



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

August 01, 2011

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of South Miami  
Charter Number: 15000

5750 Sunset Drive  
South Miami, FL 33143-0000

Office of the Comptroller of the Currency

ADC-MIAMI (8518) Field Office  
Doral Costa Office Park 9800 NW 41st Street, Suite 120  
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**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**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

Major factors that support this rating include:

- The bank's loan-to-deposit ratio is reasonable.
- A substantial majority of loan originations are within the bank's assessment area (AA), exceeding the standard for satisfactory.
- The distribution of loans among businesses of different sizes exceeds the standard for satisfactory performance.
- The geographic distribution of loans meets the standard considering the bank's performance context and reflects reasonable distribution throughout the assessment area.
- The overall level and responsiveness of community development lending, investments, and services is satisfactory.

## **Scope of Examination**

This Performance Evaluation assesses the bank's performance under the Lending and Community Development Tests. The evaluation period ranges from October 23, 2007 through July 31, 2011. However, the Lending Test concentrated on activity from January 1, 2008 to December 31, 2010. In evaluating the bank's lending performance, the bank's primary loan product consists of business loans with a focus on small business lending. Residential loan volumes were too low to produce a meaningful analysis, and residential lending is not a primary product. In evaluating community development, we reviewed community development loans, investments, and services through July 31, 2011.

This evaluation is based on accurate data. We tested business loan data to verify that accurate data was being used at this examination. Community development loans, investments, and services submitted by management were verified to ensure they met the regulatory definition for community development. Some items submitted for consideration were excluded from this evaluation because they did not meet the definition or purpose of community development.

Community credit needs in the assessment area were determined by reviewing Public Evaluations of other banks operating in the same assessment area and by conducting community contacts. For this examination, we conducted two community contacts with non-profit community organizations operating in Miami-Dade County whose missions are to provide affordable housing and supportive services to low- and moderate-income persons. We

determined that the most pressing credit needs in the AA are small business lending and affordable housing. Other needs included a non-punitive checking account option for persons who do not qualify for a traditional checking account, credit education, and credit repair.

## **Description of Institution**

Established in 1952, First National Bank of South Miami (“FNBSM”) is an intrastate commercial bank headquartered in South Miami, Florida. The bank is a wholly owned subsidiary of First Miami Bancorp Inc., a one-bank holding company. The bank has one operating subsidiary, First National South Miami Safe Deposit Company, which operates out of the bank’s office. The subsidiary, which does not influence the bank’s capacity to lend or invest in the community, is a department of the bank that provides safe deposit services to consumers and businesses in the bank’s market area.

According to the Consolidated Report of Condition as of March 31, 2011, FNBSM had total assets of \$398MM and total deposits of \$286MM. Tier One Capital equaled \$39MM. Total net loans of \$151MM represented 38 % of total assets consisting of 84.43% commercial and commercial real estate, 15.23% residential, and 34% consumer.

FNBSM’s main office is located in the city of South Miami, a small-incorporated city in the southeastern portion of Miami-Dade County. There are three branch offices (Kendall, Falls, and East Ridge) all located in Miami and in upper-income geographies.

The bank offers traditional deposit and loan products for individuals and businesses, as described in the bank’s CRA Public File. However, the bank’s primary focus is business lending. 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 October 22, 2007, the bank was rated “Satisfactory”.

## **Description of Assessment Area(s)**

The bank’s AA is Miami-Dade County, which is also known as Metropolitan Division (MD) 33124. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies.

The Miami-Dade MD consists of 347 geographies distributed as follows: 27 (8%) low-income, 99 (29%) moderate-income, 114 (33%) middle-income, 104 (29%) upper-income and 3 (1%) no income data. The majority of the low- and moderate-income geographies are located within the City of Miami. According to the 2000 Census, the total population is approximately 2.3MM. Between the 1990 and 2000 Census, the population increased 16.3% with the influx of immigrants from Latin America and the Caribbean, and the relocation from northern cities in the United States.

The population increase put pressure on the housing market. In the Miami-Dade MD, housing costs are high. Economic conditions are weak as this AA continues to struggle in the aftermath of the national and local economic downturn. Job losses and housing market volatility has been significant. Mortgage foreclosures and delinquency rates remain among the highest in the nation. The unemployment rate increased from 5.2% (2000 census data) to 12.3% (Bureau of Labor and Statistics) as of March 31, 2011. The increase in unemployment and continued economic volatility can be partly attributed to a significant decline in construction and land development jobs in the AA. Housing starts remain at record lows and real estate values continue to decline.

Major industries include real estate development, trade business with Latin America, and tourism. Based on 2000 census information, 306,262 non-farm businesses are located in the Miami MD. The banking industry is very competitive in the AA. The Federal Deposit Insurance Corporation (FDIC) deposit data as of June 30, 2010 showed 72 institutions operating 657 banking offices in the Miami-Dade MD. FNBSM ranks 42nd in deposit market share at 0.31%.

According to the Miami Association of Realtors, the median housing prices of existing single-family homes are high at \$159,000 for March 2011. During the evaluation period, home prices decreased due to the real estate downturn but are still considered high for low- and moderate-income individuals. The HUD Adjusted Median Family Income in 2010 was \$52,200. It is clear that the unsubsidized purchase of an average single-family residence, coupled with the high costs for taxes and hurricane insurance, would be beyond the financial means of most individuals classified as low- and moderate-income. Furthermore, the poverty level is high with 18.08% of AA households living below the poverty level.

There are a wide range of opportunities for community development lending, investments, and services throughout the Miami MD. However, larger institutions are competitive for the qualified opportunities that are available. Community development opportunities include working with and providing financing to organizations whose mission is to provide affordable housing and/or community services for low- and moderate-income persons, as well as organizations with a mission of economic development. There is a federally designated Enterprise Zone that targets economic development with the goal of stimulating and retaining jobs. There are 19 areas designated as Targeted Urban Areas (“TAU”) that are the focus for the Urban Economic Revitalization Plan for Miami-Dade County. There are several areas in the county designated under a Florida statute as Community Redevelopment Areas, including the South Miami Community Redevelopment Area.

Types of community development investments available in the Miami MD include, but are not limited to, participation in numerous local Community Development Corporations (CDCs”) and Community Development Financial Institutions (“CDFIs”) and opportunities to contribute to qualified non-profit organizations whose missions are focused on providing affordable housing, community services for low- and moderate-income persons, and economic development. There are also opportunities for the purchase of mortgage-backed securities.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The bank’s performance under the Lending Test is rated “Satisfactory”.

#### Loan-to-Deposit Ratio

- Based on the bank’s resources, capacity, competitive environment, and other performance context factors, the bank’s loan-to-deposit ratio meets the standard for satisfactory performance.

FNBSM’s loan-to-deposit ratio is reasonable given the bank’s resources, capacity, level of competition in the assessment area, and other performance context factors. The bank’s quarterly average loan-to-deposit ratio since the last CRA examination is 55.95%. When compared to four other similarly situated banks in the AA, the range of the average loan-to-deposit ratio was 45.22% to 106.07% for an average of 77.80%. FNBSM’s ratio is within the range of similarly situated banks.

#### Lending in Assessment Area

Lending in the assessment area exceeds the standard for satisfactory performance. A substantial majority of loans were originated in the bank’s assessment area. As illustrated in Table 1, 90.43 % of the bank’s business loans by number and 94.11 % by dollar originated during the evaluation period in the assessment area.

Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	104	90.43	11	9.57	115	172,968	94.11	10,824	5.89	183,792

Source: Bank business loan origination reports from January 1, 2008 through December 31, 2010.

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

- The distribution of borrowers exceeds the standard for satisfactory performance.

FNBSM’s distribution of loans to businesses demonstrates an excellent penetration among businesses of different sizes. As illustrated in Table 2, the percentage of loans to small businesses (businesses with revenues of \$1MM or less) exceeds the percentage of small businesses in the assessment area.

<b>Table 2 – Borrower Distribution of Loans to Businesses</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	81.30	3.44	15.26	100%
% of Bank Loans in AA by #	85.85	14.15	0.00	100%
% of Bank Loans in AA by \$	92.03	7.97	0.00	100%

Source: Bank business loan origination reports from January 1, 2008 through December 31, 2010; Dunn and Bradstreet data 2010.

### Geographic Distribution of Loans

- The geographic distribution of loans meets the standard for satisfactory performance, given performance context.

The geographic distribution of loans to businesses is below the percentage of business in the AA but is reasonable given that no low-income geographies are near FNBSM offices, and a limited number of moderate-income geographies are near the bank’s offices. As illustrated in Table 3, the bank originated no loans in low-income geographies. Lending of 16.35% of the bank’s business loans in moderate-income geographies was near the percentage of businesses in the AA of 20.30%. There were no unexplained conspicuous gaps in lending. Census tracts in the AAs with no loan penetration are due to FNBSM’s limited number of branch offices. This limitation prevents the bank from penetrating all areas in the AA.

<b>Table 3 - Geographic Distribution of Loans to Businesses</b>								
	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	% of AA businesses	% bank loans	% of AA businesses	% bank loans	% of AA businesses	% bank loans	% of AA businesses	% bank loans
Miami AA	4.08	0.00	20.30	16.35	32.22	35.58	42.88	47.17

Source: Bank business loan origination reports from January 1, 2008 through December 31, 2010; D & B data 2010.

### Responses to Complaints

The bank has not received any complaints regarding its CRA performance since the last examination.

## COMMUNITY DEVELOPMENT TEST

- The bank's performance under the Community Development Test is rated "Satisfactory".

### **Number and Amount of Community Development Loans**

FNBSM had a satisfactory level of community development loans that demonstrate an adequate responsiveness to community development needs in the bank's assessment area.

During the evaluation period, FNBSM had 21 community development loans totaling \$31.6MM. Of the total, 22 percent of community development loan dollars assisted with affordable housing needs in the bank's assessment area, a need that is considered critical within the bank's assessment area. The remaining 78% of community development loan dollars promoted economic development by supporting permanent job creation, retention, or improvement for low- and moderate-income persons.

### **Number and Amount of Qualified Investments**

FNBSM had 6 qualified investments totaling \$4.4MM that demonstrate an adequate level of responsiveness to community development needs in the bank's AA equaling \$1.8MM are new investments during the evaluation period. The remaining investments of \$2.6MM were prior period investments that remain on the books of the bank.

All of the new investment dollars are regional mortgage-backed securities, for which the collateral is a pool of mortgage loans to low- and moderate-income borrowers. Mortgage-backed securities are important because they provide needed liquidity to lending institutions so that additional mortgages can be funded. Eight (8) out of 14 or 57% of the underlying mortgages were in the AA and all of these were to low- and moderate-income borrowers. The bank's prior period investments were also mortgage-backed securities.

The bank also made donations of \$190M to organizations operating within the AA whose primary purpose meets the definition of community development.

### **Extent to Which the Bank Provides Community Development Services**

The bank provides an adequate level of community development services in its assessment area, given the bank's size and capacity.

Historically, the bank has assisted a community service organization that provides job training for low- and moderate-income persons in Miami-Dade County by hiring program graduates. These employees require substantial management time and mentoring. During the evaluation period, FNBSM hired 7 such employees.

FNBSM officers provided technical assistance to assessment area organizations that support qualified community development activities. A bank officer served on the board of an organization that provides affordable housing and support services to low- and moderate-income persons with mental disabilities. Affordable housing is a primary need in the bank's assessment area. Another officer serves on the advisory board of an organization whose primary purpose is

to revitalize and stabilize low- and moderate-income communities in South Miami and another officer is active in a council that assists in the economic development in southern Miami-Dade County. Finally, another officer serves on the board of an organization that provides community services to primarily low- and moderate-income individuals and geographies in the South Miami area, including scholarships to low- and moderate-income youth. Bank officers and employees have recorded 4,314 hours to qualifying community services.

### **Responsiveness to Community Development Needs**

The bank's overall community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the bank's capacity and the need and availability of opportunities for community development activities in the bank's assessment area.

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

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