



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**May 25, 2004**

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

**The First National Bank of Wellston  
Charter Number 3565**

**101 East A Street  
Wellston, Ohio 45692**

**Comptroller of the Currency  
Central Ohio Field Office  
4555 Lake Forest Drive, Suite 610  
Cincinnati, Ohio 45242**

**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.**

## **General Information**

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

The First National Bank of Wellston (FNB) has a **SATISFACTORY** record of meeting community credit needs.

- This institution meets or exceeds the requirements for satisfactory performance for all applicable performance criteria.
- FNB is responsive to its community's credit needs as a substantial majority (94% by number and 95% by dollar volume) of the residential real estate and consumer loans originated between 1998 and 2003, was inside the bank's assessment area (AA).
- FNB has a reasonable level of lending to borrowers of different income levels. Refer to "Lending to Borrowers of Different Incomes" for specific details.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- FNB's loan-to-deposit (LTD) ratio is satisfactory at 80.45% as of December 31, 2003, and commensurate with peer.

### **DESCRIPTION OF INSTITUTION**

FNB is an \$82 million financial institution as of December 31, 2003, which is located in the Appalachian region of southern Ohio. The main office is located in Wellston, Ohio in northeastern Jackson County in a moderate-income geography (census tract 9573). The bank has one branch office in the city of Jackson, approximately ten miles from the main office. The branch is located in a middle-income geography (census tract 9575). Both offices have drive-up facilities and automated teller machines (ATMs). The bank also has one ATM at a local convenient store in a middle-income geography (census tract 9577) using the 2000 U. S. Census data (under the 1990 U.S. Census data it was a moderate-income geography). Competition in the AA is moderate and comes primarily from several local community financial institutions in the surrounding areas.

FNB's primary business focus is lending to individuals (residential real estate and consumer loans). The bank offers standard products and services to accommodate the various borrowers within the AA. The bank will make an installment loan for as small as \$300 and sixty-day note loans for as low as \$100. The bank offers home mortgage loans with loan-to-value ratios up to 89%.

FNB has a "First Time Home Buyer Program" in which the bank will lend 89% loan-to-value

through the Federal Home Loan Bank's (FHLB) Welcome Home Grant program. The Welcome Home Grant Program is part of the FHLB's Affordable Housing Program. Welcome Home funds are designed to help low- and moderate-income homebuyers by providing them with down payment and closing cost assistance up to \$7,500 per participant. In December 2002, FNB was awarded \$50,000 in Welcome Home Program grant funds to be used by December 2004. FNB made one "Federal Home Loan Bank – Welcome Home Grant" loan on January 2, 2004 for \$57,500, with the homebuyer receiving the maximum grant of \$7,500. Applications for this program have been low, according to bank management. Bank management plans to increase promotion of this program to increase the number of applicants for the grant funds.

FNB participates in the Community Housing Improvement Program (C.H.I.P.) of Jackson County, which also provides down payment assistance to low- and moderate-income homebuyers. FNB originated four C.H.I.P. loans in Jackson County from 1998 to 2003 totaling \$135,300.

The bank also made one loan to a local non-profit organization in 2004 for \$150,000. This non-profit organization provides community services to low- and moderate-income individuals in the Jackson and Vinton County areas.

Currently, no legal or economic impediments exist that could restrict the institution's ability to serve the community's credit needs. FNB's prior CRA rating as of November 24, 1998, was "Satisfactory Record of Meeting Community Credit Needs."

FNB reported total assets of \$82 million and gross loans of \$58 million as of the December 31, 2003 Consolidated Report of Condition (Call Report). Net loans to total assets were 69.73% as of December 31, 2003. The primary loan products are loans for one-to-four family residential housing purposes (56% of gross loans) and loans to individuals (27% of gross loans). The table below shows the bank's total loan mix as of December 31, 2003.

<b>Loan Portfolio Mix As of December 31, 2003</b>		
<b>Loan Type</b>	<b>Dollar Volume (in 000's)</b>	<b>Percent of Gross Loans</b>
One-to-four Family Residential Real Estate Loans	\$32,582	56%
Loans to Individuals	\$15,790	27%
Commercial and Commercial Real Estate Loans	\$7,811	14%
Construction, land development, and other land loans	\$1,342	2%
All other loans	\$448	1%
<b>TOTAL GROSS LOANS</b>	<b>\$57,973</b>	<b>100%</b>

Source: December 31, 2003 Consolidated Report of Condition and Uniform Bank Performance Report.

## DESCRIPTION OF ASSESSMENT AREA

FNB's AA includes all of the census tracts in Jackson and Vinton counties. There are seven census tracts in Jackson County and three census tracts in Vinton County. Management selected this AA based on the bank's desired lending territory. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

According to the 2000 census data, there are seven moderate-income census tracts and three middle-income census tracts. The AA contains a population of approximately 45,447 people. Jackson County has a population of 32,641, while Vinton County's population was 12,806. Of the 19,562 housing units, about 67% are owner-occupied and have a median housing value of \$63,892.

According to the 1990 census data, there were nine moderate-income block-numbering areas and one middle-income area. The AA contained a population of approximately 41,328 people. Jackson County had a population of 30,230, while Vinton County's population was 11,098. The AA contained 17,308 housing units of which 67% were owner-occupied. The median housing value was \$37,043.

The Ohio statewide non-MSA median family income is \$44,739 using the 2000 U.S. Census Data (Year 2003), and \$30,562 using the 1990 data. The Department of Housing and Urban Development's (HUD) estimate of the Ohio statewide non-MSA median family income was \$50,600 for 2003, \$48,700 for 2002 and \$46,500 for 2001. The economic status of families and geographies are categorized as low-, moderate-, middle-, and upper-income groups using the following definitions. Low-income means an individual income or a geography that is less than 50% of the Ohio statewide non-MSA updated median family income. Moderate-income means an individual income or a geography that is at least 50% and less than 80% of the Ohio statewide non-MSA updated median family income. Middle-income means an individual income or a geography that is at least 80% and less than 120% of the Ohio statewide non-MSA updated median family income. Upper-income means an individual income or a geography that is 120% or more than the Ohio statewide non-MSA updated median family income. The distribution of families and households among income categories in the bank's AA is as follows based upon the 2000 and 1990 Census median family incomes.

<b>INCOME AS A PERCENTAGE OF MEDIAN FAMILY INCOME</b>				
	<b>Low-Income Families</b>	<b>Moderate- Income Families</b>	<b>Middle-Income Families</b>	<b>Upper-Income Families</b>
<b>2000 U.S. Census Data</b>	3,549	2,922	2,979	3,379
	27.66%	22.78%	23.22%	26.34%
<b>1990 U.S. Census Data</b>	3,926	2,317	2,418	2,952
	33.81%	19.95%	20.82%	25.42%

Source: 1990 and 2000 U.S. Census Data.

<b>INCOME AS A PERCENTAGE OF MEDIAN HOUSEHOLD INCOME</b>				
	<b>Low-Income</b>	<b>Moderate- Income</b>	<b>Middle-Income</b>	<b>Upper-Income</b>

	Households	Households	Households	Households
<b>2000 U.S. Census Data</b>	5,428	3,303	3,653	5,173
	30.92%	18.81%	20.81%	29.46%
<b>1990 U.S. Census Data</b>	5,729	2,704	2,583	4,282
	37.45%	17.68%	16.88%	27.99%

Source: 1990 and 2000 U.S. Census Data.

<b>OWNER-OCCUPIED HOUSING AND HOUSEHOLDS BY TRACT CATEGORY</b>				
	<b>2000 U. S. Census Data</b>		<b>1990 U. S. Census Data</b>	
	<b>Moderate</b>	<b>Middle</b>	<b>Moderate</b>	<b>Middle</b>
<b>Owner-occupied units by tract category</b>	8,376	4,748	10,032	1,501
	63.82%	36.18%	86.99%	13.01%
<b>Households by tract category</b>	11,182	6,375	13,059	2,239
	63.69%	36.31%	85.36%	14.64%

Source: 1990 and 2000 U.S. Census Data.

The overall economic condition of the AA is fair. The AA is primarily rural with manufacturing as the major industry. Major employers in the AA include General Mills, Luigino's Inc., Masco Corp/Merillat Industries Inc., Wellston City Schools, Meridian Automotive Systems, Austin Powder Company, and Sands Hill Coal Company. Competition in the AA is moderate and comes primarily from several local community financial institutions in the surrounding areas.

The unemployment rates for Jackson and Vinton Counties were 8.0% and 11.4%, respectively, as of December 2003, which compares unfavorably to state and national unemployment rates of 5.5% and 5.4%, respectively. Vinton County had the third highest unemployment rate in the state of Ohio at December 31, 2003. FNB had approximately 16% of Jackson County's market share of total deposits as of June 30, 2003.

A community contact interview revealed that the economic condition of the AA is not very good at this time. The contact identified loans to individuals (residential real estate and consumer loans) as the primary credit needs of the AA. According to the contact, these types of loans are available from local financial institutions.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The bank's performance of residential real estate and consumer lending is considered foremost in this CRA examination. These are the bank's primary lending products.

Loan samples were taken from loans originated in 2003 (using the 2000 U. S. Census Data) and loans originated from October 1, 1998 to December 31, 2002 (using the 1990 U. S. Census Data). To evaluate the level of residential real estate lending, we took a random sample of 20 residential real estate refinance loans for both time periods. To evaluate the level of consumer

lending, we also reviewed a random sample of 20 loans (automobile loans) from each time period. We used these files first to perform the analysis of Lending in the Assessment Area and then disregarded any of the loans not originated in the AA. Additional loans within the AA were added to the samples to utilize both 20-item samples to perform the Borrower Distribution and Geographic Distribution analyses on loans made primarily in 2003 and the prior two years.

### Loan-to-Deposit Ratio

FNB's LTD ratio of 80.45% as of December 31, 2003 is reasonable. The average LTD ratio over the last 21 quarters since the prior CRA examination (December 31, 1998 to December 31, 2003) of 76.71% is also reasonable. The bank's average quarterly LTD ratio ranged from a low of 68.51% at December 31, 1998, to a high of 81.13% at June 30, 2000. For analysis purposes, FNB's current and 21-quarter average LTD ratios were compared with a custom peer group consisting of banks of similar size and purpose (total assets less than \$100 million) competing within the same AA. The analysis shows that FNB's LTD ratios were commensurate with the peer group's average of 82.35% as of December 31, 2003. FNB's LTD ratio was also compared to a peer group consisting of Ohio financial institutions with total assets less than \$100 million. This peer group's average LTD ratio as of December 31, 2003 was 74.60%. Overall, FNB's LTD ratios are commensurate with peer.

### Lending in Assessment Area

The bank's record of lending within the AA is excellent and supports outstanding performance. The bank's primary loan types consist of residential real estate and consumer loans. We sampled forty loans from each of the following loan types: residential real estate refinance loans and consumer loans. Table 1 details the bank's lending within the AA by number and dollar volume. This table indicates that a substantial majority of the loans in our sample were made inside the bank's AA.

Table 1 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (in 000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Refinance Loans	38	95%	2	5%	40	\$2,392	95%	\$117	5%	\$2,509
Consumer Loans	37	92.5%	3	7.5%	40	\$313	90.5%	\$33	9.5%	\$346
Totals	75	94%	5	6%	80	\$2,705	95%	\$150	5%	\$2,855

Source: Loan Sample.

### Lending to Borrowers of Different Incomes

The distribution of residential real estate and consumer lending reflects reasonable penetration among individuals of different incomes including low- and moderate-income borrowers and

supports overall satisfactory performance.

***2003 Lending Analysis, using the 2000 U. S. Census Data:***

The residential real estate loan sample analysis demonstrates that the bank makes a reasonable volume of their loans to low- and moderate-income borrowers. FNB made 25% of the number of loans in this loan sample to low-income borrowers, which is commensurate with the 27.66% of low-income families in the AA. FNB made 30% of the number of loans in this sample to moderate-income borrowers, which is more than the 22.78% of moderate-income families in the AA.

The consumer loan analysis also demonstrates that the bank makes a reasonable volume of their loans to low- and moderate-income borrowers. FNB made 30% of the number of loans in this loan sample to low-income borrowers, which is in line with the 30.92% of low-income households in the AA. FNB made 30% of the number of loans in this sample to moderate-income borrowers, which is good penetration when compared to the 18.81% of moderate-income households in the AA.

Refer to Tables 2 and 3 on the following page for specific details on loans made to low- and moderate-income borrowers in 2003.

***1998 – 2002 Lending Analysis, using the 1990 U.S. Census Data:***

The residential real estate loan sample analysis demonstrates that the bank makes a reasonable volume of their loans to low- and moderate-income borrowers. FNB made 25% of the number of loans in this sample to low-income borrowers, which is less than the 33.81% of low-income families in the AA. However, FNB made 30% of the number of loans in this sample to moderate-income borrowers, which is good when compared with the 19.95% of moderate-income families in the AA.

The consumer loan analysis also demonstrates that the bank makes a reasonable volume of their loans to low- and moderate-income borrowers. FNB made 30% of the number of loans in this loan sample to low-income borrowers, which is less than the 37.45% of low-income households in the AA. However, FNB made 25% of the number of loans in this sample to moderate-income borrowers, which is good when compared to the 17.68% of moderate-income households in the AA.

Refer to Tables 2A and 3A on the following page for specific details on loans made to low- and moderate-income borrowers in 2003.

Overall, our sample represented a satisfactory responsiveness to lending to low- and moderate-income borrowers. The unemployment rate in Jackson and Vinton County is higher than the state and national level. According to the U. S. Census Data, 18% of total households in the AA were below the poverty level as of the 2000 data, and 24% were below as of the 1990 data and may have trouble meeting routine credit criteria. Also, 29% of the households were on social security as of the 2000 census data and 33% as of the 1990 census data. The number of households receiving public assistance was 5% using the 2000 census data and 16% using the

1990 census data.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in the AA 2003 Loan Sample</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
Refinance Loans	27.66%	25%	22.78%	30%	23.22%	30%	26.34%	15%

Source: Loan Sample; 2000 U.S. Census Data.

<b>Table 2A - Borrower Distribution of Residential Real Estate Loans in the AA 1998 - 2002 Loan Sample</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
Refinance Loans	33.81%	25%	19.95%	30%	20.82%	25%	25.42%	20%

Source: Loan Sample; 1990 U. S. Census Data.

<b>Table 3 - Borrower Distribution of Consumer Loans in the AA 2003 Loan Sample</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	30.92%	30%	18.81%	30%	20.81%	20%	29.46%	20%

Source: Loan Sample; 2000 U. S. Census Data.

<b>Table 3A - Borrower Distribution of Consumer Loans in the AA 1998 – 2002 Loan Sample</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	37.45%	30%	17.68%	25%	16.88%	25%	27.99%	20%

*Source: Loan Sample; 1990 U. S. Census Data.*

## **Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The following tables represent our sample of the distribution of residential real estate and consumer loans within the bank's AA. See the "Description of the AA" for more details on the number of low- and moderate-income geographies in the AA.

### ***2003 Lending Analysis, using the 2000 U. S. Census Data:***

During this time period, the bank's AA had seven geographies that were designated as moderate-income (70%), and none designated as low-income geographies in the AA. Sixty-four percent of the owner occupied units and households in the AA were in moderate-income tracts. The bank granted 80% of the residential real estate loans in our sample in moderate-income areas, which was more than the percentage of owner occupied units in the AA. The bank granted 70% of the consumer loans in our sample in moderate-income areas, which was also more than the 64% of the households in moderate-income tracts. Refer to tables 4 and 5 for separate details on the residential real estate refinance and consumer loan samples.

### ***1998 – 2002 Lending Analysis, using the 1990 U.S. Census Data:***

During this time period, the bank's AA had nine geographies that were designated as moderate-income (90%); and none were designated as low-income. Eighty-seven percent of the owner occupied units and 85% of the households in the AA were in moderate-income tracts. The bank granted 100% of the residential real estate loans in our sample in moderate-income areas, which was very good when compared to the percentage of owner occupied units in the AA. The bank granted 95% of the consumer loans in our sample in moderate-income areas, which was also more than the 85% of the households in moderate-income tracts. Refer to table 4A and 5A for separate details on the residential real estate refinance loans and consumer loans.

Overall, the analysis reflects reasonable lending activity throughout the AA. In our sample, loans were made in all of the geographies in the AA.

<b>Table 4 - Geographic Distribution of Residential Real Estate Loans in the AA 2003 Loan Sample</b>				
Census Tract Income Level	Low	Moderate	Middle	Upper

Loan type	% 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
Refinance Loans	0%	0%	63.82%	80%	36.18%	20%	0%	0%

Source: Loan Sample; 2000 U.S. Census data.

<b>Table 4A - Geographic Distribution of Residential Real Estate Loans in the AA 1998 – 2002 Loan Sample</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
Refinance Loans	0%	0%	86.99%	100%	13.01%	0%	0%	0%

Source: Loan Sample; 1990 U.S. Census data.

<b>Table 5 - Geographic Distribution of Consumer Loans in the AA 2003 Loan Sample</b>								
Census Tract 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	0%	0%	63.69%	70%	36.31%	30%	0%	0%

Source: Loan Sample; 2000 U.S. Census data.

<b>Table 5A - Geographic Distribution of Consumer Loans in the AA 1998 – 2002 Loan Sample</b>								
Census Tract 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	0%	0%	85.36%	95%	14.64%	5%	0%	0%

Source: Loan Sample; 1990 U.S. Census data.

## Responses to Complaints

FNB has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

## Fair Lending or Other Illegal Credit Practices Review

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

