



## **PUBLIC DISCLOSURE**

January 14, 2014

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

First National Bank of Pasco  
Charter Number 20976

13315 US Highway 301 South  
Dade City, FL 33525

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 Community Reinvestment Act (CRA) RATING: This institution is rated Satisfactory**

- First National Bank of Pasco's (FNBP) average loan-to-deposit (LTD) 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**

FNBP was evaluated based on an analysis of primary lending activities in the bank's full assessment area (AA). The time period for this evaluation is July 29, 2008 through January 13, 2014. During the evaluation period, the Census Bureau updated the demographic data for the bank's assessment areas and therefore our analysis covers two Census periods - 2000 and 2010. As such, our analysis for the 2000 Census covers the period of April 13, 2010 (July 1, 2010 for lending activities) through December 31, 2011. For the 2010 Census data, our analysis focused on bank performance from January 1, 2012 through December 31, 2013.

We performed a data integrity review of the HMDA data in 2013 and determined it to be accurate and reliable for use in our lending analysis. Our sample consisted of 64 HMDA LAR loans selected during the years 2009, 2010 and the 2010. The bank only originated one loan during the year 2012 so this was not included in our sample.

The last Community Reinvestment Act (CRA) evaluation of FNBP was completed on July 28, 2008 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**

FNBP 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 each office location, 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 November 30, 2013, residential real estate loans were \$41.9 million, or 52.60 percent of the loan portfolio. Individual consumer loans were \$18.8 million, or 23.55 percent of the loan portfolio. The bank had total assets of \$143 million with net loans accounting for 55.69 percent of total assets. The bank operated under a Formal Agreement since September 27, 2011 until February 14, 2014. During this period of time, the

bank significantly reduced residential loan originations, to reduce concentration risk and thus minimize additional potential losses associated with these loan types given the economic conditions. To ensure the bank continued to meet the needs of the community, the bank partnered with three mortgage companies to ensure customers had access to residential loans originated in the secondary market.

## DESCRIPTION OF ASSESSMENT AREA(S)

FNBP’s AA was expanded to include additional census tracts created by the 2010 Census. Evaluation of the bank’s AA is separated into two analyses to reflect the stated changes.

FNBP’s AA for the 2000 Census consisted of all census tracts in Pasco County lying east of Interstate 75 to the Polk and Sumter County lines including census tracts listed below in Hernando, Hillsborough, Polk and Sumter Counties. The AA included the cities of Dade City, Zephyrhills and Lacombee in Pasco County; Ridge Manor, Brooksville and Weeki Wachee in Hernando County; Tampa and Plant City in Hillsborough County, and Lakeland in Polk County. The AA is comprised of 16 census tracts in Pasco County, 6 census tracts in Hillsborough County, 4 census tracts in Polk County, 5 census tracts in Hernando County, and 1 census tract in Sumter County. The income categories of the AA census tracts are detailed below.

Census Tract Category	# of Census Tracts	% of Total
Low-Income	0	0.00%
Moderate-Income	11	34.38%
Middle-Income	13	40.62%
Upper-Income	8	25.00%
N/A	0	0.00%
<b>Total</b>	<b>32</b>	<b>100.0%</b>

The AA is part of the Tampa–St. Petersburg–Clearwater (Tampa, Metropolitan Statistical Areas (MSA) #45300) and Lakeland–Winter Haven (Lakeland, MSA #29460) MSA. 2000 Census data updated in 2004 indicates median family income of \$41,491 for the Lakeland MSA and \$45,339 for the Tampa MSA. The Department of Housing and Urban Development (HUD) listed the median family income for Lakeland MSA for the periods of 2008-2011 as \$50,700, \$52,200, \$52,700, and \$53,800, respectively. HUD listed the median family income for the Tampa MSA as \$56,500, \$59,200, \$59,200 and \$55,700 over the same time period. Based on those estimates, 34.38 percent of the families within the AA are classified moderate, 40.62 percent middle and 25 percent upper income.

FNBP’s AA, per the 2010 Census, consists of all census tracts in Pasco County east of Interstate 75 to the Polk and Sumter County lines, including adjacent census tracts in Hernando, Hillsborough, Polk and Sumter County. The AA includes the cities of Dade City, Zephyrhills, St. Leo, Lacombee and San Antonio in Pasco County; Ridge Manor and Brooksville in Hernando County, and Tampa and Plant City in Hillsborough County. The AA is comprised of 44 census tracts in eastern Pasco County, 6 census tracts Hernando County, 6 census tracts in Hillsborough County, 3 census tracts in Polk County and 1 adjacent census tract in Sumter County. The income categories of the AA census tracts are detailed below.

Census Tract Category	# of Census Tracts	% of Total
Low-Income	1	1.67%
Moderate-Income	18	30.00%
Middle-Income	23	38.33%
Upper-Income	17	28.33%
N/A	1	1.67%
<b>Total</b>	<b>60</b>	<b>100.0%</b>

Based on 2010 Census data, the median family income for the Lakeland MSA is \$51,395 and \$57,333 for the Tampa MSA. Eighteen census tracts are classified moderate-income, 23 are middle-income and 17 are classified upper-income census tracts. There is one low-income census tracts in the AA. The HUD estimates the 2012 and 2013 median family income at \$54,500 and \$51,000 for the Lakeland MSA, and \$56,400 and \$56,800 for the Tampa MSA. Based on these estimates, 1.79 percent of the families in the AA are classified as low-, 32.14 percent moderate-, 37.50 percent middle- and 28.57 percent upper-income.

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

The AA has a significant percentage of retirees (24.91 percent). Nineteen percent (19 percent) of the population is over 65 years of age. Thirty-eight percent (38 percent) of the population receives social security income. Less than 10.98 percent of the population lives below the poverty level. Eighty-five percent (84.87 percent) of all housing units are occupied, while 68.28 percent are owner-occupied. The major industry sectors for Pasco County are retail, transportation and utilities at 22.8 percent, professional and business services at 19.7 percent, construction at 13.1 percent and education and health at 12.5 percent. 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 20.4 percent, professional and business services at 17.9 percent, education and health at 14.5 percent, and construction at 13.1 percent. Major private sector employers are Walmart Distribution Center, Oak Hill Hospital, Spring Hill Regional Hospital, and Brooksville Regional Hospital. The major industry sectors for Hillsborough County are professional and business services at 24.3 percent, trade, transportation and utilities at 22.1 percent, financial activities at 11.3 percent, and education and health services at 11.0 percent. Major private sector employers are JP Morgan Chase, H. Lee Moffitt Cancer Center, and Citi. The major industry sectors for Polk County are trade, transportation and utilities at 23.8 percent, financial activities at 16 percent, professional and business services at 16 percent, and construction at 10.5 percent. Major private sector employers are Publix, Walmart, and Lakeland Regional Medical Center.<sup>1</sup>

---

<sup>1</sup> Source: Enterprise Florida, Inc., [www.eflorida.com](http://www.eflorida.com); 2010 U.S. Census

Banking competition in the AA is strong with community banks, regional banks, and large banks operating in the market. There are 23 banks and savings institutions operating 110 offices in Pasco County. These institutions hold a total of \$5,310,103 in deposits inside the Pasco County market. The top eight banks hold approximately 82.17 percent of the deposits in the county. FNBP was ranked 12<sup>th</sup> with a deposit market share of 2.45 percent. Leading banks are Wells, Fargo, Bank of America and SunTrust. These institutions hold 58.03 percent of the deposits. There are 14 banks and savings institutions with 40 bank offices in Hernando County. These institutions hold a total of \$2,328,445 in deposits inside the Hernando County market. The top five banks hold approximately 81 percent of the deposits in the county. FNBP holds no market share in Hernando County. Leading banks are SunTrust, Bank of America and Regions. These institutions hold 66 percent of the deposits. There are 52 banks and savings institutions with 318 bank offices in Hillsborough County. These institutions hold a total of \$25,666,733 in deposits inside Hillsborough County. The top eight institutions hold 79.05 percent of the deposits in the county. FNBP holds no market share in Hillsborough County. Leading banks are Wells Fargo, Bank of America and SunTrust. FNBP has no market share in Hillsborough County. There are 18 banks and savings institutions operating 130 offices in Polk County. These institutions hold a total of \$5,663,831 in deposits inside the Polk County market. The top six banks hold approximately 83 percent of the deposits in the county. FNBP has no market share in Polk County. Leading banks are Wells Fargo, Bank of America and SunTrust. These institutions hold 52 percent of the deposits.<sup>2</sup>

During the evaluation period, we contacted two local community organizations to identify credit needs within the community. The community representatives noted the challenges of affordable home financing for low- to moderate-income borrowers and first time homebuyers. The area's economy and housing market have suffered recently with the general downturn in the real estate market. Consequently, foreclosures are high. Pasco County is experiencing an average of 30-40 foreclosures per month. As a result, lenders have tightened credit guidelines and increased down payment requirements. The representatives noted that FNBP was one of their most active lenders in spite of being smaller than other institutions operating in the area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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

*FNBP's quarterly average loan-to-deposit ratio since the last examination is 76.97 percent compared to the average loan-to-deposit ratio for similarly situated banks at 84.41 percent.* Similarly situated institutions are those of similar size operating in the same MSA. The high average is 87.66 percent and the low average is 81.17 percent. While FNBP's LTD ratio is below the average of similarly situated institutions, the LTD ratio is reasonable as lower loan demand during the evaluation period in the AAs were generally impacted by weak economic conditions, declining home values and high foreclosure rates in Florida during the majority of the evaluation period.

---

<sup>2</sup> Source: Federal Deposit Insurance Corporation, [www.fdic.gov](http://www.fdic.gov); data as of June 30, 2007

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

*A substantial majority of the bank’s loans are made within the AA.* Our conclusion is based upon analysis of all residential mortgage loans originated from July 1, 2010 through September 30, 2013. This includes loans to purchase or refinance homes. The analysis includes two census periods - 2000 and 2010, as the Census Bureau updated demographic data for the banks’ AAs. During the period, FNBP's AA grew to 60 census tracts across four counties. For the 2000 Census, the bank made 133 residential real estate loans totaling \$20,517. Of those loans, 59.11 percent were made in the AA. The dollar volume of the loans made in the AA represented 53.98 percent of the total dollar volume of loans made for the period.

Due to the low number of loans made following the 2010 Census update, an appropriate analysis could not be conducted for the period. As previously indicated, the bank discontinued the strategic focus on direct residential lending during this time period. Additionally, there was a lower volume of these loans in the assessment area due to weak economic conditions, declining home values and high foreclosure rates in Florida during the majority of the evaluation period.

<b>Table 1 - Lending in Pasco AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	115	56.93	87	43.07	202	10,113	53.36	8,841	46.64	18,954
Home Improvement	0	0.00	0	0.00	0	0	0.00	0	0.00	0
Refinance	18	78.26	5	21.74	23	962	61.55	601	38.45	1,563
Totals	133	59.11	92	40.89	225	11,075	53.98	9,442	46.02	20,517

Source: data reported under HMDA 2009-2011

<b>Table 1 - Lending in Pasco AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	9	90.00	1	10.00	10	769	100.00	120	13.50	889
Home Improvement	0	0.00	0	0.00	0	0	0.00	0	0.00	0
Refinance	1	100.00	0	0.00	1	100	0.00	0	0.00	100
Totals	10	90.91	1	9.09	11	869	87.87	120	12.13	989

Source: sample of loans; Data reported under HMDA from dates 2012-2013

- **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.* FNBP’s AA represents 60 census tracts across 4 counties and 2 MSAs. Among those census tracts, 31.67 percent were of low- or moderate-income. Middle- and upper-income census tracts represented 38.33 percent and 28.33 percent, respectively. For one census tract, or

1.67 percent of the AA, data could not be gathered. For this analysis, we compared the bank's distribution of residential real estate loans by borrower income level and compared the geographic distribution of real estate loans by the census tract income level for both census periods. We used the census tracts of Pasco County for our analysis, as the bank has three branches in Pasco County and its most significant market share of all counties in the AA in Pasco County (2.45 percent). Over the 2000 Census period, loans to low- or moderate-income borrowers were adequately dispensed in comparison to other income levels. Low- and moderate-income borrowers represented 39.08 percent of all AA families and comprised 40 percent of home purchases and 55.55 percent of refinance loans. The geographic distribution of loans also reflected satisfactory apportioning of residential loans. Low or moderate census tracts comprised 32.25 percent of all census tracts, while 33.91 percent of home purchases and 27.81 percent of residential refinancing was made to borrowers in low- or moderate-income census tracts.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Pasco AA</b>								
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	18.93	14.78	20.15	25.22	22.51	24.35	38.41	33.91
Home Improvement	18.93	0.00	20.15	0.00	22.51	0.00	38.41	0.00
Refinance	18.93	22.22	20.15	33.33	22.51	22.22	38.41	22.22

Source: data reported under HMDA; U.S. Census data.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Pasco AA</b>								
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	23.95	0.00	17.19	25.00	18.47	25.00	40.39	25.00
Home Improvement	23.95	0.00	17.19	0.00	18.47	0.00	40.39	0.00
Refinance	23.95	0.00	17.19	0.00	18.47	0.00	40.39	0.00

Source: data reported under HMDA for dates 2012-2013; U.S. Census data. Income NA for 33.33% of home purchase.

As previously indicated, in 2011 the bank limited residential lending to strategically reposition and reduce concentration risk associated with this type of lending. As noted above, only a few residential loans were approved for existing customers when a permanent financing source was not available.

To ensure the bank continued to meet the needs of the community, the bank partnered with three mortgage companies to ensure customers had access to residential loans originated in the secondary market. Since May 2011 through January 2014, the bank referred 106 loans totaling \$12,760,793 through mortgage brokers.

This evaluation does not include an analysis of lending to businesses of different sizes, as this was not a primary product during this evaluation period. Additionally, business lending opportunities were limited in the local assessment area due to the economy.

- **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 AA. For this analysis, we first compared the geographic distribution of the residential loans within the AA 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 overall profile including the strategic repositioning of lending focus beginning in 2011, as well as, 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.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Pasco AA</b>								
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	0.00	0.00	32.25	33.91	42.22	52.17	25.53	13.91
Home Improvement	0.00	0.00	32.25	0.00	42.22	0.00	25.53	0.00
Refinance	0.00	0.00	32.25	27.78	42.22	50.00	25.53	22.22

*Source: data reported under HMDA for dates 2009-2011; US Census data*

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Pasco AA</b>								
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	0.00	25.00	0.00	25.00	76.03	50.00	23.97	0.00
Home Improvement	0.00	0.00	0.00	0.00	76.03	0.00	23.97	0.00
Refinance	0.00	0.00	0.00	0.00	76.03	0.00	23.97	0.00

*Source: data reported under HMDA for dates 2012-2013; U.S. Census data.*

The geographic distribution of the bank's consumer loans is satisfactory. For this analysis, we compared the geographic distribution of consumer loans sampled within the AA 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. A significant portion of the census tracts within the

AA (38 percent) are classified middle-income. Several of the middle-income tracts are in close proximity to the bank's offices. One of the tracts spans the area between the bank's three offices. Another middle-income tract connects to the southwest corner of the census, as well as adjacent to the tracts where the two Zephyrhills branches are located.

**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 CRA during this evaluation period

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

Pursuant to 12 C.F.R. 25.28 (c), or 12 C.F.R. 195.28 (c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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