

Small Bank Performance Evaluation

PUBLIC DISCLOSURE

June 21, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Independent National Bank
Charter Number 23484
60 S.W. 17th Street
Ocala, FL 34474**

**Office of the Comptroller of the Currency
Southeastern District
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303**

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.

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 Community Reinvestment Act (CRA) performance of **Independent National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 21, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

- C Independent National Bank maintains a satisfactory loan-to-deposit ratio compared to other banks.
- C The majority of loans were originated to borrowers within the assessment area.
- C Lending to borrowers of different income groups and businesses of different sizes is reasonable given the demographics of the community.
- C The geographic distribution of loans reflects a satisfactory penetration of geographies within the assessment area.

DESCRIPTION OF INSTITUTION

Independent National Bank (INB) is headquartered in Ocala, Marion County, Florida. INB also has one branch office located in Ocala and two other offices located in the communities of Belleview and Lady Lake. INB is wholly-owned by Independent Bancshares, Inc., a one-bank holding company. As of March 31, 1999, INB had total assets of \$68 million. The bank's primary lending product is residential mortgage loans, which represent 60% of average total loans. Loans to businesses also represent a significant portion of the bank's lending at 28% of average total loans. There are no financial, legal or other impediments to would inhibit the bank's ability to meet the credit needs of the community. The evaluation period for this review is May 1997 through June 1999.

DESCRIPTION OF BANK'S ASSESSMENT AREA

The assessment area for this evaluation consists of the forty-six census tracts that comprise the Ocala/Marion County Metropolitan Statistical Area (MSA #5790). One census tract is designated low-income, 4 are moderate-income, 33 are middle-income and 7 are upper-income. The remaining census tract is uninhabited. The census tract income designations are based on the 1990 Census Bureau median family income of \$26,089. The 1998 median family income (as estimated by HUD¹) for the Ocala MSA is \$34,600. The assessment area meets the legal requirements of CRA and does not arbitrarily exclude low- or moderate-income census tracts.

The total population of the assessment area is 194,833. The economy of the area is primarily driven by retail trade and services. Agriculture, primarily horse breeding and livestock, also contributes significantly to the economy. The largest non-governmental employers include Munroe Regional Medical Center, Emergency One, Inc. and Publix Supermarkets. Banking competition in the area is strong with large regional banks, local community banks and credit unions having offices in the area.

In discussions with federal regulators, leaders of local community development organizations indicated there is a significant need in the area for affordable housing for families, as it was noted that most new housing in the area is targeted toward retirees. Multifamily rental units are also in need. There are few vacancies in the available supply of rental units and rents are unaffordable for most low-wage earning service workers living in the area.

¹ Department of Housing and Urban Development

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

The loan-to-deposit (LTD) ratio is reasonable. The bank's average LTD ratio for the eight quarters within the evaluation period is 70%. In comparison, the average LTD ratio for banks of similar size within the State of Florida is 64%. The national average LTD ratio for banks of similar size is 69%.

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

The bank makes a majority of its loans within the assessment area. This conclusion is based on an analysis of all residential mortgages originated in 1998 and year-to-date 1999. This sample totaled 117 loans. We also analyzed business loans originated during the evaluation period. This sample totaled 20 loans. The results are shown in the table below.

INB Loans in Assessment Area	Residential Loans	Business Loans
Total Number	97%	90%
Total Dollar Volume	95%	62%

C Lending to Borrowers of Different Incomes and Businesses of Different Sizes - Meets the Standard for Satisfactory Performance

Lending to borrowers of different incomes is reasonable given the demographics of the community. Our analysis used the residential mortgage loans made within the assessment area from the above sample. We compared the income distribution of the bank's borrowers to the income distribution of families within the assessment area, using 1998 median family income levels. The findings are presented below.

Income Level	Families in Assessment Area	INB Loan Distribution
Low	18%	8%
Moderate	19%	27%
Middle	24%	19%

Income Level	Families in Assessment Area	INB Loan Distribution
Upper	39%	46%

Lending to businesses of different sizes is reasonable. For this analysis, we used the aforementioned sample of business loans made within the assessment area. The results showed 72% of the loans made were to small businesses (those with total revenues less than \$1 million). In comparison, 76% of all businesses operating within the assessment area are considered small businesses.

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

The geographic distribution of loans reflects a satisfactory penetration of geographies within the assessment area. For this analysis, we used the sample of residential mortgages made in the assessment area. We compared the geographic distribution of the loans to the percentage of census tracts by income level in the assessment area. We also considered the level of owner-occupied housing within each geographic area. The level of owner-occupied housing is an indicator of the opportunities available for residential financing. The lower the level, the fewer opportunities available for home improvements, refinances or other mortgage loans. The results are summarized in the table below.

<i>Census Tract Designation</i>	<i>% of Census Tracts in Assessment Area</i>	<i>% of Owner-Occupied Housing</i>	<i>INB Loan Distribution</i>
<i>Low Income</i>	2%	1%	0%
<i>Moderate Income</i>	9%	8%	5%
<i>Middle Income</i>	73%	78%	72%
<i>Upper Income</i>	16%	13 %	23%

We also analyzed the geographic distribution of our sample of business loans. Sixty-one percent (61%) of these loans were made to businesses located in middle-income areas. This is consistent with the demographics of the assessment area. Economic data shows that 76% of *all* businesses in the assessment area are located in middle-income areas, 16% are in upper-income areas, 7% are in moderate-income areas and 1% are located in low-income areas.

C Response to Complaints - Not Applicable

INB received no complaints relative to its Community Reinvestment Act performance.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

Our examination of compliance with antidiscrimination laws and regulations revealed no violations.