



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 21, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Cumberland Valley National Bank & Trust
Charter No. 10254
P.O. Box 709
London, Kentucky 40743-0709**

**Office of the Comptroller of the Currency
One Financial Place, Suite 2700
440 South LaSalle
Chicago, Illinois 60605**

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 financial institution.

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 **Cumberland Valley National Bank & Trust** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 21, 1997. This evaluation is for the period of time since the last CRA examination dated November 21, 1994. Cumberland Valley National Bank & Trust had a previous CRA performance rating of Outstanding. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated: “Outstanding Record of Meeting Community Credit Needs”.

COMMUNITY AND BANK PROFILE

COMMUNITY PROFILE:

Cumberland Valley National Bank & Trust (CVNB) is located in southeastern Kentucky with offices in Laurel, Whitley and Knox counties. CVNB has defined its delineated community as a total of twenty contiguous block numbering areas (BNAs) located in the following areas:

- o Laurel County (BNAs #9701 to 9711),
- o Whitley County (BNAs #9801 to 9808), and
- o The portion of Corbin, Kentucky located in Knox County (BNA # 9904).

The demographics of the delineated community according to 1990 census data are:

- o **Laurel County** - This county is rural with a total population of 43,438 people. The county seat is London, Kentucky where CVNB’s main office is located. The county includes eleven BNAs. Ten BNAs are middle income, and one BNA is upper income.
- o **Whitley County** - This county is primarily rural with a total population of 33,326 people. The county includes eight BNAs. One is low income. Three are moderate income. Three are middle income, and one is upper income.
- o **Corbin/Knox County BNA # 9904** - The city of Corbin is located across the Knox, Laurel and Whitley county lines. This Knox county BNA which includes a portion of the city of Corbin had a population of 6,174. It is designated as a middle income area.

The economy for the tri-county area is diversified and growing. The area is located on a major interstate which aides in attracting new industries. In addition, this area is a regional retail area and a center for medical services. Per the 1990 census data, the delineated community’s twenty BNAs are designated as:

	% of Families	
% of BNAs		
Low Income	29%	5%
Moderate Income	17%	15%
Middle Income	19%	70%
Upper Income	35%	10%

The primary needs for the area, identified through this evaluation and by management’s ascertainment efforts, are for:

- o affordable housing loans,
- o small businesses loans, and
- o educational programs.

Competition from other financial institutions in this tri-county area is strong.

BANK PROFILE:

CVNB is the largest independent bank in the tri-county area with ten full-service facilities. The main office is located in Laurel County. Four branches are also located in Laurel County. Four are in Whitley County. One is located in Knox County. CVNB also has nine Automated Teller Machines (ATMs) and three cash dispensing machines. The facilities are readily accessible by all members of the community.

The bank is a full-service lender with an emphasis on consumer and residential mortgage lending. The bank has approximately 42% of its loan portfolio in 1-4 family residential loans and 21% in loans to individuals. Total assets are approximately \$290 million. The bank's loan-to-deposit ratio is 66% which is comparable to similar banks in the area.

CVNB offers the following types of credit:

- o consumer;
- o credit cards;
- o residential;
- o Kentucky Housing Corporation;
- o Federal Mortgage Corporation;
- o commercial;
- o Small Business Association;
- o agricultural; and,
- o student loans.

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.

- o Management and the board are actively involved in numerous activities to ascertain community credit needs as well as communicate services provided by the bank.**

Management has sponsored numerous luncheons for public officials, business leaders and realtors to make them aware of the services available and discuss the community's credit needs. During 1996, management formed a community advisory committee composed of 47 leaders of the community. They have held two meetings which were used to inform the members of the services and products provided by the bank along with their plans for future services and products. They also used the meetings as a forum to survey the members on what their credit and service needs were.

Management has been actively involved with the following community groups and organizations during the past two years:

- o Southern Kentucky Home Builders
- o Southeastern Kentucky Economic Development Council
- o London/Laurel Chamber of Commerce
- o Corbin Chamber of Commerce
- o Williamsburg Chamber of Commerce
- o Habitat for Humanity
- o Personal Economics Program
- o Rotary Club
- o Kiwanis Clubs
- o Tri-County Industrial Committee
- o Corbin Downtown Merchants Committee

Management conducts several types of on-going surveys. They send fifty surveys monthly to randomly selected checking account customers along with surveys to all customers who close accounts or receive a new loan over \$10,000. They also make surveys available in the lobby.

Management requires all lending officers to make frequent calls through their call program. Their results are reviewed by the CRA Committee.

Through these efforts, management has ascertained the needs of the community as being:

- o affordable housing loans,
- o small consumer loans,
- o small businesses loans, and
- o educational programs.

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.

- o **Management and the board are actively involved in supervising and promoting the bank's CRA activities.**

The board has established a CRA Committee which meets monthly. The committee includes senior management and one director. The minutes of the CRA Committee meeting are reviewed by the full Board monthly. They also perform an annual self assessment of their CRA activities.

The board has committed significant resources to their compliance program.

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.

- o **Credit services are effectively marketed in the delineated community.**

Management uses the following media throughout the tri-county area to advertise their products and services:

- o four radio stations,
- o a free "Home Guide",
- o four newspapers, and
- o the local cable television station.

Management ran several advertisements discussing their residential loan products. These advertisements highlighted the flexible approval guidelines, discounted closing costs and fixed rate options available.

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.

o Management has originated a significant volume of residential mortgage, home improvement and small business loans within their community.

The following table shows the large volume of loans originated in 1995 and 1996 within the bank's delineated community:

TYPE	TOTAL ORIGINATED		TOTAL IN THE DELINEATED COMMUNITY			
	DOLLAR (000)	NUMBER	DOLLAR (000)	% OF DOLLAR	NUMBER	% OF NUMBER
Residential	\$128,596	2,403	\$114,951	89%	2,173	90%
Instalment	\$ 22,431	4,475	\$ 19,429	87%	3,978	89%
Commercial	\$ 60,922	3,812	\$ 53,673	88%	3,512	92%
Total	\$211,949	10,690	\$188,053	89%	9,663	90%

The bank has 42% of its loan portfolio in residential mortgage loans. We reviewed purchase money residential mortgage loans originated during the past three months and found 25% of these loans were to low- and moderate-income borrowers.

During 1995 and 1996, management also originated and sold to the Federal Home Loan Mortgage Corporation (Freddie Mac) 25 residential loans totaling \$1,778,050.

The bank does not have a minimum loan amount. Per management's internal reports for 1995 and 1996, 29% of the 10,690 loans originated were for less than \$5,000. This small dollar loan activity demonstrates the bank's willingness to serve the low and moderate income families' credit needs.

Per CVNB's June 30, 1996 Consolidated Report of Income and Condition, 72% of the nonfarm, nonresidential loans and 77% of the commercial and industrial loans were originated for less than one million dollars.

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

- o **Participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms is reasonable.**

CVNB is an approved Small Business Administration (SBA) and Kentucky Housing Corporation (KHC) lender. They have not extended either of these types of loans since the last examination. This limited activity is attributed to the bank having similar products available with less documentation requirements and quicker responses for their customers.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- o **The delineated community is reasonable and does not exclude any low- and moderate-income areas.**

See the Community Profile on page 1 for a detailed description of the area.

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

- o **The geographic distribution of credit is reasonable.**

Management tracks their loan originations and aggregate loan portfolio distribution by zip code. An analysis of their reports shows reasonable distribution throughout the area. Since this rural area does not have well defined low- and moderate-income areas and 46% of the families in the area are at low or moderate income levels, geographic analysis is not particularly meaningful.

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

- o **The bank's record of opening and closing offices and providing services is reasonable.**

CVNB opened a full service branch on January 2, 1996 in Whitley County BNA #9805. This is a moderate income area.

CVNB closed a limited service branch located in the northern portion of Corbin, Kentucky on December 31, 1996. Management and the board decided to close it due to a more convenient

full service branch being located approximately 1.5 miles from that location along with significant declines in traffic. This branch was located in a middle income BNA.

The bank has ten full-service facilities. Since the last examination, CVNB has extended hours and added ATMs. Their lobby hours of operation are:

Laurel County locations:

8:30 a.m. to 2:30 p.m. Monday through Thursday
8:30 a.m. to 5:00 p.m. Friday
8:30 a.m. to 4:00 p.m. Saturday (West and North locations)

Whitley County locations:

8:30 a.m. to 4:00 p.m. Monday through Thursday
8:30 a.m. to 5:00 p.m. Friday
8:30 a.m. to 12:00 p.m. Saturday

Corbin locations:

8:30 a.m. to 3:00 p.m. Monday through Thursday
8:30 a.m. to 5:00 p.m. Friday
8:30 a.m. to 4:00 p.m. Saturday (East location)

Most of the locations have ATMs and extended drive-thru hours. These hours are similar to other banks in the area.

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).

o We found no evidence of practices that would discourage potential applicants.

Based on our review of loans approved and denied, management solicits applications from all segments of its delineated community. Management routinely provides training to lending officers and other bank personnel on fair lending. Adequate policies and procedures are in place to support non-discriminating activities in all aspects of the credit process.

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

o We did not identify any credit practices that are inconsistent with the substantive provisions of the Equal Credit Opportunity Act, Fair Housing Act, or other consumer credit regulations.

We reviewed a sample of purchase money residential mortgage loans originated in the past three months. We tested these loans for differences in terms. We did not identify any substantive violation of fair lending law and regulation.

V. COMMUNITY DEVELOPMENT

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

o Management and the board actively participate in community development projects.

Senior management actively participates on local economic development boards. These organizations have been successful in attracting several new industries to the community.

CVNB purchased two local school revenue bond issuances totaling \$1,320,000 during 1996.

CVNB had the following loans outstanding to community organizations:

- o London Laurel County 911 Emergency Service,
- o London Laurel County Industrial Development,
- o Laurel County Fire Department, and
- o London Laurel County Tourism.

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

o CVNB demonstrates the ability to meet community credit needs.

Refer to the Community and Bank Profiles on pages 1 and 2 of this report for more information.

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.

o Management and the Board are actively involved in community activities and programs.

Personal Economics Program (PEP) and School Banks - Management and employees of CVNB conducted approximately 253 presentations during 1996 to students of the tri-county area. These presentations provide education about handling personal finances, the importance of saving, check writing, balancing a check book, applying for credit, writing resumes, goal setting and career planning. Management started student banks in three of the local schools. Approximately forty students are involved in this activity.

Habitat for Humanity - CVNB sponsors the local phone line and has officers who are members of the local chapter.

The bank supports many local organizations by providing leadership for community programs, by supplying monetary donations, and by allowing employees time to participate in community activities. All of this activity demonstrates the bank's efforts to be an active leader in the area it serves.

ADDITIONAL INFORMATION

Cumberland Valley National Bank & Trust is not located in a metropolitan statistical area.