



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 07, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Alachua
Charter Number 8980**

**15000 NW 140th Street
Alachua, FL 32615**

**Comptroller of the Currency
North Florida Field Office
8375 Dix Ellis Trail #403
Jacksonville, FL 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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

First National Bank of Alachua (FNB) performance rating is supported by the following:

- a reasonable loan-to-deposit ratio.
- a majority of the bank's loans are originated within its assessment area.
- the distribution of loans to borrowers of different incomes and to businesses of different sizes is reasonable given the demographics of the area.
- the geographic distribution of loans reflects a reasonable penetration of geographies within the assessment area.

DESCRIPTION OF INSTITUTION

FNB is a full-service community bank, which is a wholly owned subsidiary of First Alachua Banking Corporation, a one-bank holding company. FNB operates eight offices in Alachua County and one in St. Johns County, Florida. The Alachua County branches include the main office in the city of Alachua, three offices and a mortgage division in Gainesville and a branch in Jonesville, Newberry, and High Springs. The St. Johns County branch is located in Hastings. ATMs are located at the main office, three Gainesville branches, Food Lion Supermarket and Dollar General Warehouse facility in Alachua. As of June 30, 2002, FNB had total assets of \$202 million with a loan portfolio totaling \$132 million or 65% of total assets. The bank's loan portfolio mix was commercial real estate (42%), 1-4 family residential (32%), commercial and industrial (13%), consumer (9%), and agriculture (4%).

The bank offers a variety of traditional loan products, with a concentration in commercial loans. FNB's primary lending focus is to small and medium sized businesses and 1-4 family residential loans. The evaluation period for our analysis is January 1998 through October 2002. There are currently no financial, legal, or other impediments to the bank's ability to meet community credit needs.

The bank received a satisfactory rating for its last CRA examination dated January 28, 1998.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) consists of all the twenty-eight census tracts in the Gainesville Metropolitan Statistical Area (MSA 2900) and two adjacent census tracts in the Jacksonville Metropolitan Statistical

Area (MSA 3600). The AA meets the technical requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income census tracts.

Gainesville MSA:

Alachua County is located in the North Central part of Florida, 85 miles from the Georgia state line, 50 miles from the Gulf of Mexico, and 67 miles from the Atlantic Ocean.

The county encompasses 965 square miles and includes the municipalities of Archer, Alachua, Cross Creek, Gainesville, Hawthorne, High Springs, LaCrosse, Melrose, Micanopy, Newberry, Waldo, and Windsor. The County has an estimated year round population of 191,000, including 40,000 University of Florida students. There are several areas in the County that are National Register Historic Districts.

Alachua County is a haven for leisure travelers who wish to discover the natural beauty of Florida. Gainesville, the County seat, was established in 1854 on land that was part of a grant that the King of Spain gave to Don Fernando Arredondo in 1817. The name "Alachua" is a Seminole word that means jug, and the County probably takes its name from the sinkhole in Paynes Prairie. Micanopy, the second oldest town in Florida, was an Indian settlement when DeSoto passed through the County in 1539.

The largest employment by industry is government at 35% and services at 29%. The major private sector employers are Strands Hospital (7,986 employees), Nationwide Insurance Company (1,065 employees), and North Florida Regional Medical Center (900 employees). The largest city in the county is Gainesville. Gainesville, the home of University of Florida, is the employment hub of the region.

Jacksonville MSA:

St. Johns County is in northeast Florida and is bordered by the Atlantic Ocean and by Duval, Clay, Putnam, and Flagler counties. The county has 55 square miles of water. St. Johns County was established in 1821 as one of Florida's original two counties. The county was named for the St. Johns River. The county has population of 128,604. Major employment by industry includes services at 32% and retail trade at 25%. The major private sector employers are Flagler Hospital (1,400 employees) and Northrop Grumman (1,051 employees). The county seat is the City of St. Augustine, which is America's Oldest City. Anchoring the uppermost Atlantic Coast of Florida, this water's-edge, pre-colonial city is suspended in a bygone era with 144 blocks of historic houses listed on the National Register of Historic Places.

Table-1 and Table-2 below highlight the demographic composition of the bank's assessment area:

Table-1

Demographic Information for Assessment Area: Gainesville MSA 2900
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Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population by Geography	181,596	11%	29%	36%	24%
Business by Geography	8,328	7%	32%	37%	24%
Farms by Geography	336	2%	20%	63%	15%
Geographies (Census Tracts (CT) in AA)	28	4	8	9	7
Percentage of each CT Category in AA	28	14%	29%	32%	25%
Percentage of Families in each CT Category	41,439	23%	17%	19%	41%
Owner-Occupied Housing (Within Each Tract)	79,022	3%	22%	47%	28%
Median Family Income (1) <u>\$31,403</u>				Weighted Average Median Housing Value <u>\$64,400</u>	
HUD Updated Median Family Income for 2002 <u>\$48,100</u>				Unemployment Rate (July 2002) <u>2.6%</u>	
Households Below Poverty Level <u>16,760</u>					

(1) Source: 1990 US Census

Table-2

Demographic Information for Assessment Area: Jacksonville MSA Census Tracts					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population by Geography	12,729	0%	100%	0%	0%
Business by Geography	510	0%	88%	0%	0%
Farms by Geography	70	0%	11%	0%	0%
Geographies (Census Tracts (CT) in AA)	2	0	2	0	0
Percentage of each CT Category in AA	2	0%	100%	0%	0%
Percent of Families in each CT Category	3,365	32%	29%	21%	18%
Owner-Occupied Housing (Within Each Tract)	5,078	0%	100%	0%	0%
Median Family Income (1) <u>\$34,276</u>				Weighted Average Median Housing Value <u>\$45,328</u>	
HUD Updated Median Family Income for 2002 <u>\$55,600</u>				Unemployment Rate (July 2002) <u>5.3%</u>	
Households Below Poverty Level <u>969</u>					

(1) Source: 1990 US Census

COMMUNITY CONTACTS - As part of our examination, we contacted a local community development organization to determine community credit needs in the low and moderate-income census tracts. Based upon information from a representative of an Alachua County housing agency, there is a need for more participation from financial institutions in first-time homebuyer credit counseling and affordable housing community development projects.

Competition for financial services within the FNB's assessment area is intense and includes several branches of multi-national and regional banks, local community banks, savings banks, credit unions, and other nonblank financial service providers.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

FNB’s loan-to-deposit (LTD) ratio is reasonable. The bank’s average LTD ratio from January 1998 through June 2002 was 68% compared to peer bank averages for the same period of 74%. Peer banks consists of fourteen similarly sized banks with average assets less than \$250 million, offer similar products and services, and headquartered in Alachua County and the following adjacent counties of Columbia, Marion, Bradford, Gilchrist, Putman, and Clay. At June 30, 2002, the bank’s LTD ratio was 71%, compared to the peer bank average ratio of 76%.

■ **Lending in Assessment Area - Meets the Standard for Satisfactory Performance**

FNB makes a majority of its loans within the assessment area (AA). Our conclusion is based upon an analysis of a sample of business loans and residential mortgage loans originated during the evaluation periods. A sample of 415 mortgage loans and 32 small business loans were selected for the analysis. The results of our analysis is reflected in Table-3 below:

Table-3 Distribution of Loans In and Out of the AA

Loan Product	In Assessment Area				Out of Assessment Area			
	#	% of Number	\$000’s	% of \$ Amount	#	% of Number	\$000’s	% of \$ Amount
Residential Mortgages	313	75%	20,553	71%	102	25%	8,348	29%
Business Loans	26	81%	968	82%	6	19%	213	18%

■ **Lending to Borrowers of Different Incomes and Businesses of Different Sizes - Meets the Standard for Satisfactory Performance**

The bank’s record of lending indicates reasonable dispersion to borrowers of different incomes given the demographics of the community. We performed an analysis using income levels of a sample of 291 residential mortgage loans originated within the assessment area. We compared the income distribution of the bank’s borrower’s based on our sample to the income distribution of families within the assessment area. The distribution of families in the assessment area is based on 1990 U.S. Census Bureau data. Our analysis indicates the bank has a satisfactory record of making residential loans to low- and moderate-income individuals considering the number of loans originated. Additionally, the dispersion of loans to other income levels appears reasonable. The tables 4 and 5 below summarize our analyses.

Table-4 Gainesville MSA

<i>Income Category</i>	<i>FNB Residential Mortgages</i>				<i>Percent of families in the AA</i>
	<i>Total Number</i>		<i>Total Dollar Volume (000)</i>		
<i>Low Income</i> < \$24,050	40	16%	1,048	6%	23%
<i>Moderate Income</i> \$24,050 - \$38,479	58	23%	2,616	15%	17%
<i>Middle Income</i> \$38,480 - \$57,719	48	18%	3,105	17%	19%
<i>Upper Income</i> > \$ 57,719	111	43%	11,018	62%	41%
<i>Total</i>	257	100%	17,787	100%	100%

Income levels based upon HUD Estimated 2002 updated Median Family Income for the Gainesville MSA (\$48,100)

Table-5 Jacksonville MSA Census Tracts

<i>Income Category</i>	<i>FNB Residential Mortgages</i>				<i>Percent of families in the AA</i>
	<i>Total Number</i>		<i>Total Dollar Volume (000)</i>		
<i>Low Income</i> < \$27,780	8	24%	111	7%	32%
<i>Moderate Income</i> \$27,800 - \$44, 479	7	21%	224	12%	29%
<i>Middle Income</i> \$44,480 - \$66,719	11	31%	640	35%	21%
<i>Upper Income</i> > \$66, 719	8	24%	839	46%	18%
<i>Total</i>	34	100%	1,814	100%	100%

Income levels based upon HUD Estimated 2002 updated Median Family Income for the Jacksonville MSA (\$55,600)

The bank has a satisfactory record of lending to businesses of different sizes. Using the same business loans originated within the assessment area discussed in the previous performance criteria, we determined that the bank makes loans to businesses of varying sizes, but primarily to small businesses (gross revenues < \$1 million). The thirty-two small business loans represent 80% of the total number and 80% of the total dollar volume of business loans. In comparison, 1990 U S Census data shows 88% of all businesses operating within the assessment area are small businesses.

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

The geographic distribution of loans reflects reasonable penetration of geographies within the assessment area. For this analysis we compared the geographic distribution of residential loans sampled to the level of owner-occupied housing within each geographic area. The level of owner-occupied housing is an indicator of the opportunities available for residential mortgage financing. The lower the level, the fewer opportunities available for home improvements, refinances or other mortgage loans. In the Gainesville MSA, the percentage of the total number of loan originations in the low-income appear reasonable compared to the percent of owner-occupied housing in the tract. The number and percent of loans to the moderate-income tracts are low compared to the percentage of moderate-income tracts in the AA and the percent of owner-occupied housing in the moderate tracts. However, the percent of combined loans in the Jacksonville and Gainesville moderate-income tracts compares well to the percent of total moderate-income tracts in the AA. The distribution of loans to middle and upper-income tracts appears reasonable compared to the percent of owner-occupied housing in the tracts and the percent of middle and upper-income tracts in the AA. Table 6, 7, and 8 below summarize our analysis.

Table-6 Gainesville MSA

<i>Census Tract Designation</i>		<i>Residential Loans in Census Tracts</i>				<i>% of Owner-Occupied Housing</i>
		<i>Total Number</i>		<i>Total Dollar Volume (000)</i>		
LOW (4)	14.3%	4	2%	194	1%	3.44%
MOD (8)	28.6%	11	5%	1,537	8.3%	21.55%
MID (9)	32.1%	167	75%	10,567	57.3%	46.88%
UP (7)	25%	39	18%	6,143	33.3%	28.13%
Total (28)	100%	221	100%	18,441	100%	100%

Table-7 Jacksonville MSA Census Tracts

<i>Census Tract Designation</i>		<i>Residential Loans in Census Tracts</i>				<i>% of Owner-Occupied Housing</i>
		<i>Total Number</i>		<i>Total Dollar Volume (000)</i>		
MOD (2)	100%	92	100%	2,112	100%	100%

Table-8 Gainesville and Jacksonville Census Tracts Combined

<i>Residential Loans in Census Tracts</i>					
<i>Census Tract Designation</i>		<i>Total Number</i>		<i>Total Dollar Volume (000)</i>	
LOW (4)	13.33%	4	1.28%	194	0.94%
MOD (10)	33.33%	103	32.91%	3,649	17.75%
MID (9)	30.00%	167	53.35%	10,567	54.41%
UP (7)	23.33%	39	12.46%	6,143	26.90%
Total (28)	100%	313	100%	20,553	100%

Small business loan penetration in different geographies is reasonable compared to the percent of small businesses in the low and moderate-income census tracts. This is illustrated in the table below. Thirty-one percent (31%) of the small business loans sampled were made to businesses located in moderate-income areas, 42% in middle-income areas and the remainder (27%) in upper-income areas. In comparison to economic data, the distribution of small business loans to moderate-income tracts is good. However, the distribution of loans to low-income tracts is low. According to management, bank does not exclude making loans to small businesses, rather, they seek opportunities to make small business loans to qualified applicants irrespective of where the businesses are located.. Distribution of loans to middle and upper-income tracts appears reasonable compared to the percent of middle and upper-income census tracts in the AA.

Table-9 Geographic Distribution of Small Business Loans within the AA

<i>Census Tracts</i>	<i>Small Business Loans</i>				<i>Percent of Small Businesses in the AA</i>
	<i>Total Number</i>		<i>Total Dollar Volume (000)</i>		
<i>Low Income</i>	0	0%	0	0%	6%
<i>Moderate Income</i>	8	31%	263	27%	36%
<i>Middle Income</i>	11	42%	414	43%	35%
<i>Upper Income</i>	7	27%	295	30%	23%
<i>Total</i>	26	100%	972	100%	100%

■ **Response to Complaints - Not Applicable**

We reviewed complaint records maintained by our agency and those maintained by the bank. There were no complaints made relative to the Community Reinvestment Act during this evaluation period.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

An analysis of 2000-2001 public comments and consumer complaints was performed according to the OCC's risk-based fair lending approach. Based on analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.