



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 9, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bankers Trust Company of Florida, N.A.
Charter Number 17112

350 Royal Palm Way
Palm Beach, Florida 33480

COMPTROLLER OF THE CURRENCY
MIAMI DUTY STATION
5757 BLUE LAGOON DRIVE, SUITE 200
MIAMI, FLORIDA 33126

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 Bankers Trust Company of Florida, N.A. (Bankers Trust) prepared by the Office of the Comptroller of the Currency, as of September 9, 1996. The agency evaluates performance in assessment area(s) as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION

Institution's CRA Rating: This institution is rated Satisfactory.

Bankers Trust's CRA performance is consistent with its designation as a wholesale institution, its business plan, financial capacity, and legal constraints which limit its banking activities. Since 1994, the bank has experienced large reductions in the number of trust clients it serves. This has significantly affected the bank's profitability and its ability to engage in affordable housing lending and investment activities. Activities during the review period, however, supported the bank's CRA performance and benefitted low- and moderate-income residents of its community. These activities include reasonable amounts of:

- Affordable housing investments which include financial contributions to affordable housing organizations, and
- Affordable housing loans.

DESCRIPTION OF INSTITUTION:

Bankers Trust is located in Palm Beach, Florida and is wholly owned by Bankers Trust New York Corporation. The bank opened as a trust company in 1981. In 1984 the OCC granted them authority to expand their banking activities; however, due to prohibitions imposed by the State of Florida against interstate bank branches, Bankers Trust was unable to fully engage in all of the activities allowed for a bank-- to accept demand deposits and make commercial loans. The bank chose to desist from commercial lending.

Bankers Trust received a designation as a wholesale institution from the OCC on April 16, 1996. A wholesale institution does not extend home mortgage, small-business, small-farm, or consumer loans to retail customers unless it is incidental and is done on an accommodation basis.

Bankers Trust defines its business as asset management, primarily trust and investment advisory services for individuals investing sums of \$2 million or more. For those clients, the bank also offers banking services and residential mortgage lending on an accommodation basis. These loans are disclosed on an inquiry basis and are not advertised to the general public. The bank operates out of a single office on Palm Beach Island which is generally not accessible to the public. The bank originated 23 loans, all of which are residential and four (17%) of which are considered affordable housing loans.

During 1994, the bank's net income dropped significantly due to a reduction in the number of trust clients the bank serves. The bank's net income represented only ten percent of 1993 and significantly reduced the bank's ability to fund affordable housing loans and investments. The bank has not fully recovered its base of trust clients and net income as of December 31, 1995 totaled \$380 thousand or one third of 1993 net income. As of December 31, 1995, Bankers Trust had total banking assets of \$21 million and trust assets which included \$259 million in discretionary assets under management and \$187 million in non-discretionary assets. The parent company, Bankers Trust of New York Corporation, had banking assets totaling \$104 billion on the same date.

DESCRIPTION OF ASSESSMENT AREA:

The bank's Assessment Area (AA) meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The AA of Palm Beach County matches the boundaries of the Palm Beach, Florida Metropolitan Statistical Area (MSA) and encompasses 207 geographies which include 10 (5%) low-income, 45 (22%) moderate-income, 87 (42%) middle-income, and 65 (31%) upper-income census tracts. According to the 1990 census, the area population was 863,518. Of 244,633 families in the county, 19% were low-income, 19% were moderate-income, 23% were middle-income, and 39% were upper-income. The U.S. Department of Housing and Urban Development estimated the 1996 MSA median family income to be \$48 thousand.

The local economy is considered healthy and is expanding. The economy is primarily service-oriented and includes a significant tourism component. The major private employer is Pratt Whitney. Public services include hospitals, government and education. The bank has identified affordable housing to be the critical credit need of the county and the area of focus given its bank's inability to extend commercial loans. Numerous financial service providers are located within the county including small independent banks, branches of large regional and multinational banks, various thrift, and other specialty institutions.

We determined credit needs and the availability of community development investments through discussions with management and by reviewing recent community contacts made by the OCC for other examinations in the same AA. Through these efforts, we determined that opportunities to invest in community development affordable housing bonds are limited. In addition, competition for those bonds is strong due to the large number of financial institution in the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE:

I. Community Development Investments:

The bank invested a reasonable volume of its funds in affordable housing bonds during this review given the limited availability of bonds in the AA, the bank's size, and its strategic

focus. During our review period, the bank has invested an aggregate amount of \$944 thousand. Approximately, \$560 thousand of this paid off during the period due to a combination of bond issuer calls and normal maturities. Management indicated that affordable housing investments in the AA are limited and that competition among financial institutions for such investments increases the difficulty of acquiring them. The bank has issued standing orders to brokers to inform them of any such investments that might become available.

The qualified investments during this review period include:

▶ Housing Finance Authority of Palm Beach County, Florida Bonds:

These bonds specifically target low- and moderate-income single family housing needs in the county. The bank purchased \$250 thousand of these bonds on March 6, 1990, the last of which matured at the end of 1995. The bank also purchased \$250 thousand of a 1992 issuance June 17, 1992. Approximately \$40 thousand remains in the portfolio. The remainder matured.

▶ West Palm Beach, Palm Beach County, Florida Community Redevelopment Agency:

These bonds specifically target low- and moderate-income single family housing needs in West Palm Beach. The bank purchased \$100 thousand of these housing bonds on May 28, 1993 and they have since matured.

▶ Florida Housing Finance Agency:

These bonds specifically target low- and moderate-income single family housing needs in Florida, including the bank's AA. The bank purchased \$170 thousand of these bonds on July 11, 1996 and they remain in the portfolio.

Bankers Trust also provides significant contributions to support the operations of various community development organizations targeting low- or moderate-income individuals, particularly those engaged in affordable housing activities. The bank has contributed a total of \$174 thousand or approximately \$32 thousand annually to such organizations. Some of these organizations include: Community Financing Consortium, Inc., Florida Low Income Housing Coalition, Habitat for Humanity of Palm Beach County, and Local Initiatives Support Corporation of Palm Beach County (LISC/PB). Donations to the Palm Beach County Black Business Investment Corporation are also qualified investments and are included in the totals above.

II. Community Development Lending:

Community development lending is reasonable given the bank's size and strategic focus. As a

wholesale bank, only incidental or accommodation residential lending is permissible. The bank has extended four affordable single family residential loans totaling \$157 thousand to low- or moderate-income individuals. The bank originated two of these loans in 1992, one in 1994, and one in 1995. These loans represent 17% of all mortgages and are in the AA. These loans resulted from the bank's involvement in the Consortium for Affordable Home Financing, Inc. The bank was a charter member of this organization which now includes 17 members. In terms of dollars, the percentage is much lower since the bank's normal clients traditionally request large mortgage loans.

III. Community Development Services:

Banker Trust's community development services are appropriate given its financial and technical capacity. Examples include:

- ▶ Vice President Erik Arens serves as a member of the Residential Subcommittee of the Community Financing Consortium, Inc. The committee generally meets monthly and reviews a wide array of issues confronting affordable housing lending and after addressing the relevant issues, forwards them to the Consortium Board for discussion and final action. Mr. Arens also serves on the Consortium Board. The bank has also provided monetary contributions to the Consortium for Home Buyer Workshops for affordable mortgage applicants. The monetary amounts are included in the investments discussion above.
- ▶ Vice President Erik Arens also serves as a member of the advisory board of LISC/PB which assists in revitalization efforts of low-income areas by helping local Community Development Corporations with their development of affordable housing in targeted areas. Former Presidents of Bankers Trust John Stewart and John Flasco also served on the advisory board of LISC/PB during this review period.

IV. Compliance with Antidiscrimination Laws and Regulations:

Our examination findings identified no violations of the substantive provisions of the antidiscrimination laws and regulations.

Scope of Examination:

We conducted a Community Reinvestment Act (CRA) examination in accordance with standard procedures for a wholesale institution. As part of the procedures, we reviewed all community development loans, investments, and service records presented by bank management to ensure that they qualified for consideration under the community development tests. We did not consider information from affiliate institutions. The examination also included consideration of information on the bank and its assessment area.