



## PUBLIC DISCLOSURE

April 15, 2013

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Hillsdale County National Bank  
Charter Number 14062

One South Howell Street  
Hillsdale, MI 49242

Office of the Comptroller of the Currency  
Cleveland Field Office  
200 Public Square, Suite 1610  
Cleveland, OH 44114-2301

**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 Outstanding.**

The major factors supporting the institution's rating are:

- The distribution of loans to borrowers of different incomes reflects reasonable penetration. The distribution of loans to businesses of different sizes reflects excellent penetration.
- The overall geographic distribution reflects reasonable dispersion and meets the standard for satisfactory performance.
- The bank's loan-to-deposit ratio is more than reasonable and exceeds the standard for satisfactory performance.
- A substantial majority of lending activity has occurred within the bank's assessment areas (AAs). This performance exceeds the standard for satisfactory performance.
- The bank's community development performance demonstrates excellent responsiveness to community development needs in its AAs.

## **Scope of Examination**

The evaluation period is June 29, 2009 (date of the previous evaluation) through April 1, 2013. We analyzed home mortgage and business loan activity from January 1, 2010 through December 31, 2011. All home mortgage data was considered including originations made by CNB Lending Services, LLC, a bank affiliate. Analyses of business loan activity were based on a sample of 80 loans originated in 2010 and 2011. We also considered community development loan, investment, and service activity from June 29, 2009 through April 1, 2013.

The bank has two AAs for evaluation purposes, as discussed under the **Description of Assessment Areas** section. Conclusions on the bank's performance are based on full-scope reviews of each of these areas.

Information from members of the local community was considered. We contacted a community organization involved with affordable housing, social services for low- and moderate-income individuals, and economic development initiatives. Refer to the **Description of Assessment Areas** section for additional information.

## Description of Institution

Hillsdale County National Bank (HCNB) is a full service intrastate community bank headquartered in Hillsdale, Michigan. As of December 31, 2011, the bank reported total assets of \$382.5 million. HCNB is a wholly owned subsidiary of CNB Community Bancorp, Incorporated also headquartered in Hillsdale, Michigan. The bank has 11 full-service offices plus an additional drive-through facility that serves Hillsdale and Jackson Counties and portions of Lenawee and Calhoun Counties in south-central Michigan. No branches have been opened or closed during the evaluation period.

HCNB offers a broad range of loan products including home mortgage loans, commercial, consumer, and agricultural loans. The bank's business strategy is to provide both consumer and commercial products and services in its AAs. As of December 31, 2011, the bank's loan portfolio was comprised of real estate loans (76.5 percent), commercial loans (15 percent), consumer loans (7 percent) and other loans (1.5 percent). Using bank-generated loan origination reports for the evaluation period, we determined the bank's primary products are home mortgage and business loans.

There are no financial or legal impediments that adversely affect the bank's ability to address community needs. The previous CRA examination was dated June 29, 2009 and resulted in a "Satisfactory" rating.

## Description of Assessment Areas

For analysis purposes, HCNB has two AAs described below:

### Hillsdale Assessment Area

Demographic Information for the Hillsdale AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	14	0.00	0.00	100.00	0.00
Population by Geography	57,287	0.00	0.00	100.00	0.00
Owner-Occupied Housing by Geography	17,313	0.00	0.00	100.00	0.00
Businesses by Geography	4,925	0.00	0.00	100.00	0.00
Farms by Geography	465	0.00	0.00	100.00	0.00
Family Distribution by Income Level	15,585	14.54	18.13	25.21	42.12
Distribution of Low- and Moderate-Income Families throughout AA Geographies	5,092	0.00	0.00	100.00	0.00
Median Family Income	= \$47,115	Median Housing Value = \$94,900 Non-Adjusted 2011 Annual Unemployment Rate = 11.1%			
HUD Adjusted Median Family Income for 2011	= \$51,400				
Households Below the Poverty Level	= 7.99%				

Source: 2000 U.S. Census and 2011 HUD updated MFI.

The Hillsdale AA is a non-metropolitan area comprised of all of Hillsdale County and two adjacent tracts in Lenawee County. This AA meets the requirements of the regulation. HCNB operates five full service offices and one drive-through facility in this AA. The bank’s main office is also located in this AA. HCNB is ranked first in size based on the June 30, 2011 FDIC deposit data, with 38.12 percent of the insured deposits market. Overall, 10 insured deposit institutions operate 18 offices in the market area. Other major competitors include United Bank and Trust (13.14 percent of the market share), Flagstar Bank (12 percent), Fifth Third Bank (9.34 percent), and Southern Michigan Bank and Trust (7.45 percent).

The economic recession during the evaluation period negatively affected the local area. Economic recovery within the county was hampered by high unemployment rates and devaluation of collateral values as demand for residential and commercial real estate declined during the evaluation period. The area’s annual unemployment rates were 14.5 percent for 2010 and 11.1 percent for 2011 and outpaced the state averages. Michigan’s statewide, non-adjusted annual rate was 12.7 percent in 2010 and 10.4 percent in 2011. Major employers include Martinrea Jonesville LLC, Tenneco Incorporated, Hillsdale College, Hi-Lex Controls Incorporated, and Hillsdale County Government.

Based on our discussions with bank management and a member of the local community, there have been opportunities to participate in community development activities. Credit and non-credit needs in this AA include:

- Increasing access to mortgages and checking products to the unbanked,
- Assisting new and existing businesses with loans to revitalize and stabilize downtown business districts,
- Funding additional low-income housing tax credit affordable housing projects within the community, and
- Providing general operating support for community agencies that offer emergency shelters and youth programs to offset loss of state and federal funding sources.

**Jackson Assessment Area**

Demographic Information for the Jackson AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	38	5.26	21.05	63.16	7.89	2.63
Population by Geography	161,432	2.38	13.80	73.24	8.72	1.86
Owner-Occupied Housing by Geography	64,088	0.58	11.41	77.51	10.49	0.00
Businesses by Geography	13,265	5.87	11.82	73.41	8.81	0.10
Farms by Geography	666	0.90	3.30	91.29	4.50	0.00
Family Distribution by Income Level	41,953	17.96	19.18	24.74	38.12	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	15,582	3.58	20.79	71.19	4.44	0.00
Median Family Income	= \$51,239	Median Housing Value = \$98,849				
HUD Adjusted Median Family Income 2011	= \$60,484	Non-Adjusted 2011 Annual Unemployment				
Households Below the Poverty Level	= 8.77%	Rate = 10.0%				

(\* ) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census and 2011 HUD updated MFI.

The Jackson AA is comprised of Jackson County (Jackson, Michigan MSA 27100) and one adjacent tract in Calhoun County (Battle Creek, Michigan MSA 12980) due to the location of a branch office. While in different MSAs, the Calhoun County tract is combined with the Jackson County tracts to form the AA because a meaningful analysis would be difficult for a single census tract. This AA meets the requirements of the regulation, as the AA's boundary does not significantly extend beyond the MSA. HCNB operates six branches in this AA. HCNB is ranked fourth in size based on the June 30, 2011 FDIC deposit data, with 4.68 percent of the insured deposits market. Competition is strong. There are nine insured deposit institutions operating 42 offices in the area. The institutions with the greatest presence are Flagstar Bank (29.52 percent of the insured deposits market), Citizens Bank (24.60 percent), and Comerica Bank (23.95 percent).

The economic recession during the evaluation period negatively affected the local area. Economic recovery has been slow due to a high reliance on the volatile automotive industry and high unemployment for most of the evaluation period. Annual unemployment rates for the AA were 12.8 percent for 2010 and 10 percent for 2011. The area's unemployment rate is comparable to the 2011 Michigan statewide, non-adjusted annual rate of 10.4 percent. Major employers include Allegiance Health, CMS Energy, Michigan Department of Corrections, Great Lakes Home Health and Hospice, and Meijer Incorporated.

Based on our discussions with bank management and local community information, there have been opportunities to participate in community development activities. Credit and non-credit needs in this AA include:

- Funding additional low-income housing tax-credit affordable housing projects within the community,
- Providing general operating support for community agencies providing emergency shelters and youth programs to offset loss of state and federal funding sources,
- Assisting in education, financial literacy, and tax preparation programs, and
- Financing start-up businesses to create jobs.

## **Conclusions with Respect to Performance Tests**

Performance under the lending test is rated "Satisfactory." The bank's performance meets or exceeds the standards of satisfactory performance for the individual components detailed below. The borrower and geographic distribution components receive the most weight in our analysis.

## **LENDING TEST**

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

The bank's net loan-to-deposit (LTD) ratio is more than reasonable and exceeds the standard for satisfactory performance given the bank's size and financial condition and the credit needs of the AAs. The bank's average quarterly LTD ratio over the past 12 quarters was 93.71 percent. This exceeded the 80.35 percent experienced by its national peer group during the same period.

**Lending in Assessment Area**

HCNB's record of lending in the AAs exceeds the standard for satisfactory performance. A substantial majority of lending activity has occurred within the bank's AAs. As reflected in Table 1, 88.95 percent of the number of loans and 85.83 percent of loan dollars originated during the evaluation period are located within the bank's AAs. These percentages are based on all home mortgage activity and a sample of eighty small business loans originated by the bank during the evaluation period.

<b>Table 1 - Lending in HCNB's AAs</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	1,079	88.23	144	11.77	1,223	140,736	84.61	25,604	15.39	166,340
Business	80	100.00	0	0.00	80	14,314	100.00	0	0.00	14,314
<b>Totals</b>	<b>1,159</b>	<b>88.95</b>	<b>144</b>	<b>11.05</b>	<b>1,303</b>	<b>150,050</b>	<b>85.83</b>	<b>25,604</b>	<b>14.17</b>	<b>180,654</b>

*Source: Data reported under HMDA and Business Loan Sample*

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

The distribution of loans to borrowers of different incomes and businesses of different sizes is reasonable and meets the standard for satisfactory performance. Home mortgage lending reflects reasonable penetration. The distribution of loans to businesses of different sizes reflects excellent penetration.

In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level and the barriers that this may have on home ownership. It is especially difficult for the segment of the low-income population that lives below the poverty line to afford and maintain a home. This has an impact on the opportunity to lend to the low-income population of the community. Refer to the **Description of Assessment Areas** section for demographic information, including poverty rates.

**Hillsdale Assessment Area**

The overall borrower distribution of loans is reasonable in the Hillsdale AA. This is based on reasonable penetration of home mortgage loans among borrowers of different income levels, and excellent penetration of business loans among businesses of different sizes. Refer to Table 2a for the primary data used to assess the borrower distribution of home mortgage lending in the Hillsdale AA. Based on loan volume, the

most weight was placed on home refinance activity and the least weight on home improvement activity when drawing conclusions.

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	14.54	11.11	18.13	20.37	25.21	21.30	42.12	44.44
Home Improvement	14.54	12.50	18.13	18.75	25.21	28.13	42.12	31.52
Home Refinance	14.54	8.67	18.13	13.93	25.21	21.67	42.12	48.61

Source: Data reported under HMDA; 2000 U.S. Census data  
Income information was not reported for 2.78% of home purchase, 9.38% of home improvement and 7.12% of home refinance loans within the Hillsdale AA.

The distribution of home purchase loans reflects reasonable penetration among borrowers of different income levels. While the percentage of home purchase loans to low-income borrowers is somewhat below the percentage of low-income families in the area, consideration is given to the impact that the area’s poverty level has on the opportunities to lend to the low-income segment of the community. The percentage of home purchase loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA.

The distribution of home improvement loans reflects reasonable penetration among borrowers of different income levels. While the percentage of home improvement loans to low-income borrowers is comparable to the percentage of low-income families in the area, consideration is given to the impact that the area’s poverty level has on the opportunities to lend to the low-income segment of the community. The percentage of home improvement loans to moderate-income borrowers exceeds the percentages of moderate-income families in the AA.

The distribution of home refinance loans reflects reasonable penetration among borrowers of different income levels. While the percentage of home refinance loans to low-income borrowers is significantly below the percentage of low-income families in the area, consideration is given to the impact that the area’s poverty level has on the opportunities to lend to the low-income segment of the community. The percentage of home refinance loans to moderate-income borrowers is lower than the percentage of moderate-income families in the AA.

Consideration is also given to the slow economic recovery, job loss, and reluctance of downsized businesses to rehire during the timeframe.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	72.35	2.27	25.38	100%
% of Bank Loans in AA by #	77.50	22.50	0.00	100%
% of Bank Loans in AA by \$	49.34	50.66	0.00	100%

Source: Business Loan Sample and 2011 Dun & Bradstreet data.

The distribution of business loans reflects excellent penetration among businesses of different sizes. This is based on a sample of 40 loans, where 31 loans were made to businesses with gross annual revenues of less than or equal to \$1 million. The percentage of loans made to small businesses in the AA exceeds the percentage of area businesses having gross annual revenues less than or equal to \$1 million.

**Jackson Assessment Area**

The overall borrower distribution of loans is reasonable in the Jackson AA. This is based on reasonable penetration of home mortgage loans among borrowers of different income levels, and excellent penetration of business loans among businesses of different sizes. Refer to Table 3a below for the primary data used to assess the borrower distribution of home mortgage lending in the Jackson AA. Based on loan volume, the most weight was placed on home refinance activity and the least weight on home improvement activity when drawing conclusions.

Table 3a - Borrower Distribution of Home Mortgage Loans in Jackson AA								
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	17.96	15.49	19.18	17.13	24.74	24.86	38.12	39.23
Home Improvement	17.96	8.11	19.18	24.32	27.74	16.22	38.12	48.65
Home Refinance	17.96	5.78	18.18	12.81	24.74	23.12	38.12	50.50

*Source: Data reported under HMDA; 2000 U.S. Census data. Income information was not reported for 3.80% of home purchase, 2.70% of home improvement and 7.79% of home refinance loans within the Jackson AA.*

The distribution of home purchase loans reflects reasonable penetration among borrowers of different income levels. The percentages of home purchase loans to both low- and moderate-income borrowers are comparable to the percentages of low- and moderate-income families in the AA.

The distribution of home improvement loans reflects reasonable penetration among borrowers of different income levels. While the percentage of home improvement loans to low-income borrowers is significantly below the percentage of low-income families in the area, consideration is given to the impact that the area’s poverty level has on the opportunities to lend to the low-income segment of the community. The percentage of home improvement loans to moderate-income borrowers significantly exceeds the percentages of moderate-income families in the AA.

The distribution of home refinance loans reflects poor penetration among borrowers of different income levels. While the percentage of home refinance loans to low-income borrowers is significantly below the percentage of low-income families in the area, consideration is given to the impact that the area’s poverty level has on the opportunities to lend to the low-income segment of the community. The percentage of home refinance loans to moderate-income borrowers is below the percentage of moderate-income families in the AA.



Consideration is also given to the slow economic recovery, job loss, and reluctance of downsized businesses to rehire during the timeframe. Furthermore, the reliance on the automotive industry and this industry’s mixed success in returning to previous production levels has negatively affected the economic stability in the AA.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67.58	3.30	29.11	100%
% of Bank Loans in AA by #	85.00	15.00	0.00	100%
% of Bank Loans in AA by \$	88.37	11.63	0.00	100%

Source: Business Loan Sample and 2011 Dun & Bradstreet data.

The distribution of business loans reflects excellent penetration among businesses of different sizes. This is based on a sample of 40 loans, where 34 loans were made to businesses with gross annual revenues of less than or equal to \$1 million. The percentage of loans made to small businesses in the AA significantly exceeds the percentage of area businesses having gross annual revenues less than or equal to \$1 million.

### Geographic Distribution of Loans

The overall geographic distribution of loans is reasonable and meets the standard for satisfactory performance. Home mortgage lending reflects poor dispersion while business lending reflects excellent dispersion. The analysis reflects lending occurred in most tracts of the AA. Specifically, this conclusion is based on performance from the Jackson AA only. With no low- or moderate-income census tracts within the Hillsdale AA, a meaningful geographic distribution analysis could not be performed for that area.

### Home Mortgage Lending

In drawing conclusions, more weight is placed on moderate-income performance, as this segment of the community represents a significantly larger portion of the AA than the low-income segment. There is limited opportunity to lend in low-income areas, as less than 1 percent of the area’s owner-occupied housing units are located in those portions of the AA. Refer to Table 4a below for the primary data used to assess the geographic distribution of home mortgage lending.

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
Home Purchase	0.58	0.55	11.41	2.76	77.51	77.90	10.49	18.78
Home Improvement	0.58	0.00	11.41	2.70	77.51	72.97	10.49	24.32
Home Refinance	0.58	0.50	11.41	3.02	77.51	74.62	10.49	21.86

Source: Data reported under HMDA; 2000 U.S. Census data.

The distribution of home purchase loans reflects poor dispersion among geographies of different income levels. The percentage of home purchase loans made in low-income areas is comparable to the percentage of owner-occupied housing units in that segment of the community. However, the percentage of home purchase loans made in moderate-income areas is significantly below the percentage of owner-occupied housing units located in the moderate-income portions of the AA.

The distribution of home improvement loans reflects poor dispersion among geographies of different income levels. In both low- and moderate-income geographies, the percentages of home improvement loans made are significantly below the percentage of owner-occupied housing units within those segments of the community.

The distribution of home refinance loans reflects a poor dispersion of loans among geographies of different income levels. The percentage of home refinance loans made in low-income areas is comparable to the percentage of owner-occupied housing units in that segment of the community. However, the percentage of home refinance loans made in moderate-income areas is significantly below the percentage of owner-occupied housing units located in the moderate-income portions of the AA.

Consideration is also given to the following factors. Although low- and moderate-income geographies comprise 26 percent of the AA, only 16 percent of population resides in those census tracts and only 12 percent of the owner-occupied housing units are located there. High levels of competition combined with depressed collateral valuations negatively affect the lending opportunities available for the purchase, improvement or refinance of residences in these geographies.

### Business Lending

The distribution of business loans among geographies of different income levels reflects excellent dispersion. The percentage of business loans in low-income and moderate-income areas significantly exceed the percentages of businesses located in those segments of the AA. This conclusion is based on a sample of 34 loans made to small businesses within the AA. Refer to Table 4b below for the primary data used to assess the geographic distribution of business lending.

Table 4b - Geographic Distribution of Loans to Businesses in Jackson AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Business	5.87	17.65	11.82	26.47	73.41	50.00	8.81	5.88

Source: Business Loan Sample; 2011 Dun & Bradstreet business data.  
 This table includes 0.10% of businesses located in an NA census tract.

### Responses to Complaints

HCNB has not received any written complaints during the evaluation period regarding its performance to meet the credit needs of its AAs.

## **COMMUNITY DEVELOPMENT TEST**

HCNB's community development (CD) performance reflects excellent responsiveness in meeting the CD lending, investments, and service needs of its AAs.

### **Number and Amount of Community Development Loans**

CD loan activity reflects excellent responsiveness to CD loan needs.

#### **Hillsdale Assessment Area**

HCNB originated two CD loans totaling approximately \$750 thousand in this AA. One CD loan for economic development provided construction funds to rebuild a restaurant in a distressed middle-income census tract, which helped to revitalize and stabilize that community. One CD loan assisted a community service organization targeted to low- and moderate-income individuals.

#### **Jackson Assessment Area**

HCNB originated 17 CD loans totaling approximately \$8.7 million in this AA. Four CD loans provided affordable housing to low- and moderate-income individuals within the city of Jackson. Two CD loan for economic development financed the construction of a road in an industrial park to support a new business relocating to Jackson and extended water and sewer lines to expand an existing business. Two CD loans for economic development financed the purchase and reopening of a former manufacturing plant, including a line of credit for working capital purposes. The manufacturing plant intends to hire up to 48 former employees once the plant is fully functional.

Nine CD loans assisted community service organizations who provide services to low- and moderate-income individuals and families in a variety of activities. Four CD loans provided funds to purchase and rehabilitate residential properties serving low- and moderate-income individuals and to purchase a van to transport its clients to various appointments. Two CD loans assisted community service organizations to purchase a new facility to house a food bank and provided refinancing for a women's treatment center. Three CD loans provided a line of credit to a family health center who provide medical and dental care for uninsured children and adults.

### **Number and Amount of Qualified Investments**

Qualified investment activity reflects excellent responsiveness to CD investment needs.

#### **Hillsdale Assessment Area**

HCNB purchased six municipal bonds totaling \$8.4 million during the examination period. Three bonds were to assist in revitalization and stabilization efforts in local communities. Three bonds were to institutions that provide services to low- and moderate-income individuals. Prior to this evaluation period, HCNB purchased five municipal bonds totaling \$4.7 million that remain in its portfolio.

HCNB made 30 cash donations to 13 CD organizations totaling \$27 thousand. Organizations benefitting from these donations included those involved in affordable housing, economic development, revitalization and stabilization of business districts, and community services to low- and moderate-income individuals and households.

### **Jackson Assessment Area**

HCNB made 13 qualified donations to eight CD organizations totaling \$6 thousand. Organizations benefitting from these donations included those involved in affordable housing, economic development, revitalization and stabilization of business districts, and community services to low- and moderate-income individuals and households.

### **Extent to Which the Bank Provides Community Development Services**

HCNB provides an excellent level of CD services.

### **Hillsdale Assessment Area**

CD services consist of volunteer and bank subsidized service efforts on the part of employees and bank management. Twenty-three bank employees have provided CD services to 21 organizations specializing in affordable housing, economic development, revitalization and stabilization of downtown businesses, and community services to low- and moderate-income individuals. Eleven of these employees serve on the Board or Committees of these organizations. Ten conducted financial education seminars benefitting low- and moderate-income individuals and households or served as financial experts to small business owners at an entrepreneurial expo.

During 2009 and 2010, the geographies within the Hillsdale AA were designated distressed middle-income nonmetropolitan tracts due to high unemployment levels. The bank's five full-service offices and one drive-through office were all located in distressed middle-income tracts for this period.

### **Jackson Assessment Area**

CD services consist of volunteer and bank subsidized service efforts on the part of employees and bank management. Eighteen bank employees, including management, have provided CD services to 16 organizations specializing in economic development, revitalization and stabilization of downtown businesses, and community services to low- and moderate-income individuals. Seven of these employees serve on the Board or Committees of these organizations. Three of these employees spoke at small business workshops discussing financial statement preparation and available business credit

products to benefit small business owners. Four employees participated in foreclosure prevention forums discussing lender practices and loss migration services and programs to help stabilize neighborhoods challenged by foreclosures. Four employees taught financial management skills at community service organizations serving low- and moderate-income individuals or local schools having predominately low- and moderate-income students.

HCNB has one branch each in a low-income and a moderate-income census tract, representing 33 percent of the branch network in this AA.

### **Responsiveness to Community Development Needs**

HCNB demonstrates excellent responsiveness through its CD loans, qualified investments, and services to the community.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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