PUBLIC DISCLOSURE

October 13, 1992

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Catlettsburg Federal Savings and Loan Association

Docket No. 03690

2717 Louisa Street
Catlettsburg, Kentucky 41129

OFFICE OF THRIFT SUPERVISION
Department of the Treasury
Cincinnati Area Office
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*                                      ! ! NOTE ! !                         *
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* 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.                                              *
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This document is an evaluation of the Community Reinvestment Act (CRA) performance of Catlettsburg Federal Savings and Loan Association, Catlettsburg, Kentucky (Catlettsburg Federal), prepared by the Office of Thrift Supervision, Cincinnati Area Office, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of Catlettsburg Federal's CRA performance based on an examination conducted as of October 13, 1992. It does not reflect any CRA-related activities that may have been initiated or discontinued by Catlettsburg Federal after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.


Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.
ASSIGNMENT OF RATING

IDENTIFICATION OF RATINGS

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

**Outstanding record of meeting community credit needs.**

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**Satisfactory record of meeting community credit needs.**

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**Needs to improve record of meeting community credit needs.**

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**Substantial noncompliance in meeting community credit needs.**

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.
DISCUSSION OF INSTITUTION'S PERFORMANCE

INSTITUTION'S RATING

Based on the findings presented below, this institution is rated:

Satisfactory Record of Meeting Community Credit Needs

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

During July 1991 Catlettsburg Federal and six other local lenders arranged for a consultant to perform a "community credit needs assessment." When completed, the report will include an in-depth review of the specific institution's 2-county (Boyd and Greenup) geographic lending environment with emphasis on credit needs of low- and moderate-income families. The analysis will reflect interviews with various governmental and civic organizations. According to management, the issuance of a final report has been delayed, but should be available to participants by December 31, 1992.

Board members and senior officers are actively involved in various civic and professional organizations. Also, management attends periodic meetings with managers of other financial institutions and local business leaders to discuss credit needs of the local area.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

According to management, the Board of Directors is given the prior year's CRA policy every November and asked for comments and revisions they wish incorporated for the following year.
DISCUSSION OF INSTITUTION'S PERFORMANCE (continued)

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Catlettsburg Federal has not been involved in any direct marketing or special programs to make members of the community aware of credit services.

Catlettsburg Federal advertises various credit and savings products in local newspapers and on a local television station. Officers have a working relationship with local realtors and periodically inform them of any changes in lending services.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Catlettsburg Federal has not purchased any loans since the date of the previous examination, other than its purchase of mortgage-backed securities from the secondary market. It is Catlettsburg Federal's policy to purchase such assets with funds not needed to meet loan demand from the delineated community.

Catlettsburg Federal is primarily a single-family mortgage lender, but does offer mortgage loans for small businesses. During the 15-month period ended September 30, 1992, three mortgage loans aggregating $372,000 were granted on the security of small businesses.

The review of Catlettsburg Federal's mortgage lending activity during the 15-month period disclosed that 83.6 percent of loans granted were secured by properties located in Boyd County, Kentucky (location of main office). Catlettsburg Federal's lending practices were consistent with types of credit described in the CRA statement.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

Catlettsburg Federal is a participant in the Kentucky Housing Program (KHP) which provides affordable housing loans for first-time homeowners. During the 15-month period ended September 30, 1992, 18 such applications were submitted by Catlettsburg Federal for review, 10 of which resulted in loans granted. Catlettsburg Federal also participates with KHP in a program which provides second mortgage financing.
II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED (continued)

Assessment Factor J (Continued)

In addition, Catlettsburg Federal processes local FHA/VA applications and conventional financing up to 95 percent of purchase price for a Lexington, Kentucky, loan originator. During the 15-month period Catlettsburg Federal processed four FHA applications, three of which resulted in loans granted.

During April 1992 Catlettsburg Federal made application to participate as an originating lender in the Rural Housing Guarantee Program administered by the Farmers Home Administration (FmHA). Loans granted under this program require no down payment, and the top 35 percent of the principal is guaranteed by FmHA. The main focus of the program is directed to credit conscious customers in rural areas who do not have the resources for a sufficient down payment.

As of the date of this assessment, Catlettsburg Federal had not received final approval to grant loans under this program.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

Catlettsburg Federal's delineated community is the incorporated areas of Catlettsburg and adjacent Ashland, Kentucky. Both of these cities are located in Boyd County. A review of Catlettsburg Federal's lending patterns revealed activity in most sections of Boyd County.

The delineation does not include Carter County, Kentucky wherein the Grayson Branch office is located. The Grayson branch offers limited services of opening and closing savings passbooks and certificates of deposits. Catlettsburg Federal does not generally take loan applications at the branch site, but a loan officer will travel to Grayson if such a request is made. Generally, loan customers travel to the main office for the loan application process. During the 21-month period ended September 30, 1992, seven mortgage loans aggregating $234,000 were made in Carter County. Catlettsburg Federal's deposit base with Carter County customers totaled $6.6 million.
DISCUSSION OF INSTITUTION'S PERFORMANCE (continued)

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (continued)

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

The review of loan application records did not reveal any adverse trends concerning the distribution of credit extensions, credit applications, and credit denials.

As stated above, Catlettsburg Federal's delineated community consists of the incorporated areas of Catlettsburg and Ashland, Kentucky. Both of these cities are located in Boyd County, Kentucky which includes 13 census tracts, 4 of which are designated low-income and 1 which is designated medium-income. During the 15-month period ended September 30, 1992, 12 loans were granted in the low-income census tracts and 5 loans were granted in the medium-income census tract. For the period, total loans granted in low- and moderate-income census tracts represented 30.4 percent of total loans granted. The review of loan registers revealed that no applications were rejected from these areas during the period.

It was revealed that no applications were received from two census tracts designated low-income. A further analysis revealed these areas are primarily commercial areas located in downtown Ashland.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

Catlettsburg Federal's main office and its Grayson, Kentucky, branch are open from 9:00 AM to 4:00 PM Monday through Friday and from 9:00 AM to noon on Saturday. The branch offers limited services of opening and closing savings passbooks and Certificates of deposits.

Catlettsburg Federal has never closed an office.
IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

The review of rejected and withdrawn loan applications and discussions with loan officers did not reveal any evidence of prohibited practices. An analysis of appropriate data did not reveal any complaint filings since the date of the previous examination.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

The examination did not reveal any evidence of prohibited discriminatory or other illegal credit practices.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

At September 30, 1992, Catlettsburg Federal had $860,000 invested in school and municipal bonds. Of this amount $390,000 was invested in bond issues within the delineated community.

Assessment Factor K - The institution's ability to meet community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

Based on the size and financial condition of Catlettsburg Federal and the structure of the local economy, lending resources appear adequate to meet community needs. There are no known impediments to keep Catlettsburg Federal from meeting the credit needs of its lending community.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

The review revealed no other significant factors affecting Catlettsburg Federal's ability to meet the credit needs of its community.