

# **PUBLIC DISCLOSURE**

August 12, 1996

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Southern Bank  
06120121

Boca Raton, Florida

Federal Reserve Bank of Atlanta  
104 Marietta Street, N.W.  
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 the 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 First Southern Bank prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of August 12, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

First Southern Bank's loan-to-deposit ratio is reasonable although it has exhibited a declining trend during the past five quarters. This decline was caused mainly by loan demand not keeping pace with the significant increase in deposits resulting from the opening of two new branches in Broward County during 1995 and 1996. The majority of the consumer and small business loans sampled were granted to borrowers residing or having business in the bank's assessment area. Large percentages of these loans were made to low- and moderate-income borrowers, generally exceeding their representation in the assessment area. The percentage of business loans in low-income census tracts and the percentage of consumer loans in moderate-income census tracts matched those tracts' representation in the assessment area. However, none of the consumer loans in the sample were made to borrowers from low-income census tracts, and few of the business loans were made to borrowers from moderate-income census tracts.

**GENERAL INFORMATION (CONTINUED)**

The following table indicates the performance level of First Southern Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST SOUTHERN BANK		
	PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio		X	
Lending in assessment area		X	
Lending to borrowers of different incomes and to businesses of different sizes	X		
Geographic distribution of loans			X
Response to complaints	No complaints were received since the previous examination.		

## DESCRIPTION OF INSTITUTION

First Southern Bank is headquartered in Palm Beach County, Florida, and has four offices. The head office and the Boca Raton Beach branch are located in upper-income areas of Boca Raton. The two other branches are in Broward County and were opened after the previous examination. The Oakland Park branch opened on November 27, 1995, and the Coral Springs branch opened on February 14, 1996. Total assets reported in the June 30, 1996 Consolidated Reports of Condition and Income were \$83.2 million. The bank is a subsidiary of First Southern Holding Bancorp, Boca Raton, Florida, a single-bank holding company. The holding company has a nonbank subsidiary, First Southern Bank Realty Corp., which was formed on May 13, 1996, to hold banking quarters. As of the examination date, the nonbank subsidiary had no assets or liabilities.

The composition of the loan portfolio according to the March 31, 1996 Uniform Bank Performance Report is as follows:

Loan Type	Percentage
Construction and development	0.42%
Secured by one- to four-family dwellings	22.73%
Other real estate:	
Farmland	0.28%
Multifamily	6.67%
Nonfarm nonresidential	37.65%
Commercial and industrial	28.21%
Loans to individuals	4.03%
All other	0.01%
TOTAL	100.00%

As indicated in the above table, the bank offers a variety of business loan products consisting of large and small business loans that include receivables financing loans. Consumer loans and home equity lines of credit are also offered. Consistent with the bank's lending strategy, the largest percentage of the loan portfolio consists of nonresidential and commercial loans (many of them secured by personal residences), which represent 65.9 percent of the bank's loan portfolio.

## DESCRIPTION OF FIRST SOUTHERN BANK'S ASSESSMENT AREA

First Southern Bank's assessment area includes 122 census tracts in the West Palm Beach - Boca Raton and Fort Lauderdale metropolitan statistical areas (MSAs). According to U.S. Bureau of Labor Statistics information for 1994, the community is mainly retail and service oriented. The area's economic base is distributed among services to retirees and tourism. The main sources of employment are services and trade and to a lesser extent manufacturing, finance, insurance, and real estate. The statistical information for housing affordability shows that 23 percent of owner-occupied units have values ranging from \$100,000 to \$150,000 and 32.5 percent are valued at over \$150,000. Also, 69 percent of available rental units cost \$500 or more per month.

According to the 1990 Census, the median family income in the bank's assessment area was \$40,090, which is significantly higher than the State of Florida at \$32,212. The four income levels used for the analysis were defined using the following percentages of the median family income of the appropriate MSA.

<b>Income Level</b>	<b>Percentage of Median Family Income</b>
Low-income	Less than 50%
Moderate-income	50% to 79%
Middle-income	80% to 119%
Upper-income	120% and over

**DESCRIPTION OF FIRST SOUTHERN BANK'S ASSESSMENT AREA (CONTINUED)**

**NUMBER AND PERCENTAGE OF FAMILIES BY INCOME LEVEL IN THE ASSESSMENT AREA  
 COMPARED TO THE STATE OF FLORIDA**

Income Level	Assessment Area		State of Florida	
	Number of Families	Percentage by Income Level	Number of Families	Percentage by Income Level
Low-income	35,120	17.0%	677,883	19.1%
Moderate-income	36,495	17.7%	665,313	18.8%
Middle-income	45,564	22.0%	804,174	22.7%
Upper-income	89,411	43.3%	1,393,954	39.4%
Total	206,590	100.0%	3,541,324	100.0%

As indicated above, the largest income group in the bank's assessment area is upper-income. This group at 43.3 percent exceeds the 39.4 percentage of upper-income families in the State of Florida.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**Loan-to-Deposit Ratio**

First Southern Bank's average loan-to-deposit ratio for the five quarters since the last examination is 64.4 percent. The ratio declined from 76.8 percent on June 30, 1995, to 61.6 percent on June 30, 1996. A few banks with approximately the same asset size and number of branches have comparable loan-to-deposit ratios; however, other banks have ratios ranging from 70 to 78 percent. The opening of the bank's two new branches in Broward County during 1995 and 1996 affected the ratio because the loan demand did not keep pace with the volume of deposits generated by the new branches. The ratio is satisfactory considering this factor and management's efforts to originate loans in Broward County.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

### Lending in Assessment Area

#### DISTRIBUTION OF LOANS IN/OUT OF ASSESSMENT AREA

Type of Loan	Number of Loans in Sample	Percentage of Loans Inside Assessment Area	Percentage of Loans Outside Assessment Area	Total
Consumer loans	28	89%	11%	100%
Small business loans	53	81%	19%	100%

The bank's performance in this category meets the standards for satisfactory performance. The sample of loans used to perform the analysis revealed that 89 percent of consumer loans and 81 percent of small business loans were extended to borrowers that reside in the bank's assessment area. This analysis also revealed that 91 percent of the total dollar amount of consumer loans and 67 percent of business loans were extended in the assessment area. Most loans made outside the assessment area were to borrowers residing in census tracts adjacent to the assessment area.

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

The following table shows the distribution of 23 consumer loans by income level of the borrower. The borrower's income level is determined by comparing it with the median family income of the MSA.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

### Lending to Borrowers of Different Incomes and Businesses of Different Sizes (Continued)

#### DISTRIBUTION OF CONSUMER LOANS BY BORROWER'S INCOME COMPARED TO THE PERCENTAGE OF FAMILIES IN THE BANK'S ASSESSMENT AREA BY INCOME LEVEL

Income Level	Percentage of Loans by Volume	Percentage of Loans by Dollar Amount	Percentage of Families in Assessment Area by Income Level
Low-income	26%	18%	17.0%
Moderate-income	22%	18%	17.7%
Middle-income	22%	19%	22.0%
Upper-income	30%	45%	43.3%
Total	100%	100%	100.0%

As shown in the above table, a substantial percentage of lending was to low-income borrowers. Although the low-income group makes up 17 percent of the assessment area's families, the bank made 26 percent of the consumer loans to low-income borrowers. Also, a substantial percentage of consumer loans, 22 percent, was to moderate-income borrowers, exceeding the community's 17.7 percent of moderate-income families. The distribution of total dollar loan amounts by income level also compared favorably to the income makeup of the community. The bank's lending to borrowers of different income levels exceeds the standards for satisfactory performance.

The small business loans included in the sample were defined as loans to businesses having gross revenues of \$1 million or less the preceding year. As shown in the following table, a large portion of the small business loans made in the bank's assessment area were to businesses having revenues of less than \$500,000.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

**Lending to Borrowers of Different Incomes and Businesses of Different Sizes (Continued)**

**DISTRIBUTION OF SMALL BUSINESS LOANS BY BUSINESS REVENUE SIZE**

Gross Revenues	Number of Loans	Percentage of Loans
\$750,000 to \$1 million	2	5%
\$500,000 to \$749,000	7	16%
\$250,000 to \$499,000	13	30%
\$100,000 to \$249,000	10	23%
Less than \$100,000	11	26%
Total	43	100%

**Geographic Distribution of Loans**

The distribution of loans by income level of the census tracts is summarized in the following table:

Census Tract Income Level	Percentage of Population Residing in Census Tracts by Income Level	Percentage of Consumer Loans	Percentage of Business Loans
Low-income	3.1%	0%	7.0%
Moderate-income	12.5%	12.0%	2.0%
Middle-income	51.4%	28.0%	40.0%
Upper-income	33.0%	60.0%	51.0%

As shown in the above table, none of the consumer loans in the sample were made in any of the assessment area's low-income census tracts; however, the percentage of the loans to small businesses that were originated in low-income tracts (7 percent) compared favorably with the percentage of the population residing in those tracts (3.1 percent). Also, the percentage of consumer loans originated in moderate-income census

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

### **Geographic Distribution of Loans (Continued)**

tracts (12 percent) closely matched the percentage of the population residing in those tracts (12.5 percent). However, only 2 percent of the business loans were made in moderate-income census tracts. The percentages of consumer and small business loans in upper-income census tracts (60 percent and 51 percent, respectively) significantly exceed the percentage of the population residing in those tracts (33 percent). These percentages reflect a high volume of lending activity in upper-income census tracts in relation to middle-, moderate-, and low-income census tracts. The bank does not meet the standards for satisfactory performance for this category.

### **Complaints**

No complaints relating to CRA performance have been filed against the bank since the previous examination.

### **Compliance with Antidiscrimination Laws**

No violations of the substantive provisions of the antidiscrimination laws and regulations were noted. Personnel involved in the lending process have sufficient knowledge of fair lending issues and how those issues relate to credit applications and the evaluation process. Comprehensive audits of documentation and internal review procedures have been beneficial. Also, through periodic employee training, the bank's policy on fair treatment of all customers has been effectively communicated from senior management to all staff members.

TO THE INSTITUTION EXAMINED:

THIS COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION WAS PREPARED BY THE FEDERAL RESERVE BANK OF ATLANTA. THE FOLLOWING ACTIONS MUST BE TAKEN TO FULFILL THE CRA'S REQUIREMENTS.

- C AT A MINIMUM, PLACE THE EVALUATION IN YOUR CRA PUBLIC FILE LOCATED AT YOUR HEAD OFFICE (AND A DESIGNATED OFFICE IN EACH OF YOUR LOCAL COMMUNITIES) NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THE EVALUATION.
- C PROVIDE A COPY OF THE EVALUATION TO THE PUBLIC UPON REQUEST (YOU ARE PERMITTED TO CHARGE A FEE NOT TO EXCEED THE COST OF REPRODUCTION AND MAILING IF APPLICABLE) NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THIS LETTER.

**FEDERAL RESERVE BANK OF ATLANTA**

ASSISTANT VICE PRESIDENT

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
CYNTHIA C. GOODWIN

\_\_\_\_\_  
(Title)

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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TO THE FEDERAL RESERVE BANK OF ATLANTA

A COPY OF THE COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PREPARED AS OF THE CLOSE OF BUSINESS AUGUST 12, 1996, BY AN EXAMINER FOR THE FEDERAL RESERVE BANK OF ATLANTA HAS BEEN RECEIVED AND WILL BE MADE AVAILABLE TO THE PUBLIC IN THE MANNER STATED IN THE LETTER WHICH ACCOMPANIED THE EVALUATION.

\_\_\_\_\_  
(Signature of Authorized Officer)

\_\_\_\_\_  
(Title)

FIRST SOUTHERN BANK  
\_\_\_\_\_  
(Name of Bank)

BOCA RATON, FLORIDA  
\_\_\_\_\_  
(Location)

# FEDERAL RESERVE BANK OF ATLANTA

**Cynthia C. Goodwin**  
ASSISTANT VICE PRESIDENT

Board of Directors  
First Southern Bank  
9955 West Glade Road  
Boca Raton, Florida 33434

Dear Board Members:

Enclosed is the bank's Community Reinvestment Act Performance Evaluation prepared by Federal Reserve Examiner Lucy Lebel using the guidelines established by the Federal Financial Institutions Examination Council. This evaluation was prepared in accordance with the Community Reinvestment Act (CRA), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, and must be made available to the public. The following actions must be taken to fulfill the CRA's requirements.

- C At a minimum, place the evaluation in your CRA public file located at your head office (and a designated office in each of your local communities) no later than 30 business days after receiving this letter.
- C Provide a copy of the evaluation to the public upon request (you are permitted to charge a fee not to exceed the cost of reproduction and mailing if applicable) no later than 30 business days after receiving this letter.

Please acknowledge receipt of this evaluation by signing and returning the attached blue form. The format and content of the evaluation should not be altered or abridged in any manner. You may wish to comment on this information detailing actions the bank has taken since the examination to meet its obligations under the CRA. Any written comments concerning the evaluation placed in the public file should also be forwarded to this office. If you believe any of the information included in the public evaluation is proprietary, please contact this Reserve Bank so that the appropriate action can be taken.

Our Community Affairs staff is available to assist you in determining and responding to community credit needs. Please feel free to contact Mr. Courtney Dufries at (404) 589-7226. If you have any questions concerning this report or any other compliance matter, contact Ms. Gale Williams at (404) 589-7223.

Very truly yours,

Cynthia C. Goodwin

Enclosures

**PUBLIC DISCLOSURE**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

Name of Bank: FIRST SOUTHERN BANK

City and State: BOCA RATON, FLORIDA

Date of Examination: AUGUST 12, 1996