

PUBLIC DISCLOSURE

February 18, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Southern Security Bank of Hollywood
06120619

Hollywood, 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 Southern Security Bank of Hollywood prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of February 18, 1997. 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.

Southern Security Bank of Hollywood was assigned a satisfactory rating based on a reasonable loan-to-deposit ratio and the bank's capacity to meet the credit needs of its assessment area. The majority of the bank's lending activity is not located within the bank's assessment area. The majority of the bank's loans have originated from referrals of customers outside the assessment area because the bank has been constrained by legal impediments and unable to advertise its loan products. The penetration of loans to borrowers of different income levels and the distribution of loans throughout the assessment area are reasonable. The rating is based on the bank's size and safety and soundness limitations.

GENERAL INFORMATION (CONTINUED)

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

SMALL INSTITUTION ASSESSMENT CRITERIA	SOUTHERN SECURITY BANK OF HOLLYWOOD		
	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

Effective January 25, 1994, Florida First International Bank changed its name to Southern Security Bank of Hollywood. The bank is a subsidiary of Southern Security Bancorporation, a bank holding company that acquired control of the bank in the fourth quarter of 1993. The bank continues to operate subject to the lending restrictions of a Written Agreement, effective March 17, 1992, with the Banking Commissioner of the State of Florida and the Federal Reserve Bank of Atlanta.

According to the September 30, 1996 Consolidated Reports of Condition and Income, the bank had total assets of \$16.9 million. Loans represented 61.9 percent of total assets. The bank offers a variety of consumer and business loans. The major credit product is small business loans. In late 1995, the bank instituted a new loan program called the **ABusiness Manager,** which resulted in new loan growth. The program allows the bank to offer financing to small and medium-sized businesses by purchasing and collecting their receivables. The financing provides small business owners with working capital for growth and other purposes.

The composition of the loan portfolio according to the September 30, 1996 Consolidated Reports of Condition and Income is as follows:

LOAN TYPE	PERCENTAGE
Secured by one- to four-family dwellings	21.0%
Other real estate: Nonfarm nonresidential	30.2%
Commercial and industrial	31.3%
Loans to individuals	14.8%
Secured by farmland	2.1%
All other	.6%
Total	100.0%

As indicated in the table above, the bank's loan portfolio consists primarily of commercial and real estate loans. Many of the bank's business purpose loans are secured by personal residences or commercial properties.

DESCRIPTION OF ASSESSMENT AREA: HOLLYWOOD, FLORIDA

The bank's assessment area is in the city of Hollywood, located in southern Broward County. The assessment area includes 12 of the 22 census tracts in the city. Three tracts are moderate-income, six are middle-income, and three are upper-income. The city of Hollywood is the second largest city in Broward County. It is known as a bedroom community for working families who primarily reside in residential areas west of the Intracoastal Waterway. Many of Hollywood's residents are employed in the nearby cities of Miami and Fort Lauderdale. The city of Hollywood's close proximity to Miami and Fort Lauderdale and its relatively affordable commercial office space make the city a competitive location for large and small businesses. The bank's assessment area is bordered by Stirling Road on the north, Hollywood Boulevard on the south, Ravenswood Road on the northeast, Route A-1-A on the southeast, and Davie Road on the west.

The city of Hollywood's economy reflects the regional economic characteristics of the Fort Lauderdale Metropolitan Statistical Area (MSA), with active professional services, financial, retail, and construction sectors. Approximately 25.7 percent of the MSA's residents are employed in retail trade, and 36.9 percent are employed in other service-related occupations. Hollywood's largest employers are Memorial Hospital, with 3,000 employees, and the City of Hollywood, with approximately 1,700 employees.

According to the Community Development Division of the City of Hollywood, Hollywood is 95 percent built-out. Nearly 65 percent of the city's housing stock is over 25 years old, creating a demand for maintenance and rehabilitation credit to preserve quality housing units. The 1990 Census data showed 63,303 available housing units in the city, 84 percent of which were occupied units. The combined vacancy rate for both renter- and owner-occupied units, at 16 percent, was one of the highest in the county.

According to the 1990 Census, the population of the assessment area was 79,940, which represented 6.4 percent of the total population of the MSA. The following table summarizes the four income levels of families in the bank's assessment area.

DESCRIPTION OF ASSESSMENT AREA: HOLLYWOOD, FLORIDA (CONTINUED)

INCOME LEVEL OF FAMILIES	NUMBER OF FAMILIES IN CENSUS TRACT	% OF FAMILIES IN ASSESSMENT AREA
Low=Less than 50% ¹	4,261	19.8
Moderate = 50 to 79%	4,281	19.8
Middle = 80 to 119%	5,317	24.6
Upper = 120% or more	7,715	35.8
Total	21,574	100.0

Of the 21,574 families in the assessment area, 39.6 percent are low- to moderate-income families. According to the 1990 Census, the median family income of the assessment area was \$35,271, which was slightly lower than the \$36,801 median family income for the MSA.

Two community contacts were made in conjunction with this examination. The consensus between the individuals contacted was that the needs of the community include home improvement loans, affordable housing for low- and moderate-income families, and assistance to small businesses.

¹Percentage of MSA median family income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance. The bank's average loan-to-deposit ratio for the four quarters ended September 30, 1996, was 61.7 percent. This ratio is reasonable given the bank's lending capacity and is comparable to the loan-to-deposit ratios of two other banks of similar size in the bank's assessment area (57.9 percent and 63.6 percent).

Lending in the Assessment Area

To evaluate the bank's performance, all small business and consumer type loans originated November 1995 through January 1997 were geocoded and analyzed. The analysis was used to determine the percentage of loans within the assessment area, the pattern of lending to borrowers of different income levels and businesses of different sizes, and the geographic distribution of loans.

58 loans consisting of 33 consumer and 25 small business loans were analyzed. The consumer loans consisted of motor vehicle, other secured, and unsecured loans. The analysis of the loans shows that only 16 (48 percent) of the consumer loans and only 2 (8 percent) of the small business loans were made to borrowers inside the assessment area. Consideration was given to the limitations on the bank's ability to advertise and the fact that a substantial majority of loan originations came from referrals outside the assessment area. Nevertheless, because a majority of the bank's loans were originated outside the assessment area, the bank's lending levels in the assessment area do not meet the standards for satisfactory performance.

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

The bank's lending to borrowers of different income levels meets standards for satisfactory performance. The following table shows the distribution of the consumer loans inside the assessment area based on the income level of the borrower.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA
(CONTINUED)

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

FAMILY/BORROWER LEVEL OF INCOME	% OF TOTAL FAMILIES IN THE ASSESSMENT AREA	CONSUMER LOANS	
		NUMBER	PERCENT
Low	19.8	2	13.3
Moderate	19.8	5	33.3
Middle	24.6	1	6.7
Upper	35.8	7	46.7
Total	100.0	15 ¹	100.0

The distribution of borrowers generally reflects the demographics of the assessment area. A reasonable dispersion of loans was noted among individuals of different income levels. Low- and moderate-income borrowers, who constitute 39.6 percent of the families, received 46.6 percent of the loans. The only significant concern was the low percentage of loans (6.7 percent) to middle-income families, who constitute 24.6 percent of the families in the assessment area.

The analysis of the small business loans was based on the gross annual revenues of the businesses. The two business loans made in the bank's assessment area were to entities with gross annual revenues less than \$100,000.

Geographic Distribution of Loans

The following table summarizes the bank's lending in terms of community make-up and census tract characteristics. Small business loans and consumer loans were compared to the percentage of families living in moderate-, middle-, and upper-income census tracts. The bank's assessment area contains no low-income tracts.

¹Income data was not available for one of the consumer loans secured by certificates of deposits.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA
(CONTINUED)

Geographic Distribution of Loans (Continued)

CENSUS TRACT TYPE	BUSINESS LOANS		CONSUMER LOANS		PERCENTAGE OF FAMILIES IN EACH CENSUS TRACT GROUP
	#	%	#	%	
Moderate-income	0	0	0	0	27.4
Middle-income	0	0	2	12.5	46.2
Upper-income	2	100	14	87.5	26.4
Total	2	100	16	100.0	100.0

The table shows that most of the consumer loans originated are in upper-income census tracts although the greatest percentage of families reside in middle-income census tracts. The percentage of loans in upper-income census tracts seems high because of the small sample size and because two customers in the upper-income census tracts have more than one loan. The bank is located in an upper-income census tract, and all the loans in upper-income tracts were made in that tract. Because the bank does not advertise, it relies on referrals for loan business. The loans originated within the assessment area are generally to individuals and entities within close proximity of the bank. Based on its limitations, the bank's geographic distribution meets the standard for satisfactory performance.

Only two small business loans were made in the assessment area. Because of the limited number of small business loans originated in the assessment area, the geographic distribution of business loans was not analyzed.

Complaints

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

Compliance with Antidiscrimination Laws

A sample of loan application files was reviewed to determine the level of compliance with the

requirements of the Equal Credit Opportunity Act and the Fair Housing Act. No violations of the substantive provisions of the antidiscrimination laws and regulations were noted.