

PUBLIC DISCLOSURE

May 5, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Republic Security Bank

West Palm Beach, 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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Republic Security Bank, West Palm Beach, Florida, by the Federal Reserve Bank of Atlanta, the institution's supervisory agency.

This evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of May 5, 1997. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977, (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take the record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Institution's Rating:

This institution is rated Satisfactory, based on the findings presented in the following discussion of the institution's performance.

DISCUSSION OF INSTITUTION'S PERFORMANCE

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Republic Security Bank maintains regular contact with a wide range of organizations, businesses, and local government leaders to ascertain the credit needs of the communities it serves and to stimulate awareness of credit services available. The bank maintains an inclusive listing of its community contacts for internal CRA management review, and discloses in its public comment file its directors' community affiliations and bank initiatives to determine and respond to credit needs. The bank is affiliated with chambers of commerce, professional associations, and civic groups. The bank's contacts with several community development corporations (CDCs) over an extended time period has resulted in the formulation of credit-related programs tailored to special community needs. The bank's origination of loans under these programs distinguishes such contacts as meaningful and demonstrates the value of its community outreach efforts. Contacts with organizations such as the West Palm Beach Minority Business Development Council and the Palm Beach County Economic Development Council have increased the awareness of the bank's board and senior management with regard to special credit needs of the small business community.

The bank regularly surveys the community activities of its directors, officers, and staff to assess their level of community involvement. The review is part of the bank's CRA performance management process, together with a CRA activities calendar created by its CRA committee.

The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act (CRA).

The board of directors supports and facilitates the bank's CRA performance through its oversight of the management process for CRA and through the involvement of individual directors in community activities. The board has acted to comply with the technical requirements of Regulation BB and has designated a CRA officer at the senior management level. The board has reviewed the bank's CRA-related activities and lending performance to the extent that reports can be made available. Detailed lending performance reports were available through the second quarter of 1996 for residential lending activity. Since then, the ability to review community lending performance has been limited, because reports were no longer generated as a result of data processing modifications.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

The bank's efforts to market its credit products consist almost entirely of business development calling activity. Formalized calling programs are managed through the bank's residential, business, and branch business development lending functions. A review of a sample of written call summaries revealed that bank personnel call on businesses and individuals throughout the community. Business development personnel regularly contact real estate professionals to inform them of the bank's residential loan products. These calls include realty companies serving low- and moderate-income areas. The bank's special lending products and affordable housing programs are promoted in addition to other banking services. The bank's organization and sponsorship of first time home buyers seminars is considered an important business development effort, and has facilitated the bank's origination of a significant volume of loans under the community's available affordable housing programs. Calls on businesses are made throughout the community, and occasionally these calls permit bank personnel to share expertise on applying for commercial credit, or promote the availability of Small Business Administration (SBA) loans.

Advertising of credit and banking services in various media is limited to weekly print advertisements in the Palm Beach Post's "Business Day" section and the EI Latino Seminal weekly Spanish language newspaper. The promotional copy is made up of testimonial messages from actual customers, including borrowers, stating benefits and features of the bank's credit products and services while promoting quality service in connection with them. Specifically mentioned in these advertisements were commercial real estate loans, commercial construction and leasehold improvement loans, SBA loans, business loans and lines of credit, commercial mortgages, and residential loans. The testimonial advertisement for residential loans featured loans for affordable housing, with a bank customer featured as a satisfied homeowner in a successful local CDC subdivision. In addition, the testimonial was translated into Spanish for the EI Latino Seminal newspaper. Although limited, print advertising is considered effective in informing the community about the bank's credit products and services.

The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Republic Security Bank is highly active in originating residential mortgage loans and loans to small businesses. The bank's average loan to deposit ratio for the six preceding calendar quarters is 91.52 percent, which is greater than ten of 11 similarly situated depository institutions in the region. In addition, the bank sells a substantial number of the residential mortgage loans it originates. The bank sold a total of \$89,283,000 of

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED (CONTINUED)

its 1995 and 1996 originations. The bank is primarily a residential lender; however, it is taking measures to become a more diversified lender. The bank reported 156 originations on its Small Business Loan Register for 1996, in comparison to 263 residential purchase, refinance, and home improvement loans reported on the 1996 Home Mortgage Disclosure Act (HMDA) loan application register (LAR). The composition of the bank's loan portfolio is summarized in the following table, based on the December 31, 1996 Consolidated Reports of Condition and Income:

Loan Type	Outstanding (000s)	% of Portfolio
Construction and Land Development	\$ 16,881	6.69
Home Equity Lines of Credit	3,869	1.53
Secured by 1st Lien on 1-4 Family Property	102,357	40.57
Secured by Jr. Lien on 1-4 Family Property	549	0.22
Secured by Multifamily Residential Property	6,697	2.65
Secured by Commercial Property	58,225	23.08
Commercial and Industrial Loans	23,843	9.45
Consumer Loans	39,072	15.48
All Other Loans	845	0.33
TOTAL	\$252,338	100.0

The review of recent lending activity revealed that the bank regularly extends all of the types of credit listed in its public comment file. The forms of credit that the bank offers and extends are responsive to the community's credit needs.

The institution's participation in governmentally insured, guaranteed, or subsidized loan programs for housing, small businesses, or small farms.

Republic Security Bank has originated a significant number of governmentally subsidized loans for housing and guaranteed loans for small businesses. The bank originated 30 subsidized residential loans, primarily in cooperation with local CDCs, between December 1, 1995, and April 30, 1997. 19 of these loans were originated during 1996 and account for 9.4 percent of the 202 home purchase loans originated by the bank during 1996. Five business loans guaranteed by the SBA were originated during 1996. Finally, one commercial real estate loan was originated with a partial guaranty from the City of Delray Beach through its Atlantic Avenue Rehabilitation Program. The bank's origination of governmentally insured, guaranteed, and subsidized loans is highly satisfactory, considering the amount of groundwork and resources needed to originate the type of subsidized loan transactions noted above.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

Republic Security Bank's delineated community consists of all of the West Palm Beach Metropolitan Statistical Area (MSA) and nine census tracts in the Miami-Hialeah MSA, which are in proximity to the bank's Homestead branch.

No low- and moderate-income tracts have been arbitrarily excluded from the delineation, and the delineation is considered reasonable. The bank has nine offices located in the more densely populated eastern part of the West Palm Beach MSA. The income characteristics of geographies in the bank's delineated community according to the 1990 Census are summarized below:

Census Tract Type	West Palm Beach MSA		Miami-Hialeah MSA	
	Number	Percentage	Number	Percentage
Low-Income	14	7	1	11
Moderate-Income	45	21	1	11
Middle-Income	87	41	6	67
Upper-Income	65	31	1	11
Total	211	100	9	100

The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

The bank's two primary loan products are housing- and small business-related credits. The geographic distribution of housing-related loans was reviewed and analyzed by management through the second quarter of 1996. Residential lending activity is very strong and accounts for most of the loans originated on property located outside of the assessment area. In addition to useful data concerning fair lending performance and application and origination activity in specific geographies, the bank's analysis provided a simple tool for understanding the proportion of this type of lending taking place within the assessment area. The analysis revealed that 46 percent of originations during 1995 and 45 percent during the first half of 1996 took place within the assessment area. Unlike residential lending, business-purpose lending is entirely initiated from the institution's banking facilities, and is focused on the assessment area. There is no internal analysis of business loan geographic distribution for management review.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (CONTINUED)

The examination review of lending in the assessment area is based on the institution's 1995 and 1996 HMDA disclosure statements for residential loans and on its 1996 Small Business Application Register for business loans. The table below summarizes the review:

	Inside Assessment Area		Outside Assessment Area	
	Number	Percentage	Number	Percentage
1995 Purchase	140	43.1	185	56.9
1995 Refinance	35	67.3	17	32.7
1996 Purchase	95	46.8	108	53.2
1996 Refinance	36	62.1	22	37.9
1996 Small Business	156	100.0	0	0

The proportion of purchase and refinance loans within the assessment area is inexplicably low. In contrast, the proportion of business loans within the assessment area is very high. None of the business loans originated in the assessment area were near Homestead, where the bank has a branch office. The HMDA disclosures revealed that the bank originated only two reportable loans during 1995 and 1996 in or around Homestead. The absence of loans in the Homestead area and the high percentage of purchase money and refinance loans made outside of the assessment area are genuine concerns that could affect future CRA ratings.

The table below summarizes the geographic distribution of the bank's residential purchase and refinance originations within the assessment area in relation to census tract characteristics, based on 1995 and 1996 HMDA disclosure data:

Type of Census Tract	Originations		Percentages		Percentage of Families	Percentage of Owner-Occupied Housing Units
	1995	1996	1995	1996		
Low/Moderate-Income	18	24	10.3	18.3	22.4	21.3
Middle-Income	75	51	42.8	38.9	48.9	47.7
Upper-Income	82	56	46.9	42.8	28.7	31.0
Total	175	131	100	100	100	100

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (CONTINUED)

The table indicates that the percentage of residential loans originated in different types of census tracts generally reflected the lending opportunities among the three census tract groups. From 1995 to 1996, the degree to which low- and moderate-income census tracts were penetrated increased. The bank's 1996 Small Business Loan Register indicates a significant penetration of all types of census tracts, including low- and moderate-income census tracts. A total of 156 loans originations were reported. 16 were to businesses in low-income census tracts, and 35 to businesses in moderate-income census tracts.

The bank's origination of residential loans to borrowers of different income levels was determined from a review of HMDA disclosure statements for 1995 and 1996. All reported originations were considered, including multifamily and home improvement loans. The table below summarizes borrower characteristics with regard to income level and in relation to the demographic composition to the assessment area:

	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	1995	1996	1995	1996	1995	1996	1995	1996
Number of Loans	13	17	32	25	40	26	88	63
Percentage of Total	7.5	13.0	18.5	19.1	23.1	19.8	50.9	48.1
Percentage of Families in Assessment Area	19.2		18.9		22.4		39.5	

The table shows that from 1995 to 1996, the proportion of lending to low- and moderate-income borrowers has increased. The proportion of loans to different income segments generally reflects the demographic makeup of the assessment area, and is considered satisfactory.

The bank also originates business-purpose loans to businesses of different sizes. The bank's small business lending activity as stated on its 1996 Small Business Loan Register is significant in relation to the bank's capacity. Reported loans range in amount from \$9,000 to \$7 million and were predominately to businesses with revenues of \$1 million or less.

The institution's record of opening and closing offices and providing services at offices.

Republic Security Bank operates ten banking offices, two remote automated teller machines, and a drive-through facility. Management periodically reviews the services and office hours of all facilities to ensure convenient service to all segments of the community. The services available at the different offices are

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (CONTINUED)

responsive to local credit and banking service needs and are consistent from location to location. A list of the bank's offices and facilities is included in the CRA public file, along with a list of recent branch office openings and closings. The bank has a branch closing policy as required by section 42 of the Federal Deposit Insurance Act. The policy details management's responsibility, including a local community impact review and studies of alternative service delivery options. The written policy includes no specific provision for soliciting community input in this regard.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement.

The bank solicits credit applications from all segments of its community, including low- and moderate-income neighborhoods. The review of the bank's marketing records noted regular use of advertisements that encourage applications from all segments of the community. In addition, the review of recent credit extensions for compliance with the consumer and civil rights laws and regulations revealed that the bank extends credit for the types listed in its CRA Statement. No practices were noted which have the intent or effect of discouraging applicants.

Evidence of prohibited discriminatory or other illegal credit practices.

A review of the bank's lending policies and procedures was performed. No evidence of discrimination or any other illegal credit practices was noted. The bank's articulated lending standards were reviewed and found to be nondiscriminatory. A review of the bank's credit scoring system used in connection with certain types of credit was also performed. The system is empirically derived and statistically validated. An analysis of applicants denied by the credit scoring system and subsequently approved by loan officers' overrides was compared with other denied applicants to detect any evidence of discrimination against protected classes. No evidence of discrimination or disparate treatment was noted; however, violations of technical aspects of Regulation C - HMDA were noted.

V. COMMUNITY DEVELOPMENT

The institution's participation, including investments, in local community development and redevelopment projects or programs.

Republic Security Bank actively participates in affordable housing initiatives, promotes economic development through commercial lending, and helps revitalize low- and moderate-income geographies in partnership with CDCs and other financial intermediaries. The bank is a major originator of residential construction loans, and

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

V. COMMUNITY DEVELOPMENT (CONTINUED)

makes special efforts to attract builders from all segments of the community. The bank has relationships with most of the builders of affordable housing in the assessment area, and has made construction loans to these builders through special CDC programs. The bank has made a special contribution to a successful affordable housing initiative by financing the construction of the model home for the Limestone Creek CDC, in the assessment area near the town of Jupiter. The bank also financed construction of the model home in Freshwater Lakes, an affordable housing development in West Palm Beach sponsored by the city's Mayor's Renaissance Program. The bank has also financed model homes for private builders creating affordable housing in low- or moderate-income areas. The model homes stimulate interest and activity for the developers of the projects, and accelerate the process of stabilizing neighborhoods. Since the previous examination, the bank originated 19 mortgages in the Limestone Creek affordable housing development, 4 in the Northwest Riviera Beach CDC initiative, and 1 in the Pleasant City neighborhood of Boca Raton. The bank also financed a residential lot for Habitat for Humanity. Based on the bank's 1996 Small Business Loan Register, business purpose loans are extended primarily to business entities that generally rely on depository institutions as their primary source of credit, and do not have access to national capital markets or comparable alternative sources of funding.

The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions, and other factors.

The total population of the bank's assessment area is 928,376, of which 863,518 reside in the West Palm Beach MSA, and 64,858 reside in the Miami-Hialeah MSA in the vicinity of the Homestead Branch. The median family income of the West Palm Beach MSA is \$38,539; \$31,113 in the Miami-Hialeah MSA; \$37,844 for the assessment area; and \$32,212 for the state. The following table contains key economic and demographic characteristics of the two MSAs, and a comparison to state characteristics.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

V. COMMUNITY DEVELOPMENT (CONTINUED)

Economic/Demographic Characteristic	West Palm Beach MSA	Miami-Hialeah MSA	State of Florida
Percentage of Families Below Poverty Level	6.2	14.2	9.0
Percentage of Low-Income Families	18.8	23.3	19.1
Percentage of Moderate-Income Families	19.0	16.4	18.8
Unemployment Rate (March 1997)	5.8	7.0	4.6
Percentage of Housing Units Owner-Occupied	56.9	48.8	56.6
Median Housing Value	\$98,054	\$86,012	\$76,487
Percent of Housing Built Pre-1950	4.9	12.3	7.7
Median Gross Rent	\$587	\$493	\$481

According to the U.S. Census Bureau, 10,581 new residential building permits were issued in the West Palm Beach MSA during 1995 and 14,789 were issued during the same period in the Miami-Hialeah MSA. In relation to the number of households in each MSA, the proportion of new permits to households is higher in the West Palm Beach MSA, with under 35 households per new residential permit compared with approximately 65 for the Miami-Hialeah MSA. Also, the proportion of multifamily permits making up new permits is lower in the West Palm Beach MSA, at approximately 27 compared with 47 for the Miami-Hialeah MSA. In general, the latter MSA is considered more built-out in terms of the amount of available territory for development and offers fewer opportunities for new construction and residential lending.

According to 1995 HMDA aggregate statistics, 17 other depository institutions reported more applications net of purchases in Republic Security Bank's assessment area than the bank did. However, in relation to the depository institutions' asset sizes, Republic Security Bank reported more applications for property in its assessment area in proportion to its asset size than 13 of these competitors. Major competitors reporting fewer applications in proportion to their asset size included Bank of America, FSB; Bank Atlantic, FSB; Barnett Bank of Palm Beach County; Chase Federal Bank, FSB; Citibank, FSB; First Union National Bank; Great Western Bank, FSB; Home Savings of America, FSB; NationsBank, NA; and SunTrust Bank, South Florida, NA. The bank competes effectively in its market, at least in part, because of its expertise in specific types of residential lending, including new construction. This expertise is compatible with the development needs of the communities the bank serves, as demonstrated by the bank's community development lending activity.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

V. COMMUNITY DEVELOPMENT (CONTINUED)

Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Republic Security Bank has displayed a willingness to explore other activities to help meet community credit needs. The bank has made numerous financial contributions to charitable organizations in the local area and its directors, officers, and staff serve as board members of community organizations including CDCs that benefit from their financial and managerial expertise. The bank supports certain youth and educational initiatives, which are designed to increase the extent to which traditionally underserved segments of the community utilize banking services.