



**CRA Decision #170
November 2015**

October 28, 2015

Benjamin Azoff
Luse Gorman, PC
5335 Wisconsin Avenue, N.W., Suite 780
Washington, D.C. 20015

Re: Application by Sunshine Bank, Plant City, Florida (Bank) for the Purchase of Certain Assets and Assumption of Certain Liabilities of First Federal Bank of Florida, Lake City, Florida (First Federal)(Application)
OCC Control No.: 2015-SO-144655 Charter No.: 705852

Dear Mr. Azoff:

The Office of the Comptroller of the Currency (OCC) hereby approves Sunshine Bank's Application to purchase certain assets and assume certain liabilities of First Federal. The OCC also grants approval for Sunshine Bank to retain as branch offices First Federal's offices located at 8307 Lockwood Ridge Road, Sarasota, Florida 34243 (Lockwood Branch), and 6004 26th Street West, Bradenton, Florida 34207. Immediately prior to the consummation of the transaction, First Federal will consolidate the deposit accounts at their branch office located at 126 South Osprey Avenue, Sarasota, Florida 34236 with the accounts at First Federal's Lockwood Branch. These approvals are granted based on a thorough review of the Application and other materials available, including commitments and representations made in the Application and by the bank's representatives during the application process.

I. Bank Merger Act

The OCC reviewed the Application under the criteria of the Bank Merger Act (BMA), 12 U.S.C. § 1828(c), and applicable OCC regulations and policies. Under the BMA, the OCC generally may not approve a transaction that would substantially lessen competition. The BMA also requires the OCC to take into consideration the financial and managerial resources and future prospects of the institutions, and the convenience and needs of the community to be served. 12 U.S.C. § 1828(c)(5) and 12 C.F.R. § 5.33(e)(1)(i)(C). The OCC must also consider the effectiveness of any insured depository institution involved in the proposed transaction in combating money laundering activities. 12 U.S.C. § 1828(c)(11). In addition, the OCC may not approve the transaction if the resultant insured depository institution (including all insured depository institutions which are affiliates of the resultant insured depository institution), upon consummation of the transaction, would control more than 10 percent of the total amount of deposits of insured depository

institutions in the United States. 12 U.S.C. § 1828(c)(13). Furthermore, the OCC must consider the risk of the transaction to the stability of the United States banking or financial system. 12 U.S.C. § 1828(c)(5) (as amended by Section 604 of Dodd-Frank). The OCC considered these factors and found them consistent with approval of this Application.

II. Community Reinvestment Act

The Community Reinvestment Act (CRA) requires the OCC to take into account the records of the banks' performance in helping to meet the credit needs of their communities, including low- and moderate-income (LMI) neighborhoods, when evaluating applications under the BMA. 12 U.S.C. § 2903(a)(2). The OCC considered the CRA performance evaluation (PE) of each bank involved in this transaction. Under the regulations implementing the CRA, a bank's record of performance may be the basis for denying or conditioning approval of an application subject to the BMA. 12 C.F.R. § 195.29(d). A review of these records, information provided by Sunshine Bank in response to a public comment relating to the proposed transaction, and information provided by Sunshine Bank in response to an additional information request, indicates that the records of the banks in helping to meet the credit needs of their communities support approval of this application.

A. Sunshine Bank

Sunshine Bank's most recent PE, dated July 23, 2012, assigned the bank an overall "Satisfactory" rating.¹ The major factors supporting the rating were: (i) a substantial majority of Sunshine Bank's primary loan product (business loans) originated within its assessment area (AA); (ii) an excellent geographic distribution of small business loans throughout the AA; (iii) a reasonable penetration among businesses of different sizes for its business loans; and (iv) a more than reasonable level of lending given the performance context factors, as reflected in the quarterly average net loan-to-deposit (LTD) ratio.

B. First Federal Bank of Florida

First Federal's most recent PE, dated October 7, 2013, assigned the bank an overall "Satisfactory" rating.² The major factors supporting the rating were: (i) the majority of loans originated within the bank's AA; (ii) a reasonable average quarterly LTD ratio since the last evaluation given the institution's size, capacity, business strategy, and economic conditions; (iii) a reasonable level of lending to borrowers of different income levels in comparison to demographic data, the performance context, and the bank's business strategy; (iv) a reasonable

¹ Sunshine Bank was evaluated for CRA purposes as a small bank for the period between January 1, 2008 and December 31, 2011. A copy of the PE is available [here](#).

² First Federal was evaluated as an intermediate small bank for the period between January 1, 2010 and December 31, 2012 for its lending and community development lending activities; and between October 30, 2009 and October 7, 2013 for its community development investments and services activities. A copy of the PE is available [here](#).

geographic dispersion of loans; and (v) adequate responsiveness to community needs for community development loans, qualified investments, and community development services.

III. Public Comment and Analysis

The OCC received a public comment letter addressing First Federal's record of lending within the North Port-Bradenton-Sarasota Metropolitan Statistical Area (MSA), where the proposed branch acquisitions by Sunshine Bank are to occur.³ The comment letter expressed concerns related to First Federal's level of lending, stating that First Federal did very little lending for home purchase, home refinance, or commercial loans overall and in particular, within low-income areas. The OCC has carefully considered the commenter's concerns as they relate to the statutory and regulatory factors considered by the OCC when reviewing an application under the BMA. The commenter's concerns are addressed below.

As discussed previously, in deciding whether to approve the proposed transaction, the OCC considers the banks' CRA performance. 12 C.F.R. § 5.33(e)(1)(ii). The OCC also considers the probable effects of the proposed transaction on the convenience and needs of the community to be served. Although the factors are interrelated, as explained in the "Public Notice and Comments" booklet of the *Comptroller's Licensing Manual* (Mar. 2007), consideration of a bank's CRA performance primarily looks to how the bank has performed in the past, while a convenience and needs assessment considers how the resulting entity will serve the needs of its community on a prospective basis. As stated above, each bank's past CRA performance support approval of this application as reflected in their PEs, and as discussed below, Sunshine Bank has addressed the commenter's concerns. Accordingly, the focus of the remaining analysis is the effect of the transaction on the convenience and needs of the community to be served on a prospective basis.

A. Convenience and Needs

In addressing the commenter's concerns, Sunshine Bank represented that the proposed branch acquisitions are part of its three-year business plan that will allow the bank to increase its market presence from Orlando to Sarasota. Sunshine Bank stated that, to achieve this growth, the bank will employ a targeted approach centered on organic growth complemented by whole bank acquisitions, de novo branching, and branch purchases. Sunshine Bank further stated that it recently underwent an internal reorganization based on a regional structure, which structure, according to the bank, focuses on local decision-making and enhanced community investment

³ The North Port-Bradenton-Sarasota MSA consists of the Manatee and Sarasota counties in their entirety, which are the counties identified by the commenter as areas of concern. As described previously, Sunshine Bank intends to acquire certain assets and assume certain liabilities of First Federal's Lockwood Branch (located in a middle-income census tract), and First Federal's West Branch and Osprey Branch (both located in moderate-income census tracts); however, prior to consummation of this transaction, First Federal intends to consolidate the Osprey Branch into the Lockwood Branch. As a result, the acquisition will extend Sunshine Bank's market presence into Manatee County only.

and involvement. Sunshine Bank indicated that, as part of this newly-implemented structure, the Bank will designate a regional president and a local advisory board in each of its markets, including the North Port-Bradenton-Sarasota MSA, in an effort to engage and obtain feedback from both current and prospective bank customers.

With respect to the commenter's concerns regarding First Federal's record of lending in this market, Sunshine Bank represented that it will offer residential mortgage products, and that the bank is focused on growing its home equity loan and home equity line of credit portfolio in the proposed market. Specifically, the bank represented that it plans on retaining First Federal's current⁴ in-market mortgage loan officer, and over time, will hire three additional mortgage loan officers. According to Sunshine Bank, this will ensure that the bank achieves greater market penetration, in addition to providing the bank the capacity to reach low-income and underserved areas of the market. Sunshine Bank represented that the primary difference for its residential mortgage product offerings will be greater market outreach with the additional loan officers and active advertising in the market. Sunshine Bank also represented it will provide marketing coupons for new customers to receive a certain dollar amount off closing costs, a marketing tool currently employed by Sunshine Bank in other areas. In addition, Sunshine Bank stated that it offers residential mortgage products through the Federal Housing Administration (FHA) lending program which requires a minimum 600 FICO score and 3.5 percent minimum down payment, in addition to VA⁵ home loans (both mortgage and construction) with no minimum down payment required.

Sunshine Bank also represented that it intends to introduce business banking in the branches being acquired, in the form of commercial real estate and commercial business loan products that it currently offers through its other branches; Sunshine Bank notes that these products are not a primary focus of First Federal. In anticipation of the proposed branch purchases, Sunshine Bank represented that it has hired one small business banker and anticipates adding one additional small business banker once the transaction is consummated. In addition, Sunshine Bank stated that it intends to hire an additional commercial lender and a market leader to serve as the regional president for the North Port-Bradenton-Sarasota MSA. Sunshine Bank further represented that it will become an active member of the local Chamber of Commerce, and it plans to coordinate a ribbon cutting ceremony with that Chamber of Commerce to create awareness of Sunshine Bank's brand, culture, and vision for actively engaging the community.

With respect to other products and services that it will make available to the communities served by the branches to be acquired, Sunshine Bank represented that it completed an extensive deposit

⁴ According to Sunshine Bank, First Federal currently has one in-market mortgage loan officer.

⁵ Generally, "VA home loans" are loans offered under a program administered by the U.S. Department of Veterans Affairs (VA), which typically allow qualified participants to purchase homes at competitive interest rates, often without requiring a down payment or private mortgage insurance. More information is available at <http://www.benefits.va.gov/homeloans/>.

product analysis in preparation for the proposed transaction, and that the result of this review showed that all current deposit products of First Federal will be transitioned to comparable Sunshine Bank deposit products. In addition, Sunshine Bank will provide comparable consumer, business and lock box deposit products, as well as standard consumer lending products such as car loans, cash secured loans, and unsecured loans as currently offered.

Sunshine Bank represented that it offers products with features and benefits that will appeal to LMI individuals. For example, the bank stated that it offers a free retail checking account with no paper statement fee and no minimum balance requirement. Sunshine Bank also stated that it offers a senior checking product that is similar to its free retail checking account with a focus on supporting the deposit needs of seniors. Further, Sunshine Bank represented that it offers a free business checking account with no minimum balance requirement or fee which, according to the bank, is important for attracting new startup businesses or those businesses that do not have excess cash to maintain a required minimum balance.

IV. Summary

Based upon our review of the respective records of the institutions involved in the proposed P&A, the application, the public comment and Sunshine Bank's response to the comment, and information provided by Sunshine Bank in response to the request for additional information by the OCC relating to the pending application, we conclude that the CRA record and the probable effect of the proposed transaction on the convenience and needs of the community to be served are consistent with approval of the application.

V. Consummation Requirements

The district office must be advised in writing in advance of the desired effective date of the purchase and assumption transaction so that the OCC may issue the necessary certification letter. The effective date must follow the applicable Department of Justice's injunction period (15 days from the date of our approval) and any other required regulatory approvals.

If the purchase and assumption transaction is not consummated within six months from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

This approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our approval is based on the bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this approval if a material change in the information on

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which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

A separate letter is enclosed requesting your feedback on how we handled your application. We would appreciate your response so we may improve our service. If you have any questions, please contact Senior Licensing Analyst Robert Gaffney at (214) 720-2823 or by e-mail at gaffneyRG@occ.treas.gov. Please include the OCC Control No. in all written correspondence.

Sincerely,

signed

Stephen A. Lybarger
Deputy Comptroller for Licensing