

## **PUBLIC DISCLOSURE**

April 28, 1997

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Independent Bank of Ocala  
06121216

Ocala, 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 Independent Bank of Ocala prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of April 28, 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.

The bank's satisfactory rating is based on a strong average loan-to-deposit ratio and its record of lending inside its assessment area. The bank has a strong six-quarter average loan-to-deposit ratio of 77.2 percent. The average loan-to-deposit ratio for banks in the country of similar size was 67.6 percent according to the December 31, 1996 Uniform Bank Performance Report. The extent of loans originated inside the bank's assessment area based on loan samples is considered outstanding at 99.3 percent. The distribution of loans by income of borrowers and by income characteristics of the census tracts that make up the assessment area reflects a reasonable distribution throughout the assessment area. Businesses of various revenue sizes are well represented also. The bank's record of lending is considered satisfactory considering economic factors such as the poverty rate, prices of new homes in Marion County, and economic conditions in the assessment area. No CRA-related complaints have been received since the previous examination.

## DESCRIPTION OF INSTITUTION

Independent Bank of Ocala, which is located in Marion County, Florida, operates two banking offices in Ocala. According to the December 31, 1996 Reports of Condition and Income, the bank's asset size was \$49.5 million. Independent Bank of Ocala is a wholly owned subsidiary of Independent BancShares, Incorporated, Ocala, Florida.

The bank's lending strategy has primarily focused on the consumer real estate market with a secondary focus on commercial lending. Credit products offered by the bank include secured and unsecured loans such as automobile, boat, and airplane loans, loans for education and vacation, home improvement loans, home equity lines of credit, and mobile home loans. The bank's real estate loans include single-family residential and commercial real estate loans. The bank also offers business loans for working capital, equipment, receivables, and inventory. The bank participates in two government-guaranteed programs: the Small Business Administration's (SBA) **ALow Doc®** Program and the Veterans Administration's (VA) mortgage loan program.

The composition of the loan portfolio according to the December 31, 1996 Reports of Income and Condition is as follows:

<b>LOAN TYPE</b>	<b>PERCENTAGE</b>
Construction and development	4.3
Secured by one- to four-family dwellings	64.0
Other real estate: Multifamily	1.0
Nonfarm nonresidential	4.1
Commercial and industrial	18.2
Loans to individuals	8.0
All other	.4
Total	100.0

The table above shows that the greatest percentage of the bank's loan portfolio is concentrated in loans secured by one- to four-family residential properties followed by commercial and industrial loans.

DESCRIPTION OF INSTITUTION (CONTINUED)

Competition

The bank's assessment area includes 12 other commercial banks or their branches. Of the 12 banks, six are regional or statewide financial institutions. Although terms and rates for various loan products may vary, all banks in the assessment area offer primarily the same credit products. In addition to these banks, finance companies, credit unions, and nontraditional lending entities such as insurance companies are located in the assessment area and compete for loan business.

**DESCRIPTION OF ASSESSMENT AREA: MARION COUNTY**

The bank's assessment area includes all of Marion County, which makes up the Ocala, Florida Metropolitan Statistical Area (MSA). Major cities in Marion County include Ocala, Dunnellon, and Belleview. Marion County contains 46 census tracts of which two (4.3 percent) are low-income, four (8.7 percent) are moderate-income, 33 (71.7 percent) are middle-income, and seven (15.3 percent) are upper-income. One of the two low-income census tracts contains no population, families, or households. According to the 1990 Census, the population of Marion County was 194,833. Of the total population, 2,754 (1.4 percent) lived in low-income census tracts; 17,331 (8.9 percent) lived in moderate-income census tracts; 147,782 (75.9 percent) lived in middle-income tracts; and 26,966 (13.8 percent) lived in upper-income tracts.

The following table depicts total households and families by income level. A household is defined as all persons occupying a housing unit. A family consists of a household and one or more other occupants related to the householder by birth, marriage, or adoption. A single person living alone or two or more unrelated individuals living together are not considered to be a family.

FAMILIES AND HOUSEHOLDS BY INCOME LEVEL - MARION COUNTY				
INCOME LEVEL	NUMBER OF FAMILIES	PERCENTAGE OF TOTAL FAMILIES	NUMBER OF HOUSEHOLDS	PERCENTAGE OF TOTAL HOUSEHOLDS
Low	10,352	17.9	16,757	21.3
Moderate	11,132	19.3	13,426	17.1
Middle	13,860	24.0	16,471	21.0
Upper	22,426	38.8	31,910	40.6

Total	57,770	100.0	78,564	100.0
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**DESCRIPTION OF ASSESSMENT AREA (CONTINUED)**

The table shows that the number of households exceeds the number of families by 20,794. This would indicate a significant number of single people or unmarried or unrelated individuals living together in Marion County. The median family income for the assessment area is \$26,089. Families earning less than 50 percent of the median income are considered low-income (\$0 to \$13,044); families earning from 50 percent up to 80 percent of the median income are considered moderate-income (\$13,045 to \$20,871); families earning from 80 percent up to 120 percent of the median income are considered middle-income (\$20,872 to \$31,307); and families earning 120 percent and above of the median income are considered upper-income (above \$31,307).

The number of families living below the poverty level in Marion County is 6,211 (10.8 percent). The number of households living below the poverty level is 10,629 (13.5 percent). According to the U.S. Census Bureau, the poverty thresholds are as follows: \$6,310 for one person; \$12,674 for a family unit of four; and \$25,480 for a family unit of nine or more.

Of total low-income families, 75.6 percent live in middle-income census tracts, and of total low-income households, 75.7 percent live in middle-income tracts. 81 percent of moderate-income families live in middle-income census tracts, and 79.8 percent of moderate-income families live in middle-income tracts. As noted previously, a large majority of the population lives in middle-income census tracts, and it would be expected that the greatest percentage of the banks lending would be concentrated in these tracts.

Housing Data

According to the 1997 Industry Guide from the Ocala/Marion County Economic Development Council, there were 2,033 single-family housing starts and 189 multifamily housing starts in 1995. In addition, 2,607 home mortgage loans were originated in Marion County. According to the 1990 Census, housing units in Marion County totaled 94,567. Of these units, 59,112 (62.5 percent) were owner-occupied; 19,065 (20.2 percent) were rental units; and 16,390 (17.3 percent) were vacant units. Marion County also has a large number of mobile homes. 28,873 housing units were classified as mobile homes. Because of the lack of

affordable housing, the purchase of mobile or modular homes has become an alternative means for home ownership. The greatest number of the owner-occupied housing units (46,054) are located in middle-income census tracts. Also, the greatest number of rental units (13,957) are located in middle-income census tracts.

## DESCRIPTION OF ASSESSMENT AREA (CONTINUED)

### Housing Data (Continued)

The average gross rent for the assessment area is \$386. However, the average gross rent for low-income tracts is \$254 and the average for moderate-income tracts is \$327. 34.8 percent of the renters are paying more than 30 percent of their gross monthly income for rent, indicating that rental housing may also be unaffordable for low-income individuals without some type of assistance. The median value of homes in low-income census tracts is \$23,681 and \$41,437 in moderate-income tracts. In comparison, the median value of homes in the assessment area is \$61,752. The affordability ratio for housing in the assessment area is .364. The affordability ratio represents the amount of single-family owner-occupied housing that a dollar of income can purchase for the median household in the geography. Values closer to 1.0 indicate greater affordability. An affordability ratio of .364 indicates a lack of affordable housing in Marion County. However, government-sponsored programs such as the State Housing Initiatives Partnership (SHIP) program assist the community in providing affordable housing for low- and moderate-income families. The SHIP program provides up to \$10,000 in down payment assistance to qualified applicants for home purchases. The SHIP program maintains a list of certified builders who build affordable homes for this income group. In addition, the SHIP program maintains a consortium of lenders who have agreed to provide permanent financing for these homes. Independent Bank of Ocala is part of the consortium.

### Labor Data and Economic Patterns

According to the Florida Department of Labor, Marion County had an unemployment rate of 5 percent as of March 1997. The annual unemployment rate has declined from 8.6 percent in 1992 to 5.4 percent in 1995 to 4.9 percent in 1996. Marion County has experienced nominal growth. According to the Regional Economic Information System, 89,888 persons were employed in 1994, representing an 8.9 percent increase from 1990. Industries that experienced the greatest increase in employment were retail trade, services, and government and government enterprises. Major employers in the county include the Marion County School Board, State of Florida, Munroe Regional Medical Center, Emergency One, Inc., and Publix Super Markets. According to the 1993 County Business Patterns from the U.S. Census, 95 percent of the business establishments in Marion County employ fewer than 50 people.

Per capita personal income increased from \$14,502 in 1990 to \$16,628 in 1994, representing a 14.7 percent increase. From 1993 to 1994, per capita personal income experienced a modest increase of 3.3 percent.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

Independent Bank of Ocala's average loan-to-deposit ratio for the six quarters since the previous examination was 77.2 percent. There are four banks with similar asset sizes in the assessment area. The average loan-to-deposit ratios of these banks ranged from 43.1 percent to 78.9 percent. The table below depicts the average loan-to-deposit ratios and asset sizes of the other financial institutions in the bank's assessment area that are of similar size. Banks such as AmSouth Bank of Florida, First Union National Bank, SunTrust Bank of North Central Florida, Barnett Bank, N.A., and SouthTrust Bank of Florida were excluded from the analysis because of their relatively large asset sizes.

PEER BANK ASSETS AND LOAN-TO-DEPOSIT RATIOS		
FINANCIAL INSTITUTION	ASSET SIZE (\$000) AS OF 12-31-96	AVERAGE LOAN-TO-DEPOSIT RATIO (%)
Independent Bank of Ocala	49,488	77.2
Bank of Newberry	21,633	76.1
Dunnellon State Bank	55,602	43.1
Friendship Community Bank	26,269	49.5
Ocala National Bank	64,151	78.9

According to the December 31, 1996 Uniform Bank Performance Report, the bank had a loan-to-deposit ratio of 76.2 percent compared to a peer average of 67.6 percent. The bank's peer group is defined as all insured commercial banks with assets between \$25 million and \$50 million with two or more banking offices in a metropolitan area. Independent Bank has one office staffed with loan officers, the other office operating as a deposit taking facility. The bank's net loans and leases increased by \$5.2 million and deposits increased by \$7.5 million in 1996. Most of the increase in loans and leases occurred in one- to four-family residential loans and commercial and industrial loans, which is consistent with the bank's lending strategy. Additionally, the bank's clientele and market consist of retired individuals whose credit needs are



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not as diverse as the bank's product mix. The bank's loan-to-deposit ratio exceeds the standards for satisfactory performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA  
 (CONTINUED)

Lending in Assessment Area

144 loans were analyzed to determine the bank's level of lending inside its assessment area. 80 home purchase and 64 small business loans were reviewed. A small business loan is defined as a loan originated to a business entity in an amount less than or equal to \$1 million. Of the 80 home purchase loans, all were inside the bank's assessment area. Of the 64 small business loans, 63 (98 percent) were in the bank's assessment area. The bank's assessment area is defined according to the requirements of the regulation. Independent Bank of Ocala exceeds the standards for satisfactory performance in this category.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

80 home purchase loans originated in 1996 were reviewed to evaluate the bank's lending efforts to borrowers of different incomes. The table below depicts the bank's lending by income of the borrowers and compares the percentages of loans to borrowers of different incomes to the distribution of the families in the assessment area by income.

**DISTRIBUTION OF LOANS BY BORROWER INCOME AND DISTRIBUTION OF TOTAL FAMILIES BY INCOME IN THE ASSESSMENT AREA**

APPLICANT'S INCOME	NUMBER OF LOANS	PERCENTAGE OF TOTAL LOANS	PERCENTAGE OF TOTAL DOLLARS	PERCENTAGE OF TOTAL FAMILIES IN ASSESSMENT AREA
Low	6	7.5	6.0	17.9
Moderate	21	26.3	22.0	19.3
Middle	23	28.8	29.0	24.0
Upper	30	37.4	43.0	38.8
Total	80	100.0	100.0	100.0

Although low-income families make up 17.9 percent of the population, they received only 7.5 percent of the number of loans and 6.0 percent of the total loan dollars for home purchase loans. The average loan

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amount for low-income families was \$41,666. With a poverty rate of 10.8 percent, many of the low-income families cannot afford to purchase homes. According to a contact in the community, most of the one-to four-family housing units being built are not affordable for low-income families.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

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

The percentage of loans to moderate-income families compared to the percentage of moderate-income families in the assessment area is favorable. Moderate-income families make up 19.3 percent of the population and received 26.3 percent of the loans. The average loan amount for moderate-income families was \$46,904. In addition, the percentage of loans to middle-income and upper-income families was slightly higher than their percentage representation in the population. The average loan amount was \$57,403 for middle-income families and \$65,433 for upper-income families. The average loan amount for home purchase loans for the review period for Independent Bank of Ocala was \$56,374.

An analysis of 63 small business loans made in the bank's assessment area was also performed. 36 of the 63 loans were originated based on the revenues of the businesses. The 36 small business loans were made to borrowers with gross revenues less than \$1 million. Of the 36 loans, 31 were in amounts less than \$100,000; three were in amounts greater than \$100,000 but less than \$250,000; and two were in amounts greater than \$250,000 but less than or equal to \$1 million. 27 of the 63 small business loans were originated based on the applicants' incomes. Of these 27 loans, six (22 percent) were made to low- and moderate-income borrowers. Overall, 20 (32 percent) of the 63 loans were in amounts less than \$10,000. This indicates the bank's willingness to meet the small-dollar loan needs of small businesses. Many of these small dollar loans were originated to businesses that employ fewer than ten people. Many of the larger financial institutions in Marion County will not make business loans in amounts less than \$25,000. As a result, the bank is meeting an identified need of small businesses that other institutions are unwilling to meet. Independent Bank meets the standards for satisfactory performance in this category.

Independent Bank of Ocala conducted an internal analysis of its lending efforts. Loans originated from December 31, 1995, to August 31, 1996, were reviewed. A review of installment loans indicated that the bank was serving all applicants including those classified as low-income. Of the 97 loans, 17.5 percent were to low-income applicants. An analysis of all consumer real estate loans by income for the same time period was also conducted by management. Of the 39 loans, 12.8 percent were to low-income applicants, and a substantial majority of these were home improvement loans. Also, the analysis revealed

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that 12 percent of the commercial loans during this period were originated to low- and moderate-income applicants.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA  
 (CONTINUED)

Geographic Distribution of Loans

To determine how effectively Independent Bank of Ocala was serving all areas of its community, the 80 home purchase and 63 small business loans originated within the bank's assessment area were analyzed geographically by income level of the census tracts. The table below depicts the findings of the analysis.

**DISTRIBUTION OF LOANS BY INCOME LEVEL OF CENSUS TRACTS**

CENSUS TRACT	NUMBER OF TRACTS	% OF TOTAL TRACTS	NUMBER OF HOME PURCHASE LOANS	% OF TOTAL HOME PURCHASE LOANS	NUMBER OF SMALL BUSINESS LOANS	% OF SMALL BUSINESS LOANS
Low	2	4.3	0	0	1	1.6
Moderate	4	8.7	3	3.8	6	9.5
Middle	33	71.7	64	80.0	36	57.1
Upper	7	15.3	13	16.2	20	31.8
Total	46	100.0	80	100.0	63	100.0

The table shows that in low-income tracts, no home purchase loans were made and only one small business loan was made. Of the two low-income census tracts (14 and 18), tract 14 contains no population or housing units. According to one community contact, this tract is woodland. 45 percent of the total households in tract 18 live below the poverty level. In addition, 31.6 percent of the households receive public assistance. According to two community contacts, little or no construction is occurring in census tract 18 because of a lack of lots on which to build homes. In addition, low-income tracts contain only 1.4 percent of the total population of Marion County. Also, a survey of the community indicated a lack of businesses in the low-income areas. Census tract 18 is primarily a residential community.

Moderate-income census tracts make up 8.7 percent of the tracts and contain 8.9 percent of the population. These tracts face some of the same issues as low-income census tracts. 24 percent of the

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households live below the poverty level and 10 percent of the households receive public assistance. Also, one of the

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA  
(CONTINUED)

Geographic Distribution of Loans (Continued)

community contacts said that most of the construction of new homes is occurring in middle- and upper-income neighborhoods. The banks lending in middle- and upper-income census tracts is considered to be satisfactory. Because the greatest percentage of census tracts are middle- and upper-income, and they contain the greatest percentage of the population, it is expected that the largest percentage of the bank's loan originations would occur in this group of census tracts. Independent Bank meets the standards for satisfactory performance in this category.

CRA-Related Complaints

Independent Bank of Ocala has not received any CRA-related complaints since the previous examination.

Compliance with Antidiscrimination Laws

No violations of the substantive provisions of antidiscrimination laws and regulations were noted.