



Office of the
Comptroller of the Currency
Washington, DC 20219

SMALL BANK

PUBLIC DISCLOSURE

March 04, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Mount Dora
Charter Number 13102

714 N Donnelly Street
Mount Dora, FL 32757

Office of the Comptroller of the Currency

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 CRA RATING: This institution is rated Satisfactory.

- First National Bank of Mt. Dora's (FNBMD) average loan-to-deposit ratio is more than reasonable compared to its peer group averages.
- A substantial majority of business and residential real estate lending occurs in the assessment area.
- FNBMD's lending activities shows reasonable penetration among businesses and farms of different sizes and to borrowers of different incomes.
- The geographic distribution of lending in the assessment area is reasonable.

DESCRIPTION OF INSTITUTION

The First National Bank of Mount Dora (FNBMD) was established in 1925 and is headquartered in Mount Dora, Lake County, Florida. The bank has five full service offices in Lake County Florida: Main Office at 714 North Donnelly Street in Mount Dora (Census Tract 309.14), Sorrento Office at 24034 Highway 46 in Sorrento (Census Tract 309.02), Tri-City Office at 2500 North Eudora Road in Mount Dora (Census Tract 309.12), Leesburg/Market Street Office at 310 Market Street, in Leesburg (Census Tract 306.02) and South Leesburg Office at 27700 US Hwy 27 in Leesburg (Census Tract 311.02). The bank also has a trust department located at the main office. The bank provides retail investment products through First National Financial Solutions, an operating subsidiary formed in 2007. Trust, investment and brokerage services are also available at the Market Street office located in Leesburg. The bank offers many services to its customers, including drive-up facilities and automated teller machine (ATM) access, at all locations with the exception of the Market Street Office, check card services and 24-hour internet and telephone banking. FNBMD offers a variety of lending programs, but, its primary lending products have been business and residential real estate lending that represents 48.83 percent and 45.56 percent, respectively, of the loan portfolio, as of December 31, 2013.

As of December 31, 2013, the bank had total assets of \$196 million with net loans accounting for \$110 million or 56 percent of total assets. The bank's five-year strategy is focused on improving market share with continual emphasis on mortgage and commercial lending. There are no financial, legal or other impediments that would prevent the bank from meeting the credit needs of the community. FNBMD's last Community Reinvestment Act (CRA) evaluation was performed in August 2007 for which the bank received a rating of "Outstanding" for meeting the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

The assessment area (AA) for this review includes forty-three census tracts that consists of thirty-eight census tracts in Lake County and five adjacent census tracts in northwest Orange County. For U.S. Census purposes, the assessment area, located in the central region of the state, is part of the Orlando-Kissimmee-Sanford, Florida Metropolitan Statistical Area (Orlando MSA),

which consists of Lake, Seminole, Orange, and Osceola Counties. Lake County was created in 1887 from portions of Sumter and Orange County. It was named for the numerous lakes in the area. Lake County is also home of Sugarloaf Mountain, the highest point in Florida at 312 feet above sea level. Lake County has the third smallest population in the Orlando MSA and is considered an attractive place for financially secure retirees. Based on the 2010 Census, the assessment area has a total population of 203,070. By population, Mount Dora ranks as the sixth largest municipality in Lake County with a population of 12,370. Mount Dora and surrounding areas continue to attract more young married couples and families as it continues to be more of a bedroom community for Orange County and the surrounding metro areas.

Most major employment is linked to the service sector for retail trade, construction, education, health and financial services contribute to the economy. Similar to other areas of Florida, the slowdown in real estate markets and general economy, which started in 2007, led to increasing unemployment and declining real estate values that drastically reduced the demand for loans within the AA. During the downturn in the market, the bank used a combination of options to work with its customers to retain their homes and businesses. Over the past couple of years, the Orlando MSA unemployment rate has gradually improved from a high of 11.9 percent in January 2010. According to U.S. Bureau of Labor Statistics, as of December 31, 2013, the unemployment rates for the Orlando MSA and Lake County are 5.8 percent and 6 percent, respectively. These AA unemployment rates are below the State of Florida rate of 6.2 percent for the same period. Although the AA unemployment rate is trending downward for the AA, the bank's senior management believes the economic recovery in Lake County is much slower than other areas of the AA.

The AA contains one low-income tract, eleven moderate-income tracts, twenty-four middle-income tracts and seven upper-income tracts. The census tract designations are based on the 2010 U.S. Census Weighted Average of Census MSA Median Family Income of \$58,474 for the Orlando MSA. The Weighted Average of Department of Housing and Urban Development (HUD) updated 2013 Median Family Income is \$58,500 for the Orlando MSA. The AA meets the legal requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income census tracts.

According to Federal Deposit Insurance Corporation's most recent Deposit Market Share Report (dated June 30, 2013), there is a significant amount of banking competition in the AA. In Lake County, a total of twenty-one various large national market banks, regional market banks and community market banks operate ninety-seven offices with approximately \$5 billion in deposits. FNBMD ranks number eight among the group with a deposit market share of 3.31 percent. For the combined Lake County/Orange County area, there are forty-three banks including numerous large national, regional, and community market banks that operate 389 offices with a total of approximately \$29 billion deposits. Among this combined group, FNBMD ranks number twenty-one with a deposit share of 0.55 percent.

While preparing CRA evaluations, examiners often contact community representatives to gain insight regarding the credit needs and economic conditions of an assessment area. In a contact meeting with the Office of the Comptroller of the Currency, an Assistant Planning and Development Director in a local governmental community development department indicated that financial institution could be best serve the assessment area with participation in affordable

housing and economic development opportunities, especially in the Mount Dora area. The Director also indicated FNBMD employees are actively involved in local community organizations that help meet the CD needs of the community.

SCOPE OF EXAMINATION

Our conclusion is based on an analysis of the bank's lending activities from January 1, 2012 to January 31, 2014. We focused on residential and business lending as the bank's primary lending products. As of December 31, 2013, business and residential real estate lending represents 48.83 percent and 45.56 percent of the loan portfolio, respectively. During the years 2012 and 2013, business and residential real estate represented 62 percent and 32 percent of originations, respectively. Mortgages reported on the HMDA LARs were sampled and determined to be accurately reported. As such, our analysis included a review of the 70 loans reported on the 2012 and 2013 HMDA LARs. Additionally, we relied on a sample of business loan originations in the assessment area for the same period to assess lending to businesses of different sizes. The bank's internal reporting of business loans by census tracts was also determined to be accurate and used to expand our analysis for the geographic distribution of loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending Test

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

FNBMD's average loan-to-deposit (LTD) ratio of 84.51 percent is more than reasonable compared to the average ratio of 76.08 percent for similarly situated banks. Similarly situated banks are six banks (3 in Lake County and 3 in Orange County) in the assessment area with total assets ranging from \$196 million to \$398 million, as of December 31, 2013. The average LTD ratio for the bank and similarly situated banks was calculated and averaged using the deposit ratios for each quarter since the last CRA exam in August 2007. The similarly situated banks have average LTD ratios that range from 60.76 percent to 85.31 percent.

Lending in Assessment Area

- **Lending in Assessment Area - Exceeds the Standard for Satisfactory Performance**

A substantial majority of business and residential real estate lending occurs in the assessment area. This conclusion is based on an analysis of residential mortgages and business loans originated during January 1, 2012 to January 31, 2013. We used the 2012 and 2013 HMDA LARs for residential mortgages and a random sample of 29 business loans.

As illustrated in the following Table-1; 91 percent by number and 95 percent by dollar amount of total loans made during our evaluation period were within the bank's AA.

Table 1 - Lending in Mt. Dora AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	31	83.78%	6	16.22%	37	3,477	86.43%	546	13.57%	4,023
Home Improvement	26	92.86%	2	7.14%	28	434	99.31%	3	0.69%	437
Refinance	5	100%	0	0.00%	5	363	100%	0	0.00%	363
Business Loans	28	96.55%	1	3.45%	29	6,249	99.94%	4	0.06%	6253
Totals	90	91%	9	9%	99	10,523	95%	553	5%	11,076

Source: Home Purchase, Home Improvement and Refinance loan data reported under HMDA for 2012, 2013.

Business Loan data from a random loan sample.

Borrower Distribution of Business and Residential Loans

- Lending to Borrowers of Different Incomes and to Businesses and Farms of Different Sizes - Exceeds the Standard for Satisfactory Performance.**

The bank's lending activities show reasonable penetration among businesses of different sizes and to borrowers of different incomes. Our conclusion is based on the same sample of 28 business and HMDA loans made in the AA as discussed in the *Lending in Assessment Area* section. Table-2 shows the percentage of bank loans to low and moderate income borrowers are higher than the percentage of AA Families for home improvement and refinance loans.

However, the percentage of the bank's home purchase loans is well below the percent of AA low and moderate families. As shown in Table-2A, the percentage of the number of loans to small businesses is slightly below the percentage of small businesses in the AA. The percentage of small business loans by dollar amount is also below the percentage of small businesses in the AA, but given the amount of unavailable/unknown this is considered reasonable.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Mt. Dora AA								
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	17.07	3.23	19.86	9.68	24.50	22.58	38.56	54.84
Home Improvement	17.07	23.08	19.86	26.92	24.50	11.54	38.56	38.46
Refinance	17.07	60.00	19.86	20.00	24.50	0.00	38.56	20.00

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

Table 2A - Borrower Distribution of Loans to Businesses in Mt. Dora AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	78.64%	2.17%	19.17%	100%
% of Bank Loans in AA by #	71.43%	25%	3.57%	100%
% of Bank Loans in AA by \$	47.74%	52.15%	0.11%	100%

Source: Random Loan sample; Dunn and Bradstreet data.

Geographic distribution of Residential and Business

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

The geographic distribution of lending is reasonable. Our analysis of HMDA loans are based on same source of data in the previous tables. The analysis of business loans is based on a bank generated loan report. Our sample of 29 business loans discussed in the *Lending in the Assessment Area* section found reliable information. Therefore, we utilized the bank's report to expand our analysis to include the 103 business loans in the AA, which were tracked and reported by census tract. As illustrated in Table-3, the percentage of home purchase loans is much higher than the percentage of AA owner occupied housing in the low income census tract. But, the bank did not originate any home improvement or refinance loans in the low income census tract. In the moderate income census tracts, the percent of the number of bank loans for home improvement is higher than the percent of AA owner occupied housing. However, the bank did not originate loans for refinancing in the moderate income census tracts. Additionally, the percentage of home purchase loan originations in the moderate income tracts is well below the percentage of owner occupied housing.

In regards to business lending, Table 3A shows the percentage of bank originations in the low income census tracts is well above the percentage of businesses in the low income census tracts. However, the percentage of loan originations is well below the percentage of businesses in the moderate-income census tracts.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Mt. Dora AA								
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	0.56	3.23	20.75	6.45	57.11	77.42	21.58	12.90
Home Improvement	0.56	0.00	20.75	23.08	57.11	50.00	21.58	26.92
Refinance	0.56	0.00	20.75	0.00	57.11	80.00	21.58	20.00

Source: *loan sample; U.S. Census data.*

Table 3A - Geographic Distribution of Loans to Businesses in Mt. Dora AA								
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
Businesses	0.75%	0.97%	23.22%	17.48%	52.39	58.25%	23.64	23.30%

Source: *Bank Internal Reports*

Response to Complaints

The bank has not received any CRA-related complaints since the last CRA examination.

Fair Lending or Other Illegal Credit Practices Review

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."