

# **PUBLIC DISCLOSURE**

**August 24, 2004**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Hernando County Bank  
Certificate Number: 27135**

**1187 South Broad Street  
Brooksville, Florida 34601**

**Federal Deposit Insurance Corporation  
10 Tenth Street, NE  
Suite 800  
Atlanta, Georgia 30309-3906**

**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.

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## 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 Hernando County Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **August 24, 2004**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

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

- The level of lending is reasonable.
- A substantial majority of home mortgage loans both by number and dollar volume are made within the assessment area.
- The geographic distribution of home mortgage loans is excellent with a majority of loans originating within moderate-income census tracts where low-and moderate-income families are concentrated.
- The distribution of loans to low- and moderate- income borrowers is excellent.
- The bank has not received any CRA-related complaints.

## DESCRIPTION OF INSTITUTION

The Hernando County Bank, Brooksville, Florida operates two offices in Brooksville. Total assets as of June 30, 2004 were \$53,437,000, of which \$37,547,000 or 70 percent were loans. The last CRA evaluation was dated July 1, 1998 and the bank received an “Outstanding” rating.

The bank is part of a five bank holding company, Brannen Banks of Florida, Inc. located in Inverness, Florida. The holding company owns banks located in Brooksville, Crystal River, Dunnellon, Homosassa Springs and Inverness, Florida. The holding company also owns a data center, appraisal and title companies.

One office is located in a moderate-income census tract and the other office is located in a middle-income census tract. The bank offers a full-line of deposit and loan products. Deposit products include certificates of deposit, individual retirement accounts, checking accounts, money market accounts, NOW accounts, and savings accounts. The bank offers a wide variety of residential loan products with adjustable and fixed rates with terms ranging from one to thirty years. Other consumer loan products include construction, vacant land, unsecured, automobile, boat, home improvement, home equity, personal lines of credit, home equity lines of credit, and mobile homes. Applicants that desire long-term, fixed-rate, Federal Housing Authority, Veterans Administration or Rural Housing Services loans are referred to a sister bank, Crystal River Bank, Crystal River, Florida. Loans to businesses include real estate, working capital, inventory, secured and unsecured lines of credit, unsecured, accounts receivable and letters of credit. Automated teller machines are located at each office and telephone banking is also offered.

There are no impediments, legal or otherwise, which would impact the bank’s ability to meet the credit needs of the assessment area.

The bank is primarily a residential real estate lender. The largest product line is loans secured by 1-4 family residential real estate (81 percent). A distribution of the loan portfolio as of June 30, 2004 based upon Call Report data follows.

<b>Table 1 – Distribution of Loans as of June 30, 2004</b>		
<b>Break Down of Loans by Type</b>	<b>Dollar Volume (000)</b>	<b>Percent</b>
Secured by farmland	70	0
Secured by 1-4 family residential properties	30,274	81
Secured by multifamily dwellings	595	2
Secured by non-farm non-residential properties	5,104	14
Commercial and industrial	643	1
Other consumer loans	843	2
Other Loans	18	0
Gross Loans	37,547	100

(Call report data provides a snapshot of a bank’s lending activity as of a certain date, based on the current balance of the loans outstanding as of that date. The category entitled “1-4 Family Residential” consists of home loans for both personal and commercial purposes.)

## **DESCRIPTION OF THE ASSESSMENT AREA**

The assessment area consists of Hernando County. Hernando County is a part of the Tampa-St. Petersburg-Clearwater Metropolitan Statistical Area (MSA). The assessment area is comprised of 25 census tracts and is primarily rural in nature. Thirteen (52 percent) and twelve (48 percent) of the census tracts are classified as moderate- and middle-income respectively. Prior to 2003, this same assessment area based on 1990 Census data only comprised 16 census tracts. The assessment area consists of whole geographies and does not arbitrarily exclude any low- and moderate-income geographies. There are no low-income census tracts, although 23 percent of the families that reside in the county are considered low-income. The assessment area conforms to CRA regulatory requirements.

United States census data for 2000 reveals that the assessment area had a population of 130,802 and was comprised of 55,456 households. The assessment area is heavily composed of retirees. Thirty-one percent of the population was 65 years or over. Fifty-three percent of the households received social security income and 36 percent received retirement income. There were 62,727 housing units of which 76 percent were owner occupied, 12 percent were occupied rental units, and 12 percent were vacant. The median housing value was \$85,272 and the median gross rent was \$549.

According to Enterprise Florida, 2003 data, major industries in county were other services (33 percent), healthcare and social services (16 percent), and transportation/warehousing/wholesale trade (9 percent). Major private sector employers included Wal-Mart Distribution (850), Oak Hill Hospital (850) and Springhill and Brooksville Regional Hospitals (763). The average wage in all industries was \$25,367. The unemployment rate as of June 2004 was 5.4 percent and is higher than the unemployment rate for the State of Florida of 4.7 percent.

The June 30, 2003, report of Offices and Deposits of all FDIC-Insured Institutions shows that there are 12 commercial banks with 33 offices in Hernando County. The top five banks by deposit market share are SunTrust Bank (46.28 percent), Bank of America (20.02 percent), Branch Banking and Trust Company (7.16 percent), AmSouth Bank (6.17 percent) and First Kensington Bank (5.06 percent). The bank ranked tenth with a market share of 2.30 percent. In addition to the competition the bank faces from several large regional banks, there are also several credit unions and investment firms, which are not included in the market share data.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Identification of Sample**

The evaluation of the bank's lending performance is based upon a review of Home Mortgage Disclosure Act (HMDA) loans. The review included 357 home loans totaling \$19,990,000 that were reported on the 2002 and 2003 HMDA registers.

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

The average net loan-to-deposit ratio of 77 percent is reasonable. The average net loan-to-deposit ratio is calculated by adding the net loan-to-deposit ratios for the 24 quarters since the bank's last performance evaluation and dividing the sum by the total number of quarters. The ratio has increased since the last examination when it was 72 percent. There are no similarly situated banks in terms of asset size, asset structure, and loan products offered.

### **Lending Inside the Assessment Area**

A substantial majority of HMDA loans by both number and dollar volume (99 percent) originated in the assessment area. Detailed information is displayed in Table 2.

<b>Table 2 -Distribution of HMDA Loans Inside and Outside of the Assessment Area</b>										
<b>Loan Category or Type</b>	<b>Number of Loans</b>					<b>Dollars in Loans (000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>2002</b>	172	99	1	1	173	9,958	100	30	0	9,988
<b>2003</b>	181	98	3	2	184	9,775	98	227	2	10,002
<b>Total</b>	353	99	4	1	357	19,733	99	257	1	19,990

## Geographic Distribution of Lending

Tables 3 and 4 depict the geographic distribution of loans within the assessment area. Overall, the distribution reflects an exceptional penetration in moderate-income geographies. In 2002 and 2003, the bank extended 72 and 78 percent respectively, of its home loans in moderate-income census tracts. This percentage far exceeds the percentage of owner-occupied housing units in moderate-income census tracts, the percentage of families living in moderate-income census tracts, and aggregate lending data.

Table 3 - Geographic Distribution of HMDA Loans 2002							
Census Tract Income Level	% of Total Owner-Occupied Housing Units*	% of Families *	Aggregate Lending (% by #)	Number		Dollar Volume	
				#	%	\$ (000s)	%
Moderate	28	28	18	123	72	5,934	60
Middle	72	72	82	49	28	4,024	40
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>172</b>	<b>100</b>	<b>9,958</b>	<b>100</b>

\*1990 U. S. Census Data

Table 4 - Geographic Distribution HMDA Loans 2003							
Census Tract Income Level	% of Total Owner-Occupied Housing Units*	% of Families *	Aggregate Lending (% by #)	Number		Dollar Volume	
				#	%	\$ (000s)	%
Moderate	47	47	NA	141	78	6,716	69
Middle	53	53	NA	40	22	3,059	31
<b>Total</b>	<b>100</b>	<b>100</b>	<b>NA</b>	<b>181</b>	<b>100</b>	<b>9,775</b>	<b>100</b>

\*2000 U. S. Census Data

\*\* 2003 Aggregate data is not available.

## Distribution of Loans to Borrowers of Different Incomes

The distribution of loans by borrower income is exceptional. Borrower incomes are compared to the Department of Housing and Urban Development's (HUD) estimated median family income (MFI) figures for the year in which the loan is granted. Borrowers are then categorized as low-, moderate-, middle-, or upper-income. In 2000, the MFI for the Tampa metropolitan area was \$47,500. In 2002 and 2003, HUD estimated the MSA MFI as \$50,500 and \$49,700. Table 5 below details how various incomes levels were defined for years 2002 and 2003.

<b>Table 5 – HUD Adjusted Income Levels</b>			
<b>Income Level</b>	<b>Percent of Income</b>	<b>Income Range 2002</b>	<b>Income Range 2003</b>
<b>Low</b>	Less than 50 percent	\$0 - \$25,249	\$0 – \$24,849
<b>Moderate</b>	50 percent but less than 80 percent	\$25,250 – \$40,399	\$24,850 – \$39,759
<b>Middle</b>	80 percent but less than 120 percent	\$40,400 – \$60,599	\$39,760 – \$59,639
<b>Upper</b>	Equal or greater than 120 percent	\$60,600	\$59,640

Tables 6 and 7 display the distribution of home loans to borrowers of different income levels in 2002 and 2003, respectively. In 2002, the percentages of lending to low- and moderate-income borrowers (16 percent and 29 percent, respectively) is higher than the percentage reported by aggregate lenders and, when consideration is given to the 8 percent of families living below the poverty level, the percentage of such families in the assessment area that are likely to qualify for home loans.

<b>Table 6 – Lending to Borrowers of Different Income Levels 2002</b>						
<b>Borrower Income Level</b>	<b>% of Total Families *</b>	<b>Aggregate Lending Data (% of #)</b>	<b>Number of Loans</b>		<b>Dollar Volume of Loans (000s)</b>	
			<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>Low</b>	22	12	28	16	1,042	10
<b>Moderate</b>	26	25	49	29	2,272	23
<b>Middle</b>	26	27	44	26	2,401	24
<b>Upper</b>	26	29	47	27	4,064	41
<b>\$0/NA</b>	0	7	4	2	179	2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>172</b>	<b>100</b>	<b>9,958</b>	<b>100</b>

\*1990 U. S. Census

In 2003, the percentage of home loans made in each income level was compared to the percentage of families in the assessment area that were designated as low-, moderate-, middle- and upper-income. Low- income families represented 23 percent of the families in the assessment area and 7 percent of families lived below the poverty level, making it difficult for them to qualify for a home loan. Twenty-five percent of the families have moderate-incomes. The bank extended 36 percent of its loans to moderate-income borrowers.

<b>Table 7 – Lending to Borrowers of Different Income Levels 2003</b>						
<b>Borrower Income Level</b>	<b>% of Total Families *</b>	<b>Aggregate Lending Data (% of #)**</b>	<b>Number of Loans</b>		<b>Dollar Volume of Loans</b>	
			<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>Low</b>	23	NA	29	16	942	10
<b>Moderate</b>	25	NA	65	36	2,606	27
<b>Middle</b>	24	NA	49	27	2,397	24
<b>Upper</b>	28	NA	38	21	3,439	35
<b>\$0/NA</b>	0	NA	0	0	391	4
<b>Total</b>	<b>100</b>	<b>NA</b>	<b>181</b>	<b>100</b>	<b>9,775</b>	<b>100</b>

\*2000 U. S. Census

\*\*2003 Aggregate data is not available.

### **Response to Consumer Complaints**

There have not been any CRA-related complaints.

### **Compliance with Anti-Discrimination Laws and Regulations**

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the evaluation.