



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**July 28, 2008**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank of Pasco  
Charter Number 20976

13315 US Highway 301 South  
Dade City, FL 33525-0000

Office of the Comptroller of the Currency

NORTH FLORIDA FIELD OFFICE  
8375 Dix Ellis Trail, Suite 403  
Jacksonville, FL 32256

**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.**

- First National Bank of Pasco's average loan-to-deposit ratio is reasonable in comparison to similar-sized institutions.
- The bank makes a majority of its loans within the assessment area.
- The bank's record of lending reflects a reasonable penetration among individuals of different income.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

**SCOPE OF EXAMINATION**

First National Bank of Pasco (FNBP) was evaluated based on an analysis of primary lending activities in the bank's full assessment area. The time period for this evaluation is May 1, 2003 through June 30, 2008. The last Community Reinvestment Act (CRA) evaluation of FNBP was completed on April 23, 2003, when the bank received a "Satisfactory" rating. The focus of this evaluation was on residential mortgage products and consumer loans. Refer to the "Performance Criteria" analysis within this evaluation for a discussion of the loan sampling methodology used for this review.

**DESCRIPTION OF INSTITUTION**

First National Bank of Pasco was chartered in 1986 and is wholly-owned by Florida Bancshares, Incorporated, a one-bank holding company. The main office is located in Dade City, Pasco County, Florida. FNBP also operates two branch offices in Zephyrhills, Pasco County, Florida. The bank offers automated teller machine (ATM) access at its three branches, Pasco Regional Medical Center and Saint Leo University. The bank also offers drive-up facilities and online banking.

FNBP offers a variety of lending programs. The primary focus has been residential real estate loans and individual consumer loans. As of June 30, 2008, residential real estate loans were approximately \$54 million, or 47% of the loan portfolio. Individual consumer loans were approximately \$38 million, or 33% of the loan portfolio. The bank had total assets of \$142 million with net loans accounting for approximately 80% of total assets. There are no financial, legal, or regulatory constraints that would prevent the bank from meeting the credit needs of the community.

**DESCRIPTION OF ASSESSMENT AREA(S)**

FNBP's assessment area (AA) consists of all of eastern Pasco County and one adjacent census tract in Hernando County. The AA includes the cities of Dade City, Zephyrhills, St. Leo and San Antonio in Pasco County and Ridge Manor in Hernando County. The assessment area is

comprised of the 15 census tracts in eastern Pasco County and one adjacent census tract in Hernando County. The income categories of the AA census tracts are detailed below.

<b>Census Tract Category</b>	<b># of Census Tracts</b>	<b>% of Total</b>
Low-Income	0	0.00%
Moderate-Income	9	56.25%
Middle-Income	4	25.00%
Upper-Income	3	18.75%
<b>Total</b>	<b>16</b>	<b>100.0%</b>

The assessment area is part of the Tampa-St. Petersburg-Clearwater (Tampa) Metropolitan Statistical Area (MSA #45300). Based on year 2000 Census Bureau data, the median family income is \$39,451. Nine census tracts are classified as moderate-income, four are middle-income and three are classified as upper-income census tracts. There are no low-income census tracts in the AA. The Department of Housing and Urban Development (HUD) estimates the 2006 and 2007 median family income at \$54,400 and \$53,900, respectively for the Tampa MSA. Based on these estimates, 23% of the families in the AA are classified as low-, 24% moderate-, 23% middle- and 30% upper-income.

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geography. And, the bank's size and office locations support the designated assessment area.

The assessment area has a significant percentage of retirees (29%). Twenty-six percent (26%) of the population is over 65 years of age. Forty-six percent (46%) of the population receives social security income. Less than 11% of the population lives below the poverty level. Eighty (80%) of all housing units are occupied, while 66% are owner-occupied. The major industry sectors for Pasco County are retail, transportation and utilities at 12%, education and health at 9%, construction at 6%, and leisure and hospitality at 6%. Major private sector employers are Pall Aeropower Corp., Zephyrhills Spring Water Corp., and VLOC, Incorporated. The major industry sectors for Hernando County are retail, transportation and utilities at 17%, education and health at 11%, and leisure and hospitality at 9%. Major private sector employers are Wal-Mart Distribution Center, Oak Hill Hospital, Spring Hill and Brooksville Regional Hospital.<sup>1</sup>

Banking competition in the AA is strong with community banks, regional banks, and large banks operating in the market. There are 25 banks and savings institutions operating 114 offices in Pasco County. These institutions hold a total of \$5,375,349,000 in deposits inside the Pasco County market. The top eight banks hold approximately 82% of the deposits in the county. FNBP was ranked 11<sup>th</sup> with a deposit market share of 2%. Leading banks are Bank of America, Wachovia and SunTrust. These institutions hold 56% of the deposits. There are 13 banks and savings institutions with 41 bank offices in Hernando County. These institutions hold a total of \$2,885,545,000 in deposits inside the Hernando County market. The top five banks hold approximately 84% of the deposits in the county. FNBP holds no market share in the Hernando

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<sup>1</sup> Source: Enterprise Florida, Inc., www.eflorida.com; 2000 U.S. Census

County. Leading banks are SunTrust and Bank of America. These institutions hold 62% of the deposits.<sup>2</sup>

During the evaluation period, we contacted a local community organization to identify credit needs within the community. The community representative noted the challenges of affordable home financing for low- to moderate-income borrowers and first time homebuyers. The area economy and housing market have suffered recently with the general downturn in the real estate market. Consequently, foreclosures are on the rise. Pasco County is experiencing an average of 70-80 foreclosures per month. As a result, lenders have tightened credit guidelines and increased down payment requirements. The representative noted that FNBP was one of their most active lenders in spite of being smaller than other institutions operating in the area.

The AA was expanded after the evaluation period to include areas of increased lending activity. Five adjacent census tracts in Pasco and one adjacent census tract in Polk County were added to the existing AA.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

• **Loan-to-Deposit Ratio - Meets the Standard for Satisfactory Performance**

FNBP's average loan-to-deposit ratio is reasonable in comparison to similarly situated institutions. Similarly situated institutions are those of similar asset size operating in the same MSA. FNBP's average loan-to-deposit ratio since the last examination is 84.69% compared to the average loan-to-deposit ratio for similarly situated banks at 88.72%. The high average is 105.15% and the low average is 76.86%.

• **Lending in Assessment Area – Meets the Standard for Satisfactory Performance**

A majority of the bank’s loans are made within the assessment area. Based on dollar volume, a substantial majority of its consumer lending is in the AA. Also, the total dollar amount and total number of loans are 56.09% and 57.51%, respectively. Our conclusion is based upon analysis of all residential mortgage loans originated from May 1, 2003 through June 30, 2008. This includes loans to purchase or refinance homes. We also obtained a random sample of 20 consumer loans made from January 1, 2006 through June 30, 2008. Our results for both loan types are summarized the table below.

The results do not reflect the AA adjustment and areas of increased lending discussed above as the change occurred after our evaluation period.

Loan Type	Number of Loans					Dollar Volume of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Mortgages	523	56.12%	409	43.88%	932	\$41,492	56.92%	\$31,397	43.08%	\$72,889
Consumer Loans	11	55.00%	9	45.00%	20	\$1,797	75.38%	\$587	24.62%	\$2,384
Total	534	56.09%	418	43.91%	952	\$43,289	57.51%	\$31,984	42.49%	\$75,273

<sup>2</sup> Source: Federal Deposit Insurance Corporation, www.fdic.gov, data as of June 30, 2007

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

*The bank’s record of lending reflects a reasonable penetration among individuals of different income levels.* This analysis includes all residential mortgage loans originated within the AA discussed above. We compared the income distribution of the bank’s borrowers in our sample to the income distribution of families within the assessment area. The borrowers were categorized into income groups based on the 2006 and 2007 HUD median family income of \$54,400 and \$53,900, respectively, for the Tampa-St. Petersburg-Clearwater MSA. The distribution of families in the assessment area (% of families in AA) is based on 2000 U.S. Census Bureau data. This analysis is depicted in the following table.

The percentage of the total number of FNBP loans to moderate-income families exceeds the total percent of moderate-income families in the AA. On the other hand, the lower percentage of loans to low-income families is primarily attributed to the level of other banking competition in the area and the challenges of making loans for affordable housing discussed within the *Description of the Assessment Area* section of this evaluation.

Table 2 – Borrower Distribution of Residential Real Estate and Consumer Loans in FNB Pasco AA								
Borrower Income Level	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
Loan Type	% of AA Families	% of FNBP Loans (#)	% of AA Families	% of FNBP Loans (#)	% of AA Families	% of FNBP Loans (#)	% of AA Families	% of FNBP Loans (#)
Residential Mortgages	23.14%	10.71%	24.18%	26.39%	22.39%	23.14%	30.29%	33.65%
Consumer Loans	23.14%	5.00%	24.18%	25.00%	22.39%	40.00%	30.29%	30.00%
Total	23.14%	10.50%	24.18%	26.34%	22.39%	23.76%	30.29%	33.52%

- **Geographic Distribution of Loans – Meets the Standard for Satisfactory Performance**

*The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.* The distribution reflects lending in all income tracts represented in the bank's assessment area. For this analysis, we first compared the geographic distribution of the residential loans within the assessment area to the level of owner-occupied housing within each geographic area. The level of owner-occupied housing is typically an indicator of the opportunities available for residential mortgage financing. The AA, however, has a significant number of retirees. This group characteristically has lower levels of income and lower demand

for residential mortgages. The geographic distribution of loans is also evaluated in the context of the bank's size and the level of banking competition in the area. Based on our findings, the bank has a reasonable record of lending to individuals in different geographies. The results of our analysis are summarized in the table below.

Table 3 - Geographic Distribution of Residential Real Estate Loans in FNBPA								
Census Tract Income Level	Low- Income		Moderate-Income		Middle-Income		Upper-Income	
Loan Type	% of AA Owner Occupied Housing	% of Number of FNBPA Loans	% of AA Owner Occupied Housing	% of Number of FNBPA Loans	% of AA Owner Occupied Housing	% of Number of FNBPA Loans	% of AA Owner Occupied Housing	% of Number of FNBPA Loans
Residential Mortgages	0%	0%	59.86%	51.43%	24.82%	43.21%	15.33%	5.35%

Next, we analyzed the geographic distribution of consumer loans. For this analysis, we compared the geographic distribution of consumer loans sampled within the assessment area to the concentration of households within each geographic area. The results indicate that the bulk of the bank's consumer lending takes place in the middle income census tracts. There are several contributing factors to this level of lending. There are only four middle-income census tracts in the bank's AA. Two of the middle-income census tracts are in close proximity to the bank's offices. One of the middle-income tracts spans the area between the bank's three branches. And, the other middle-income tract connects to the southwest corner of this census, as well as adjacent to the tracts where the two Zephyrhills branches are located. Additionally, a substantial majority of the bank's consumer lending is manufactured housing (86% during the loan sample period). There is a significant number of manufactured housing and opportunities to finance this type of housing in the two large, rural middle-income census tracts discussed above.

The bank also has a Retirement Manufactured Home Program which provides consumer financing to retirees. The two middle-income census tracts have a significant number of participants in the program.

Table 3A - Geographic Distribution of Consumer Loans in FNBPA							
Low		Moderate		Middle		Upper	
% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
0%	0.00%	58.00%	15.00%	24.90%	85.00%	17.10%	0.00%

**Responses to Complaints – Not Applicable**

We reviewed records of consumer complaints made to our agency and those maintained by the bank in the public file. There were no complaints made relative to the Community Reinvestment Act during this evaluation period.

**Fair Lending or Other Illegal Credit Practices Review – Not Applicable**

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