

PUBLIC DISCLOSURE

September 8, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Guaranty Bank & Trust Company
06121587

Venice, Florida

Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the 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 Guaranty Bank & Trust Company prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of September 8, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

A substantial majority of the loans sampled were extended to individuals or businesses in the bank's assessment area. Additionally, the bank's overall performance with respect to the geographic distribution of its loans, as well as lending to borrowers of different income levels throughout the assessment area, is satisfactory. The loan-to-deposit ratio is reasonable given the bank's financial capacity, size, and demographics of the assessment area. No complaints have been received concerning the bank's performance in meeting the credit needs of the assessment area.

DESCRIPTION OF INSTITUTION

Guaranty Bank & Trust Company is located on the west coast of Florida and has its main office in Venice. The bank has four branch offices: two in Venice, one in North Port, and one in southern Sarasota. The Sarasota office was opened since the previous examination. The bank had total assets of \$120.8 million on June 30, 1997. No legal or financial impediments that would prevent the bank from meeting the credit needs of its assessment area were noted.

The bank is a full-service bank that offers a variety of banking products and services to meet community credit needs. The composition of the loan portfolio according to the June 30, 1997 Consolidated Reports of Condition and Income is as follows:

LOAN TYPE	PERCENTAGE
Construction and development	2.5%
Secured by one- to four-family dwellings	54.0%
Other real estate:	
Multifamily	0.9%
Nonfarm nonresidential	22.3%
Commercial and industrial	10.9%
Loans to individuals	9.0%
All other	0.4%
Total	100.0%

As shown in the preceding table, the bank has concentrated its lending efforts on real estate loans. Loans secured by one- to four-family dwellings and loans secured by nonfarm nonresidential property make up the largest portions of the loan portfolio. The loan portfolio composition has not changed significantly since the previous examination, despite sustained asset growth. The bank's net loans have increased by approximately 32.5 percent since March 31, 1996.

The bank received a satisfactory CRA rating at its previous evaluation as of March 25, 1996.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is located approximately 65 miles south of Tampa and includes a large part of Sarasota County and a small part of Charlotte County. In connection with the opening of the Sarasota office, which is the bank's northernmost office, the bank expanded its assessment area from 17 census tracts at the previous examination to 30 tracts. 28 of the census tracts are in the Sarasota-Bradenton Metropolitan Statistical Area (MSA), and two are in the Punta Gorda MSA. Of the 30 census tracts, 1 is a moderate-income tract, 20 are middle-income tracts, and 9 are upper-income tracts. The four income levels used for the analysis were defined using the following percentages of the median family incomes for the Sarasota and Punta Gorda MSAs.

INCOME LEVEL	PERCENTAGE OF MEDIAN FAMILY INCOME
Low-income	Less than 50%
Moderate-income	50% to 79%
Middle-income	80% to 119%
Upper-income	120% and over

As of the 1990 Census, the assessment area had a total population of 200,935. The assessment area was home to 63,591 families. The median family income in the bank's assessment area was \$35,167, which was above that of the state of Florida at \$32,212. The following table shows the number and percentage of families by income level in the assessment area and in the state of Florida.

INCOME LEVEL	ASSESSMENT AREA		STATE OF FLORIDA	
	NUMBER OF FAMILIES	PERCENTAGE BY INCOME LEVEL	NUMBER OF FAMILIES	PERCENTAGE BY INCOME LEVEL
Low-income	8,145	12.8%	677,883	19.1%
Moderate-income	12,470	19.6%	665,313	18.8%
Middle-income	16,215	25.5%	804,174	22.7%
Upper-income	26,761	42.1%	1,393,954	39.4%
Total	63,591	100.0%	3,541,324	100.0%

DESCRIPTION OF ASSESSMENT AREA

Upper-income families are the largest income group in the assessment area. The assessment area has higher concentrations of moderate-, middle-, and upper-income families than the state of Florida and a lower concentration of low-income families.

The total number of housing units in the assessment area as of the 1990 Census was 114,340. 64.5 percent were owner-occupied, 15.8 percent were rental, and 19.7 percent were vacant. The 1990 Census shows the median housing value at \$87,756, compared with \$76,487 for the state.

The service and retail trade industries dominate the local employment environment. The five major types of industries in Sarasota County are as follows:¹

TYPE OF INDUSTRY	NUMBER OF EMPLOYEES	NUMBER OF ESTABLISHMENTS
Services and other	43,222	3,850
Retail trade	30,555	2,325
Manufacturing	8,595	401
Finance, insurance, and real estate	7,423	1,221
Construction	7,161	1,184

The 1993 U.S. Census employment data for Sarasota County business patterns show a total of 9,823 businesses in the county, with 9,461 (96.3 percent) of the businesses employing fewer than 50 employees. According to U.S. Bureau of Labor Statistics data for June 1997, the unemployment rate for Sarasota County was 2.5 percent, which was down from the 3.5 percent unemployment rate for June 1996.

During this examination, two members of the community were contacted to discuss economic conditions in the Sarasota County area. The individuals represented community development interests relating to housing and small businesses. The contacts mentioned that Sarasota County has experienced continued economic growth and that existing community credit needs present local financial institutions with ample opportunity to become involved in community development. The contacts stated that local financial institutions participate in community development activities.

¹This table reflects a count of business establishments and not a count of firms. An establishment is categorized by its size, not by the size of the business that owns it. The information is collected in only one month (March) of each year.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio Analysis

The bank's average loan-to-deposit ratio for the six quarters since the previous examination is 65.4 percent. The loan-to-deposit ratios at the end of each quarter are shown in the table below.

QUARTER END	NET LOANS (THOUSANDS)	DEPOSITS (THOUSANDS)	LOAN-TO- DEPOSIT RATIO
March 31, 1996	\$55,331	\$88,984	62.2%
June 30, 1996	\$59,943	\$87,469	68.5%
September 30, 1996	\$63,251	\$91,874	68.8%
December 31, 1996	\$66,768	\$104,796	63.7%
March 31, 1997	\$68,983	\$109,725	62.9%
June 30, 1997	\$73,299	\$111,113	66.0%

The bank's average loan-to-deposit ratio is lower than the average loan-to-deposit ratios of the four similarly sized financial institutions² in the assessment area. These financial institutions have average loan-to-deposit ratios ranging from 76.6 percent to 85.7 percent. Overall, the bank's loan-to-deposit ratio has increased since March 31, 1996. The addition of two branch offices since December 1995 has contributed to an increase in deposits of 24.9 percent between March 31, 1996, and June 30, 1997. Net loans increased by 32.5 percent during the same time period. Guaranty Bank & Trust Company's loan-to-deposit ratio is considered reasonable given the bank's financial size, capacity, and demographics of the assessment area.

Lending in Assessment Area

The bank's record of lending in the assessment area exceeds standards for satisfactory performance. During the examination, 55 home purchase loans and 56 small business loans were analyzed to determine the percentage of loans originated in the assessment area. As can be seen in the next table, a substantial majority of the loans sampled were extended to individuals or businesses in the bank's assessment area.

²Financial institutions in the assessment area with assets of greater than \$100 million but less than \$300 million.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending in Assessment Area (Continued)

TYPE OF LOAN	NUMBER OF LOANS IN SAMPLE	PERCENTAGE OF LOANS INSIDE ASSESSMENT AREA	PERCENTAGE OF LOANS OUTSIDE ASSESSMENT AREA	TOTAL
Home purchase loans	55	94.5%	5.5%	100%
Small business loans	56	82.1%	17.9%	100%

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

The bank's lending to borrowers of different income levels and to businesses of different sizes is reasonable given the composition of the assessment area. The distribution of 52 home purchase loans made inside the assessment area is shown below. The distribution of families in the assessment area by income level is shown as a basis for comparison.

INCOME LEVEL	ASSESSMENT AREA		HOME PURCHASE LOANS	
	NUMBER OF FAMILIES	PERCENTAGE BY INCOME LEVEL	NUMBER OF LOANS	PERCENTAGE OF LOANS
Low-income	8,145	12.8%	1	1.9%
Moderate-income	12,470	19.6%	9	17.3%
Middle-income	16,215	25.5%	10	19.2%
Upper-income	26,761	42.1%	32	61.6%
Total	63,591	100.0%	52	100.0%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes (Continued)

The analysis indicates a reasonable penetration of moderate- and middle-income borrowers. The bank extended 36.5 percent of the home purchase loans to moderate- and middle-income borrowers, and 45.1 percent of the families in the assessment area have incomes at these levels. However, the small percentage of loans made to low-income borrowers is a concern. Low-income families make up 12.8 percent of the families, but borrowers in this income group received only 1.9 percent of the loans. One explanation for the small percentage of home purchase loans made to low-income borrowers is that low-income families may be priced out of the housing market. The median housing value for the assessment area is \$87,756. This amount is significantly higher than the median housing value of \$76,487 for the entire state. The assessment area has fewer lower valued homes available. Less than three percent of the assessment area housing is valued at \$40,000 or less, which is considerably lower than the 10.1 percent of housing units available at this level for the state. With 79 percent of the low-income families residing in middle-income census tracts it would be difficult for these families to afford a home because the median housing value in this area is \$81,800.

An analysis of the bank's 1996 Home Mortgage Disclosure Act (HMDA) loan activity¹ was compared with three other competitors in the area. The analysis indicated that the bank compared favorably to the other lenders. The bank granted 12.7 percent of its HMDA loans to low-income individuals during 1996. The percentage of loan originations to low-income borrowers for the three other lenders ranged from 2.7 percent to 6.9 percent. The aggregate percentage of originations to low-income borrowers for the assessment area was 8.7 percent. The analysis shows a strong penetration (61.6 percent) of the upper-income group. There are more families at this income level than any other in the assessment area.

All 46 of the small business loans made inside the assessment area were made to businesses reporting gross annual revenues of \$1 million or less. These loans were analyzed to determine their distribution according to the loan amount. The following table shows this distribution.

¹HMDA reportable loans include: home purchase, home refinance and home improvement.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes (Continued)

LOAN AMOUNT	NUMBER OF LOANS	PERCENTAGE OF LOANS
\$100,000 or less	43	93.5%
\$100,001 to \$250,000	2	4.3%
\$250,001 to \$500,000	1	2.2%
\$500,001 to \$1 million	0	0%
Total	46	100%

The table shows that a substantial majority of the loans granted were for amounts of \$100,000 or less. None of the sampled loans was for an amount in excess of \$500,000.

The pattern of small business lending activity shown in the sample is indicative of the bank's historical lending activities. A review of the bank's June 30, 1997 Consolidated Reports of Condition and Income shows that a large majority of the bank's small business loans are granted in amounts of \$100,000 or less. Loan size can be an indicator of business size because small businesses typically borrow smaller amounts. The distribution by original loan amount of small business loans outstanding on June 30, 1997, is shown in the following table.

LOAN AMOUNT	NUMBER OF LOANS	PERCENTAGE OF LOANS
\$100,000 or less	411	85.8%
\$100,001 to \$250,000	43	9.0%
\$250,001 to \$1 million	25	5.2%
Total	479	100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. The distribution of the home purchase and small business loans inside the assessment area by the income level of the census tracts is summarized in the following table. The distribution of families by census tract income level is included for comparative purposes.

CENSUS TRACT INCOME LEVEL	PERCENTAGE OF FAMILIES RESIDING IN CENSUS TRACTS BY INCOME LEVEL	PERCENTAGE OF HOME PURCHASE LOANS	PERCENTAGE OF SMALL BUSINESS LOANS
Moderate-income	2.2%	13.5%	15.2%
Middle-income	74.2%	80.7%	73.9%
Upper-income	23.6%	5.8%	10.9%
Total	100%	100%	100%

The assessment area contains only one moderate-income census tract, and the bank's North Port office is in that tract. The analysis indicates a larger than expected percentage of home purchase loans in the moderate-income census tract when compared to the locations of families in the assessment area and a smaller than expected percentage of loans in upper-income census tracts. One reason for the small percentage of loans in upper-income tracts is that most of these tracts are north of the Sarasota office and were added to the assessment area with the opening of that office. The percentage of home purchase loans made in middle-income census tracts is fairly consistent with the percentage of the assessment area families that reside in those census tracts.

The small business loans show a dispersion similar to that of the home purchase loans. The bank extended 15.2 percent of the small business loans in moderate-income census tracts and 2.2 percent of the assessment area families reside in these census tracts. The table also indicates a good penetration of middle-income census tracts. The bank extended 73.9 percent of the small business loans in middle-income census tracts and 74.2 percent of the assessment area families reside in these census tracts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Geographic Distribution of Loans (Continued)

Sarasota County has experienced significant population growth. According to community contacts and management a large portion of growth is attributed to migration into the county, particularly in the area around the North Port office. The one moderate-income census tract (tract 27.01) in the assessment area includes the city of North Port. This tract is one of the largest tracts in the assessment area and has experienced a large number of new housing starts. Guaranty Bank is the only independent bank in North Port. The bank has been successful in marketing its home purchase and small business loans because its staff is made up of long time community residents. Bank management attributes the higher percentage of small business loans in the moderate-income areas to local zoning factors. Management stated that the moderate-income areas are more likely to be zoned for business. Management also stated that the upper-income neighborhoods are more likely to be zoned exclusively for residential properties, with fewer businesses.

Complaints

No complaints relating to CRA have been filed against the bank since the previous examination.

Compliance with Antidiscrimination Laws

The bank's compliance with the substantive provisions of the antidiscrimination laws and regulations was assessed. No evidence of discrimination or other illegal credit practices was identified.