



Small Bank Performance Evaluation

PUBLIC DISCLOSURE

August 9, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Edison National Bank
Charter Number 23329
13000 South Cleveland Avenue
Fort Myers, Florida 33907**

**Office of the Comptroller of the Currency
North Florida Field Office
8382 Baymeadows Road, Suite 1
Jacksonville, Florida 32256**

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 **Edison National Bank** prepared by **the Office of the Comptroller of the Currency**, as of August 9, 1999. 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: This institution is rated ***Satisfactory***.

- C Edison National Bank maintains a satisfactory loan-to-deposit ratio compared to other new Florida banks.
- C A substantial portion of residential and commercial lending occurs within the assessment area.
- C Lending to borrowers of different income groups and businesses of different sizes is satisfactory given the demographics of the community.
- C The geographic distribution of lending patterns is reasonable and reflective of branch locations.

DESCRIPTION OF INSTITUTION

Edison National Bank (ENB) is a locally owned and managed commercial bank with two offices in Lee county. The bank is a wholly-owned subsidiary of Edison Bancshares, Inc., a one-bank holding company located in Fort Myers, Florida. The main office is located in Fort Myers. The other office, known as "Bank of the Islands", is located on Sanibel Island. The bank offers automated teller machine (ATM) access with deposit-taking capabilities, drive-up facilities and a courier service. Additionally, the bank's ATM cards allow customers to access any of the ATM's that are located throughout the county in seventeen Publix grocery stores at no cost. The bank offers a variety of lending programs but its primary focus is the commercial and commercial real estate loans, accounting for 57% of the total loan portfolio and residential real estate which represents 36% of total loans.

As of June 30, 1999, the bank had total assets of approximately \$69 million with net loans accounting for 47% of total assets. There are no financial or regulatory constraints that would prevent the bank from meeting the credit needs of the community. Our assessment of the bank's performance began on August 29, 1997 which is the date the bank opened.

DESCRIPTION OF THE ASSESSMENT AREA

Edison National Bank's assessment area consists of all of Lee County and includes the cities of Fort Myers, Cape Coral and Sanibel. The assessment area is located in the Fort Myers - Cape Coral Metropolitan Statistical Area (MSA #2700). The bank's assessment area is comprised of ninety-two (92) census tracts. All of the census tracts are located in Lee County and the Fort Myers-Cape Coral MSA. Based on the 1990 Census Bureau median family income of \$32,310, there is one census tract in the assessment area classified as a low- income tract (1.09%), fourteen are moderate-income (15.21%), sixty-three are middle-income (68.48%) and thirteen are upper-income tracts (14.13%). The bank is also reporting one census tract in Fort Myers Beach (602.99) which is vacant land. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Lee County is ranked 13th in area in the state and was the fourth fastest growing area from 1980-1990. This growth has continued in the 1990's as the mild climate and business opportunities attract visitors and companies. Lee County has become a popular retirement and vacation destination and tourism remains Lee County's most important industry. This industry, along with retirement income, retailing and services comprise the county's primary economic sectors. Major employers in Lee County include the School Board of Lee County, Lee Memorial Health Systems, Columbia/HCA and Publix supermarkets. Retirees moving to the area prefer to live in the County's major

growth communities like Cape Coral and Sanibel. As such, the city of Fort Myers has seen little growth and the highest concentrations of low-income households in the County reside within Fort Myers. The downtown area also experienced a decline in business as other areas of the County developed retail and service establishments to accommodate their growth.

The Department of Housing and Urban Development (HUD) estimates the 1999 MSA's median family income at \$45,700 for the Fort Myers-Cape Coral MSA. Based on this income, 16.34% of the families in the assessment area are classified as low, 20.25% moderate, 24.97% middle and 38.45% upper-income.

Contact by banking regulators with local based organizations in Lee County identified the following credit related needs for the assessment area: (1) continued investments for affordable housing efforts and to small businesses; and, (2) credit education and counseling services for low-income consumers in the areas of managing finances and correcting derogatory information on their credit history in order to qualify for affordable housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

C Loan-to-Deposit Ratio - *Meets* the Standard for Satisfactory Performance

The bank's average loan-to-deposit ratio is satisfactory at 54.14% considering the bank has only been opened for two years, and the recent influx of deposits associated with new branching activity and level of mortgage banking activity. The average loan-to-deposit ratio was calculated and averaged for each quarter since the bank opened in August 1997. We compared the bank's average ratio to those ratios of similarly situated Florida banks that opened in the period of July through October 1997. The loan-to-deposit ratio for the last eight quarters for five new Florida banks was calculated at 64.79%. The bank is reporting a slightly lower ratio due to several factors that include: 1) only two years of operations; 2) significant growth in deposits associated with the Sanibel branch; and, 3) mortgage banking originations that are not reflected in the loan-to-deposit ratio. The bank is active in mortgage banking activities and serves its assessment area by originating, funding and closing residential real estate loans that are subsequently sold in the secondary market. In 1999, the bank originated and sold forty-two residential real estate loans in the amount of \$6,646 million. An adjusted 1999 loan-to-deposit ratio of 56.93% was calculated to reflect these residential loans, which is more in line with the Florida peer group averages.

C Lending in the Assessment Area - *Exceeds* the Standard for Satisfactory Performance

A substantial portion of consumer and commercial lending occurs within the assessment area. This conclusion is based on an analysis of all residential mortgages originated in 1999, twenty-one installment and twenty-one commercial loans. We also sampled all of the 1999 mortgage brokered loans. Our review of the residential mortgage and installment loans found that 95% residential mortgage and installment loans were originated in the bank's assessment area. We also determined 100% of all the commercial and mortgage brokered loans originated were made to borrowers within the assessment area.

C Lending to Borrowers of Different Incomes and Businesses of Different Sizes - *Meets* the Standard for Satisfactory Performance

The lending distribution to low- and moderate- income borrowers is satisfactory given the demographics of the community. Our analysis included the sample of residential real estate and installment loans noted above. We compared the income distribution of the bank's borrowers to the income distribution of families within the assessment area using the adjusted 1999 HUD median family income levels. The distribution of this lending is outlined in the chart on the following page.

REAL ESTATE and INSTALLMENT LOAN ORIGINATIONS WITHIN THE ASSESSMENT AREA (by number)		
Income Characteristic of Borrowers	ENB'S LOAN DISTRIBUTION	FAMILIES IN ASSESSMENT AREA
Low	9%	16.5%
Moderate	23%	20%
Middle	11%	25%
Upper	57%	38.5%

The bank's lending to moderate-income families exceeds the moderate-income family population in the assessment area at 23%. Lending to low-, middle- and upper-income families also shows a reasonable pattern of distribution. Residential lending opportunities to low-income individuals is limited. The majority of these individuals are renters and do not own homes as supported by demographic data of the county. In particular, the data shows 21% of the families in the assessment area occupy rental units. In addition, the bank offers a home improvement loan product specifically for low- and moderate-income individuals who own their own homes. Special rates and terms are provided to qualified individuals in which the bank waives all closing costs including origination fees.

The bank's lending to businesses of different sizes, particularly to small businesses, is satisfactory. Our analysis found the bank originated 71% of commercial loans were to small businesses (revenues less than one million). In contrast, 76% of all businesses operating within the assessment area are considered small businesses.

C Geographic Distribution of Loans - Meets the Standard for Satisfactory Performance

We tested the bank's performance in this area using our same sample of residential mortgage and small business loans. This included 29 loans that were originated in the assessment area totalling \$8.7 million. The distribution of the sample is discussed in the following narrative and presented in the charts on the following page.

The geographic distribution of residential lending pattern is reasonable and reflective of office locations. We compared the geographic distribution of loans originated to the level of owner-occupied housing within each geographic area. The number of owner-occupied housing reveals the opportunities available for residential real estate lending. The lower the level, the fewer opportunities are available for residential loans. The bank did not originate any residential loans in low-income census tracts. However, there is only one (1) low-income census tract in the assessment area with 0.53% units as

owner-occupied. Additionally, the bank's lending pattern is reflective of the office locations. Bank offices are located in high- and middle-income census tracts. In contrast, low- and moderate-income census tracts in the assessment area are located in the downtown area in which the bank has no offices. Furthermore, competition for lending is strong in the downtown area and residential lending is also limited.

RESIDENTIAL REAL ESTATE LOAN ORIGINATIONS WITHIN THE ASSESSMENT AREA (by number)		
Census Characteristics	ENB's Loan Distribution	% owner-occupied units
Low	0%	0.5%
Moderate	7%	13.5%
Middle	57%	75%
Upper	36%	11%

The geographic distribution of business lending is reasonable and again, reflective of branch locations and the “newness” of the institution. Lending to businesses located in the low- and moderate-income census tracts are limited because there are few small businesses in these tracts which are located in the downtown area. As mentioned, competition for small business lending is strong with five large financial institutions present in the downtown area. However, management has serviced this area by participating in a \$1 million line of credit to the Habitat for Humanity, a nonprofit organization established to provide affordable housing developments in the area. Our analysis includes the \$25,000 credit in which proceeds will build housing in the Fort Myers area for low-income families. Additionally, geographic lending distribution within middle- and upper-income tracts is also reasonable. The larger percentage of lending in the upper income tracts can be attributed to the recent branch opening in Sanibel and preexisting business lending relationships. Findings are presented below.

COMMERCIAL LOAN ORIGINATIONS WITHIN THE ASSESSMENT AREA (by number)		
Census Tract Characteristics	ENB'S small business loan distribution	% of small businesses in Assessment Area
Low	0%	1%
Moderate	7%	11%
Middle	40%	75%
Upper	53%	13%

C Response to Complaints

There were no CRA related complaints received by the bank or our office during the period of review.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

Our fair lending exam sample focused on potential discriminatory practices based on gender. We sampled used auto loans granted to both men and women during our period of evaluation. Our examination of compliance with antidiscrimination laws and regulations revealed no substantive violations.