

## PUBLIC DISCLOSURE

June 7, 1999

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

New Richmond National Bank  
Charter Number 7542  
110 Front Street  
P.O. Box 48  
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Office of the Comptroller of the Currency  
Central Ohio Field Office  
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**Note: 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 institution.**

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## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of New Richmond National Bank prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 7, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR, Part 25.*

## OVERALL CONCLUSIONS

**INSTITUTION'S CRA Rating:** The institution is rated **SATISFACTORY** record of meeting community credit needs.

New Richmond National Bank (NRNB) exhibits a satisfactory performance record. This rating is supported by:

- The bank's loan-to-deposit ratio is reasonable at 85% as of December 31, 1998.
- NRNB is responsive to the credit needs of its community. Our loan sample revealed a substantial majority of the loans originated between January 1, 1997, through December 31, 1998, were located within the bank's assessment areas.
- NRNB demonstrates a strong level of lending to small businesses. Of the commercial loans sampled, 90% were to businesses with revenues of less than one million dollars annually.
- NRNB has a reasonable level of lending to borrowers of different income levels.
- NRNB made a community development loan for the benefit of low- and moderate-income families that were affected a devastating flood.

## **DESCRIPTION OF INSTITUTION**

New Richmond National Bank (NRNB), total assets \$51 million, is part of a one-bank holding company, New Richmond Bancshares. The main office is in New Richmond, Ohio, located in Clermont County. The bank has three branch offices, also located in Clermont County. Two are located in the towns of Amelia and Felicity. The third branch (Rivertown) is located in a grocery store just outside of New Richmond. The bank has automated teller machines (ATMs) at the Rivertown and Amelia branches. The New Richmond, Rivertown and Felicity facilities are located in moderate-income census tracts. The Amelia branch is located in a middle-income census tract.

NRNB's primary line of business is real estate lending. As of December 31, 1998, real estate loans represented 82% of the bank's loan portfolio. From January 1, 1997, to December 31, 1998, NRNB originated approximately \$40 million in residential real estate loans. During the same timeframe, \$8.7 million in commercial loans were originated. The bank offers a variety of products (both retail and commercial) to accommodate borrowers within its assessment areas. The percentage of net loans to total assets as of December 31, 1998, was 77.68%. The loan portfolio consisted of the following loan types, as reported in the December 31, 1998, Consolidated Report of Condition:

<b>LOAN TYPE</b>	<b>DOLLAR (000'S)</b>	<b>% OF TOTAL LOANS</b>
<b>Real Estate Loans</b>	\$33,037	82%
<b>Commercial Loans</b>	\$ 3,737	9%
<b>Loans to Individuals</b>	\$ 2,846	7%
<b>Agricultural Loans</b>	\$ 674	2%
<b>Total Loans</b>	\$40,291	100%

There are no financial or legal impediments that would negatively impact the bank's ability to meet the credit needs of its assessment areas. The bank's CRA rating, as of March 31, 1996, was "Outstanding Record of Meeting Community Credit Needs."

## **DESCRIPTION OF ASSESSMENT AREAS**

The bank's primary trade area is a contiguous area that consists of 18 census tracts and three block numbering areas (BNAs) in Clermont, Hamilton, and Brown Counties in Ohio. For purposes of this CRA evaluation, this must be evaluated as two assessment areas. The 18 census tracts in Clermont and Hamilton Counties are a part of the Cincinnati Metropolitan Statistical Area 1640 (MSA 1640 assessment area). Of the 18 census tracts, 14 are located in Clermont County and four are located in Hamilton County. The second assessment area consists of three block numbering areas (BNAs) in Brown County (Brown County assessment area). The bank's assessment areas geographies are as follows: seven moderate-income geographies (33%), ten middle-income geographies (48%), and four upper-income geographies (19%). No census tracts designated low-income are present in Clermont County, and the census tracts included in the assessment area from Hamilton County all are on the border, adjacent to Clermont County. The nearest low-income census tracts to the bank's assessment areas are well

within Hamilton County. The assessment areas meet the requirements of the Community Reinvestment Act and do not arbitrarily exclude low- or moderate-income geographies.

The economic status of families and census tracts is categorized into four income levels defined as follows: low-income is defined as an individual or geography with income less than 50% of the median MSA family income; moderate-income is an individual or geography with income of 50% to 80% of the median MSA family income; middle-income is an individual or geography with income of 80% to 120% of the median MSA family income; and upper-income is an individual or geography whose income is greater than 120% of the greater MSA family income.

The 1999 Department of Housing and Urban Development estimated median family income MSA 1640 is \$54,800 and the estimated non-MSA median family income for the state of Ohio is \$43,200. The population of the bank's assessment areas is 121,717 consisting of 33,734 families. The assessment areas contain 45,228 housing units with 67% of the housing units owner-occupied and 27% renter-occupied. See the table below for the breakdown of the number of families and geographies categorized by income level.

<b>Families and Census Tracts/ Block Numbering Areas by Income</b>								
<b>Families &amp; Census Tracts</b>	<b>Low-Income</b>		<b>Moderate-Income</b>		<b>Middle-Income</b>		<b>Upper-Income</b>	
MSA 1640 AA 29,792 Families	4,972	17%	5,290	18%	7,409	25%	12,121	40%
18 Census Tracts	0	0	4	22%	10	56%	4	22%
Brown Co. AA 3,942 Families	1,152	29%	878	22%	931	24%	981	25%
3 BNAs	0	0%	3	100%	0	0%	0	0%

The MSA 1640 assessment area has diverse economy and has experienced modest growth. The economic sectors with the highest employment are the retail trade and service sectors. The Brown County assessment area is predominately rural in nature with agricultural serving as the major industry. Unemployment rates in the bank's assessment areas as of May 1999 are: 3.1% for Clermont County, 3.0% for Hamilton County and 4.2% for Brown County. The MSA 1640 assessment area is predominately urban with some suburban areas located primarily in Hamilton County. Large employers are Ford Motor Company and U.S. Precision Lens, Inc. Competition within the assessment areas consists of one local financial institution and seven branches of regional Cincinnati banks.

Reliance was placed on recent community contacts conducted as part of other CRA examinations performed within MSA 1640. These contacts with local realtors, housing authority officials and elected officials noted the need for both construction and financing

of affordable housing. Additionally, low interest and flexible lending programs were identified as needs for the area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit ratio**

**The bank's loan-to-deposit ratio is satisfactory given the bank's size, financial condition and assessment areas credit needs.**

The bank's average loan-to-deposit ratio since the March 31, 1996 CRA examination is 82.44%. The average loan-to-deposit ratio for the four quarters March 31, 1998, to December 31, 1998, was 82.20%. NRNB has a deposit market share of 4%, in Clermont County. In Hamilton County NRNB has less than 1% of deposit market share. Similarly situated institutions in Ohio ranging in size from \$25-\$100 million had an average loan-to-deposit of 78.23% as of December 31, 1998.

NRNB sells a significant portion of its real estate loans in the secondary market. During 1997, the bank sold \$4.8 million and in 1998, \$12.1 million worth of residential real estate loans. As of December 31, 1998, the bank was servicing approximately \$73 million in real estate loans sold to the Federal Home Loan Mortgage Corporation (FHLMC). Including loans sold to FHLMC during 1997 and 1998 in the bank's loan-to-deposit ratio calculation would result in an average loan-to-deposit ratio of 104%.

### **Lending in Assessment Areas**

**A substantial majority of loans are in the bank's assessment areas.**

A substantial majority of the bank's residential real estate loans (86% based on number) are in the bank's assessment areas. We analyzed all mortgage loans (home purchase, refinance, and home improvement) reported by NRNB on the 1997 and 1998 HMDA Loan Application Registers. NRNB reported 407 loans totaling \$27.4 million for the period reviewed

A sample of 20 commercial loans originated during 1997 and 1998 was analyzed to determine the percentage of commercial loans within NRNB's assessment areas. The following tables indicate a substantial majority, 80%, of the commercial loans originated during the review period were also located within the bank's assessment areas.

The following tables demonstrate a substantial majority of the loans originated during 1997 and 1998 were located within the bank's assessment areas.

<b>Number Loans Originated Inside/Outside Assessment Areas in 1997 &amp; 1998</b>					
<b>Type of Loan</b>	<b># in assessment areas</b>		<b># outside assessment areas</b>	<b>Total # of loans</b>	<b>% in assessment areas</b>
	<b>MSA 1640</b>	<b>Brown County</b>			
<b>Mortgage</b>	343	9	55	407	86%
<b>Commercial</b>	15	1	4	20	80%
<b>Total</b>	358	10	59	427	86%

<b>Dollar Volume of Loans Originated Inside/Outside Assessment Areas in 1997 &amp; 1998 (000's)</b>					
<b>Type of Loan 1997 &amp; 1998</b>	<b>\$ of loans in assessment areas</b>		<b>\$ outside assessment areas</b>	<b>Total \$ of loans</b>	<b>% in assessment areas</b>
	<b>MSA 1640</b>	<b>Brown County</b>			
<b>Home Mortgage</b>	\$22,988	\$369	\$4,076	\$27,433	85%
<b>Commercial</b>	\$1,881	\$5	\$1,098	\$2,985	63%
<b>Total</b>	\$24,869	\$374	\$5,174	\$30,418	83%

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

The distribution of borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

<b>Distribution of Home Mortgage Loans Originated 1997 &amp; 1998</b>								
	<b>Low-income</b>		<b>Moderate-income</b>		<b>Middle-income</b>		<b>Upper-income</b>	
	<b>#</b>	<b>\$000</b>	<b>#</b>	<b>\$000</b>	<b>#</b>	<b>\$000</b>	<b>#</b>	<b>\$000</b>
<b>Sample # &amp; \$</b>	39	1,260	71	3,157	133	8,853	106	10,086
<b>Sample %</b>	11%	5%	20%	14%	38%	38%	31%	43%
<b>Families in MSA 1640 AA</b>	18%		18%		25%		39%	
<b>Brown Co. AA</b>	29%		22%		24%		25%	

The analysis of home mortgage loans originated during 1997 and 1998 indicates there is reasonable penetration of all income levels as demonstrated in the preceding table. There were 110 home loans to low- and moderate-income borrowers (31% of all loans) that originated during 1997 and 1998. The percentage of dollars loaned, 19% to low- and moderate-income persons is lower than the population percentage for these two incomes. However, this is not unusual due to the reduced debt capacity of low-income persons. This table illustrates that NRNB is attempting to meet the needs of the community as identified by the community contacts described on page 5 of this document.

<b>Distribution of Small Business Loans Originated in 1997 and 1998</b>				
Revenue (\$000's)	#	%	Original Loan (\$000's)	%
<\$100	6	30%	\$1,024	34%
\$100-250	5	25%	\$37	1%
\$250-\$1000	7	35%	\$1,129	38%
>\$1000	2	10%	\$793	27%
<b>Total</b>	<b>20</b>	<b>100%</b>	<b>\$2,983</b>	<b>100%</b>

We sampled 20 commercial loans originated during 1997 and 1998 to determine NRNB's loan distribution to businesses of different sizes. As the preceding table illustrates, a majority of the loans sampled (90% based on loan number or 73% based on loan dollar amount) were to small businesses (business with annual revenue of less than \$1 million). Our review of 1990 census data revealed 90% of the business in the MSA 1640 assessment area and 91% in the Brown County assessment area were small business/small farms. Additionally, the sample revealed that the bank has a good distribution of loans to businesses of different sizes.

### **Geographic Distribution of Loans**

**The geographic distribution of loans reflects excellent dispersion throughout the assessment areas.**

The following tables represent our sample of the distribution of home mortgage and small business loans within the assessment areas. The bank's assessment areas contain 45,228 housing units. Of these housing units, 30,242, or 67%, are owner-occupied.

<b>Geographic Distribution of Loans in MSA 1640 Assessment Area</b>												
	Low-income Census Tracts			Moderate-income Census Tracts			Middle-income Census Tracts			Upper-income Census Tracts		
	Number		Dollar Volume	Number		Dollar Volume	Number		Dollar Volume	Number		Dollar Volume
Residential Mortgage	0	0%	0	255	75%	\$15,922	79	23%	\$6,043	8	2%	\$901
Small Business	0	0%	0	11	79%	\$1,626	3	21%	\$255	0	0%	0
Total	0	0%	0	266	75%	\$17,548	82	23%	\$6,298	8	2%	\$901

*Dollar Amounts are in Thousands*

<b>Geographic Distribution of Loans in Brown County Assessment Area</b>												
	Low-income BNAs			Moderate-income BNAs			Middle-income BNAs			Upper-income BNAs		
	Number		Dollar Volume	Number		Dollar Volume	Number		Dollar Volume	Number		Dollar Volume
Residential Mortgage	0	0%	0	9	100%	\$369	0	0%	0	0	0	0
Small Business	0	0%	0	1	100%	\$5	0	0%	0	0	0	0
Total	0	0%	0	10	100%	\$374	0	0%	0	0	0	0

*Dollar Amounts are in Thousands*

Our analysis revealed an excellent dispersion throughout the assessment areas. Our review of geographic distribution demonstrated lending activity in all census tracts and block numbering areas, with the exception of block numbering area 9513 located in Brown County. As previously noted, the assessment areas of the bank do not contain any low-income geographies, however, 11% of mortgage home loans were to low-income borrowers.

In the MSA 1640 assessment area, 75% of NRNB's mortgages originated were in moderate-income census tracts, 23% were in middle-income tracts, and 2% were in upper-income tracts. This is a very high number of loans in the moderate-income census tract, especially when considering that for the MSA 1640 assessment area, 21% of the total owner-occupied units are in moderate-income areas, 59% are in middle-income areas and 20% are in upper-income areas. Because all of the BNAs in the Brown County assessment area are moderate-income, all loans in this assessment area are to borrowers living in moderate-income BNAs.

The review of small business loans within the assessment areas of the bank also demonstrates an excellent dispersion through its assessment areas. Seventy-nine percent of the bank's small business loans were in moderate-income census tracts, while 21% were in middle-income census tracts. Review of 1990 census data reveals that, within the bank's assessment areas, 25% of small businesses are in moderate-income census tracts, 54% are in middle-income tracts and 21% are in upper-income tracts.

## **Responses to Complaints**

The bank has not received any complaints from the public regarding its performance in meeting the credit needs of its assessment areas during the evaluation period.

## **Investment Test**

**The bank has a satisfactory record of investing in Community Development projects.**

NRNB has qualifying Investment loans to one entity. A \$125,000 real estate loan and a \$12,000 operating line were originated to the Community Investment Corporation in December 1997. These loans were to construct a 40-unit housing complex for low- and moderate-income families that lost their homes as a result of a devastating flood. Although the proposed site for the housing complex has been deemed unsuitable by a governmental agency, the bank continues to work with the Corporation in finding a suitable location in or around New Richmond.

## **Service Test**

**The bank has a satisfactory record of providing banking services to its Assessment Areas.**

NRNB has four banking offices, two of which have automated teller machines that provide 24-hour access. The office hours are consistent with what is typical in the banking industry, including Saturday hours at all offices and Sunday hours at the Rivertown branch. NRNB has an Internet home page ([www.nrnbc.com](http://www.nrnbc.com)) that provides information about the bank and services available.

## **Other Considerations**

The bank's record of complying with anti-discrimination laws and regulations was reviewed using home mortgage applications received during 1998 through March 31, 1999. The prohibited basis group consisted of approved single female applicants, while approved single male applicants were used as the control group. The analysis compared the interest rate charged by product type for both groups. No violations of anti-discrimination laws and regulations were identified.