



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

South Florida Field Office
5757 Blue Lagoon Drive, Suite 200
Miami, Florida 33126

PUBLIC DISCLOSURE

September 11, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Continental National Bank of Miami
Charter Number 16325**

**1801 Southwest 1st Street
Miami, Florida 33135**

**Office of the Comptroller of the Currency
South Florida Field Office
5757 Blue Lagoon Drive, Suite 200
Miami, Florida 33126**

NOTE: 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.

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 **Continental National Bank of Miami** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 11, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: "Satisfactory Record of Meeting Community Credit Needs"

We evaluated Continental National of Bank of Miami's (Continental) CRA performance for the period of 6/96 to 6/98 and found it to be satisfactory. Continental's average loan to deposit ratio since the last CRA examination is reasonable. A substantial majority of the bank's loans are in the assessment area. Credit is extended to individuals of all income levels and to small businesses. Bank loans are reasonably distributed throughout census tracts of various income levels. Continental has not received complaints regarding its CRA performance since the last evaluation.

The following table indicates the performance level of the **Continental National Bank of Miami** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Continental National Bank of Miami</u> 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 prior CRA examination.		

DESCRIPTION OF INSTITUTION

Continental is a community bank in Miami, Florida. It had assets of \$138 million on June 30, 1998. The bank achieved a return on average assets of .26% in 1997. The bank is owned by Continental Bancorp, Inc., a one bank holding company.

While there were no significant impediments to increasing lending during the performance evaluation period, asset growth was controlled to maintain capital ratios at certain levels.

Continental has five banking offices all located in Dade County. The main office is located in Miami's Little Havana section. Another office is located in Downtown Miami, and the other offices are located in southwest Dade County and the city of Hialeah. Two banking offices are located in low income census tracts, and the other three in middle income census tracts.

Continental's commercial loan customers are predominately local small businesses, real estate investors, and developers. Consumer credit is extended through indirect automobile financing, home equity credit, and personal secured and unsecured loans. Residential real estate lending is not significant.

Continental's loan portfolio mix as of June 30, 1998 was as follows: 1-4 family Residential - 8% of the loan portfolio, home equity loans - 2%, multifamily residential - 13%, Commercial Real Estate and Construction 36%, Commercial - 11%, and Consumer - 30%.

DESCRIPTION OF CONTINENTAL'S ASSESSMENT AREA

Continental's assessment area is Dade County. This assessment area meets the definition of the CRA and does not reflect illegal discrimination or arbitrarily exclude low-or moderate-income geographies.

Dade County's economy is stable and competition from other financial institutions is strong. The competition includes many larger community banks as well as the local affiliates of regional and multinational banks. Major industries include tourism, import/export business, financial services, health care, and real estate development. There has been significant population growth in the last few years, especially from Latin America and the Caribbean. A significant portion of those immigrants have settled in areas close to the bank's offices.

Dade County is a Metropolitan Statistical Area (MSA) and has 264 census tracts with a 1998 updated median family income of \$39,200. Fourteen percent of the assessment area's census tracts are low income tracts, 22% are moderate income, 36% are middle income, and the remaining 28% are upper income tracts. In addition, 23% of the families in Dade County are considered low income, 16% moderate income, 20% middle income, and 41% upper income.

During 1997 and 1998, OCC and Federal Reserve examiners contacted community organizations that operate in Continental's assessment area to identify the area's credit needs. These contacts revealed that loans to purchase and rehabilitate single family homes and rental housing, and finance small businesses are needed. Continental extends credit to meet these needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Continental's average loan to deposit ratio since the last CRA evaluation was reasonable at 73%.

Three similar size banks with similar product lines serving the same general market area had average loan to deposit ratios of 51%, 58%, and 73% in the same time period.

Lending in the Assessment Area

A substantial majority of Continental's loans are inside the assessment area.

Bank reports dated August 31, 1988 showed that 86% of the bank's loans are inside the assessment area. Most of the loans outside the assessment area are indirect auto loans.

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

Continental's loans are reasonably disbursed amongst borrowers of different income levels and businesses of different sizes.

We sampled small business, indirect auto, and housing-related loans to reach our conclusions. These types of loans were selected because they represent more than 50% of the loan portfolio and income information was more readily available.

Small Business Lending Activity

Formal reports on small business lending activity were not available. Based on loan activity reports, management estimates that 9% of the loans originated between August 1997 and August 1998 were to small businesses (i.e. businesses with annual revenues under \$1 million). This is a reasonable level of lending to small businesses given the fact that this percentage is based on all loans made during the period. A small percentage (1.5%) of these loans were guaranteed by the Small Business Administration (SBA). The average loan size for loans made during this period was \$56M. Loans ranged from as small as \$1 to \$1.4 million.

Indirect Automobile Lending Activity

We selected a sample of 32 of these loans originated during the evaluation period. We found that 16% of the loans were to low or moderate income borrowers. When this percentage is compared to the percentage of families in the assessment area that are low and moderate income (39%), the performance appears marginal. However, this is mitigated by the fact that the bank lacks control since it is the automobile dealer that originates the transaction. The bank simply buys the contract if it meets its credit guidelines. Worth noting is that in our fair lending review we did not detect disproportionate denials of low or moderate income applicants for indirect auto loans. To a large extent the bank's lack of control explains the disparity in the comparisons.

The distribution of indirect auto loans in the other income categories was much closer to the percentage of families in the assessment area in those income categories. As a result, the distribution is considered reasonable. For example, 22% of the loans were to middle income persons versus 19% of the families in the assessment area; and 59% of the loans were to upper income persons versus 41% of the families in the assessment area.

Home Mortgage Disclosure Act (HMDA) Lending Activity

Continental does not have the management expertise to generate a significant volume of residential real estate loans. Home improvement and multifamily housing loans are extended with more frequency but volume is also not significant due to strong local competition.

The bank originated 50 HMDA loans during 1996, 1997, and through June 30, 1998 with the following distribution by the income of the applicant: low income 5 loans or 10%, moderate income 6 loans or 12%, middle income 7 loans or 14%, and upper income 32 loans or 64%. Many more HMDA loans were made to upper income persons versus lower income persons. This is because these types of loans are generally made to existing commercial loan customers. Typically these customers are business people, including small real estate investors and developers, with incomes that statistically fall in the upper income category.

Geographic Distribution of Loans

Continental's loans are reasonably distributed among census tracts of various income levels.

The table below shows the geographic distribution of the bank's loans inside the assessment area (86% of outstanding loans) as of August 31, 1998. This distribution approximates the distribution of low, moderate, middle, and upper income census tracts in the assessment area. Most of the bank's loans are made to businesses and residents that are near its five offices. Areas that are not relatively close to bank offices do not have significant loan penetration.

Income Category of Census Tract	Percentage based on number of loans	Percentage based on dollar amount of loans	Percentage of census tracts in the assessment area
Low	4%	8%	14%
Moderate	11%	20%	22%
Middle	27%	27%	36%
Upper	58%	45%	28%

Response to Complaints

The bank has not received complaints regarding its CRA performance.

Compliance with Antidiscrimination Laws and Regulations

The fair lending review conducted concurrently with this CRA examination disclosed no substantive violations of antidiscrimination laws and regulations. The examination also found adequate fair lending policies, procedures, training, and internal assessment efforts relative to the size of the bank and complexity of operations.