

**PUBLIC DISCLOSURE**

**September 19, 2022**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Paradise Bank  
2420 North Federal Highway  
Boca Raton, Florida 33431**

**RSSD ID NUMBER: 3368635**

**FEDERAL RESERVE BANK OF ATLANTA  
1000 Peachtree Street, N.E.  
Atlanta, Georgia 30309-4470**

**NOTE:** This document is an evaluation of this 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. 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.

**TABLE OF CONTENTS**

	PAGE
INSTITUTION’S CRA RATING	
Institution’s Community Reinvestment Act (CRA) Rating.....	1
Summary of Major Factors Supporting Rating.....	1
INSTITUTION	
Scope of Examination.....	2
Description of Institution.....	3
Description of Assessment Area.....	5
Conclusions with Respect to Performance Tests.....	10
RESPONSIVENESS TO SUBSTANTIATED COMPLAINTS.....	13
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	13
APPENDICES	
Appendix A – Scope of Examination.....	14
Appendix B – Definitions and General Information.....	15
Appendix C – Glossary.....	16

**INSTITUTION'S CRA RATING**

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

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The following table indicates the performance level of Paradise Bank with respect to the lending and community development tests.

PERFORMANCE LEVELS	Paradise Bank	
	PERFORMANCE TESTS	
	Lending Test	Community Development Test
Outstanding		
Satisfactory	X	X
Needs to Improve		
Substantial Noncompliance		

\*\*Note: The lending test and the community development test are weighted equally when arriving at an overall rating.

Major factors supporting the institution's rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A majority of loans were made in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of lending reflects reasonable penetration among businesses of different sizes.
- The bank demonstrates adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services.
- Neither the Reserve Bank nor the bank has received any CRA-related complaints since the previous examination.

---

**INSTITUTION**

**SCOPE OF EXAMINATION**

The CRA performance evaluation assesses the bank's record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, within the context of information such as asset size and financial condition of the institution, competitive factors, as well as the economic and demographic characteristics of its defined assessment area. Paradise Bank's CRA performance evaluation was based on CRA activities within its assessment area using the Interagency Intermediate Small Institution Examination (ISB) Procedures. Under these procedures, effective as of September 1, 2005, institutions meeting the threshold size are evaluated using two separately rated tests: a lending test; and a community development test that includes an evaluation of community development loans, investments, and services in light of community needs within its assessment area and the capacity of the bank.

Given the bank's focus on commercial lending as described in the "Description of Institution" section, the evaluation included an analysis of small business loans originated from January 1, 2020 to December 31, 2021. A small business loan is defined as a business loan with an original amount of \$1 million or less and typically is either secured by nonfarm or nonresidential real estate or classified as a commercial loan.

For the community development test, the examination covered community development loans, qualified investments, and community development services from January 1, 2021 to June 30, 2022. The bank met the threshold to be reviewed using ISB procedures for this CRA examination, effective as of January 1, 2021, therefore, this is the first CRA examination that the bank is being reviewed using ISB procedures, which incorporates a community development test in addition to the lending test. The time period for the community development test is limited to 18 months based on the effective date and therefore, does not encompass an entire review period that is similar to the lending test review period of 24 months. The CRA defines a community development activity as having a primary purpose of providing any of the following: affordable housing or community services for low- or moderate-income persons, economic development through the financing of small businesses, revitalizing or stabilizing low- or moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies that benefit the assessment area or a larger statewide or regional area that includes the assessment area.

As part of this evaluation, one community contact was obtained from a local economic development representative who is familiar with the economic and demographic characteristics as well as the community development opportunities in the bank's assessment area. Information obtained from this contact was used to establish a context for the communities in which the bank operates and to gather information on the bank's performance. Specific information obtained from the community contact is included in the applicable section of the evaluation.

**DESCRIPTION OF INSTITUTION**

Paradise Bank is a community bank headquartered in Boca Raton, Florida. The bank is owned by Paradise Bancorp, Inc., a one-bank holding company also located in Boca Raton, Florida.

Branch Offices

The bank operates three branch offices with drive-thru services; two are located in Palm Beach County and one is located in Broward County. Of the three branch offices, two are located in upper-income tracts and one is located in a moderate-income tract, which was a middle-income tract during the previous CRA examination. No branches were opened or closed since the previous examination.

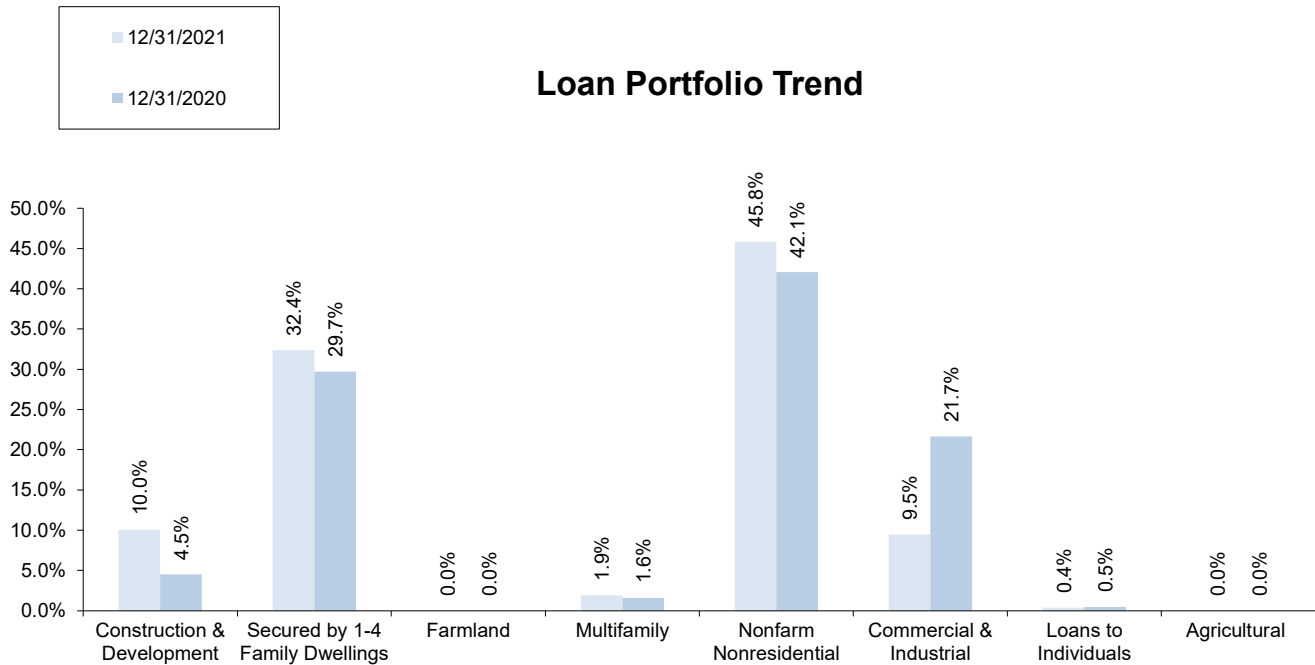
Loan Portfolio

According to the June 30, 2022 Report of Condition (ROC), the bank’s assets totaled \$416.4 million, an increase of approximately \$93 million or approximately 29.0 percent since the bank’s last CRA examination conducted on July 10, 2017.

The following table and graphs show the composition of the loan portfolio according to the Consolidated Report of Condition and Income (Call Report). As indicated, the bank’s loan portfolio as of December 31, 2021 primarily consisted of nonfarm nonresidential (i.e., commercial real estate at 45.8 percent), residential real estate (32.4 percent), and construction and development (10.0 percent). Over the review period, construction and development had the highest percentage increase at 121.8 percent, while commercial and industrial had the largest decrease, at 56.3 percent.

<b>COMPOSITION OF LOAN PORTFOLIO</b>				
<b>Loan Type</b>	<b>12/31/2021</b>		<b>12/31/2020</b>	
	<b>\$ (000s)</b>	<b>Percent</b>	<b>\$ (000s)</b>	<b>Percent</b>
Construction and Development	25,304	10.0%	11,410	4.5%
Secured by One- to Four- Family Dwellings	81,672	32.4%	74,993	29.7%
Other Real Estate: Farmland	0	0.0%	0	0.0%
Multifamily	4,840	1.9%	3,977	1.6%
Nonfarm nonresidential	115,667	45.8%	106,252	42.1%
Commercial and Industrial	23,899	9.5%	54,677	21.7%
Loans to Individuals	972	0.4%	1,168	0.5%
Agricultural Loans	0	0.0%	0	0.0%
<b>Total</b>	<b>\$252,354</b>	<b>100.00%</b>	<b>\$252,477</b>	<b>100.00%</b>

\* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.



**Credit Products**

The bank's primary credit focus is commercial lending, including commercial real estate and small business lending, with a particular focus on SBA lending. Paradise Bank is part of the SBA Preferred Lender Program, which is awarded to lenders who demonstrate their commitment to small businesses and have the ability to effectively serve the small business market. The bank is not a HMDA reporter but does offer residential real estate mortgage loans, which if owner-occupied, are sold on the secondary market and underwritten and priced according to investor guidelines. The non-owner-occupied loans kept in-house by the bank are loans for commercial entities or individuals that purchased or refinanced residential property for investment and/or rental properties. Also, the bank maintains a very small portfolio of consumer loans, which is mostly comprised of unsecured loans, as well as auto and boat loans, and home equity lines of credit (HELOCs).

**COVID-19 Response**

Paradise Bank participated in the SBA Paycheck Protection Program (PPP), which was established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. PPP loans were designed to help businesses retain workers and staff during the economic crisis caused by the pandemic. During the review period, Paradise Bank originated a total of 548 PPP loans for a total dollar amount of \$55.2 million. In the sample, the bank originated 73 PPP loans in 2020 and 2021 for a total dollar amount of \$7.6 million; 93.2 percent of the PPP loans were in the bank's assessment area. The volume of PPP lending led to an increase in the bank's overall small business lending during the review period. For comparison, in the sample during the entire review period, the bank originated 84 non-PPP small business loans totaling \$24.5 million; 88.1 percent of the non-PPP small business loans were in the bank's assessment area. The PPP loans were considered responsive to the needs of small businesses during the COVID-19 pandemic. Additional details regarding the bank's PPP lending are discussed in the performance test sections below.

Paradise Bank complies with the requirements of the CRA. No known legal impediments exist that would restrict the bank from meeting the credit needs of its assessment areas. The bank received a "Satisfactory" rating at its previous examination conducted by the Federal Reserve Bank of Atlanta dated July 10, 2017, under the Interagency Small Institution Examination Procedures.

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE PALM BEACH – BROWARD ASSESSMENT AREA**

Overview

Paradise Bank’s assessment area has not changed since the previous examination. The assessment area includes all of Palm Beach County, which makes up the West Palm Beach-Boca Raton-Boynton Beach, Florida Metropolitan Division (MD), and Broward County, which makes up the Fort Lauderdale-Pompano Beach-Deerfield Beach, Florida MD. Both MDs are part of the larger Miami-Fort Lauderdale-Miami Beach, Florida Metropolitan Statistical Area (MSA) in southeastern Florida. According to 2021 FFIEC data, the assessment area consists of 700 census tracts. Of those tracts, 46 (6.6 percent) are low-income tracts; 200 (28.6 percent) are moderate-income tracts; 209 (29.9 percent) are middle-income tracts; 232 (33.1 percent) are upper-income tracts; and 13 census tracts are without an income designation.

Population Information

According to the United States (U.S.) Census Bureau, the assessment area population estimate as of July 1, 2021, was 3,428,970, representing an 11.8 percent increase in population as of the 2020 U.S. Census. This growth rate was slightly lower than Florida's statewide growth rate of 13.7 percent.

Income Characteristics

For purposes of classifying borrower income, this evaluation uses the FFIEC estimated median family income. The following tables set forth the estimated median family income for 2020 and 2021 for the Fort Lauderdale – Pompano Beach – Deerfield Beach, Florida MD (Broward County) and the West Palm Beach – Boca Raton – Delray Beach, Florida (MD) (Palm Beach County). The tables provide a breakdown of the estimated annual income based on income-level.

**Borrower Income Levels  
Fort Lauderdale-Pompano Beach-Sunrise, FL (MD)**

FFIEC Estimated Median Family Income		Low 0 - 49.99%	Moderate 50% - 79.99%	Middle 80% - 119.99%	Upper 120% - & above
<b>2020</b>	<b>\$74,800</b>	0 - \$37,399	\$37,400 - \$59,839	\$59,840 - \$89,759	\$89,760 - & above
<b>2021</b>	<b>\$73,400</b>	0 - \$36,699	\$36,700 - \$58,719	\$58,720 - \$88,079	\$88,080 - & above

**Borrower Income Levels  
West Palm Beach-Boca Raton-Boynton Beach, FL (MD)**

FFIEC Estimated Median Family Income		Low 0 - 49.99%	Moderate 50% - 79.99%	Middle 80% - 119.99%	Upper 120% - & above
<b>2020</b>	<b>\$79,100</b>	0 - \$39,549	\$39,550 - \$63,279	\$63,280 - \$94,919	\$94,920 - & above
<b>2021</b>	<b>\$80,200</b>	0 - \$40,099	\$40,100 - \$64,159	\$64,160 - \$96,239	\$96,240 - & above

As shown in the tables above, between 2020 and 2021, the median family income in Broward County decreased by \$1,400 (1.9 percent) to \$73,400 in 2021 and the median family income in Palm Beach County increased by \$1,100 (1.4 percent) to \$80,200 in 2021. According to 2021 FFIEC data, there were 758,405 families in the assessment area. Of those families, 5.1 percent of the families in the assessment area are low-income; 26.1 percent are moderate-income; 32.1 percent are middle-income; and 36.6 percent are upper-income. Of the total families, 10.9 percent have incomes below the poverty level.

### Housing Characteristics

According to 2021 FFIEC census data, there were 1,485,771 housing units in the assessment area; 53.5 percent are owner-occupied units, 27.6 percent are rental units, and 18.9 percent are vacant. The median housing value is \$194,357 compared to the state median value of \$159,000. The affordability ratio, defined as the median household income divided by the median housing value, is 27.1 for the assessment area, compared to the state of Florida ratio at 29.9. A higher ratio means the housing is considered more affordable, while a lower ratio means the housing is considered less affordable. Therefore, housing is less affordable in this assessment area than statewide. Rental units make up 51.1 percent of housing in low-income tracts and 34.3 percent in moderate-income tracts. The median monthly gross rent in the Palm Beach - Broward assessment area is \$1,182, which is higher than the median monthly gross rent in the state of Florida at \$1,002.

### Economic and Employment Statistics

The current economic indicators for Palm Beach County point to a vibrant and healthy economy—one that is growing and thriving. Encompassing more than 2,000 square miles, Palm Beach County is one of the largest counties in the eastern United States and the third-largest in Florida. One of the major rating agencies, Fitch, described Palm Beach County as one of the nation's wealthiest counties with per capita personal income levels nearly 50 percent higher than state and national averages. The ratings firm said its grade reflects Palm Beach County's vital and diversifying economic base, sound financial position, and moderate debt levels. As for its economic base, Fitch noted Palm Beach County's strengths in luxury tourism, technology manufacturing, and agriculture.<sup>2</sup>

During its 2020-2021 fiscal year, the Business Development Board of Palm Beach facilitated the growth of 31 corporate relocations and expansions that created 3,028 high salary jobs for Palm Beach County residents. Those deals resulted in \$152.3 million capital investment for Palm Beach County and leased, occupied, or built 1,017,302 sq. ft. of industrial commercial real estate space. 71.0 percent of those deals were from out of state and the top two industry sectors were financial services and corporate headquarters.<sup>3</sup>

Public and private service companies are the top employers in the county, with business and financial services making up a strong cluster of service-oriented employers. Goods-producing manufacturers also have locations in the county and are primarily found in the following industry clusters: communications and information technology, aerospace and engineering, agriculture and food processing, business and financial services, and life sciences, including medical and pharmaceutical products. Major employers in the county include Palm Beach County School District, Tenet Coastal Division Palm Beach County, Palm Beach County Board of County Commissioners, NextEra Energy (parent company of Florida Power & Light), Florida Atlantic University, and Boca Raton Regional Hospital.<sup>4</sup>

<sup>2</sup>“Economy.” *Business Development Board of Palm Beach County*. 22 September 2022. <https://www.bdb.org/facts-figures/economy/>

<sup>3</sup> “Quality Growth Continues in Palm Beach County”. *Business Development Board of Palm Beach County*. 21 September 2022. <https://www.bdb.org/news/2022/01/25/economic-development-news/quality-growth-continues-in-palm-beach-county/>

<sup>4</sup> “Top Employers.” *Business Development Board of Palm Beach County*. 21 September 2022. <https://www.bdb.org/facts-figures/top-employers/>

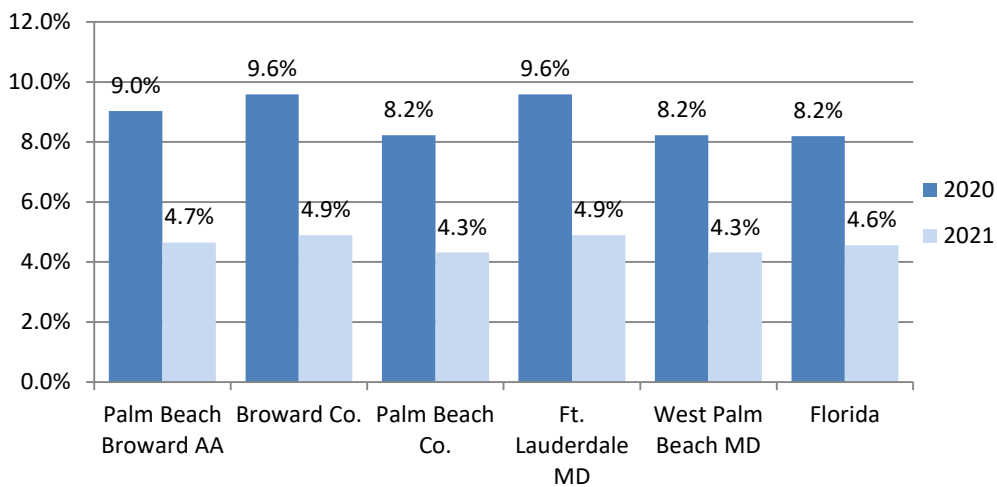


Broward County is the second most populous state in Florida.<sup>5</sup> Broward County's chief economic engines are its airport, seaport and tourism. Growth in these revenue-generating enterprises is balanced with economic, environmental and community needs. While the COVID-19 pandemic continues to have an impact, these industries are rebounding.<sup>6</sup> 2020 and 2021 were a challenge for governments, businesses, medical and health care organizations and Broward's almost 2 million residents. COVID-19 spiked to an all-time high when Broward County had the highest hospitalization rate of any county in the country.<sup>7</sup> The largest private employers in the Greater Fort Lauderdale - Broward County area in 2020 were Nova Southeastern University, First Service Residential, HEICO, Spirit Airlines, and American Express.<sup>8</sup>

According to the Regional Economic Information Systems (REIS) data, in 2020, the industries that employed the most people in Palm Beach County are health care and social assistance, retail trade, administrative and support and waste management and remediation services. In Broward County, the industries that employed the most people are retail trade, health care and social assistance, administrative and support and waste management and remediation services, and government and government enterprises.<sup>9</sup>

The following graph shows unemployment data for the assessment area as a whole, each county and MD in the assessment area, and the state of Florida. For the 2020 and 2021 period, the assessment area as a whole, Broward County and the Ft. Lauderdale MD have higher unemployment rates while Palm Beach County and the West Palm Beach MD had equal or lower unemployment rates compared to the state of Florida. The data shows unemployment rates are declining across the assessment area and in the state of Florida.

**Unemployment Rates: Palm Beach-Broward**



Not Seasonally Adjusted. Source: Bureau of Labor Statistics

<sup>5</sup>“State Profile – Population and Housing”. *United States Census Bureau*. 23 September 2022.

<https://www.census.gov/library/stories/state-by-state/florida-population-change-between-census-decade.html>

<sup>6</sup>“Economic Prosperity.” *Broward.org*. 22 September 2022.

<https://www.broward.org/countyAnnualReport/2021/Pages/Economic.aspx>

<sup>7</sup>“Excerpts from State of the County FY2021.” *Broward.org*. 23 September 2022.

<https://www.broward.org/countyAnnualReport/2021/Pages/default.aspx>

<sup>8</sup>“Largest Private Employers in Greater Fort Lauderdale – Broward County.” *Greater Fort Lauderdale Alliance – Broward County*. 22 September 2022. [\(2020\) Largest Employers in Greater Fort Lauderdale.png \(1367x1235\) \(gflalliance.org\)](#)

<sup>9</sup>“Regional Data – GDP and Personal Income. CAEMP25N Total full-time and part-time employment by NAICS industry table. *U.S. Bureau of Economic Analysis*. 26 September 2022. <https://apps.bea.gov/itable/iTable.cfm?ReqID=70&step=1>

Competition

The bank operates in a highly competitive banking market that includes a mix of national, regional, and local banks. The June 30, 2022 Federal Deposit Insurance Corporation (FDIC) Summary of Deposits Market Share Report shows 60 financial institutions operated 784 offices inside the assessment area. Paradise Bank ranked 30th in deposit market share holding with 0.3 percent of deposits. Bank of America held the largest deposit market share at 20.8 percent, followed by Wells Fargo at 16.0 percent, and JPMorgan Chase Bank at 13.1 percent.

Bank management indicated that Paradise Bank is the only local community bank located in Boca Raton, Florida. Bank management also indicated that competition as well as the COVID-19 pandemic were major challenges and had an impact on the bank's ability to lend to small businesses.

Community Contact

As part of the CRA examination, information was obtained from a local nonprofit organization that aims to improve the economies in distressed communities by lending to small businesses and sponsors of community development initiatives which benefit low- and moderate-income persons in Palm Beach County. The contact described the current economic conditions for small businesses as fragile, especially for minority-owned businesses. According to the contact, access to credit from traditional large financial institutions is difficult for entrepreneurs and small businesses. Access to lines of credit, small business working capital loans, and business planning education were identified as the highest priority needs. The contact was unaware of any bank participation in small business initiatives besides PPP lending. The contact did not view PPP lending as adequate for the organization's targeted small businesses due to lack of access and understanding of the program.

Assessment Area Demographics

The following table provides demographic characteristics of the Palm Beach - Broward assessment area used to analyze the bank's CRA performance. The table is based on 2021 FFIEC data along with 2021 Dun & Bradstreet (D&B) information.

### Combined Demographics Report

#### Assessment Area: Palm Beach - Broward

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	46	6.6	38,360	5.1	13,741	35.8	170,515	22.5
Moderate-income	200	28.6	198,146	26.1	35,130	17.7	131,423	17.3
Middle-income	209	29.9	243,260	32.1	21,589	8.9	139,003	18.3
Upper-income	232	33.1	277,881	36.6	12,156	4.4	317,464	41.9
Unknown-income	13	1.9	758	0.1	99	13.1	0	0
<b>Total Assessment Area</b>	<b>700</b>	<b>100.0</b>	<b>758,405</b>	<b>100.0</b>	<b>82,715</b>	<b>10.9</b>	<b>758,405</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		#	%	%	#	%	#	%
Low-income	84,408	23,483	3	27.8	43,165	51.1	17,760	21
Moderate-income	418,623	192,055	24.2	45.9	143,732	34.3	82,836	19.8
Middle-income	474,546	265,611	33.4	56	130,415	27.5	78,520	16.5
Upper-income	506,206	313,212	39.4	61.9	91,766	18.1	101,228	20
Unknown-income	1,988	851	0.1	42.8	599	30.1	538	27.1
<b>Total Assessment Area</b>	<b>1,485,771</b>	<b>795,212</b>	<b>100.0</b>	<b>53.5</b>	<b>409,677</b>	<b>27.6</b>	<b>280,882</b>	<b>18.9</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	#
Low-income	16,727	5.4	15,064	5.2	1,493	9.8	170	4.9
Moderate-income	71,890	23.3	67,293	23.2	4,031	26.5	566	16.3
Middle-income	93,985	30.5	89,148	30.8	3,962	26.1	875	25.3
Upper-income	124,790	40.5	117,353	40.5	5,600	36.9	1,837	53.1
Unknown-income	893	0.3	781	0.3	98	0.6	14	0.4
<b>Total Assessment Area</b>	<b>308,285</b>	<b>100.0</b>	<b>289,639</b>	<b>100.0</b>	<b>15,184</b>	<b>100.0</b>	<b>3,462</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>			<b>94.0</b>		<b>4.9</b>		<b>1.1</b>	
	<b>Total Farms by Tract</b>	<b>Farms by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	#
Low-income	58	3.9	52	3.6	6	11.5	0	0
Moderate-income	239	15.9	225	15.5	14	26.9	0	0
Middle-income	458	30.4	448	30.8	10	19.2	0	0
Upper-income	745	49.5	723	49.8	22	42.3	0	0
Unknown-income	5	0.3	5	0.3	0	0	0	0
<b>Total Assessment Area</b>	<b>1,505</b>	<b>100.0</b>	<b>1,453</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>0</b>	<b>.0</b>
<b>Percentage of Total Farms:</b>			<b>96.5</b>		<b>3.5</b>		<b>.0</b>	

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

LENDING TEST

Overview

The bank's overall performance rating for the lending test is satisfactory. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Additionally, the bank's distribution of loans among businesses of different sizes reflects reasonable penetration. As mentioned previously, the bank's lending performance was evaluated using an analysis of small business loans originated between January 1, 2020 and December 31, 2021.

Loan-to-Deposit (LTD) Ratio

The bank's net LTD ratio reflects its level of lending activity which shows a reasonable responsiveness to meeting the overall assessment area's credit needs. The bank's average LTD ratio for the 21 quarters from April 1, 2017 to June 30, 2022, was 76.2 percent. The 21 quarter-end LTD ratios range from 58.8 to 86.9 percent. The LTD ratio was compared with that of three other depository institutions of similar asset size with branch offices in the assessment area. The average LTD ratios for the three institutions over the same time period ranged from 58.9 percent to 96.0 percent. Although the bank's LTD ratio was lower than two of the three institutions, performance context such as competition and business strategy were considered for the rating.

Assessment Area Concentration

The bank originated a majority of the total loans sampled to businesses residing in or located within the bank's assessment area. The table below shows, by product type, the number, and percentage of loans reviewed that were located inside and outside of the bank's assessment area. As shown in the table below, 90.4 percent (by number) of small business loans and 80.5 percent (by dollar amount) were made within the bank's assessment area. This indicates the bank's willingness to originate loans that meet the credit needs of its assessment area.

**Lending Inside and Outside the Assessment Area**

Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Small Business	142	90.4	\$25,833	80.5	15	9.6	\$6,240	19.5
<b>Total Small Bus. related</b>	<b>142</b>	<b>90.4</b>	<b>\$25,833</b>	<b>80.5</b>	<b>15</b>	<b>9.6</b>	<b>\$6,240</b>	<b>19.5</b>
<b>TOTAL LOANS</b>	<b>142</b>	<b>90.4</b>	<b>\$25,833</b>	<b>80.5</b>	<b>15</b>	<b>9.6</b>	<b>\$6,240</b>	<b>19.5</b>

Geographic Distribution of Loans

Based on the following analysis, the overall geographic distribution of the bank's small business loans reflects reasonable dispersion throughout the bank's assessment area, given the opportunity and competition in these markets, and does not reveal any unexplained gaps in lending patterns.

Small Business Lending

The following table shows the geographic distribution of small business loans as a percentage of the total number of loans by type within the bank’s assessment area. The bank’s lending was compared to available demographic information.

**Geographic Distribution of Small Business Loans**

**Assessment Area: Palm Beach - Broward**

Tract Income Levels	Bank Lending & Demographic Data Comparison				
	2020, 2021				
	Bank		Total Businesses		
	Count		Dollar		%
	#	%	\$ (000s)	\$ %	%
Low	5	3.5%	\$1,651	6.4%	5.4%
Moderate	40	28.2%	\$9,854	38.1%	23.3%
Middle	45	31.7%	\$6,629	25.7%	30.5%
Upper	50	35.2%	\$6,929	26.8%	40.5%
Unknown	2	1.4%	\$771	3.0%	0.3%
Tr Unknown	0	0.0%	\$0	0.0%	
<i>Total</i>	<i>142</i>	<i>100%</i>	<i>\$25,833</i>	<i>100%</i>	<i>100%</i>

Originations & Purchases  
2021 FFIEC Census Data and 2021 D&B Information

Paradise Bank originated 142 small business loans inside the assessment area in 2020 and 2021. Of this total, as noted previously, the bank originated 73 PPP loans in 2020 and 2021. Five loans (3.5 percent) were made to small businesses in low-income tracts, which was slightly less than the businesses located in these tracts at 5.4 percent. The bank originated 40 (28.2 percent) of its small business loans in moderate-income tracts, which is slightly higher than the businesses located in these tracts at 23.3 percent. Although the bank's lending is slightly less than demographics in low-income tracts, the bank operates in a highly competitive banking market that includes regional and national financial institutions. As mentioned by the community contact, access to credit from traditional large financial institutions is difficult for entrepreneurs and small businesses. Performance context factors such as competition and the COVID-19 pandemic had an impact on the bank's ability to lend to small businesses. Given the factors mentioned above, the geographic distribution of small business loans is reasonable.

Lending to Businesses of Different Sizes

Based on the following analysis, the overall distribution of the bank's small business loans by business revenue reflects reasonable dispersion among businesses of different sizes throughout the bank's assessment area and does not reveal any unexplained gaps in lending patterns.

Small Business Lending

The following table shows, by loan size, the number, and dollar volume of small business loans originated by Paradise Bank inside the assessment area.

**Small Business Loans by Business Revenue & Loan Size**

**Assessment Area: Palm Beach - Broward**

Business Revenue & Loan Size		Bank Lending & Demographic Data Comparison				
		2020, 2021				
		Bank		\$ (000s)		Total Businesses
		Count				
		#	%	\$	%	%
BUSINESS REVENUE	\$1million or Less	54	38.0%	\$11,743	45.5%	94.0%
	Over \$1 Million	19	13.4%	\$6,873	26.6%	4.9%
	<i>Total Rev. available</i>	73	51.4%	\$18,616	72.1%	98.9%
	Rev. Not Known	69	48.6%	\$7,218	27.9%	1.1%
	<i>Total</i>	<i>142</i>	<i>100%</i>	<i>\$25,833</i>	<i>100%</i>	<i>100%</i>
LOAN SIZE	\$100,000 or Less	77	54.2%	\$3,341	12.9%	
	\$100,001 - \$250,000	29	20.4%	\$4,680	18.1%	
	\$250,001 - \$1 Million	36	25.4%	\$17,812	68.9%	
	<i>Total</i>	<i>142</i>	<i>100%</i>	<i>\$25,833</i>	<i>100%</i>	
LOAN SIZE Rev \$1 Mill or Less	\$100,000 or Less	23	42.6%	\$1,227	10.5%	
	\$100,001 - \$250,000	15	27.8%	\$2,552	21.7%	
	\$250,001 - \$1 Million	16	29.6%	\$7,963	67.8%	
	<i>Total</i>	<i>54</i>	<i>100%</i>	<i>\$11,743</i>	<i>100%</i>	

Originations & Purchases  
2021 FFIEC Census Data and 2021 D&B Information

As stated previously, 73 of the small business loans during the review period were PPP loans. Of note, revenue information was not known for 69 of the 142 loans, of which all were PPP loans and therefore had no requirement to collect revenue. Of the 73 loans where revenues were known, 54 (74.0 percent) were made to businesses with gross annual revenues of \$1 million or less which is slightly less than the percentage of businesses in the assessment area (94.0 percent) that are considered small businesses. 106 of 142 total originations (74.6 percent) were in amounts of \$250,000 or less showing the bank's willingness to make small dollar loans to help meet the credit needs of businesses in its assessment area. Given market conditions and performance context factors, the distribution of loans by business revenue reflects reasonable penetration among businesses of different sizes.

COMMUNITY DEVELOPMENT TEST

The bank's community development test is rated satisfactory. Considering this is the first CRA exam since the bank transitioned from small bank to ISB procedures, the limited time period for the community development test review, and the bank's capacity and the need for and availability of opportunities in the assessment area, the bank demonstrates adequate responsiveness to community development needs through a combination of community development loans, qualified investments, and community development services.

During the review period, the bank provided community development loans totaling \$17.6 million; maintained prior period investments totaling \$7.8 million; made contributions of \$74,400; and contributed 195 hours of community development services. As described below, these activities benefitted the bank's assessment area or a larger statewide or regional area that included the bank's assessment area.

All of the community development loans originated promote economic development by supporting permanent job creation for persons who are currently low- or moderate-income. One of the loans also promotes supporting permanent job creation in a moderate-income geography.

The bank purchased the qualified investments prior to the current review period but the investments are still outstanding as of this evaluation date. This is the first CRA examination where they are being qualified as community development. Four of the investments are backed by SBA 504 loans and two are Small Business Investment Company (SBIC) bonds that benefit a broader statewide or regional area that includes the bank's assessment area.

The contributions were provided to a facility and nonprofit organizations that provide services to low- and moderate-income individuals as well as a not-for-profit organization serving low- and moderate-income housing needs.

Bank representatives used their financial and technical expertise to provide financial services to community development organizations that benefit low- and moderate-income individuals and an organization that benefits women owners of small businesses in the assessment area. Financial expertise was used to provide financial services training to students who are low- and moderate-income individuals. Bank staff also provided technical expertise by serving as board members, primarily with organizations engaged in providing community services targeted to low- and moderate-income individuals and to an organization that provides services to women who are small business owners.

#### **RESPONSIVENESS TO SUBSTANTIATED COMPLAINTS**

Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous evaluation.

#### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

**APPENDIX A**

<b>SCOPE OF EXAMINATION</b>			
<b>TIME PERIOD REVIEWED</b>			
Lending Test: January 1, 2020, to December 31, 2021			
Community Development Test: January 1, 2021 to June 30, 2022			
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS REVIEWED</b>	
Paradise Bank, Boca Raton, Florida		Small Business Loans	
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>	
N/A	N/A	N/A	
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<i>ASSESSMENT AREA</i>	<i>TYPE OF EXAMINATION</i>	<i>BRANCHES VISITED</i>	<i>OTHER INFORMATION</i>
Palm Beach – Broward	Full-scope Review	N/A	N/A



**APPENDIX B – DEFINITIONS AND GENERAL INFORMATION**

**Definitions**

ATM	Automated Teller Machine
CDC	Community Development Corporation
CDFI	Community Development Financial Institution
CRA	Community Reinvestment Act (Regulation BB)
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
HMDA	Home Mortgage Disclosure Act (Regulation C)
HUD	Department of Housing and Urban Development
LMI	Low- and Moderate-Income
LTD	Loan-to-Deposit
LTV	Loan-to-Value Ratio
MD	Metropolitan Division
MSA	Metropolitan Statistical Area
OMB	Office of Management and Budget
REIS	Regional Economic Information System
SBA	Small Business Administration
USDA	United States Department of Agriculture

**Rounding Convention**

Because the percentages presented in tables were rounded to the nearest tenth in most cases, some columns may not total exactly 100 percent.

**General Information**

The 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 CRA performance of Paradise Bank prepared by the **Federal Reserve Bank of Atlanta**, the institution's supervisory agency, as of **September 19, 2022**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

## APPENDIX C – GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of MSAs. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. Affordable housing (including multi-family rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System (Board), Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- I. Low-or moderate-income geographies;
- II. Designated disaster areas; or
- III. Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, FDIC, and OCC, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

## APPENDIX C – GLOSSARY (Continued)

**Full-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Metropolitan area (MA):** A MSA or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**APPENDIX C – GLOSSARY (Continued)**

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate MA. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate MA, the institution will receive a rating for the multistate MA.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Call Report and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Call Report. These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is at least 120 percent of the area median income, or a median family income at least 120 percent, in the case of a geography.