

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**United National Bank
Charter Number 16401**

**1399 Southwest 1st Avenue
Miami, Florida 33130**

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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.

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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 CRA performance of **United National Bank, Miami, Florida** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 23, 1997. 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's CRA Rating: This institution is rated ***"SATISFACTORY RECORD OF MEETING COMMUNITY CREDIT NEEDS."***

The following table indicates the performance level of **United National Bank** with respect to the lending, investment, and service tests.

Performance Levels	Name of Financial Institution Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X	X	
Low satisfactory			X
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

United National Bank (United) is a community bank headquartered in Miami, Florida. United is owned by United Bankshares, Inc., a one bank holding company. The bank has 11 banking offices: nine in Dade County; one in Broward County; and another in Palm Beach County.

The majority of the bank's business is conducted in Dade County, which is known as the Miami Metropolitan Statistical Area (MSA). The bank has 9 banking offices in Dade County and they are located primarily in areas that are close to businesses and professional firms, including downtown Miami and the Brickell Avenue financial district. The bank has only one office in Broward County (Fort Lauderdale MSA) and only one office in Palm Beach County (West Palm Beach MSA). These are also located in the downtown business districts of Fort Lauderdale and Palm Beach, respectively.

Management concentrates its resources on serving the commercial banking needs of business people, real estate developers, and members of the legal and other professions. United's lending activities are centered in commercial and commercial real estate lending, including construction financing of commercial and multifamily housing projects. **CRA-related lending is predominately community development and small business because it is comparable to the bank's overall business focus.**

As of June 30, 1997, United had total assets of \$807 million. Loans totaled \$437 million, deposits were \$554 million, and capital totaled \$104 million. The loan portfolio consisted of: 69% commercial, commercial real estate, and construction loans; 16% residential real estate and home equity loans; 8% multifamily real estate loans; and 7% consumer loans. The loan to deposit ratio was 76%. There are no legal, financial, or other impediments which would hamper United's ability to help meet the credit needs of its community. The bank's rating in its immediately preceding CRA examination, dated January 31, 1995, was "*Satisfactory Record of Meeting Community Credit Needs.*"

Description of the Assessment Areas

United's assessment areas consist of Dade, Broward, and Palm Beach counties, which are known as Miami, Fort Lauderdale, and West Palm Beach MSAs. These three counties are contiguous. These assessment areas comply with the regulation.

The bank's assessment areas are often referred to as South Florida. The South Florida economy is diverse and growing. Major industries include real estate development, trade business with Latin America, health care, tourism, and banking. The sea ports and airports of Miami and Fort Lauderdale are among the fastest growing in the United States. There are many service businesses in the area. In the extreme southern and northwest sections of South Florida, agriculture is a major industry (e.g. tomatoes, citrus, sugar cane).

The area has a large retiree population and a growing number of immigrants from Latin America. Many residents of the area have moved here from northern cities of the United States and Canada, and others maintain second homes in the area. The coastal communities of South Florida are characterized by many luxury residences and wealthy individuals.

The Miami MSA is Florida's largest metropolitan area and most populous with approximately 2 million people in a nearly 2,000 square mile area. It is also the third poorest of large metropolitan areas in the United States. The Department of Housing and Urban Development (HUD) estimates the 1997 median family income to be \$39,100. About 23% of the families in this MSA are low-income, 17% are moderate-income, 19% are middle-income, and 41% are upper-income. According to a Metro-Dade study, 40% of the Greater Miami community either: lives in poverty; is under employed; is less educated than the national average; or is classified medically indigent. Income levels and poverty rates experienced in Dade County have profound implications for meeting the housing needs of a large portion of the population.

The Miami MSA has 267 census tracts. The income levels of the assessment area's census tracts according to the 1990 U.S. Census are as follows: 14% are low-income census tracts, 21% are moderate-income tracts, 36% are middle-income tracts, and 28% are upper-income tracts. One percent of the census tracts did not report income. In addition, according to the 1990 U.S. Census, the median family income of the MSA's census tracts was \$31,113.

The Fort Lauderdale MSA is one of Florida's largest metropolitan areas and most populous counties with approximately 1.3 million people living in a 1,200 square mile area. Density in urban areas is increasing as the population is growing rapidly from migration from other parts of the United States and former residents of southern Dade County displaced by Hurricane Andrew. These new residents are typically not low- and moderate-income.

The Fort Lauderdale MSA is more affluent than the Miami MSA. HUD's 1997 estimated median family income was \$47,700. About 20% of the families in this MSA are low-income, 18% are moderate-income, 22% are middle-income, and 40% are upper-income.

The Fort Lauderdale MSA consists of 164 census tracts. The income level of the assessment area's census tracts according to the 1990 U.S. Census are as follows: 5% are low-income census tracts, 20% are moderate-income tracts, 47% are middle-income tracts, and 26% are upper-income tracts. Two percent of the tracts did not report income. In addition, according to the 1990 U.S. Census, the median family income of the MSA's census tracts was \$36,801.

The West Palm Beach MSA is more affluent than the Miami and Fort Lauderdale MSAs. HUD's 1997 estimated median family income was \$48,800. About 19% of the families in this MSA are low-income, 19% are moderate-income, 23% are middle-income, and 39% are upper-income.

The West Palm Beach MSA consists of 211 census tracts and a population of about 864 thousand. The demographics of the assessment area's census tracts according to the 1990 U.S. Census are as follows: 5% are low-income census tracts, 21% are moderate-income tracts, 41% are middle-income tracts, and 31% are upper-income tracts. Two percent of the tracts did not report income. In addition, according to the 1990 U.S. Census, the median family income of the MSA's census tracts was \$38,539.

NOTE: A low-income census tract has less than 50% of the median family income of the MSA, a moderate-income census tract has 50% to 79%, a middle-income census tract has 80% to 119%, and an upper-income census tract has 120% or more of the median family income of the MSA.

Credit Needs of Assessment Areas

Information about the credit needs of the assessment areas was obtained from seven recent community contacts conducted by federal bank regulators in connection with other CRA examinations. These contacts revealed many credit needs. The most pressing credit needs identified by these contacts are affordable home financing, home improvement and multifamily rehabilitation loans, and small business loans.

The assessment area has a number of community organizations, such as county Housing Authorities, Community Development Corporations, and lending consortiums, that facilitate lending to low- and moderate-income areas and small businesses. In addition, United has very strong competition from affiliates of regional banks, community banks, mortgage companies, and credit unions. Nonetheless, United is capable of reasonably meeting the credit needs of its assessment areas in a manner that is consistent with its resources and business focus.

Conclusions with Respect to Performance Tests

Overall, United's performance has been consistent with its size and business plan. The level of lending, relative to the bank's asset size and level of deposits, is comparable to other banks serving the South Florida markets. A substantial majority of its 1996 and year-to-date 1997 small business loan originations were within its assessment areas. The volume of community development lending is high for a bank of its size and investments for community development purposes are adequate. Branch locations are reasonably accessible to essentially all portions of the Miami MSA and to a majority of the population of the West Palm Beach and Fort Lauderdale MSAs. The services available at the branches do not vary in a way which disadvantages residents of low- and moderate-income areas. The bank provides a good level of community development services.

Lending Test:

Performance under the lending test is rated "*high satisfactory.*" Overall United's lending activity demonstrates:

- an adequate responsiveness to assessment area credit needs (50% of total loan originations are to small businesses);
- a high percentage of loans are made in its assessment areas (100% of small business loan originations);
- the geographic distribution of loans reflects adequate penetration throughout the assessment areas (36% of small business loan originations are within low- and moderate-income census tracts);
- good penetration among retail customers of different income levels and business customers of different sizes (more than half of its small business loan originations are to businesses whose annual revenues are less than \$1 million);
- good record of serving very small businesses (more than 60% of small business loan originations are less than \$100 thousand);
- very good level of community development loans (\$27 million or 6% of total loans); and
- management is flexible in its underwriting of community development loans.

No violations of the substantive provisions of the anti-discrimination laws and regulations (Equal Credit Opportunity Act, Fair Housing Act, or Home Mortgage Disclosure Act) were identified. United's fair lending policies, procedures, training programs and internal assessment efforts have been effective in assisting lenders in these issues.

Investment Test:

Performance under the investment test is rated “*high satisfactory.*” Investment levels are considered good based on the limited opportunities in West Palm Beach and Fort Lauderdale MSAs for qualified investments.

Service Test:

Performance under the service test is rated “*low satisfactory.*” The system for delivering retail banking services is adequate:

- delivery systems are reasonably accessible to essentially all portions of the Miami MSA and to a majority of the population of the West Palm Beach and Fort Lauderdale MSAs;
- the record of opening and closing of branches has not adversely affected the accessibility of the delivery system;
- services do not vary in a way that inconveniences certain portions of the assessment area; and
- the institution provides a good level of community development services.

Metropolitan Statistical Areas

Conclusions with Respect to Performance Tests in Miami, Florida (MSA #5000):

A majority of United's business is in this MSA. United's performance in meeting the credit needs of the assessment area of MSA #5000 is the basis for the overall rating assigned to United. There is a high percentage of lending within the MSA. An adequate amount of lending is to small businesses (businesses with less than 1 million in revenues). Investments within the MSA are relatively high and demonstrates a willingness to participate. Services provided to this area are comparable to United as a whole.

Conclusions with Respect to Performance Tests in Fort Lauderdale, Florida (MSA #2680) and West Palm Beach, Florida (MSA #8960):

United's performance in meeting the credit needs of its assessment areas of MSA #2680 and MSA #8960 is consistent with the overall rating assigned to United. There is a high percentage of lending within the MSAs. An adequate level of the lending is to small businesses (businesses with less than \$1 million in revenues). Only one investment qualified for community development purposes for these MSAs. Services provided in these MSAs are comparable to United as a whole.

Analyses of Performance Under Lending, Investment, and Service Tests

Lending Test:

Lending Activity

United demonstrates an adequate responsiveness to the small business credit needs of its assessment area. The following table depicts small business loan originations as of 12/31/96 and year-to-date 6/30/97 by MSA. Our review focused on small business loans because multi-family loan originations comprised only 8.5% and home mortgage and consumer loan originations comprised only 9.8% of the total loan portfolio as of 12/31/96. Thus, these loan types are not a significant portion of the bank's loan volumes. As of 6/30/97, multi-family loan originations only comprised 1.3% and home mortgage and consumer loan originations comprised 12.1% of the total loan portfolio.

Small Business Loan Originations 1996 and Year-to-Date June 30, 1997						
Assessment Area (MSA)	Number of Loans		Amount (\$000)		Percent of Total Originations #/\$	
	1996	1997	1996	1997	1996	1997
Miami	434	235	61,898	34,841	36%/18%	37%/21%
Ft. Lauderdale	87	51	12,244	4,112	7%/4%	8%/2%
West Palm Beach	58	19	10,116	3,671	5%/3%	3%/2%
Total	579	305	84,258	42,624	48%/24%	49%/25%

Total loans in number and dollar originated within the assessment areas during 1996 and through 6/30/97 were 1,216 (\$347,822) and 628 (\$168,581), respectively. As the above table depicts, almost 50% of the bank's originations in both time periods are small business loans. This compares favorably with the number of small businesses in each assessment area, as detailed in the 1990 U.S. Census Data, which approximates 70% of total businesses.

Assessment Area Concentration

A substantial majority of small business loans (approximately 100% in number) are made within the bank's assessment areas. The majority of these are within the Miami MSA. This is because the bank is headquartered in Dade County and the expansion into the Fort Lauderdale and West Palm Beach MSAs was largely driven by customer retention.

Small Business Loan Originations within the Assessment Areas % of total Small Business Loans				
	# of Loans	\$ Volume(000)	% of total (#)	% of total (\$)
12/31/96	579	84,258	100%	100%
6/30/97	305	42,624	99%	96%

Geographic Distribution of Loans

Census Tract Penetration - Small Business Loan Originations 12/31/96								
Income Category	Miami		Fort Lauderdale		West Palm Beach		Total	
	#	\$	#	\$	#	\$	#	\$
Low	99	14,828	15	2,179	10	510	124	17,517
Moderate	61	9,665	2	406	21	1,276	84	11,347
Middle	94	11,153	27	5,517	17	4,368	138	21,038
Upper	180	26,252	14	2,014	39	6,090	233	34,356
Total	434	61,898	58	10,116	87	12,244	579	84,258

Census Tract Penetration - Small Business Loan Originations 6/30/97								
Income Category	Miami		Fort Lauderdale		West Palm Beach		Total	
	#	\$	#	\$	#	\$	#	\$
Low	49	6,288	6	1,828	8	645	63	8,761
Moderate	31	9,146	1	30	12	936	44	10,112
Middle	48	5,191	6	753	11	666	65	6,610
Upper	107	14,216	6	1,060	20	1,865	133	17,141
Total	235	34,841	19	3,671	51	4,112	305	42,624

The geographic distribution of small business loan originations by income category shows good penetration throughout the assessment areas. In particular, small business loan originations in low-income census tracts equaled 21% of total small business loans for 12/31/96 and 6/30/97. Additionally, small business loan originations in moderate-income census tracts equaled 15% and 14% of total small business loans for 12/31/96 and 6/30/97, respectively. This level of small business loan originations in low- and moderate-income census tracts is favorable when compared to the number of small businesses within those census tracts. Dun & Bradstreet, Inc., provides the following breakdown of small businesses within the census tracts, by income category, in the bank's assessment area: 7% in low-income census tracts; 19% in moderate-income census tracts; 41% in middle-income census tracts, and 33% in upper-income census tracts.

A further analysis of the geographic distribution of small business loan originations revealed that a substantial majority of the small business loans are originating within a close proximity to the bank offices. A review of small business loan originations to businesses located in the census tracts within two miles of the bank offices revealed the following: West Palm Beach office originated 71% (1996) and 78% (6/30/97); Fort Lauderdale office originated 42% (1996) and 59% (6/30/97); and Miami offices originated 74% (1996) and 77% (6/30/97). Based on this analysis there were no conspicuous gaps.

Borrowers' Profile

Our analysis of borrower profile focused on small business loan generation because United is not a significant mortgage or consumer lender. United generates a significant amount of business loans to companies whose revenues are less than \$1 million. Once again, this is consistent with the bank's business strategy which focuses on business lending. Within the general product line of business loans, management has been able to successfully generate loans to smaller companies and loans of smaller amounts. The following tables reflect small business lending for 1996 and year-to-date 6/30/97 for each MSA within the assessment area.

Small Business Loans Miami MSA								
	1996		1997		% of Small Business Loans			
					1996		1997	
	#	\$000	#	\$000	#	\$	#	\$
Revenues < \$1 million	207	22,432	141	16,835	48%	36%	50%	39%
Revenues > \$1 million	115	20,916	82	16,665	26%	34%	29%	40%
Unknown Revenues*	112	18,550	58	8,398	26%	30%	20%	20%
Businesses with Revenues < \$1 million:								
Loan Amount < \$100 thousand	162	7,615	110	5,366	78%	34%	78%	32%
Loan Amount \$100 - \$250 thousand	23	4,288	16	2,847	11%	19%	11%	17%
Loan > \$250 thousand	22	10,529	15	8,622	11%	47%	11%	51%

* Management stated that 50% of the number of loans with unknown revenues for 1996 and 1997 were loans to new entities or startup businesses.

Small Business Loans Fort Lauderdale MSA								
	1996		1997		% of Small Business Loans			
					1996		1997	
	#	\$000	#	\$000	#	\$	#	\$
Revenues < \$1 million	28	4,096	16	2,541	48%	40%	59%	46%
Revenues > \$1 million	10	2,623	4	1,417	17%	26%	15%	26%
Unknown Revenues*	20	3,397	7	1,556	34%	34%	26%	28%
Businesses with Revenues < \$1 million:								
Loan Amount < \$100 thousand	18	1,002	10	541	64%	24%	63%	21%
Loan Amount \$100 - \$250 thousand	5	888	2	300	18%	22%	13%	12%
Loan > \$250 thousand	5	2,206	4	1,700	18%	54%	25%	67%

* Management stated that 50% of the number of loans with unknown revenues for 1996 and 1997 were loans to new entities or startup businesses.

Small Business Loans West Palm Beach County MSA								
	1996		1997		% of Small Business Loans			
					1996		1997	
	#	\$000	#	\$000	#	\$	#	\$
Revenues < \$1 million	46	5,364	36	2,038	53%	44%	65%	38%
Revenues > \$1 million	19	5,217	13	3,054	22%	43%	24%	56%
Unknown Revenues*	22	1,663	6	320	25%	14%	11%	6%
Businesses with Revenues < \$1 million:								
Loan Amount < \$100 thousand	39	1,692	33	1,538	85%	32%	92%	75%
Loan Amount \$100 - \$250 thousand	2	350	3	500	4%	7%	8%	25%
Loan > \$250 thousand	5	3,322	0	0	11%	62%	0%	0%

* Management stated that 50% of the number of loans with unknown revenues for 1996 and 1997 were loans to new entities or startup businesses.

Community Development Lending

United is an active community development lender. This type of lending is in line with the bank's traditional lending focus. In 1996 and 1997, the bank made more than \$27 million in community development loans (6% of total loans) that qualified for CRA consideration. This is a very good level for a bank this size. United's lending had a positive impact on the availability of low-and moderate- income housing, particularly on critically needed affordable housing and neighborhood revitalization. The following table shows the distribution of the bank's community development lending, all of which were wholly funded by the bank.

Community Development Loans	Number of Loans	Dollars of Loans
Loans for affordable housing for low- or moderate-income persons	13	\$11,330,000
Loans for activities that revitalize or stabilize low- or moderate-income areas	3	\$15,987,000
Total	16	\$27,317,000

All but one of these community development loans are in the Miami MSA. The one exception was a housing loan for \$2.5 million which is in the Fort Lauderdale MSA. There were no community development loans in the West Palm Beach MSA.

The bank maintains business relationships with several community organizations which facilitate community development lending. We noted ongoing support particularly for the projects of Habitat for Humanity and Homes for South Florida.

Investment Test:

United has a very good level of qualified community development investments and grants relative to its resources and opportunities available in its assessment areas. The bank rarely takes a leadership role and investments are not particularly complex or innovative.

In 1996, the bank made \$1,920,000 in new investments, grants, or donations that qualify for community development purposes. They were:

- **Housing Finance Authority of Dade County** - Bonds totaling \$770,000 composed of home loans that financed affordable housing in low-and moderate-income areas.
- **Working Capital Florida - Partners for Self Employment** - Contribution of \$3,000 to fund operations. This organization specializes in micro-lending to small businesses. A certificate of deposit of \$25,000 at another local bank secures a line of credit available to this organization for micro/very small loans to small businesses.

- **Homes of South Florida** - Contribution of \$25,000 to fund operations of this consortium of banks specializing in the development of affordable housing.
- **Greater Miami Local Initiatives Support Corporation** - Contribution of \$5,000 to fund operations. This organization focuses on revitalizing depressed neighborhoods.
- **Coconut Grove Local Development Corporation** - Donation of furniture valued at \$10,000. This organization helps renovate small business properties in low-and moderate-income areas of Coconut Grove.
- **Community Partnership for the Homeless** - Capital donation of \$80,000 under the Community Contribution Tax Credit Program. Funds used to build a shelter in south Dade County to house and provide other services for homeless persons.
- **Federal National Mortgage Association (FNMA) Housing Bonds** - Bonds totaling \$1,000,000 composed of home loans that financed affordable multi-family housing in low-and moderate-income areas of Broward County.

The bank made \$4 million in additional qualified investments in 1997. They consisted of \$2 million in FNMA Bonds supporting a multifamily rental housing complex occupied by predominately low- and moderate-income persons in Miami, and an additional \$2 million in Housing Finance Authority of Dade County bonds. Management stated that there is a lack of available opportunities to fund additional qualified investments in the Fort Lauderdale and West Palm Beach MSAs.

The bank often makes loans to the same community organizations it provides grants or donations to in order to build business relationships that can go beyond charitable activities. These loans meet community development standards and are discussed in the **Lending Test - Community Development Loans** section of this report.

The bank maintains contact with security brokers, and government and community leaders to stay abreast of new investment opportunities. The bank demonstrated the desire to make additional qualified investments by requesting a \$10 million investment of a FNMA Affordable Housing bond offering (detailed above). However, due to strong competition for these qualified investments, they were only awarded \$1 million.

Service Test:

United's service delivery systems are reasonably accessible to essentially all portions of the Miami MSA and to a majority of the assessment areas of the West Palm Beach and Fort Lauderdale MSAs. All banking locations offer substantially the same services. The bank provides a good level of community development services.

Banking locations in the Miami MSA are reasonably accessible to essentially all portions of this assessment area. The bank's main office, as well as the downtown Miami and Biscayne Tower offices, are in close proximity to low- and moderate-income areas and major business districts. The bank's only offices in the Fort Lauderdale and West Palm Beach MSAs are both in downtown areas and are also in close proximity to several low- and moderate-income areas and are in business districts.

The table below shows that United's 11 banking locations are located in census tracts of different income levels.

MSA	Low Income Census Tract	Moderate Income Census Tract	Middle Income Census Tract	Upper Income Census Tract
Miami	2	-	2	5
Fort Lauderdale	-	1	-	-
West Palm Beach	-	-	1	-
Distribution	18%	10%	27%	45%

The distribution of bank offices in census tracts of different income levels approximates the distribution of census tracts of different income levels of the assessment areas. Moreover, an analysis of the census tracts that are within a 1.25 mile radius of the bank's 11 office locations shows that census tracts of different income levels are in close proximity to the bank's offices. Twenty-three of the fifty-six census tracts within this radius are designated low- and moderate-income census tracts.

Business hours are reasonable. They are typically from 9 am to 4 pm, and some to 5 pm or 6 pm on Fridays. Four offices have drive-in facilities. Bank management stated that since the bank's business is more commercial than retail, opening on Saturdays has not been necessary to adequately serve the majority of its customers. However, management did indicate that they will go to a loan applicant's business location during non-business hours when necessary. There is no indication that current business hours or banking services present any inconveniences to the banking needs of its assessment areas.

No offices have been opened or closed within the Miami MSA since the last CRA examination. The bank office in the Fort Lauderdale MSA opened since the last CRA examination. No bank offices have been closed in these MSAs.

United provides a good level of community development services as defined in the CRA. This includes five bank officers serving on various Boards, Advisory Boards, and Committees whose purpose it to promote community redevelopment, small business, or affordable housing. These officers are providing technical assistance and their business expertise to these organizations. Examples of these organizations include: Local Initiative Support Corporation, Working Capital Partners for Self Employment, Family Resource Center, Children's Home Society, Homes for South Florida, and Habitat for Humanity. At least one bank officer is involved with each of these organizations. Three bank officers are involved with Habitat for Humanity.

Appendix A: Scope of Examination

A Community Reinvestment Act (CRA) examination commenced on October 6, 1997. The objective of the examination, which was performed onsite, was to assess the bank's record of serving the credit needs of the entire assessment area, including low- and moderate-income areas and to assign an overall rating to the bank. This examination considered the bank's performance during 1996 and for first and second quarters of 1997. In addition, qualified community development loans were also considered. Performance was evaluated under the newly revised CRA regulation, which was modified to be more performance oriented.

The examination included a review of all small business loans originated in 1996 and first and second quarters of 1997. Qualified investments and services were evaluated since the prior CRA examination. The previous examination was conducted as of January 31, 1995.