



PUBLIC DISCLOSURE

April 18, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Home Federal Bank of Hollywood
Charter Number 714725

900 North Federal Highway
Hallandale Beach, FL 33009

Office of the Comptroller of the Currency

9850 N.W. 41 Street
Suite 260
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

- Home Federal Bank's (HFB) loan-to-deposit ratio is reasonable compared to peer banks.
- The majority of loans were made in the assessment area.
- The borrower distribution and geographic distribution reflects reasonable penetration among businesses of different sizes and reasonable dispersion of loans throughout the assessment area.

SCOPE OF EXAMINATION

The evaluation period is February 16, 2010 to April 18, 2016. For this evaluation, we reviewed all loan originations from January 2012 to December 2015, using 2010 census data for demographic comparisons. Loans for business purposes were the primary product during the evaluation period. HFB was not required to report HMDA data in 2015 based on their asset size. However, the bank's volume of HMDA reportable loans is minimal. HMDA reported loans in 2012-2014 totaled eight loans for \$1.6 million. Of these, one loan is secured by a multifamily property and five loans are secured by non-owner occupied (investor-owned) homes. Therefore, our analysis focused on all loans indicated as having a business purpose from 2012-2015.

DESCRIPTION OF INSTITUTION

Home Federal Bank of Hollywood (HFB or "the bank") is a federally chartered stock association which opened for business in September, 1998. The institution operates one office in a moderate-income census tract in Hallandale Beach, Broward County, FL. HFB has total assets of approximately \$36.5 million as of December 31, 2015. The institution offers business, residential and consumer loan products. During the evaluation period, the bank's business strategy focused on business purpose loans.

The institution offers general deposit products including checking accounts, money market accounts, and business checking accounts. The single branch location operates lobby and drive-through services Monday through Friday. Online banking and bill pay are available through the institution's website.

During the evaluation period, the bank experienced financial circumstances, that challenged the ability to help meet the credit needs in its AA. Total assets declined since the prior CRA evaluation, when institution assets totaled \$84 million as of December 31, 2009. In 2010, HFB was placed under a Consent Order that required the institution to improve its financial condition. Since that time, loan originations slowed. During the three-year evaluation period, HFB originated 24 loans totaling \$5.7 million. Total outstanding loans were \$26 million at year-end 2015. Our loan-to-deposit analysis

concluded that this was a reasonable level of loan volume given the level of deposits. Net losses for the institution totaled \$1.2 million based on the December 31, 2015 Report of Condition and Income. The bank’s last CRA evaluation was February 16, 2010 with a Satisfactory rating.

DESCRIPTION OF ASSESSMENT AREA(S)

Home Federal has designated the Fort Lauderdale-Pompano Beach-Deerfield Beach Metropolitan Division (Broward County) and the Miami-Miami Beach-Kendall Metropolitan Division (Miami-Dade County) as its assessment area. Both counties are part of the Miami-Fort Lauderdale-West Palm Beach Metropolitan Statistical Area (MSA). The bank’s office is located in Broward County, but is in close proximity to Miami-Dade County. As a result, a significant portion of lending is located in Miami-Dade County. The MSA also includes the West Palm Beach-Boca Raton-Delray Beach Metropolitan Division (Palm Beach County), which is not part of the bank’s AA as there are no branch offices nor a significant portion of lending in Palm Beach County.

Demographic Information for Assessment Area: 22744 Fort Lauderdale-Pompano Beach-Deerfield Beach, FL Metropolitan Division (Broward County) 33124 Miami-Miami Beach-Kendall, FL Metropolitan Division (Miami-Dade County)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	879	5.69	26.28	34.02	31.97	2.05
Population by Geography	4,244,501	4.68	27.72	35.00	32.27	0.34
Owner-Occupied Housing by Geography	944,043	1.70	23.53	36.32	38.45	0.00
Renter-Occupied Housing by Geography	552,411	10.40	37.02	33.55	18.99	0.03
Business by Geography	613,457	3.27	22.89	29.80	43.03	1.01
Family Distribution by Income Level	992,528	22.72	17.19	18.93	41.16	N/A
Distribution of Low and Moderate Income Families throughout AA Geographies	396,100	8.48	40.37	34.31	16.81	0.02
Median Family Income		55,221		Median Housing Value	\$283,149	
HUD Adjusted Median Family Income for 2015		55,403		Unemployment Rate	5.0%	
Households Below Poverty Level		15.23%				

The unemployment rate of 5.0% is in the MSA slightly higher than the national average of 4.8%. Despite the fact that most households in the MSA are wage earners, low relative wages are a key challenge for households in South Florida. Median wages are \$15.78 per hour for all occupations in the MSA¹. This level of income is insufficient to meet housing, transportation and other costs of living in the MSA. The MSA is identified as having a large percentage of “house burdened” families. In the mid-2000’s, the area experienced high foreclosures and declining property values. Since that time, the MSA has recovered from the economic downturn and housing costs have risen significantly as the population of middle- and upper-income families increased. This has constrained

¹ U.S. Bureau of Labor Statistics, May 2015

the availability of housing for low- and moderate-income families. However, the lack of affordable housing reaches into even middle-income families, with 47 percent of all families in the MSA considered moderately to severely burdened by housing costs.²

There are 85 financial institutions in the Broward County, Miami-Dade County AA with 1,166 branch offices. Nonetheless, the FDIC identifies the area as having a high percentage (21 percent) of unbanked and underbanked individuals based on the most recent FDIC survey (2013).³ Many in the AA and entire MSA rely on alternative financial services to meet financial needs (e.g., check cashers, payday lenders) and use prepaid cards to load paychecks and federal/state assistance payments.

During the evaluation, we interviewed a representative with a community organization that is focused on strengthening public-private partnerships for community development in the MSA. The primary community development need in the AA is affordable housing. There are ample opportunities for bank's to support community development needs in the AA and there are many community organizations in the AA with which banks can partner to meet community development needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

HFB's performance under the Lending Test is Satisfactory. We focused our performance evaluation on business loans originated or purchased from January 1, 2013 through December 31, 2015.

Loan-to-Deposit Ratio

HFB's LTD ratio is reasonable given the bank's size, financial condition and AA credit needs. The LTD meets the standard for satisfactory performance. The bank's quarterly average net loan-to-deposit ratio since the preceding CRA evaluation is 90.4 percent. This represents LTD ratios beginning with the first quarter of 2010 and ending with the third quarter of 2015. The LTD for the bank ranges from a high of 99.6 percent in the third quarter of 2011 to a low of 84.0 percent in the third quarter of 2015. Sunshine's quarterly average net LTD ratio is higher than the 72.8 percent LTD ratio of three similarly situated banks/thrifts (total assets less than \$250 million) operating in the the assessment area. The average high LTD ratio for the peer group throughout the same evaluation quarters was 79.73 percent and the low was 59.1 percent.

Lending in Assessment Area

A majority of the number and dollar amount of loans were originated inside the bank's AAs. HFB's lending in its AA meets the standard for satisfactory performance. As

² Moderate (severe) burdens are defined as housing costs of 30-50% (more than 50%) of household income. Owner housing costs are first and second mortgage payments, property taxes, insurance, homeowner association fees, and utilities. Renter housing costs are cash rent and utilities. Source: Harvard Joint Center for Housing Studies (2015)

³ <https://www.fdic.gov/householdsurvey>

shown in the following table, 90.9 percent of the number and 92.8 percent of the dollar amount of loans originated in HFB's AA.

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	20	90.91	2	9.09	22	5,179	92.83	400	7.17	5,579
Totals	20	90.91	2	9.09	22	5,179	92.83	400	7.17	5,579

Lending to Businesses of Different Sizes

HFB's lending to businesses of different sizes reflects reasonable penetration and meets the standard for satisfactory performance. The table below shows that 90.0 percent of business loans by number and 88.7 percent of loans by dollar amount, were to entities with less than \$1 million in revenue. The majority of the business purpose loans were to small, independent investors for residential properties for purchase, refinance or equity draws. There were few loans made to traditional small business enterprises. An analysis of loan sizes (original loan amounts) was also included to show that the bank makes loans for business purposes in dollar amounts that are relevant to small businesses.

Table 2 - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	80.58	3.15	16.27	100%
% of Bank Loans in AA by #	80.00	10.00	10.00	100%
% of Bank Loans in AA by \$	85.13	11.49	3.38	100%

Table 2A - Borrower Distribution of Loans to Businesses by Loan Size in AA				
Loan Size (000's)	Number of Loans	Percent of Number	\$ Volume of Loans	% of Dollar Volume
\$0 - \$100,000	4	20.00	\$318,000	6.14
\$100,001 - \$250,000	7	35.00	\$1,054,512	20.36
\$250,001 - \$500,000	8	40.00	\$3,150,000	60.83
\$500,001 - \$1,000,000	1	5.00	\$656,000	12.67
Over \$1,000,000	0	0.00	\$0	0.00
Totals	20	100.00	\$5,178,512	100.00

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA and meets the standard for satisfactory performance. There were no loans made in low-income geographies in the AA, however the percent of loans made in moderate-income geographies in the AA was good.

Table 3 - Geographic Distribution of Loans to Businesses and Farms in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	3.27	0.00	22.89	45.00	29.80	30.00	43.03	25.00

Responses to Complaints

HFB did not receive any CRA related complaints since the last CRA examination.

Fair Lending or Other Illegal Credit Practices Review

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

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.