



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

August 20, 2007

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

The First National Bank of Mount Dora  
Charter Number 13102

714 North Donnelly Street  
Mount Dora, Florida 32757

Office of the Comptroller of the Currency

North Florida Field Office  
8375 Dix Ellis Trail, Suite 403  
Jacksonville, Florida 32256

**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 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.

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

- First National Bank of Mt. Dora's (FNBMD) average loan-to-deposit ratio is reasonable and comparable to peer group averages.
- A substantial majority of business and residential real estate lending occurs in the assessment area.
- FNBMD's lending activities shows excellent penetration among businesses and farms of different sizes and to borrowers of different incomes.
- The geographic distribution of lending in the assessment area is reasonable.
- FNBMD's level of community development activities enhances credit availability in the assessment area and provides a positive impact in meeting the credit needs of the community.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Mount Dora (FNBMD) was established in 1925 and is headquartered in Mount Dora, Lake County, Florida. The bank has five full service offices in Florida, two in Mount Dora, two in Leesburg, and one in Sorrento. The bank also has a trust department located at the main office. Trust, investment and brokerage services are also available at the Market Street office located in Leesburg. The bank offers many services to its customers, including drive-up facilities and automated teller machine (ATM) access, at all locations with the exception of the Market Street Office, check card services and 24-hour internet and telephone banking. FNBMD offers a variety of lending programs but generally its primary focus has been in business and residential real estate lending which represents 47% and 53%, or \$64 million or \$72 million, respectively, of the loan portfolio.

As of June 30, 2007, the bank had total assets of \$184 million with net loans accounting for 74% of total assets. There are no financial, legal or other impediments that would prevent the bank from meeting the credit needs of the community. FNBMD's last Community Reinvestment Act (CRA) evaluation was in January 2003, when you were given a "Satisfactory" record for meeting community credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

The assessment area (AA) for this review consists of 30 census tracts that include the area in and around Mount Dora, central Lake County and 7 adjacent census tracts in northwest Orange County. The assessment area is part of the Orlando Metropolitan Statistical Area (MSA) #36740. The MSA includes Lake, Seminole, Orange, and Osceola Counties. Lake County has the third smallest population in the MSA and is considered an attractive place for financially secure retirees. However, Mount Dora and surrounding areas have begun to attract more young married couples and families as it continues to become more of a bedroom community for Orange County and the surrounding metro areas. As a result of the growth, residential development has been strong, resulting in competition for financing from developer, realtor and broker sources. Most major employment is linked to the service sector. However, retail trade, construction, education, health and financial services also contribute to the economy.

The assessment area contains 8 moderate-income tracts, 20 middle-income tracts and 2 upper-income tracts. There are no low-income census tracts. The census tract designations are based on the 2000 U.S. Census median family income of \$47,851 for the Orlando MSA. The Department of Housing and Urban Development (HUD) estimates the 2007 median family income at \$54,900 for the MSA. The assessment area meets the legal requirements of the Act and does not arbitrarily exclude low- or moderate-income census tracts. The assessment area has a total population of 163,717 based on the 2000 Census.

There is a significant amount of banking competition in Lake County with 22 banks operating

101 offices. In Orange County, competition is very strong. For the combined Lake County/Orange County there are 45 banks operating over 341 offices. FNBMD has 0.71% of the market share of deposits in Lake County and 0.57% of the market share of deposits in the combined Lake County/Orange County area.<sup>1</sup>

In contact meetings with the Office of the Comptroller of the Currency, the leader of a local not-for-profit organization indicated that the bank could best fill the needs of the assessment area by providing assistance to first time homebuyers through counseling and by not placing individuals in homes they can not afford.

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<sup>1</sup> FDIC Deposit Data, June 30, 2006

## SCOPE OF EXAMINATION

FNBMD's primary focus is residential real estate and small business and farm lending in the AA. As such, our conclusions were based on an analysis of all residential mortgages (220) originated and reported on the Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) for the years 2005, 2006 and the first six months of 2007. Our analysis also included a review of all business loans (288) originated during the same time period. For community development investments and services, our evaluation period runs from the last CRA examination, January 2003 through June 2007.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Lending Test

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

*FNBMD's average loan-to-deposit (LTD) ratio is reasonable at 72% and is comparable to peer averages.* The average loan-to-deposit ratio was calculated and averaged for each quarter since the last CRA exam in January 2003. We compared the bank's average LTD ratio to all banks with total assets less than \$250 million and located in the counties where the bank has offices. The average LTD ratio for the past 19 quarters for FNBMD was 72% which is comparable to the seven peer banks' average LTD ratio of 79% for the same time period.

### Lending in Assessment Area

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

*A substantial majority of business and residential real estate lending occurs in the assessment area.* This conclusion is based on an analysis of all residential mortgages and business loans originated during January 1, 2005 to June 30, 2007. We used the HMDA LARS for residential mortgages and bank reports for business loans. We pulled a random sample from each source to verify the accuracy of the data provided by the bank. We concluded we could rely on bank data provided to us as our review did not identify any reporting errors. As detailed in the table below, 86% by number and dollar amount of total loans made during our evaluation period were within FNBMD's assessment area.

Lending in the Assessment Area										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Mortgage Loans	220	85.00%	40	15.00%	260	\$27,311	81.00%	\$6,335	19.00%	\$33,646
Commercial Loans	288	87.00%	43	13.00%	331	\$54,322	77.00%	\$16,394	23.00%	\$70,715
Totals	508	86.00%	83	14.00%	591	\$81,633	86.00%	\$22,729	14.00%	\$104,361

- **Lending to Borrowers of Different Incomes and to Businesses and Farms of Different Sizes-Exceeds the Standard for Satisfactory Performance.**

*FNBMD's lending activities show excellent penetration among businesses and farms of different sizes and to borrowers of different incomes. Our sample, as noted above, was based on the 288 business loans made in the assessment area during the evaluation period. The following charts show a breakdown of those loans according to business and loan size for the assessment area.*

<b>Borrower Distribution to Businesses and Farms in the Assessment Area</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	68.00%	3.00%	29.00%	100.00%
% of Bank Loans in AA by #	67.00%	31.00%	2.00%	100.00%
% of Bank Loans in AA by \$	50.00%	41.00%	9.00%	100.00%

<b>Borrower Distribution of Loans to Businesses and Farms in the Assessment Area</b>				
Loan Size	Number of loans	Percent of #	Dollar Volume of Loans	% of #'s
\$0-\$100,000	186	65.00%	6,921,228	13.00%
\$100,001-\$250,000	49	17.00%	8,469,645	15.00%
\$250,001-\$500,000	32	11.00%	11,339,575	21.00%
\$500,001-\$1,000,000	14	5.00%	11,225,475	21.00%
\$1,000,001-\$5,000,000	7	2.00%	16,365,817	30.00%
Total	288	100.00%	54,321,740	100.00%

As depicted in the tables above, the bank's lending activities by total number and dollar amount compares favorably to the percentage of small businesses and farms located or operating in the assessment area. Based on our sample, FNBMD originated 67% of total number of loans and 50% of total dollar volume of loans to small businesses (those with total revenues of \$1 million or less). In comparison, businesses in the assessment area that reported revenues, (29% did not report revenues) 68% are considered small businesses. Additionally, the analysis noted a large majority of loans (235), or 82%, with original amounts of \$250 thousand or less. Likewise, 186 loans, or 65% of business loans, had original amounts of \$100 thousand or less.

*The bank's lending to borrowers of different incomes is strong. Our analysis is based on the sample of 220 residential mortgage loans originated during the evaluation period. We compared the income distribution of the bank's borrowers to the income distribution of families within the assessment area using the HUD's median family income levels for 2005, 2006 and 2007. The distribution of lending is outlined in the table below.*

<b>Borrower Distribution of Residential Real Estate Loans in the Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
% of Total	22.00%	15.00%	23.00%	24.00%	24.00%	16.00%	31.00%	45.00%

Approximately 22% of the families residing within the assessment area are classified low-income. In contrast, 15% of residential mortgages were to low-income borrowers. Additionally, 23% of families residing within the assessment area are classified moderate-income. The bank's lending to moderate-income families is similar to moderate-income family population in the assessment area. Further, for many years, the bank has been a member of the Lake County Lending Consortium and Affordable Housing by Lake, Inc., to provide residential mortgage loans to low-and moderate-income borrowers. The bank uses flexible underwriting standards specifically designed for this type of loan. For example, the bank originates 30-year fixed-rate low cost loans to low-and moderate-income borrowers with no loan-to-value and private mortgage insurance requirements. During this evaluation period, FNBMD originated seven loans totaling \$676,400.

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

*The geographic distribution of lending is reasonable.* Our analysis was based on the same sample of residential mortgage and business loans originated during the evaluation period. The following tables reflect the distribution of sampled loans within the bank's assessment area by income designation of census tract.

<b>Geographic Distribution of Residential Real Estate Loans in the Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
% of Total	0.00%	1.00%	31.00%	21.00%	64.00%	70.00%	5.00%	8.00%

During the evaluation period, the bank extended 21% of its residential mortgage loans within moderate-income tracts which account for 26% of all census tracts within the assessment area. In contrast, owner-occupied housing within the moderate-income tracts account for 31% of all housing units. Likewise, the remaining lending went to middle-and upper-income census tracts as shown in the above chart. This distribution is reasonable as all but one office, which opened

in 2006, is located in middle-income census tracts. In addition, FNBMD offers flexible lending options with its “no minimum mortgage loan amount” loan and closing costs that are not tied to the amount of the loan. This is evidenced by the significant number (220) of generally small residential mortgage loans originated during the evaluation period. Additionally, FNBMD offers a variety of mortgage products, including long-term fixed rate loans, through participation in the secondary real estate market.

Geographic Distribution of Commercial and Farm Loans in the Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
% of Total	0.00%	0.00%	27.00%	23.00%	68.00%	72.00%	5.00%	5.00%

The business loan sample shows the bank extended 23% of its business loans to businesses and farms that reported revenues and are located in moderate-income census tracts. By comparison, these census tracts account for 27% of all businesses and farms within the assessment area. Likewise, lending to middle-and upper-income census tracts also show a similar pattern of distribution as shown in the chart above.

- **Responses to Complaints**-There were no CRA related complaints received by the bank or our office during the period of review.

## Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.



## Community Development Activities

Due to the favorable results of our evaluation of FNBMD's lending performance, particularly lending in the assessment area, and lending to borrowers and businesses and farms of different income levels, we expanded our analysis to include the bank's performance relating to Community Development (CD) investments and services. Overall, we found FNBMD's level of community development activities enhances credit availability in the assessment area and provides a positive impact in meeting the credit needs of the community.

### Investments/donations

- During the evaluation period, FNBMD donated \$4,650.00 to Affordable Housing by Lake, Inc., a non-profit community service organization that provides free affordable housing educational programs. In addition, the bank donated \$355.00 to the American Red Cross for Hurricane Katrina recovery efforts. Other social service non-profit organizations that benefit the assessment area received donations totaling \$1,340.00.

### Services

- FNBMD provides very good performance in providing CD services within its assessment area. This is evidenced by the number of organizations served and the impact of these organizations on identified needs in the community. Bank officers regularly provide leadership to CD organizations as well as others, through service on committees or Boards. Specifically, these organizations include Homes in Partnership, Inc., City of Mount Dora Community Development Block Grant Committee and the City of Mount Dora Northeast Mount Dora Community Redevelopment Committee.
- These organizations promote increased ownership opportunities for low-and moderate-income individuals and families and economic development within the community, especially in low-and moderate-income census tracts.

One noticeable example of involvement is a membership on the Board of the Affordable Housing by Lake, Inc. and active participation in Affordable Housing by Lake, Inc. As well, FNBMD is a member of the Lake County lending consortium. These organizations provide affordable housing home loans. Since inception, FNBMD has originated 16 residential mortgage loans totaling \$1.2 million dollars to low-and moderate-income borrowers.

- FNBMD offers flexible lending options with its "no minimum mortgage loan amount" loan and closing costs that are not tied to the amount of the loan. In addition, FNBMD uses flexible underwriting standards specifically for low-and moderate-income borrowers who were referred to the bank by Affordable Housing by Lake, Inc. For example, loans to these borrowers receive a 30-year fixed rate low cost loan with no loan-to-value and private mortgage insurance requirements, no points and low closing costs. Likewise, FNBMD offers a variety of other mortgage products, including long-term fixed rate loans, through participation in the secondary real estate market.

- FNBMD offices and facilities provide good accessibility to geographies and individuals of different income levels. During the evaluation period, FNBMD opened two offices in Leesburg and closed no offices. One new office is located in a moderate-income census tract. The other Leesburg office also provides Trust, Investment and Brokerage Services. ATMS are available at each office with the exception of the Leesburg Market Street location and ATM cards can also be used as a VISA check card. Use of an ATM owned by the bank is free of charge. Other alternative delivery systems include 24-hour Internet banking and a telephone automated customer service system.
- FNBMD offers a no-maintenance fee checking account for customers who have elected to not receive paid checks with their bank statement. In addition, the bank provides a no-maintenance fee checking account targeted to senior citizens.