



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**May 16, 2011**

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

Security Bank, National Association  
Charter Number 16870

1450 South State Road 7  
North Lauderdale, FL 33068-0000

Office of the Comptroller of the Currency

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**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 Satisfactory.**

We evaluated Security Bank, National Association's (Security Bank) CRA performance using the small bank performance criteria. The major factors that support this rating include:

- The bank's loan-to-deposit ratio meets the standard for satisfactory performance.
- Lending in the bank's combined assessment area (AA) exceeds the standard for satisfactory performance.
- The borrower distribution of loans meets the standard for satisfactory performance.
- The geographic distribution of loans meets the standard for satisfactory performance.

**SCOPE OF EXAMINATION**

This Performance Evaluation (PE) assesses Security Bank's record of meeting the credit needs of the communities in which it operates. We evaluated Security Bank under the Small Bank performance criteria. The evaluation assesses Security Bank's performance focusing primarily on five performance criteria: (i) the loan-to-deposit ratio; (ii) lending in the assessment area; (iii) lending to borrowers of different incomes and to businesses of different sizes; (iv) geographic distribution of loans; and (v) responses to CRA related complaints.

To evaluate the bank's lending performance, we reviewed small business loans and residential mortgage loans subject to filing under the Home Mortgage Disclosure Act (HMDA) that the bank originated from January 1, 2001 through December 31, 2010. The bank is primarily a small business lender with a secondary focus on residential mortgage lending. This PE is based on accurate data supported by our data verification of the bank's internal commercial and commercial real estate loan reports and publicly filed HMDA information.

Broward and Dade Counties received a full scope review of lending activities. Palm Beach County received a limited scope review of lending activities given Security Bank has only one branch office with only a .02% deposit market share. Conclusions regarding the bank's lending performance are based on the bank's primary loan product consisting of small business lending. Although residential mortgage lending represented a smaller volume of the bank's lending activity, an analysis was meaningful given the need for affordable housing in the combined AA.

As a part of our review, we also incorporated information obtained from local community contacts and discussions with bank management. The contacts consisted of agencies primarily focused on housing. From these discussions, we determined that the most pressing credit needs in the combined AA are small business lending and affordable housing. Credit education and credit repair were also noted as needs considering the high unemployment rates, home foreclosures and blemished credit histories of consumers.

## DESCRIPTION OF INSTITUTION

Security Bank is an intrastate community bank headquartered in North Lauderdale, Florida. The bank opened in 2007 and is wholly owned by Faro Bancorp, Inc. (the holding company). On March 31, 2011, the holding company had consolidated assets of \$125 million. Security Bank's wholly owned subsidiary, SecurityBanc Mortgage Company, is no longer active. The bank operates six banking offices. In addition to the main office located in North Lauderdale, the bank operates two branch offices in Broward County (Fort Lauderdale and Davie), two in Miami-Dade County (Miami and Doral), and one in Palm Beach County (Lake Worth). Since the last examination, the bank opened the Doral branch on October 15, 2007 and closed the Sunrise branch (Broward) on November 17, 2006. According to the 2000 Census, four of the bank's offices are located in middle-income geographies; one in an upper-income geography (Doral) and one in a moderate-income geography (Lake Worth).

As of March 31, 2011 the bank had total assets of \$113 million and total deposits of \$105 million. The breakdown of the bank's \$95 million loan portfolio, which represents 84% of total assets, consisted of 50.93% Commercial/Commercial Real Estate 50.93%; 48.78% Residential Real Estate; and 0.29% Consumer. Tier 1 Leverage capital was \$7.7million while the Tier 1 Leverage capital ratio was 6.76%.

The bank has experienced net losses since 2008. Three branch offices have not proven profitable for the bank and are scheduled to close on June 15, 2011. The branch offices to be closed are Quay (Broward County), Davie (Broward County), and Lake Worth (Palm Beach County). No legal or other factors impede the bank's ability to meet the credit needs in its combined AA. Lending standards are more conservative in general for all banks considering high unemployment, the high level of foreclosures, and weakened consumer credit ratings. Security Bank received a satisfactory CRA rating in the CRA PE dated June 28, 2005.

## DESCRIPTION OF ASSESSMENT AREA(S)

Security Bank's assessment areas consist of Broward County Metropolitan Division (MD) 22744; Miami-Dade County MD 33124; and Palm Beach County MD 48424. Conclusions are primarily based on the bank's performance in the Broward and Dade MDs given these areas represent the largest source of the bank's deposits and loans. The combined AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas.

### **Broward County MD 22744**

Based on the 2000 Census, the Broward County MD consists of 279 geographies distributed as follows: 5% low-income; 25% moderate-income; 42% middle-income, and 28% upper-income. The total population is approximately 1.6 million, a 29% increase since the 1990 Census. Overall, approximately 11% of the households are below the poverty level. The greatest concentration of such households is in the low-income geographies where 36% are below the poverty level. The needs for small business lending and affordable housing are considered the main credit needs in this AA.

As with most metropolitan areas in Florida, the economy in this AA has experienced a downturn due to the national and local recession. Security Bank's ability and opportunities to lend, especially to low- and moderate-income borrowers and to small businesses, has been impacted by this downturn. The entire state, and in particular Broward County, has experienced significant job losses, a volatile housing market with a record number of delinquencies, foreclosures and bankruptcies. Major industries of tourism, real estate development, wholesale trade companies, health care, financial services, and retail services have suffered as a result of the downturn. The Broward MD continues to experience a high unemployment rate at 8.9%, declines in real estate values and increases in residential foreclosures. As of June 30, 2010, the Federal Deposit Insurance Corporation (FDIC) showed 66 financial institutions operating 45 banking offices in the Broward MD. Security Bank ranks 56<sup>th</sup> with a 0.10% market share.

### **Miami-Dade County MD 33124**

The Miami-Dade County MD consists of 347 geographies distributed as follows: 8% low-income, 29% moderate-income, 33% middle-income, and 30% upper-income. The majority of the low- and moderate-income geographies are located within the City of Miami. According to the 2000 Census, the total population is approximately 2.3 million. Between the 1990 and 2000 Census, the population increased 16.3%. The population increase is a result of an influx of immigrants from Latin America and the Caribbean, and the relocation from northern cities in the United States.

The population increase has put pressure on the housing market. In the Miami-Dade MD, housing costs are high. Economic conditions are weak as this AA continues to struggle in the aftermath of the national and local economies. Job losses and housing market volatility has been significant. Mortgage foreclosures and delinquency rates remain among the highest in the nation. The unemployment rate increased from 5.2% (2000 census data) to 12.6% (Bureau of Labor and Statistics) as of December 31, 2010. The increase in unemployment and continued economic volatility can be partly attributed to a significant decline in construction and land development jobs in the AA. Housing starts remain at record lows and real estate values continue to decline. Community contact information indicates affordable housing and small business lending are credit needs in the community. Funding for the acquisition of foreclosed properties, often in need of improvements, is also needed as the level of foreclosed properties in the AA are at record levels.

Major industries include real estate development, trade business with Latin America, and tourism. Approximately 209,000 businesses are located in the Miami MD. The banking industry is very competitive. The FDIC data as of June 30, 2010 showed 72 institutions operating 647 banking offices of national, regional, and community banks in all of the Miami MD. Security Bank ranks 63<sup>rd</sup> with a 0.11% market share.

### **Palm Beach County (MD 48424)**

The Palm Beach County MD assessment area is comprised of 265 geographies distributed as follows: 6% low-income; 26% moderate-income; 34% middle-income; and 34% upper-income. Based on the 2000 Census, the total population of the Palm Beach MD is 1.1 million, a 31%

increase since the 1990 Census.

As with most of the metropolitan areas in Florida, the economy in Palm Beach experienced a downturn due to the national and local economies. The primary industries are real estate land development, service businesses, and tourism. The unemployment rate remains high at 10.2%. As in the other assessment areas, housing costs are high. As of June 30, 2010, the FDIC data showed 58 institutions operating 495 banking offices in Palm Beach County.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

- Security Bank’s average loan-to-deposit ratio meets the standard for satisfactory performance.

The bank’s average loan-to-deposit ratio from March 1, 2005 through March 31, 2011 was 88.79%. This ratio is reasonable when compared to four other similarly situated banks in the combined AA and considering the financial condition of the bank. The loan-to-deposit ratio ranged from a low of 82.79% to a high of 121.98% with an average of 103.48%. Security Bank is below the average and at the lower end of the range.

### Lending in Assessment Area

- Security Bank’s level of lending inside its combined AA exceeds the standard for satisfactory performance.

Table 1 below shows a substantial majority of the bank’s loans, both number and dollar, were originated inside the bank’s combined AA. During the evaluation period, Security Bank originated 227 of the 243 loans or 93.41% of the total number of loans and \$78,842 or 90.96% of the total dollar volume of loans within the combined AA.

<b>Table 1 - Lending in Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	96	39.51	9	3.70	105	36,846	42.51	5,297	6.11	42,143
Purchase	112	46.09	6	2.47	118	35,079	40.47	2,346	2.71	37,425
Refinance	16	6.58	1	.42	17	6,792	7.84	195	0.22	6,987
Home Improvement	3	1.23	0	0.00	3	125	0.14	0	0.00	125
<b>Total Loans</b>	<b>227</b>	<b>93.41</b>	<b>16</b>	<b>6.59</b>	<b>243</b>	<b>78,842</b>	<b>90.96</b>	<b>7,838</b>	<b>9.04</b>	<b>86,680</b>

Source: HMDA reportable loans and business loans originated January 1, 2006 through December 31, 2010.

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

## Sizes

- Security Bank’s lending to borrowers of different incomes and businesses of different sizes meets the standard of satisfactory performance. This conclusion is based primarily on the bank’s performance relative to small business lending.

## Home Mortgage Loans

Lending to borrowers of different incomes reflects a reasonable penetration among borrowers of different incomes, including low- and moderate-income individuals.

The following tables show the distribution of residential mortgage loans based on borrower income. Security Bank made a total of 23 home purchase loans, 1 home improvement loan, and 1 refinance loan in the Broward MD during this evaluation period.

Security Bank’s distribution of residential loans reflects a reasonable penetration among borrowers of different income levels. The residential loans are below demographic percentages given this is a secondary product for the bank. Also according to the National Association of Realtors, the median sales price of a single-family home in Broward County is \$167,000. This median sales price is considered high and makes it difficult for low- and moderate-income individuals and families to afford a home without subsidies. Furthermore, the high cost of property related insurance premiums and taxes for the combined AA add to the cost of owning a home. The 2010 Housing and Urban Development (HUD) Adjusted Median Family Income was \$66,200. Borrowers with moderate-income (defined as at least 50% and less than 80% of the area median family income) would have a maximum income of \$52,953 while borrowers with low-income (defined as less than 50% of the area median family income) would have a maximum income of \$33,093.

<b>Table 2 – Borrower Distribution of Residential Real Estate Loans in the Broward MD</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
Home Purchase	20.85	0.00	18.17	6.25	20.48	0.00	40.50	53.13
Refinance	20.85	3.13	18.17	0.00	20.48	0.00	40.50	9.38
Home Improvement	20.85	3.13	18.17	0.00	20.48	0.00	40.50	0.00

*Source: 2000 U.S. Census data; HMDA Loans originated January 1, 2006 through December 31, 2010.*

We could not conduct a meaningful analysis of residential real estate loans in the Miami-Dade County because 35% of the home purchase loans did not have income information. The reason for the lack of income is the bank either did not consider the applicant’s income or the applicant was a business entity. HMDA rules stipulate that a bank should not report the income of a borrower in these instances. Therefore, no conclusion could be reached on the bank’s performance for residential real estate lending in the Miami-Dade MD.

**Table 2 – Borrower Distribution of Residential Real Estate Loans in the Miami-Dade MD**

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	23.00	0.00	16.98	0.00	18.53	1.09	41.50	55.43
Refinance	23.00	0.00	16.98	0.00	18.53	0.00	41.50	5.43
Home Improvement	23.00	1.09	16.98	0.00	18.53	0.00	41.50	0.00

*No income information was available for 38% of home purchase loans and 29% of refinance loans.  
Source: 2000 U.S. Census; HMDA Loans originated January 1, 2006 through December 31, 2010.*

Performance in the Palm Beach MD reflects a neutral effect on Security Bank’s performance given the low volume of loans originated (i.e. seven) during the evaluation period in the combined AA and a high percentage of loans with no income information.

<b>Table 2 – Borrower Distribution of Residential Real Estate Loans in the Palm Beach MD</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	19.86	0.00	18.56	14.29	20.60	0.00	40.98	28.57
Refinance	19.86	0.00	18.56	14.29	20.60	0.00	40.98	0.00
Home Improvement	19.86	0.00	18.56	0.00	20.60	0.00	40.98	0.00

*No income information was available for 40% of home purchase loans.  
Source: 2000 U.S. Census; HMDA Loans originated between January 1, 2006 and December 31, 2010.*

**Small Business Loans**

Security Bank’s origination of loans to businesses of different sizes is adequate and meets the standard for satisfactory performance. Performance under this category focused on small business loans, which is the bank’s primary business strategy. All business loans originated or purchased during the evaluation period were used in the analysis with a focus on small business lending. Small businesses are defined in terms of having revenues or sales of \$1 million or less.

In the Broward County AA, the table below shows the level of lending to businesses of different sizes was adequate considering the financial and economic conditions of the bank. The number of loans to small businesses, representing 58% of the demographic measure of 82.57%, was somewhat lower but adequate. The dollar volume extended for small businesses was lower and is normal when considering that businesses with revenues exceeding \$1 million typically have larger dollar volumes extended. In arriving at the rating, more weight was given to the number of business loans originated versus the dollar amount extended.

**Table 2A- Borrower Distribution of Loans to Businesses in Broward County AA**

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	82.57	3.04	14.39	100%
% of Bank Loans in AA by #	47.73	52.27	0.00	100%
% of Bank Loans in AA by \$	34.02	65.98	0.00	100%

Source: (i) 2010 Dunn & Bradstreet Data, (ii) All business loans originated during the evaluation period.

In the Dade County AA, the table below shows the level of lending to businesses of different sizes was good considering the financial and economic condition of the bank. The number of loans to small businesses represented 70% and was near the demographic measure of 81.30%. The dollar volume extended was lower for small businesses and is normal when considering that businesses with revenues exceeding \$1 million typically have larger dollar volumes extended. In arriving at the rating, more weight was given to the number of business loans originated versus the dollar amount extended.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Dade County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	81.30	3.44	15.26	100%
% of Bank Loans in AA by #	70.45	39.29	0.00	100%
% of Bank Loans in AA by \$	39.05	60.95	0.00	100%

Source: (i) 2010 Dunn & Bradstreet data; (ii) All business loans originated during the evaluation period.

In the Palm Beach County AA, the table below shows the level of lending to businesses of different sizes had a positive effect on the bank’s performance. Of the eight loans originated, seven or 87.50% of the number and 50.80% of the dollar volume were to small businesses. The number of loans exceeded the demographic measure and the dollar volume was near the standard.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Palm Beach County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	82.45	2.91	14.64	100%
% of Bank Loans in AA by #	87.50	12.50	0.00	100%
% of Bank Loans in AA by \$	50.80	49.20	0.00	100%

Source: (i) 2010 Dunn & Bradstreet data; (ii) All business loans originated during the evaluation period.

### Geographic Distribution of Loans

- Security Bank’s geographic distribution of loans meets the standard for satisfactory performance.

The geographic distribution of both HMDA and small business loans is reasonable and meets the standard for satisfactory performance. Census tracts without loan penetration are due to Security Bank’s relatively small asset size (\$113 million) and the limited number of offices. These limitations prevent the bank from penetrating all parts of the combined AA.

**Home Mortgage Loans**

The following tables show the geographic distribution of residential mortgage loans originated in the combined AA for the evaluation period.

For the Broward MD, the table below shows that the bank’s performance was good with home purchase loans exceeding the demographic measure of 1.16% for low-income geographies and near the demographic percentage of 23.67% for home purchase loans to moderate-income tracts.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Broward MD</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans
Home Purchase	1.16	6.25	23.67	21.88	45.93	28.13	29.24	15.63
Refinance	1.16	0.00	23.67	0.00	45.93	12.50	29.24	12.50
Home Improvement	1.16	0.00	23.67	0.00	45.93	0.00	29.24	3.13

Source: 2000 U.S. Census Data; HMDA reportable loans and business loans originated January 1, 2006 through December 31, 2010.

For the Miami-Dade MD, the table below shows that the bank’s performance was good. The dispersion of home purchase loans to low-income geographies exceeded the demographic measure of 1.69% while home purchase loans to moderate-income tracts was near the demographic percentage of 19.82%. Refinance and home improvement loans are not major products for the bank.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in the Miami-Dade MD</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans
Home Purchase	1.69	14.13	19.82	9.78	36.99	27.17	41.51	39.13
Refinance	1.69	0.00	19.82	1.09	36.99	2.17	41.51	4.35
Home Improvement	1.60	0.00	19.82	1.09	36.99	0.00	41.51	0.00

Source: 2000 U.S. Census Data; HMDA reportable loans and business loans originated January 1, 2006 through December 31, 2010.

For the Palm Beach MD, the geographic distribution of home mortgage loans had a neutral effect on the bank’s performance given the low volume of residential real estate loans (i.e. seven)

originated during the evaluation period in this AA

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in the Palm Beach MD</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans
Home Purchase	1.53	0.00	24.63	71.43	36.35	0.00	37.50	0.00
Refinance	1.53	0.00	24.63	0.00	36.35	0.00	37.50	14.39
Home Improvement	1.53	0.00	24.63	0.00	36.35	14.29	37.50	0.00

Source: 2000 U.S. Census Data; HMDA reportable loans and business loans originated January 1, 2006 through December 31, 2010.

### Small Business Lending

For the Broward MD, the table below shows the geographic distribution of the bank’s business loans is reasonable and meets the standard for satisfactory performance. The bank has no loans in the low- income geographies. However, fourteen loans were originated in the moderate-income tracts, which exceeded the demographic measure of 20.49%.

<b>Table 3A - Geographic Distribution of Loans to Businesses in the Broward MD</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Small Business	4.26	0	20.49	31.82	41.95	47.73	33.31	20.45

Source: 2010 Dun & Bradstreet Data; Small Business Loans originated January 1, 2006 through December 31, 2010..

For the Miami-Dade MD, the table below shows the geographic distribution of the bank’s business loans is satisfactory with excellent penetration of the low-income tract exceeding the demographic measure of 4.08% and good penetration of the moderate-income tracts approaching the demographic measure of 20.30%.

<b>Table 3A - Geographic Distribution of Loans to Businesses in the Miami-Dade MD</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Small Business	4.08	22.73	20.30	13.64	32.22	43.18	42.88	20.45

Source: 2010 Dun & Bradstreet Data; Small Business Loans originated January 1, 2006 through December 31, 2010

For Palm Beach MD, the table below shows the bank had a small volume of business loans (i.e. eight). However, 50% of these loans are located in the low-income geographies and 34.17% in the moderate-income geographies. This has a positive effect on the bank’s performance for geographic distribution of loans to businesses in this AA.

<b>Table 3A - Geographic Distribution of Loans to Businesses in the Palm Beach MD</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Small Business	2.96	50.00	19.95	25.00	34.17	12.00	42.77	12.00

Source: 2010 Dun & Bradstreet; Small Business Loans originated January 1, 2006 through December 31, 2010.

## Responses to Complaints

In the period since the last examination, the bank has not received any complaints regarding its CRA performance.

## Fair Lending or Other Illegal Credit Practices Review

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