

PUBLIC DISCLOSURE

April 15, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Terrace Bank of Florida
06-12-1515

Tampa, 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 The Terrace Bank of Florida, Tampa, Florida prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of April 15, 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.

The bank's overall CRA performance is satisfactory. Based on the analysis performed, the bank's lending activities reflected a reasonable penetration in all segments of the assessment area, and a high portion of loans originated by the bank were secured by properties located in its assessment area. The bank's loan-to-deposit ratio was reasonable, and the distribution of loans to individuals of different income levels and to businesses of different sizes was reasonable. The bank is in substantial compliance with all provisions of the antidiscrimination laws and regulations.

GENERAL INFORMATION (CONTINUED)

The following table indicates the performance level of The Terrace Bank of Florida, Tampa, Florida, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	THE TERRACE BANK OF FLORIDA		
	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

Since the previous examination of June 12, 1995, The Terrace Bank of Florida formed a one-bank holding company (Pilot Bancshares, Inc.) and purchased another small bank in the Tampa area. The bank now has two offices with its main office located at 5140 E. Fowler Avenue, Tampa, Florida, and its other branch located near the University of South Florida campus (2901 E. Fowler Avenue, Tampa, Florida). On December 31, 1995, the bank's total assets were \$60.6 million.

The composition of the loan portfolio according to the December 31, 1995 Uniform Bank Performance Report (UBPR) is as follows:

LOAN TYPES	PERCENTAGE
Secured by nonfarm non-residential properties	40.0
Commercial and industrial	17.8
Secured by 1-4 family residential properties	19.7
Construction and land development	3.3
Secured by multifamily properties	10.9
Loans to individuals	7.6
Other loans	.7
TOTAL LOANS AND LEASES	100.0

As depicted by the table above, commercial lending represents over 57 percent of the bank's loan portfolio. The Terrace Bank is an approved Small Business Administration (SBA) lender. However, during 1995, no SBA loans were originated. The bank has recently been approved for the SBA low-doc and 7A programs and during the examination closed two SBA low-doc loans.

DESCRIPTION OF THE TERRACE BANK'S ASSESSMENT AREA

The main office of The Terrace Bank of Florida is located in the Temple Terrace area in northern Hillsborough County approximately 10 miles from downtown Tampa (near the northern city limits of Tampa), and the southern boundary of Temple Terrace. The bank currently has 48 census tracts in its assessment area; 9 are low-income census tracts, 16 are moderate-income census tracts, 18 are middle-income census tracts, and 5 are upper-income census tracts.

During the last quarter of 1995, the bank expanded its assessment area further south to include several low-income census tracts that primarily consist of warehouse businesses. Part of the reasoning behind this expansion was that the area was not well served by other financial institutions. Although the bank communicates regularly with identified business contacts, establishing lending relationships has been difficult. However, bank management is confident that these contacts will eventually pay off and believes that additional loans will be made as a result of these efforts. It should also be noted that it has been less than a year since the previous examination, and some of the business strategies that have recently been adopted will need more time before results can be assessed.

According to the 1990 census, the population of the bank's assessment area was 197,976. The median family income of the assessment area was \$25,329 compared with \$31,244 for the Tampa-St. Petersburg-Clearwater Metropolitan Statistical Area (MSA). The low-income population of the assessment area was 25,867 (13.1 percent), and the moderate-income population was 61,525 (31.1 percent). The number of families below poverty level represented 18.2 percent of total families (i.e., 8,717 out of 47,814).

According to 1990 census data, there were a total of 92,947 housing units in the assessment area, of which 37,037 (39.8 percent) were owner-occupied and 41,390 (44.5 percent) were rental units. Of the total owner-occupied units, 8 percent were located in low-income census tracts, and 27 percent were located in moderate-income tracts. The median housing value was \$53,498. The median age of housing stock was 17 years.

DESCRIPTION OF THE TERRACE BANK'S ASSESSMENT AREA (CONTINUED)

Major employers in the area include GTE Data Services, the public school system, University of South Florida, Busch Gardens, Tampa International Airport, and county government. According to 1993 economic patterns for Hillsborough County, approximately 321,000 workers, or 58.5 percent of the industry total, were employed in the retail and wholesale trade, or service industry.

According to one community contact, Temple Terrace has been known as a bedroom community because a majority of the residents work in Tampa. The University of South Florida is located around the periphery of Temple Terrace. Currently, the university is attended by approximately 40,000 students and has a large percentage of medical, business, and engineering students. Many of the faculty members live in Temple Terrace. Unlike many of Florida's communities, the city of Temple Terrace has a relatively young population residing in the middle- and upper-income areas. However, the city has several pockets of moderate-income areas, and additional single-family affordable housing has been identified as a need in the community. The Terrace Bank of Florida was named by the contact as one of the banks in the community that has provided financial and technical assistance on various projects relating to affordable housing.

Another community contact that works with several small business, redevelopment, and revitalization loan programs indicated that most banks in the community have been actively participating in these programs. However, the need for SBA 504, 7A, and low-doc loans continues. As previously indicated, The Terrace Bank of Florida offers SBA loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's average loan-to-deposit ratio for the four quarters in 1995 was 65.2 percent. The peer group average loan-to-deposit ratio for the same period was 50.9 percent. The bank's peer group includes four other banks in Hillsborough County that have a similar asset size. Approximately 30 financial institutions are in the bank's assessment area, ranging in size from small community banks to large regional banks. Based on The Terrace Bank of Florida's size, resources, and office facilities, the loan-to-deposit ratio meets the standards for satisfactory performance.

59 small business and 22 consumer loans, the majority of which were for motor vehicles, were reviewed to determine the percentage of loans originated in the bank's assessment area, the bank's lending to borrowers of different income levels and businesses of different sizes, and the geographic distribution of the loans. Small business and consumer loans were reviewed because they represent the majority of the bank's loan portfolio. 44 (75 percent) of the small business loans were originated in the bank's assessment area. 13 (59 percent) of the consumer loans were originated in the bank's assessment area.

In addition to making small business loans to businesses of various sizes, a substantial majority of loans were for small dollar amounts (24 of the 59 small business loans were under \$25,000, and 45 were under \$50,000). The majority of small business establishments surrounding the bank's two offices are family-owned with less than 25 employees and are primarily retail or service-related.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

The bank's geographic distribution of small business loans is as follows:

Income Level of Census Tract	Percent of Median Family Income	Quantity of Tracts in Assessment Area	# of Loans	% Of Loans	Amount of Loans	% of Amount of Loans
Low	Less than 50	9 (19%)	1	2%	\$ 11,000	1%
Moderate	50-79	16 (33%)	8	18%	175,902	10%
Middle	80-119	18 (38%)	15	34%	684,143	38%
Upper	120 and above	5 (10%)	20	46%	933,049	51%
Total		48(100%)	44	100%	\$1,804,094	100%

Overall, the bank's dispersion of loans throughout its assessment area is reasonable. While the bank's penetration of low- income census tracts is limited, most of those tracts were recently added to the assessment area. The bank expanded its assessment area to include seven additional low-income tracts and eight additional moderate-income tracts. These census tracts contain primarily warehouse businesses that were underserved by financial institutions in the area. Even though the bank's efforts have not yet produced activity in the low-income tracts, the bank's penetration in the other census tracts has been reasonable. The bank is trying to establish business relationships through contacts made with individuals working in these areas.

The following chart shows the geographic distribution of the bank's consumer loans by census tract.

Income Level of Census Tract	Percent of Median Family Income	Quantity of Tracts in Assessment Area	# of Loans	% Of Loans	Amount of Loans	% of Amount of Loans
Low	Less than 50	9 (19%)	0	0%	\$ 0	0%
Moderate	50-79	16 (33%)	2	15%	\$ 11,904	8%
Middle	80-119	18 (38%)	3	23%	\$ 46,685	34%
Upper	120 and above	5 (10%)	8	62%	\$ 81,929	58%
Total		48(100%)	13	100%	\$140,518	100%

The above chart shows a less than reasonable dispersion of consumer loans by census tract throughout the assessment area. However, of the 13 individual consumer loans originated in the assessment area, 2 (15 percent) were extended to low-income individuals, 6 (46 percent) to moderate-income individuals, none to middle-income individuals, and 5 (38 percent) to upper-income individuals.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Overall, based on the percentage of loans in the bank's assessment area, the geographic distribution of loans, and the penetration of loans to borrowers of different income levels in the bank's assessment area, the bank meets the standards for overall satisfactory performance.

The examination revealed no evidence of any practices intended to discourage individuals from applying for credit, and no credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. The Terrace Bank of Florida's fair lending policy has been incorporated into all bank loan policies.

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 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

TO THE FEDERAL RESERVE BANK OF ATLANTA

A COPY OF THE COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PREPARED AS OF THE CLOSE OF BUSINESS APRIL 15, 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)

THE TERRACE BANK OF FLORIDA

(Name of Bank)

TAMPA, FLORIDA

(Location)

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Board of Directors
The Terrace Bank of Florida
Post Office Box 5140
Temple Terrace, Florida 33617

Dear Board Members:

Enclosed is the bank's Community Reinvestment Act Performance Evaluation prepared by Federal Reserve Examiner Lisa L. Bullard 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 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: THE TERRACE BANK OF FLORIDA

City and State: TAMPA, FLORIDA

Date of Examination: APRIL 15, 1996