



## PUBLIC DISCLOSURE

April 24, 2017

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Terrabank, National Association  
Charter Number 20157

3191 Coral Way  
Miami, FL 33145

Office of the Comptroller of the Currency

9850 N.W. 41 Street, Suite 260  
Miami, FL 33178

**NOTE:** This document is an evaluation of this 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. 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.

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

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

The major factors that support this rating include:

- The Bank's average quarterly loan-to-deposit ratio is more than reasonable for the evaluation period;
- A majority of the Bank's loan originations are within its assessment area;
- The distribution of loans among businesses of different sizes exhibits a reasonable penetration;
- The geographic distribution of loans within the assessment area exhibits a reasonable dispersion throughout the assessment area; and
- The Bank has an adequate level of community development activities that are responsive to community credit needs.

## **Scope of Examination**

We evaluated Terrabank, National Association's (Terrabank) performance using Small Intermediate Bank Performance criteria. Our evaluation period was from November 4, 2013, the date of the last CRA examination, through April 24, 2017. However, we focused on lending activity and community development activities from January 1, 2014, through December 31, 2016. The Bank received a Satisfactory rating in the prior performance evaluation, dated March 10, 2014.

We evaluated the Bank's performance based on its strategic focus on commercial lending. Home mortgage loans are not primary products of the Bank based on volume during this evaluation period, and we did not analyze home mortgages. Therefore, we omitted Tables 2 and 3 that would have displayed the analyses of residential lending to borrowers of different incomes and the geographic distribution of residential loans.

## **Description of Institution**

Terrabank is an intrastate community bank headquartered in Miami, Florida. The Bank has no holding company, operating subsidiaries, or affiliates. It operates three branches in Miami-Dade County. Two branches are located in the City of Miami and one is in the City of Hialeah. The three offices are located in middle-income geographies.

The Bank offers a variety of deposit and loan products for businesses and individuals, as described in the CRA Public File. However, the Bank's primary lending strategy is loans to businesses, primarily for real estate purposes. As of December 31, 2016, total loans, which represent 70.61 percent of total assets or \$248.7 million. Approximately 85.44 percent are commercial real estate loans, 12.23 percent residential real estate loans, 1.95 percent commercial and industrial loans, and 0.40 percent other loans (including consumer loans).

As of December 31, 2016, total assets equaled \$352.2 million with total deposits of \$312.3 million and Tier 1 Capital of \$33.1 million. Regarding earnings, the Bank reported net income of \$1.3 million and a return on average assets of 0.38 percent.

There are no legal, financial, or other factors that impede the Bank's ability to meet the credit needs in its assessment area. At its last CRA evaluation, dated March 10, 2014, the Bank was rated "Satisfactory."

## **Description of Assessment Area(S)**

The Bank's assessment area is Miami-Dade County, which is also known as Metropolitan Division (MD) 33124 (Miami-Miami Beach-Kendall, Florida). The delineated assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies.

According to the 2010 Census, the Miami-Dade MD geographies increased to 518 geographies distributed as follows: 31 (6 percent) low-income, 132 (26 percent) moderate-income, 166 (32 percent) middle-income, 172 (33 percent) upper-income and 17 (3 percent) no income data. The majority of the low- and moderate-income geographies are located within the City of Miami. The total population is approximately 2.5 million. Between the 2000 and 2010 Census, the population increased 10.8 percent with the continued influx of immigrants from Latin America and the Caribbean, and the relocation from northern cities in the United States.

The cost of living in the Miami-Dade MD remains high even though there are indications of improvements in unemployment, real estate foreclosures, and other economic conditions during the evaluation period. Unemployment as of December 31, 2016, is 4.7 percent and has trended lower compared to 10.3 percent in 2011 and 13.6 percent in 2010, which represent years of high unemployment. The Federal Financial Institutions Examination Council's (FFIEC) adjusted median family income (MFI) for Miami-Dade County was \$48,400 for 2014, \$52,500 for 2015, and \$48,100 for 2016.

Based on the median family income, low- and moderate-income (LMI) people have incomes of less than 80 percent of the median family income, or less than \$38,700, \$42,000, and \$38,400, respectively, for the years discussed previously. The poverty level remains high at approximately 18 percent for both the 2000 and 2010 Census reports of demographic information. As home values recover, home sales prices are rapidly increasing in the AA, with the median sales price of a single-family home at \$280,000 for year-end 2015, increasing to \$315,000 as of third quarter 2016. The high median cost makes it difficult for LMI people to

own a home in the assessment area without the help of loan subsidies. In addition, the high property tax and insurance premiums add significant cost to owning a home.

Major industries include real estate development, trade business with Latin America, and tourism. According to Dun and Bradstreet, there were 354,431 non-farm businesses in the Miami-Dade MD for 2015 (the most recent business peer data available), of which 79.54 percent are considered to be small business. Small businesses are defined as having revenues of \$1 million or less. The majority (73.20 percent) of all non-farm businesses are concentrated in the County's middle- and upper-income geographies. The Federal Deposit Insurance Corporation (FDIC) deposit data as of June 30, 2016 showed 65 banks operating 670 banking offices in the Miami-Dade MD. Terrabank ranks 45th in deposit market share at 0.24 percent.

Community credit needs in the assessment area were determined by reviewing CRA Performance Evaluations of other banks operating in the same assessment area and community contacts conducted during the evaluation period. According to these sources, the most pressing credit needs in the assessment area are affordable housing and small business lending.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

The Bank's performance under the Lending Test is rated Satisfactory.

#### **Loan-to-Deposit Ratio**

- **Terrabank's loan-to-deposit ratio is more than reasonable and exceeds the standard for satisfactory performance.**

The Bank's quarterly average loan-to-deposit (LTD) ratio since the last CRA performance evaluation is 81.71 percent and is within the range of other similarly situated banks in the assessment area for the same time period. Eight similarly situated banks had a quarterly average LTD ratio of 79.29 percent during the same period with individual quarterly average ratios ranging from 59.31 percent to 93.40 percent. Similarly situated banks are Executive National Bank; International Finance Bank; Professional Bank; Intercredit Bank, National Association; The First National Bank of South Miami; Pacific National Bank; Apollo Bank, and Continental National Bank.

#### **Lending in Assessment Area**

- **Lending in the Bank's assessment area meets the standard for satisfactory performance.**

A majority of the Bank's loan originations are in the assessment area, based on an analysis of a random sample of 60 business loans originated during the evaluation period. Overall, 63.33 percent of the number of loans and 70.23 percent of the dollar volume of loans were in the Bank's assessment area.

| <b>Table 1 - Lending in Miami-Dade MD</b> |                 |       |         |       |       |                         |       |         |       |        |
|---|-----------------|-------|---------|-------|-------|-------------------------|-------|---------|-------|--------|
| Loan Type                                 | Number of Loans |       |         |       |       | Dollars of Loans (000s) |       |         |       |        |
|   | Inside          |       | Outside |       | Total | Inside                  |       | Outside |       | Total  |
|   | #               | %     | #       | %     |       | \$                      | %     | \$      | %     |        |
| Business Loans                            | 38              | 63.33 | 22      | 36.67 | 60    | 45,412                  | 70.23 | 19,248  | 29.77 | 64,661 |

Source: Sample of 60 loans taken from loan origination reports January 1, 2014 through December 31, 2016.

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

- **The distribution of loans to businesses of different sizes exhibits a reasonable penetration and meets the standard for satisfactory performance.**

In the Bank’s Miami-Dade assessment area for January 1, 2014 through December 31, 2016, both the number and the dollar volume of the Bank’s loans were near to the percentage of small businesses (businesses with revenues of \$1 million or less) in the assessment areas.

| <b>Table 2A - Borrower Distribution of Loans to Businesses Miami-Dade MD</b> |              |              |                         |       |
|--|--------------|--------------|-------------------------|-------|
| Business Revenues (or Sales)   | ≤\$1,000,000 | >\$1,000,000 | Unavailable/<br>Unknown | Total |
| % of AA Businesses   | 90.71        | 4.07         | 5.22                    | 100%  |
| % of Bank Loans in AA by #   | 78.95        | 18.42        | 2.63                    | 100%  |
| % of Bank Loans in AA by \$  | 79.14        | 20.75        | 0.11                    | 100%  |

Source: Loan sample had 38 loans inside the assessment area. Dun and Bradstreet data 2016.

- **The geographic distribution of loans within the assessment area exhibits a reasonable dispersion and meets the standard for satisfactory performance.**

As reflected in the following table for January 1, 2014 through December 31, 2016, the percentage of Terrabank’s loan originations in both low-income and moderate-income geographies exceeds the percentage of businesses located in such geographies. There were no unexplained conspicuous gaps in lending. Census tracts in the assessment areas with no loan penetration are due to Terrabank’s limited number of branch offices and the fact that the Bank serves a large assessment area. This limitation prevents the Bank from penetrating all areas in the assessment areas.

| <b>Table 3A - Geographic Distribution of Loans to Businesses in Miami-Dade MD</b> |                    |                      |                     |                      |                    |                      |                    |                      |
|---|--------------------|----------------------|---------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Census Tract Income Level   | Low                |                      | Moderate            |                      | Middle             |                      | Upper              |                      |
| Loan Type   | % of AA Businesses | % of Number of Loans | % of AA Businesses/ | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans |
| Business Loans  | 1.98               | 2.63                 | 36.82               | 36.84                | 9.52               | 21.05                | 51.68              | 39.47                |

Source: Loan sample had 38 loans inside the assessment area. U.S. 2010 Census data.

### Responses to Complaints

There were no CRA related complaints.

## COMMUNITY DEVELOPMENT TEST

The Bank’s performance under the Community Development Test is rated Satisfactory. The Bank's community development performance demonstrates an adequate responsiveness to community development needs in its assessment area through a combination of community development loans, investments and services that meet the regulatory definition of community development.

### Number and Amount of Community Development Loans

Considering the Bank’s capacity and economic challenges, Terrabank originated an excellent level of community development loans. During the evaluation period Terrabank made 14 community development loans totaling \$10 million. All of the loans supported affordable housing for low- and moderate-income people in the AA. Affordable housing is a critical need for the assessment area.

### Number and Amount of Qualified Investments

Terrabank had an adequate level of qualifying community development investments considering performance context. The Bank purchased one qualified CRA investment fund totaling \$500,000, designed to support lending to low-and moderate-income people in the Bank’s AA. There were no prior period investments.

### Extent to Which the Bank Provides Community Development Services

The Bank provided an adequate level of community development services. One board member provided ongoing free legal services to low- and moderate-income people during the evaluation period on behalf of the Bank.

The Bank does not have any branches in low- or moderate-income geographies but has two office locations adjacent to moderate-income geographies. The Hialeah branch location in a middle-income geography is adjacent to five moderate-income geographies. The main office in a middle-income geography is adjacent to three moderate-income geographies.

### **Responsiveness to Community Development Needs**

The Bank had adequate responsiveness to community development needs of the assessment area considering performance context during the evaluation period. The Bank has extended loans, financial support, and expertise commensurate with its capacity.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the Bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the Bank's or FSA's lending performance.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.