



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 9, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Carrollton
Charter 2592**

**604 Highland Avenue
Carrollton, Kentucky 41008**

Office of the Comptroller of the Currency

**One Financial Place
400 South LaSalle Street, Suite 2700
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 **The First National Bank of Carrollton** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 9, 1997. 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 has a Satisfactory record of meeting community credit needs.

- o The average loan-to-deposit ratio meets the standards for satisfactory performance.
- o The bank is making a majority of their loans within its assessment area.
- o The bank lends to borrowers of different income levels.

DESCRIPTION OF INSTITUTION

The First National Bank of Carrollton (FNB) is a community bank with total assets of approximately \$36 million as of September 30, 1997. The bank was chartered in 1881 and is independently owned. The bank's main office with drive-up facility is located in downtown Carrollton, Kentucky. They operate a full service automated teller machine (ATM) at the main office and the local Kroger grocery store.

The bank offers traditional banking services and lending products. Management focuses lending efforts on retail credit with a majority of loans being 1-4 family residential mortgage loans. FNB's loan portfolio consists of the following: 62% one-to-four family residential, 16% consumer loans, 7% agricultural loans, and 15% commercial loans. As of September 30, 1997, the loan portfolio represented approximately 53% of the bank's total assets.

There are no constraints on the bank's ability to meet local credit needs. Considering the bank's financial condition and size, the local economy, and additional related factors, management has adequately serviced legitimate community credit needs. This is the bank's first CRA exam under the new guidelines. This bank had a Satisfactory record of meeting community credit needs at their last examination in November 1994.

DESCRIPTION OF CARROLL COUNTY

FNB's assessment area is Carroll County. The assessment area is reasonable and does not arbitrarily exclude any low or moderate income census tracts. Carroll County is comprised of three middle income census tracts and is not located within an MSA. The 1997 median family income for Kentucky counties not located in an MSA is \$28,800. The median family income for Carroll County is \$24,145.

The population of the assessment area is approximately 9,500. Carrollton is the county seat. The local unemployment rate in 1997 averaged 3.7%. This rate compares favorably to state and national averages and is one of the lowest in the state. The local economy is diversified and growing. Carroll County has a strong agricultural base in tobacco. Local manufacturing interests have steadily increased with major employers including both the automotive and chemical industries.

The bank has identified affordable housing as the major credit need in the community. The September 1997 CRA Performance Evaluation of another local financial institution also identified affordable housing as the primary credit need for the area.

Competition in the assessment area is mild. The bank's competitors include a state bank loan production office (LPO), a Federal Savings and Loan and an affiliate of a large regional bank based in Cincinnati, Ohio.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

The bank's average loan to deposit ratio since their last examination was 55.85%. As of September 30, 1997, the loan to deposit ratio was 61.16%. This ratio has steadily increased over the past seven quarters. While FNB's ratio is lower than its national peer group (65%), the ratio is reasonable when additional factors are considered. The bank's ratio is comparable to local competitors (51%), and FNB makes a larger volume of smaller dollar loans than national peer banks. Approximately 78% of the bank's loan portfolio is consumer loans versus approximately 37% for national peer banks.

The First National Bank of Carrollton is also involved with the local Community Development Corporation (CDC) loan program called "Making Over Mothers To Be Self-sufficient" or the MOMS Program. This is a pilot program for the state and is designed to integrate welfare mothers back into the workforce. The program provides training and day care services to participants. FNB has advanced approximately \$58,000 to the CDC for the purchase and renovation of a building to be used for the program and other expenses.

LENDING IN THE ASSESSMENT AREA

A majority of the bank's loans are inside their assessment area. The bank began internally coding residential mortgage loans, their largest loan product, by census tract in 1996. Bank generated reports indicate approximately 78% of the total number of these loans and 67% of the dollar amount are within Carroll County. During our examination, we verified the accuracy of these reports based on a sample of loans.

LOAN DISTRIBUTION WITHIN THE ASSESSMENT AREA (Residential Real Estate Mortgages Only)				
	No. Of loans	Percent	Amount	Percent
Inside AA	169	78%	\$4,600,556	67%
Outside AA	48	22%	\$2,262,854	33%
Total loans	217	100%	\$6,863,410	100%

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of lending within Carroll County reflects reasonable penetration among the different income levels, including low and moderate income levels. We based our conclusion on internal reports which we verified. We selected a sample of loans originated during 1996 and 1997 which were secured by 1-4 family residential properties in Carroll County. We also considered local economic and geographic information discussed below.

Income Level	Income Levels of Families Within Assessment Area*	Number of Residential Mortgage Loans	Percent of Residential Mortgage Loans
Low	19%	9	5%
Moderate	15%	9	5%
Middle	21%	21	12%
Upper	45%	130	77%
Total	100%	169	100%

* According to the 1990 U.S. Census Data

The opportunity for making real estate loans to low and moderate income individuals in the county is limited because higher land prices and poverty levels force a significant portion of residents into rental property and government-subsidized housing. Although the unemployment level for the county is relatively low, the poverty level is high and an increasing number of people are receiving social security or public assistance.

The primary credit need for the county is affordable housing. To meet this need, FNB instituted a First Time Home Buyers loan program, made loans to a private home builder to construct affordable housing, and offered a special loan program to victims of the 1997 flood. The bank has made approximately \$620,000 in loans through its First Time Home Buyers program. These loans only require a 10% down payment versus the standard 20% down payment and require no mortgage insurance. FNB is also aiding their community by facilitating the construction of moderately-priced homes by providing funding to private individuals. These individuals arrange zero percent down financing for low and moderate income individuals to purchase the homes. The bank has made ten loans totaling approximately \$500,000 for this purpose. The bank also assisted residents during the recent flooding by providing loans on special terms. Management advertised the loans in the newspaper and on the local radio station. FNB made nine zero-percent loans for a term of three months and two seven-percent loans with a term of one year and no down payment.

All of the bank's commercial loans are to either small businesses or small farms.

GEOGRAPHIC DISTRIBUTION OF LOANS

Because the assessment area consists of three middle income census tracts, an analysis of the bank's loan distribution by geography would not be meaningful.

RESPONSE TO COMPLAINTS

No consumer complaints have been received since the last examination.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

We did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations.