



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**March 1, 2005**

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

**The Hemisphere National Bank  
Charter Number 16776**

**8600 NW 36th Street, Suite 800  
Miami, FL 33166**

**Comptroller of the Currency  
South Florida (Miami)  
9800 Northwest 41st Street Suite 120  
Miami, FL 33178**

**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.**

We evaluated Hemisphere National Bank's ("HNB") CRA performance using the small bank performance criteria. Our evaluation period covered September 27, 1999, the date of the last CRA examination, to March 1, 2005, although we focused on lending activity from January 1, 2003 through March 1, 2005. The primary reasons supporting this rating are:

- HNB's loan-to-deposit ratio meets the standard for satisfactory performance.
- Lending in HNB's assessment area meets the standard for satisfactory performance when community development loans and lending-related investments are considered.
- The geographic distribution of loans meets the standard for satisfactory performance, based primarily on small business loans, HNB's primary business line.
- The borrower distribution of loans does not meet the standard for satisfactory performance.

## **DESCRIPTION OF INSTITUTION**

HNB is an intrastate community bank headquartered in Miami, Florida. The bank has no operating affiliates and is wholly owned by Privee LLC, a holding company, also located in Miami. The bank operates three branches in Miami-Dade County including two in Miami (Coral Way and NE 1<sup>st</sup> Street) and one in Aventura. Since the last examination, the bank sold two of its branches in Miami-Dade County (Falls and South Miami), in accordance with the bank's strategic plan.

HNB offers a variety of deposit and loan products for individuals and businesses, as described in the CRA Public File. However, the bank's primary loan type is commercial lending, with a particular emphasis on export financing. The bank is active in offering financing through Export-Import Bank of the United States ("Eximbank") programs and is an approved lender with the Florida Export Finance Corporation. In order to help meet its obligations under the CRA, the bank has placed a new emphasis on multi-family housing loans and other community development loan opportunities.

As of December 31, 2004, HNB had total assets of \$235 million and total deposits of \$191 million. Total loans, which represent 45% of total assets, equaled \$105 million and consisted of 80% commercial and commercial real estate loans, 13% multi-family mortgage loans, and 7% other loans.

There are no legal, financial, or other factors to impede the bank's ability to meet the credit needs in its assessment area. At its last CRA examination, dated September 27, 1999, the bank was rated satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

HNB's assessment area is comprised of all of Miami-Dade County, which is equivalent to Metropolitan Division 33124 (Miami-Miami Beach-Kendall, FL). The assessment area meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas.

Based on the 2000 Census, the assessment area consists of 347 census tracts of which 27 (8%) are low-income, 99 (29%) are moderate-income, 114 (33%) are middle-income, and 104 (30%) are upper-income. The greatest concentration of low- and moderate-income tracts can be found in the City of Miami.

The assessment area is a densely populated urban center, and according to the 2000 Census, the total population is 2.25 million. Of the 852,000 housing units in the assessment area, 53% are owner-occupied. The largest concentrations of owner-occupied housing units are in the middle- and upper-income geographies. However, in the low- and moderate-income geographies, the level of renter occupancy is high (69% and 56%, respectively). These geographies also represent high levels of households below the poverty level (47% and 27%, respectively), indicating a need for affordable rental housing. The need for affordable housing in the assessment area was considered critical by a community organization contacted as part of this examination.

Housing costs in Miami-Dade County are high and continually growing. In 2004, the National Association of Realtors estimated the median sales price of an existing single-family home in the Miami Metropolitan area to be approximately \$300,000. When compared with a HUD Adjusted Median Family Income of \$45,400 for 2004 it is clear that the unsubsidized purchase of an average single-family residence would be beyond the financial means of many individuals classified as low- and moderate-income.

The Miami-Dade economy is diverse. Major industries include real estate development, trade businesses with Latin America, tourism and banking. There are many service businesses in the area as well. The proximity of the Caribbean, Central and South America plus superior seaport and airport capabilities provide this area with a distinct advantage as a global trading center.

Banking competition within the assessment area is intense. In addition to community and mid-size banks, branches of the largest banks in the country, and their mortgage affiliates, operate in Miami-Dade County.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

HNB's loan-to-deposit ratio meets the standard for satisfactory performance.

The quarterly average loan-to-deposit ratio since the last CRA examination is 68%. This ratio is consistent with the 66% average ratio for four similarly situated banks operating within the bank's assessment area, but somewhat lower than the 78% average for a national peer group of

similarly sized banks. Consideration was also given to the level of the bank's community development loans and lending-related qualified investment. Since the last examination, the bank originated 13 community development loans in its assessment area, totaling \$9.4 million. Of these loans, all but one for \$450,000 was related to affordable housing and thus responsive to a critical need in the assessment area. In addition, the bank made a \$10,000 qualified investment in a community development corporation ("CDC") that finances the construction of affordable housing in the assessment area.

**Lending in Assessment Area**

HNB's level of lending inside its assessment area meets the standard for satisfactory performance, when considering the bank's lending-related community development activities.

A small majority of the bank's loans, by dollar, were originated inside the bank's assessment area. However, less than a majority of loans by number were originated in the assessment area. Overall, 47% by number and 53% by dollar of loans were originated in HNB's assessment area.

The level of business lending (the bank's primary business line) in the assessment area is not reasonable, but is consistent with the bank's business strategy. The majority of the bank's business borrowers are located outside the United States, primarily in Central and South America and in Mexico. The level of multi-family residential lending in the bank's assessment area is more than reasonable. All but one multi-family loan was originated in the bank's assessment area.

<b>Table 1 - Lending in Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business	20	32	42	68	62	5,042	20	19,591	80	24,633
Multi-Family	18	95	1	5	19	18,560	94	1,215	6	19,775
Totals	38	47	43	53	81	23,602	53	20,806	47	44,408

*Source: HMDA reported loans 2003 and 2004. Sample of business loans (January 1, 2003-February 28, 2005).*

Of the multi-family loans noted above, eight loans totaling \$7.6 million, qualify as community development loans that meet affordable housing needs in the assessment area. Another loan for \$450,000 qualifies as a community development loan that supports economic development in one the county's Empowerment Zone communities. Empowerment Zones are federally designated areas in Miami-Dade County that are economically disadvantaged and in need of investment to support the creation and retention of jobs and housing.

In addition, HNB originated four non-multi-family community development loans in its assessment area totaling \$1.4 million. These loans are also responsive to community affordable housing needs. One loan, totaling \$1 million, is to a national non-profit organization operating in Miami-Dade County that specializes in constructing affordable housing for low-income families. Three loans, totaling \$384 thousand, represent the bank's share of loans originated by a non-profit CDC that helps to finance the construction of affordable housing in Miami-Dade

County. At this time, the bank's total commitment to the CDC's loan pool is \$1 million. The bank also has a qualified lending-related investment of \$10,000 in the same CDC.

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

HNB's lending to businesses of different sizes does not meet the standard of satisfactory performance.

According to HMDA reporting rules, borrower income information is not gathered for multi-family housing loans therefore it is not possible to evaluate the borrower distribution of the multi-family residential real estate loans reviewed at this examination.

The bank's level of loans to businesses with revenues of \$1 million or less (small businesses) is not reasonable. In terms of both number and dollars, the level of the bank's loans to small businesses is significantly lower than the level of small businesses in the assessment area.

<b>Table 2 - Borrower Distribution of Loans to Businesses in Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	60.40	5.40	34.20	100%
% of Bank Loans in AA by #	30.00	40.00	30.00	100%
% of Bank Loans in AA by \$	19.93	43.63	36.63	100%

*Source: Loan sample (January 1, 2003-February 28, 2005); Dunn and Bradstreet data.*

### Geographic Distribution of Loans

HNB's geographic distribution of loans meets the standards of satisfactory performance based primarily on small business loans, the bank's primary business line.

The geographic distribution of multi-family housing loans is more than reasonable. The bank's level of multi-family lending in low-income geographies exceeds the level of multi-family units in such geographies. In moderate-income geographies, the percentage of the bank's multi-family loans significantly exceeds the level of multi-family housing units in the moderate-income geographies of the assessment area.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Multi- Family Housing Units	% of Number of Loans						
Multi-Family	6.85	11.11	35.49	50.00	30.24	33.33	27.42	5.56

*Source: HMDA reported loans 2003 and 2004; 2000 U.S. Census data.*

The geographic distribution of loans to businesses is reasonable. In low-income geographies, the

percentage of the bank's loan originations exceeds the level of businesses located there. The level of lending to businesses in moderate-income geographies is less than the level of businesses located in the moderate-income geographies of the assessment area.

<b>Table 3A - Geographic Distribution of Loans to Businesses in the Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business	5.29	25.00	22.59	10.00	32.53	30.00	39.58	35.00

*Source: Loan sample (January 1, 2003-February 28, 2005); D & B data.*

### **Responses to Complaints**

HNB did not receive any complaints regarding its CRA performance since the last examination.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.