-owned banks totaling \$2.9 million and 6 community development banks totaling \$498,000. In total, HBNA invested in 26 certificates of deposits that were still outstanding during the evaluation period totaling \$3.4 million to financial institutions that primarily serve low- and moderate-income areas or to low- and moderate-income individuals in order to promote community development. Out of the 26 investments, 4 investments were made to banks located in Miami and 4 were made to banks located in Georgia. The remaining 18 investments were made in locations throughout the country. Although the bank purchased investments in banks located outside the AAs, these types of investments are a critical community development need for communities throughout the United States and, therefore, HBNA is provided the same consideration as if originated in the their three AAs.

Nation-wide Investments (Not in AA):

In 2013, HBNA made seven nation-wide investments totaling \$12.9 million in pools of underlying SBA's Small Business Development Corporations (SBDC) and Small Business Investment Companies (SBIC) participation certificates. These investments promote economic development by financing small businesses in locations outside the bank's AAs.

Community Development Services

The extent to which the bank provides banking services and community development services is excellent given its size and capacity to provide such services and the level of opportunities in the AAs.

Although there are no offices located in low-income geographies and only one office located in a moderate-income geography, the bank provides products that are considered responsive to low- and moderate-income individuals and small businesses. HBNA offers low-to-no-cost checking and savings account products geared toward low- and moderate-income individuals and small businesses. For example, the bank offers two personal and two business accounts, with low minimum balance requirements to open (\$100) and no monthly maintenance fees to those customers with automatic monthly direct deposit or other debit transactions. In addition, the bank offers a personal account (Home Free Checking) that does not have a monthly maintenance fee as long as the customer receives electronic statements.

Responsive loan products that can assist low- and moderate-income customers offered during the evaluation period include Federal Housing Administration (FHA), Veterans Administration (VA), United States Department of Agriculture/Rural Housing (USDA), Fannie Mae (FNMA), Freddie Mac (FHLMC) and various State of Florida and local county mortgage bond programs. SBA 7(a) and SBA 504 loans were also offered during the evaluation period to assist small businesses, as defined by CRA. The need for affordable housing and small business lending is frequently mentioned by community contacts.

The bank provides many services to its customers, including check card services and free 24-hour internet, bill paying and telephone banking, as well as onsite ATM access at all locations and drive-up facilities; with the exception of the Rocky Point, the St. Pete Plaza and the Winter Park branch locations. Customers are not charged for ATM transactions conducted at the bank's retail offices. Customers are also not charged for any ATM withdrawals conducted at any Publix Presto ATM locations.

HBNA's branch offices and drive-thru facilities are open from 9:00 until 5:00 Monday through Thursday, with the exception of the Winter Park office, which opens at 8:30, and all offices have extended hours until 6:00 on Friday.

Bank personnel engage in community development services that are responsive to community needs. During the evaluation period, 2 officers and 24 employees served

organizations whose mission or specific activity meets the definition of community development. Community services were provided to 34 different organizations throughout all AAs, with the majority provided in the full-scope AA-Hillsborough, Pinellas, and Pasco Counties. Specifically, bank personnel used their financial expertise by serving on finance and budget committees and assisting in fund-raising and grant opportunities. Bank personnel also provided financial literacy training targeted to low- and moderate-income individuals and residents of the AAs. These programs include such topics as budgeting, first time home buying, financial planning, credit scores and the use of checking accounts.

Responsiveness to Community Development Needs

Considering the bank's size, capacity, and the level of AAs opportunities, HBNA's community development performance demonstrates excellent responsiveness to community development needs through its community development loans, investments and services mainly in the Hillsborough/Pinellas and Pasco full-scope AA, which was given the most consideration in the overall community development performance. Community development lending was principally helping to meet economic development in the AAs by financing projects to include affordable housing for low- and moderate-income individuals located in various Enterprise Zones. Community development investments were primarily to finance affordable housing investments in the AA and by providing economic support and development to minority-owned and community development banks. In addition, HBNA also helped meet the financing needs of small businesses nation-wide by investing in SBDCs and SBIC's instruments. Community development services include low-to-no-cost checking and savings products that can benefit low- and moderate-income individuals and small businesses. In addition, the bank offers FHA, VA, USDA, and SBA loan products that can also benefit low- and moderate-income individuals and small businesses. Finally, officer and employee time were mainly focused on helping to meet the needs of community service organizations that generally address the needs of affordable housing and small businesses.

Providing funds for affordable housing projects to benefit low- and moderate-income individuals and loans to small businesses to support economic growth were identified as critical needs in the AAs.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's (bank) CRA rating, OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance.

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