



## **INTERMEDIATE SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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### **PUBLIC DISCLOSURE**

**April 30, 2007**

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

**The Vinton County National Bank of McArthur  
Charter Number 2036**

**112 West Main Street  
McArthur, Ohio 45651**

**Comptroller of the Currency  
Central Ohio Field Office  
325 Cramer Creek Court Suite 101  
Dublin, Ohio 43017**

**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.**

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

- The bank's lending to low- and moderate-income borrowers is excellent.
- The geographic distribution of the bank's loans reflects more than reasonable penetration to moderate-income areas.
- The bank satisfactorily responds to the community development needs of its community.
- The bank's loan-to-deposit ratio is reasonable.

## **DESCRIPTION OF INSTITUTION**

The Vinton County National Bank of McArthur (VCNB) is a wholly owned subsidiary of Community Bancshares, Inc. Both VCNB and its holding company are headquartered in the village of McArthur, Ohio, the county seat of Vinton County. McArthur is located about 80 miles southeast of downtown Columbus, Ohio, and is part of Appalachia. Besides its main office, VCNB has one other branch in Vinton County and two branches in Ross County. There have been no branch openings or closings since the last CRA examination. Community Bancshares, Inc. also owns a state chartered commercial bank, First Bremen Bank, a \$302 million bank located in Bremen, Ohio.

VCNB's primary business focus is residential real estate and consumer purpose lending with some commercial and agricultural lending. No legal or financial impediments exist that could restrict VCNB's ability to meet the credit and community development needs of its assessment areas. VCNB received a "Satisfactory" rating, under the small bank test, at its last CRA examination April 14, 2003.

As of March 31, 2007, VCNB reported total assets of \$287 million, \$258 million in total deposits, and \$200 million in net loans.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area (AA) consists of the 20 census tracts (CT) that make up Vinton and Ross Counties and 18 CTs from the contiguous counties of Jackson, Gallia, Athens, Meigs, Hocking, Fayette, Highland, and Pike. VCNB's AA complies with all regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas.

The AA consists of nine moderate-income CTs, 27 middle-income CTs, and two upper-income CTs. The 2006 Updated Median Family Income for the non-MSA areas in the state of Ohio was

\$51,100. As of the 2000 Census, the population of the AA was 165,441 with 62,233 households and 69,412 housing units. Please refer to the various tables in the **CONCLUSIONS ABOUT PERFORMANCE CRITERIA** section of this document for relevant demographic data used to evaluate VCNB's lending performance.

Competition for loans and deposits is strong with four other local community banks and branches of four large national and/or regional banks accepting deposits and making loans in Vinton and Ross Counties where the bank's offices are located.

Our discussion with the director of a local community action group indicated that residential real estate lending to the low- and moderate-income population is a primary credit need. The contact also indicated that there is a need to educate the local population on the importance of establishing and maintaining a good credit history. Additional examples of needs include: providing housing and other basic needs to the low-income mentally retarded/developmentally disabled population and participating in downpayment assistance program for low- and moderate-income home buyers.

The economic conditions of the AA are strained. Southeast Ohio and Appalachia have been challenged with high unemployment and limited economic opportunities. The unemployment rate for Vinton County was 8.7% for March 2007, well above the national average of 4.5%. Since 2003, Vinton County's unemployment rate has averaged 8.6% compared with the national average of 5.2% and the state of Ohio average of 5.9%.

The AA's largest employers by industry are health and social assistance, manufacturing, and retail trade.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Lending Test**

- VCNB's lending performance is satisfactory.

To evaluate VCNB's CRA lending performance, we focused on its: quarterly loan-to-deposit (LTD) ratio since the last CRA examination and compared it to similarly situated banks; record of lending in its AA; record of lending to borrowers of different income levels within its AA; and geographic distribution of lending in its AA. We reviewed lending activity for all of 2005, 2006, and year-to-date 2007 (April 30, 2007). As illustrated by the following table, the bank's primary lending products were residential real estate and consumer loans during the evaluation period.

<b>Loan Types</b>	<b>% by Dollar Amount of Loans Originated during the evaluation period</b>	<b>% by Number of Loans Originated during the evaluation period</b>
Residential Real Estate	45.1%	12.8%
Consumer Loans	44.6%	81.6%
Total Primary Loan Types	89.7%	94.4%
Commercial Purpose	9.6%	5.5%
Other	0.7%	0.1%

To assess VCNB's record of lending in its AA, we randomly selected 20 loans from each of the bank's two primary loan types for a total of 40 loans, regardless of location, originated between 2005 and year-to-date 2007. We sampled 20 loans each from both primary loan types (40 loans total) made in the AA to evaluate borrower and geographic distributions. Lending of the bank's affiliate, see page 1 description, was not considered in this evaluation.

### **Loan-to-Deposit Ratio**

- VCNB's LTD ratio is reasonable when compared with the performance of other similarly situated banks in its AA.

Since the prior CRA examination, VCNB's quarterly LTD ratio averaged 79.38% over the last 16 quarters. This compares with the quarterly LTD average of 79.49% for similarly situated banks in its AAs. Similarly situated banks include the other eight commercial banks taking deposits in VCNB's AA with total assets between \$121.7 million and \$380.3 million as of December 31, 2006.

### **Lending in Assessment Area**

- A majority of VCNB's lending activity occurs within its AA.

Based on the random sample of 20 loans each from both primary loan types (total of 40 loans), this bank made 87.5%, based on the number of loans, and 83.36%, based on the dollar amount of loans, within its AA.

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

- VCNB's lending to borrowers of different income levels reflects excellent penetration to low- and moderate-income borrowers when compared to the demographics of its AA

The distributions for both the residential real estate and consumer lending products exceed the standard when compared with the percentage of low- and moderate-income families and households, respectively, in the AA. While residential real estate lending to low-income borrowers is lower than the percentage of low-income families in the AA, the bank's residential real estate lending to moderate-income borrows significantly exceeds the percentage of moderate-income families in the AA. A factor to consider in the lower penetration to low-

income borrowers is that 11.24% of the families in the AA live below the poverty line.

<b>Borrower Distribution of Residential Real Estate Loans in AA</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
Residential Real Estate Loans	22.71	10.00	20.15	35.00	23.49	40.00	33.65	15.00

*Source: sample of 20 residential loans made in AA; 2000 U.S. Census data.*

<b>Borrower Distribution of Consumer Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	26.92	30.00	17.36	30.00	20.92	35.00	34.80	5.00

*Source: sample of 20 consumer loans made in AA; 2000 U.S. Census data.*

### **Geographic Distribution of Loans**

- VCNB’s geographic distribution of loans reflects more than reasonable dispersion to all areas within its AA, including moderate-income areas. Our analysis reflected lending in all income-level tracts with no conspicuous gaps or areas of low penetration in VCNB’s lending pattern. Please refer to the following tables for support of this conclusion.

<b>Geographic Distribution of Residential Real Estate Loans in AA</b>						
Census Tract Income Level	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
Residential	24.42	30.00	71.52	65.00	4.06	5.00

*Source: sample of 20 residential real estate loans in AA; 2000 U.S. Census data.*

<b>Geographic Distribution of Consumer Loans in AAs</b>						
Census Tract Income Level	Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	25.08	45.00	70.96	50.00	3.96	5.00

*Source: sample of 20 consumer loans made in AA; 2000 U.S. Census data.*

### **Responses to Complaints**

Neither bank management nor our office received any complaints regarding VCNB's CRA performance.

### **Community Development Test**

- VCNB's responsiveness to community develop needs of its AA is reasonable.

The evaluation period for Community Develop (CD) loans, investments and services was April 13, 2003 to April 30, 2007.

#### *Number and amount of community development loans*

During the evaluation period, VCNB originated three loans totaling \$168,115 to a non-profit organization that provides housing and other necessary services to low- and moderate-income developmentally disabled individuals within VCNB's AA. The purposes of these loans were to purchase housing units for the developmentally disabled.

In September 2006, VCNB also originated a \$125,000 line of credit to another non-profit entity that provides the same type of services to low- and moderate-income developmentally disabled individuals. It should be noted that providing affordable housing for the low- and moderate-income developmentally disabled population is an identified community need.

#### *Number and amount of qualified investments*

In July 2005, VCNB purchased a \$495,000 municipal bond for the Vinton County Local School District. These monies are to be used to construct four new school buildings for the county school district, and those new buildings will be located in moderate-income areas. This activity will help revitalize and stabilize the moderate-income areas by helping to bring/maintain jobs and residents. Of Vinton County's three census tracts, two are moderate-income and the other is a distressed/underserved middle-income tract (as of September 2005).

During this evaluation period, the bank made donations of \$15,174 to 10 different community development organizations. Seven entities provide services to low- and moderate-income persons and three are economic development organizations.

The bank continues to hold a prior period investment in a municipal bond for Vinton County Job & Family Services that provides community services to low- and moderate-income people to overcome immediate barriers to achieving or maintaining self-sufficiency and personal responsibility. As of April 30, 2007, the outstanding balance on this bond was \$912,000.

*Extent to which the bank provides community development services*

VCNB satisfactorily provides services to moderate-income areas within its AAs. The bank has one branch, or 25% of its branches, within a moderate-income tract compared with the percentage of the population living in moderate-income tracts of 24.81%.

Community development services consisted of employees providing financial services expertise to three community development organizations that provide services to low- and moderate-income persons. In addition, bank employees make presentations to high school seniors on establishing and maintaining a good credit history and proper usage of banking services. Educating the population on establishing and maintaining a good credit history is a need identified by the community contact.

VCNB offers two downpayment assistance programs for low- and moderate-income home buyers through Chillicothe Metropolitan Housing and the Federal Home Loan Bank's Welcome Home Program. While the bank has not closed any loans with these programs, the community contact did identify the need for this service.

Bank's responsiveness, through community development activities, to community development lending, investment, and services needs is satisfactory.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.