



Small Bank Performance Evaluation

PUBLIC DISCLOSURE

September 13, 1999

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First American Bank of Pensacola, N.A.
Charter Number 17292**

**33 West Garden Street
Pensacola, FL 32501**

Office of the Comptroller of the Currency

**Southeastern District
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First American Bank of Pensacola, N. A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 13, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

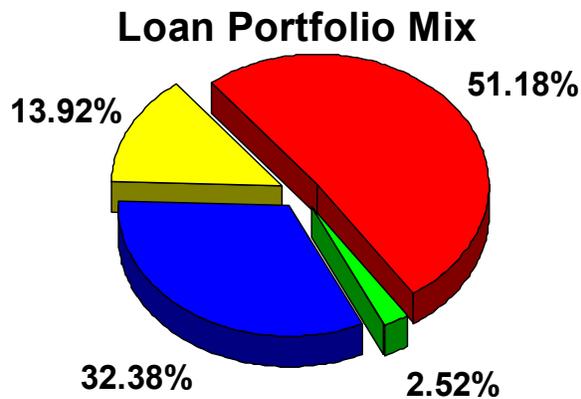
INSTITUTION'S CRA RATING: This institution is rated “**Satisfactory**”.

The rating is based on the following:

- A substantial majority (95%) of the loans were made in the bank's assessment area.
- First American Bank maintains a strong ratio of loans to deposits. The bank's quarterly average loan to deposit (LTD) ratio was 85%. As of 6/30/99, the LTD was 94% and ranked in the 93rd percentile nationally.
- Lending patterns indicate reasonable distribution of loans among borrowers of different income levels and a good record of small business lending.
- The geographic distribution of loans reflects reasonable penetration throughout the assessment area.
- The Fair Lending review revealed no evidence of disparate treatment and the bank has not received any CRA related complaints.

DESCRIPTION OF INSTITUTION

First American Bank of Pensacola N.A. is a \$248 million community bank located in Pensacola, Florida. The bank is wholly owned by First American Bancshares, a one bank holding company. The bank operates six full service offices and automated teller machines (ATMs) including a main office in downtown Pensacola. Two of the bank's six locations are in low- or moderate-income areas. There are 15 banks and several credit unions which operate in the assessment area including branches of the largest regional financial institutions in the southeast. First American's primary business focus is in small business and commercial real estate lending. However, the bank offers a variety of products including real estate, consumer, and commercial loans and various deposit accounts. The loan mix based on 6/30/99 Call Report is as follows:



Neither legal impediments nor its financial condition prevent First American Bank from meeting the credit needs of the community. The bank's previous CRA rating was "Outstanding" (3/13/95). Information obtained from bank reports were analyzed and reviewed for accuracy.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) consists of the Pensacola metropolitan statistical area (MSA 6080) which includes Escambia and Santa Rosa counties. The MSA contains 6 low income, 12 moderate income, 34 middle income, 10 upper income and 5 other (military areas) census tracts.

The weighted average census median family income for the MSA is \$29,922. This figure is used to determine the income characteristics of each census tract within the MSA. First American's AA meets all legal requirements set forth by the CRA regulation and does not arbitrarily exclude any low- or moderate- income areas.

The analysis of lending to borrowers of different income levels (detailed later in this evaluation) is based on the Housing and Urban Development (HUD) weighted average median family income. The updated median family income for the Pensacola MSA for 1999 is \$41,900. Low income is defined as less than 50% of the median family income (less than \$20,950), moderate income is between 50% and less than 80% (\$20,950 to less than \$33,520), middle income is 80% to 120% (\$33,520 to \$50,280), and high income is considered anything over 120% (greater than \$50,280).

Based on the 1990 census the total population for the MSA is approximately 344,406. The economic base is centered in government, tourism, military and private service industries. Major employers in Escambia County are: Pensacola Naval Air Station and related training facilities such as Saufley Field, Corry Station and NAS Whiting Field. The largest employers in Santa Rosa County are: Raytheon Airspace Support Services and the government and military sector. The local economy is considered to be good due to the secure military presence and tourist markets and renewed focus on diversifying into new industries. Santa Rosa County experienced a major loss with the closing of Vanity Fair's Milton operation eliminating approximately 541 jobs. However, this is somewhat offset by the announcement that Aristar, a Washington Mutual Company will locate a 300 - 500 employee operations center in the Pensacola area. This will become the largest economic development project in Escambia County in six years. The

unemployment rate for the Pensacola MSA was 3.9% as of the second quarter of 1999 compared to the state of Florida average of 4.1%.

Information received from a community contact identified an increasing need for affordable rental housing in the Pensacola and Escambia County markets. The contact stated that the area housing authorities, section eight housing, and many private low- income housing organizations are operating at maximum capacity with significant waiting lists of eligible low-income applicants. One reason given for the rising need is the increase in welfare to work families that have gained employment, but do not have incomes sufficient to afford market rental rates. The contact was complementary of several local banks in the area for their participation in SHIP and other affordable loan programs. Banks cited by name were primarily large financial institutions that have devoted specific resources to serve this market.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio (LTD)

- First American Bank has a high loan to deposit ratio (LTD) which exceeds the standards for satisfactory performance.

The bank's quarterly LTD ratio since the last CRA examination dated 3/13/95 averaged 85%. Over the past eight quarters, the bank's LTD ratio averaged 90% and was 94% as of 6/30/99. As of 6/30/99, the bank's LTD ratio ranked nationally in the 93rd percentile.

Comparison of Credit Extended Inside and Outside of the Bank's Assessment Area

- A substantial majority of both dollar amount and number of loans are made to borrowers within the bank's assessment area.

A review of the bank's total loans made in 1998 and in the first half of 1999 revealed that 95% of the number of loans were made within First American's assessment area, which equates to 94% and 78% in dollar amount respectively. These figures are depicted in Table 1 below.

In addition, the bank demonstrated strong lending penetration with over 96% of both the number and dollar amount of loans made within the AA for Home Mortgage Disclosure Act (HMDA) reportable loans. These figures are depicted in Table 2.

All loans originated or renewed between 1/98 - 6/99

Total Loan Distribution - Table 1				
Location	# of Loans	% of Loans (by #)	\$ Volume of Loans	% of Loans (by \$)
<i>1998 - MSA 6080</i>	1,109	95%	\$128,525,234	94%
<i>Outside AA</i>	55	5%	\$8,293,864	6%
Total	1,164	100%	\$136,819,098	100%
<i>1999 - MSA 6080</i>	518	95%	\$50,562,187	78%
<i>Outside AA</i>	28	5%	\$13,899,007	22%
Total	546	100%	\$64,461,194	100%

Source: Internal Loan Reports

HMDA Reportable Loans made between 1/98 - 7/99

HMDA Reportable Loan Distribution - Table 2				
Location	# of Loans	% of Loans (by #)	\$ Volume of Loans	% of Loans (by \$)
<i>1998 - MSA 6080</i>	162	99%	\$19,626,000	99%
<i>Outside AA</i>	2	1%	\$144,516	1%
Total	164	100%	\$19,770,516	100%
<i>1999 - MSA 6080</i>	109	96%	\$11,451,000	96%
<i>Outside AA</i>	5	4%	\$531,000	4%
Total	114	100%	\$11,982,000	100%

Source: Home Mortgage Disclosure Act - Loan Application Register (HMDA-LAR)

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

- The distribution of loans to businesses of different sizes and lending to borrowers of different income levels meets the standards for satisfactory performance.

Business loans (commercial and commercial real estate) account for 65% of First American's total loan portfolio. As illustrated in Table 3 below, the distribution of loans to small businesses

(gross revenues less than \$1 million) is good. Of the 90 business loans made, 66% of the number and 77% of the dollar amount were made to small businesses. First American's small business lending is reflective of the business demographics for the Pensacola MSA, which indicates that approximately 73% of all businesses are classified as small.

Business loans originated or renewed during 1999

Business Loan Distribution - Table 3					
Source	# Bus. Loans	# Small Bus. Lns.	% Small Bus. Lns.	\$ Amount Small Bus. Lns.	% of \$ Amt. Small Bus. Lns.
1990 Census Report	14,279	10,386	72.7%	NA	NA
Sample Bank Loans	90	59	65.6%	\$10,545,935	76.7%

Source: CRA WIZ Business Demographic Data and Internal Loan Reports

1998 HMDA Loan Distribution by Income Level - Table 4					
Origination	% of Families by Income	# of Loans in AA	% of Total (by #)	\$ of Loans in AA	% of Total (by \$)
Low-Income	20.5%	6	3.9%	\$212,000	1%
Moderate-Income	18.1%	13	8.3%	\$512,000	3%
Middle-Income	21.9%	24	15.4%	\$1,470,000	8%
Upper-Income	39.5%	113	72.4%	\$16,462,000	88%
Total	100%	156	100%	\$18,656,000	100%

Source: CRA Wiz Demographic Data (from 1990 Census Data Report) and HMDA-LAR

Note: 6 loans reported with no income information

1999 HMDA Loan Distribution by Income Level - Table 5					
Origination	% of Families by Income	# of Loans in AA	% of Total (by #)	\$ of Loans in AA	% of Total (by \$)

1999 HMDA Loan Distribution by Income Level - Table 5					
Low-Income	20.5%	4	3.8%	\$131,000	1.2%
Moderate-Income	18.1%	12	11.3%	\$680,000	6.0%
Middle-Income	21.9%	22	20.8%	\$1,638,000	14.6%
Upper-Income	39.5%	68	64.1%	\$8,808,000	78.2%
Total	100%	106	100%	\$11,257,000	100%

Source: CRA Wiz Demographic Data (from 1990 Census Data Report) and HMDA-LAR

Note: 8 loans reported with no income information

Tables 4 and 5 demonstrate that the bank's consumer real estate (HMDA) lending to low-income borrowers is less representative of the family income demographics based on census information. The lower percentage is somewhat mitigated by the bank's HMDA lending market share ranking of 18th with only 1.8% of the overall market. Lending to moderate-income borrowers improved from 8% in 1998 to 11% in 1999, but remains below benchmark comparisons. The bank also showed an increase in lending to middle-income borrowers from 1998 to 1999. First American does not compare favorably to a number of local institutions in HMDA lending to low- and moderate-income borrowers. As noted above, the bank's primary business focus is in small business lending and there is heavy competition in the local market by numerous financial institutions.

Other efforts to serve the needs of low- and moderate-income borrowers include 12 loans totaling \$209,425 as of 12/31/98 through the Pensacola Habitat for Humanity program.

Geographic Distribution of Loans

- The geographic distribution of HMDA loans (Tables 6 - 8) reflects reasonable penetration throughout the assessment area.

Geographic Distribution of 1998 HMDA Loans - Table 6					
Income Level of Census Tracts	% of Owner Occupied Housing	# Loans in Census Tracts	% of Total (by #)	\$ of Loans in AA	% of Total (by \$)
Low (6)	3.05%	3	1.9%	\$405,000	2.1%
Moderate (12)	10.54%	6	3.7%	\$598,000	3.1%

Geographic Distribution of 1998 HMDA Loans - Table 6					
Middle (34)	63.69%	91	56.1%	\$11,089,000	56.5%
Upper (10)	22.72%	62	38.3%	\$7,534,000	38.3%
Total	100%	162	100%	\$19,626,000	100%

Source: CRA Wiz Data Demographics (from 1990 Census Data Report) and HMDA-LAR

Geographic Distribution of 1999 HMDA Loans - Table 7					
Income Level of Census Tracts	% of Owner Occupied Housing	# Loans in Census Tracts	% of Total (by #)	\$ of Loans in AA	% of Total (by \$)
Low (6)	3.05%	4	3.7%	\$518,000	4.5%
Moderate (12)	10.54%	4	3.7%	\$683,000	6.0%
Middle (34)	63.69%	66	60.5%	\$6,279,000	54.8%
Upper (10)	22.72%	35	32.1%	\$3,971,000	34.7%
Total	100%	109	100%	\$11,451,000	100%

Source: CRA Wiz Data Demographics (from 1990 Census Data Report) and Sampled Loans

First American's geographic distribution of HMDA loans in low- income tracts improved from 2% in both number and dollar amount in 1998 to 4% in 1999. The bank's lending to borrowers in low- income census tracts is slightly better than the percentage of owner occupied housing in low- income areas. In addition, First American ranked 4th in market share for low- income areas with 4.35% of the home purchase market which exceeds the bank's overall market share for HMDA loans of 1.8%. However, lending in moderate- income census tracts is less representative than owner occupied housing benchmarks and the bank's market share is slightly less than its overall market penetration.

According to 1990 census information, there is a higher percentage of renter occupied units in the low- and moderate- income areas than owner occupied units. To this end, First American extended a community development loan in the amount of \$250,000 and issued a letter of credit for \$364,160 AMR at Pensacola, Inc. AMR is a non-profit corporation which provides low income housing in the Pensacola and Escambia County areas. Proceeds from this loan were used to fund a portion of construction costs for two sets of four duplexes for low- income rental housing.

Geographic Distribution of Business Loans(1/1/99 - 8/31/99) - Table 8					
Income Level of Census Tracts	% of Total Census Tracts	# Loans in Census Tracts	% of Total (by #)	\$ of Loans in AA	% of Total (by \$)
<i>Low (6)</i>	<i>9.0%</i>	<i>17</i>	<i>15.6%</i>	<i>\$903,139</i>	<i>4.9%</i>
Moderate (12)	17.9%	16	14.7%	\$1,274,715	6.9%
Middle (34)	50.7%	47	43.1%	\$11,140,294	60.1%
Upper (10)	14.9%	22	20.2%	\$4,641,928	25.1%
N/A (5)	7.5%	7	6.4%	565,995	3.0%
Total (67)	100%	109	100%	\$18,526,071	100%

Source: CRA Wiz Data and Internal Loan Reports

First American's penetration of business loans in low- income census tracts exceeds the percentage of low- income areas by number of loans made but is less representative in the dollar amount. The distribution of the number of business loans in moderate- income areas is reasonable at 14.7%, however, the dollar amount is less comparable to assessment area demographics.

Response to Complaints

- No complaints were received from the public since the prior examination.

Results of Fair Lending Review

Scope/Objective:

Our Fair Lending sample consisted of a comparison of loan terms offered on 32 home purchase loans reported on the HMDA-LAR from 1/1/1999 through 7/31/1999. The primary objective was to ascertain whether rates and terms were comparable among prohibited basis groups.

Conclusion:

We found no evidence of disparate treatment or discriminatory credit practices during the review. Additionally, the bank is in substantial compliance with anti-discriminatory laws and regulations. Adequate policies and procedures are in place to govern day to day operations.