



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 13, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of New Holland
Charter Number 7187**

**25 North Main Street
New Holland, Ohio 43145**

**Office of the Comptroller of the Currency
Central Ohio Field Office
Suite 202
325 Cramer Creek Court
Dublin, Ohio 43017**

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 **First National Bank of New Holland** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 13, 1998**. 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 “Satisfactory record of meeting community credit needs.”

FNB’s distribution of loans reflects a reasonable penetration among borrowers of different incomes and businesses and farms of different sizes. FNB supports the credit needs of small businesses and farms as all loans are to small businesses or small farms. The geographic distribution of loans shows FNB makes loans throughout its assessment area. In addition, a substantial majority of loans are made within the assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of New Holland (FNB) is a small independent community bank headquartered in New Holland, Ohio. New Holland is located approximately 50 miles south of Columbus, Ohio, the State's capital. The bank's primary business focus is retail customers and it offers standard loan products and a few services. FNB has no branch offices. Competition for loans and deposits is moderate and comes primarily from several small community banks and several branches of large regional banking institutions.

As of March 31, 1998, FNB reported total assets of \$16,601,000, total equity capital of \$2,360,000 and gross loans of \$8,455,000. Loans represent 51% of total assets and 59% of total deposits. Residential real estate loans represent 44% of total loans, with the remainder divided among other loan types as follows: consumer loans (41%), commercial (9%), and agriculture (6%).

Currently, no legal or economic impediments exist that could restrict FNB's ability to serve the community's credit needs. However, the bank is limited in the total dollar amount of loans it can originate to one individual and/or company because of its small size and due to regulatory lending restrictions. The prior CRA examination dated April 11, 1996, rated the bank "Satisfactory record of meeting community credit needs."

DESCRIPTION OF ASSESSMENT AREA

The bank has one assessment area consisting of a very small portion of the Columbus Metropolitan Statistical Area (MSA) and portions of two non-MSA Counties. The following details the assessment area:

Non-MSA area: All of Fayette County (seven geographies) and a portion of northwest Ross County (seven geographies). This portion of the assessment area will hereafter be called the **Non-MSA** area.

MSA area: A portion of western Pickaway County (four geographies) and a very small portion of Madison County (one geography). This portion of the assessment area will hereafter be called the **MSA** area.

Management selected the assessment area based on the bank's loan distribution. The remaining geographies in Ross, Pickaway and Madison Counties are not included in the assessment area because they are not within a reasonable distance to the bank's office and the areas cannot be fully and reasonably serviced by the bank.

The assessment area is primarily rural and it contains small cities and villages. The overall economic condition of the assessment area is fair with stable trends. As of January 1998, the unemployment rates are: Pickaway County, 4.8%; Fayette County, 4.6%; Ross County, 7.0%;

and Madison County 3.5%. These ratios compare favorably and unfavorably to the State of Ohio's unemployment rate of 4.9% for the same time period.

Non MSA area:

The bank's only office is located in New Holland, population (pop.) of 108 (the portion in Fayette County). New Holland sits on the Fayette and Pickaway County line. The largest city in Fayette County is Washington Court House, pop. of 13,500. Jeffersonville Village follows with a pop. of 1,200. The largest city in Ross County, within the assessment area, is Frankfort Village, pop. of 1,036. The remaining villages have smaller populations less than 1,000. The 14 geographies in the Non-MSA area contain a pop. of about 62,239.

Major employers are Calmar Inc., (non-aerosol pump spray manufacturer), Crestar Foods (pizza crust processor), Steelex Systems (steel beam manufacturer), Sugar Creek Packing (bacon slicing and packaging), Thatcher Tubes (hand cream tube manufacturer) and YUSA Corporation (car parts manufacturer).

The 1990 statewide Non-MSA census median family income is \$30,563. In the non-MSA area, two geographies (14%) are categorized as moderate-income, eleven (79%) are middle-income and one (7%) is an upper-income geography. There are no low-income geographies. The 1997 statewide non-MSA Department of Housing and Urban Development (HUD) updated median family income is \$38,800. The distribution of families by income level is as follows: 3,556 (22%), 3,023 (19%), 3,608 (22%), and 6,073 (37%) are of low-, moderate-, middle- and upper-incomes, respectively. There are 23,086 housing units. Of this volume, 64% are owner-occupied, 29% are rental and 7% are vacant housing units. The average median housing value is low at \$50,189, with a median year built of 1960. Of the housing developments in the area, few, if any, are considered affordable housing.

Business establishments total 1,448 in the Non-MSA area. Of this number, 1,359 (94%) are small businesses and have sales revenues of less than \$1 million. Fourteen percent, 82% and 4% of businesses are located in moderate-, middle- and upper-income geographies, respectively. There are 60 farms in this area. All but one have sales revenues of less than \$1 million. Eight percent, 84%, and 8% of farms are located in moderate-, middle- and upper-income geographies, respectively.

MSA Area:

Pickaway and Madison Counties are primarily rural farming areas and rank among Ohio's leading counties in the production of corn and soybeans (Madison County). The three largest cities are Williamsport, pop. 938, New Holland (the portion in Pickaway County), pop. 798, and Commercial Point Village, pop. 450. The five geographies contain a small pop. of about 20,521. Major employers are Showa Aluminum Corporation (car parts manufacturer), Du Pont Corporation (chemical manufacturer), Thomason Consumer Electronics, Inc. (a television manufacturer), General Electric Company, (fluorescent light manufacturer), and State of Ohio/Corrections (a prison facility).

The 1990 census median family income is \$36,792. In the MSA area, one geography (20%) is categorized as moderate-income, three (60%) are middle-income and one (20%) is an upper-income geography. There are no low-income geographies. The 1997 HUD updated median family income is \$48,100. The distribution of families by income level is as follows: 1,095 (25%), 933 (21%), 1,189 (27%), and 1,189 (27%) are of low-, moderate-, middle- and upper-incomes, respectively. There are 5,751 housing units. Of this volume, 69% are owner-occupied, 25% are rental and 6% are vacant housing units. The average median housing value is moderate at \$61,379, with a median year built of 1962. Of the small number of housing developments in the area, few are considered affordable housing.

There are few (366) business establishments in this MSA area. Of this number, 305 (93%) are small businesses and have sales revenues of less than \$1 million. Nine percent and 91% of businesses are located in moderate-, and middle-income geographies, respectively. There are 38 farms in this area. All farms (100%) are small farms and have sales revenues of less than \$1 million. Twenty-one percent and 79% percent of farms are located in moderate-, and middle-income geographies, respectively. There are no businesses nor farms in the upper-income geography.

COMMUNITY CONTACTS

Local community leaders were interviewed to determine opportunities for participation by FNB and other banking institutions in helping to meet local credit needs. Three community leaders were contacted during this examination. Three other community contacts conducted by this Agency and by two other banking regulatory agencies within the prior two years were reviewed. The individuals contacted represent the following types of organizations: economic development, agriculture and city and county government. The area's needs are loans to small businesses and farms, small dollar loans less than \$50,000 to businesses and farms, loans to families or individuals for personal needs, affordable homes in the range of \$70,000 - \$90,000, and home loans to low- and moderate-income borrowers. Also mentioned by several community leaders is the need for local credit decisions by branch personnel. Bank personnel in branch offices of large regional banking institutions frequently do not have the authority to make credit decisions for larger loans. The practice can result in a missed business opportunity or in meeting a credit need in an untimely manner.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

A random sample of 10 home mortgage loans totaling \$621 thousand, 18 business loans totaling \$203 thousand and 16 farm loans totaling \$505 thousand, originated January 1, 1997 through March 31, 1998, was reviewed and analyzed. The results were used in assessing the bank's performance under the CRA and are discussed below. FNB is not subject to the Home Mortgage Disclosure Act due to its small total asset size.

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

FNB's lending to borrowers of different incomes and businesses and farms of different sizes are rated "meets the standards for satisfactory performance" based on the sample reviewed. The following two sections separately discuss the bank's lending volume of new home mortgage, business and farm loans in the **Non-MSA and MSA** areas.

Non-MSA Area

Home Mortgage Loans:

FNB's major loan product is home mortgage loans. Home mortgage loans represent 44% of the loan portfolio. FNB's home mortgage lending is satisfactory considering the characteristics of this area. The following table supports this conclusion:

Table 1 Home Mortgage Loans by Borrower Income January 1, 1997 through March 31, 1998					
Borrower Income as a % of Non-MSA Median Family Income	Number of Loans	Dollar (000's)	% of Total		Assessment Area Characteristics
			Number of Loans	Dollar (000's)	% of Families
Low Income	3	\$68	19%	9%	22%
Moderate Income	2	\$93	13%	13%	19%
Middle Income	7	\$357	44%	49%	22%
Upper Income	4	\$211	25%	29%	37%
TOTAL	16	\$729	100%	100%	100%

Source: FNB's internal reports; 1990 Census Data, U.S. Bureau of the Census.

Table 1 shows that the bank's lending to low- and a moderate-income borrower is low when compared to the characteristics of area. This is because there are few affordable housing units available in the area. Those that are available come from the current housing stock. Considering these facts, it is reasonable that FNB's lending would not equate to the characteristics of the area.

Small Business Loans:

FNB's business loans are all small loans to small businesses. This is good considering 94% of businesses in this Non-MSA area are small and have annual revenues of less than \$1 million. Also considered was the fact that loans to small businesses is an identified credit need. Table 2 shows FNB's lending to small businesses.

Table 2 Business Loans by Loan Size and Loans to Businesses with Annual Revenues of Less than \$1 Million January 1, 1997 through March 31, 1998				
Loan Size	Number of Loans	Dollar (000's)	% of Total	
			Number of Loans	Dollar (000's)
Less than \$100,000	7	\$62	100%	100%
\$100,000 - \$249,999	0	\$0	0%	0%
\$250,000 - \$1,000,000	0	\$0	0%	0%
Total Small Loans	7	\$62	100%	100%
Total Small Loans to Businesses with Annual Revenues of Less Than \$1 Million (Small Business Loans)	7	\$62		
As a % of Total Small Loans	100%	100%		

Source: FNB's internal reports.

Farm Loans:

FNB's farm lending volume is good considering the characteristics of this Non-MSA area and the bank's overall farm loan volume. Farm lending is good as 98% of farms in this Non-MSA area are small farms and farm loans are an identified credit need. The following table supports these results.

Table 3 Farms Loans by Loan Size and Loans to Farms with Annual Revenues of Less than \$1 Million January 1, 1997 through March 31, 1998				
Loan Size	Number of Loans	Dollar (000's)	% of Total	
			Number of Loans	Dollar (000's)
Less than \$100,000	2	\$81	100%	100%
\$100,000 - \$249,999	0	\$0	0%	0%
\$250,000 - \$500,000	0	\$0	0%	0%
Total Small Loans	2	\$81	100%	100%
Total Small Loans to Farms with Annual Revenues of Less Than \$1 Million (Small Farm Loans)	2	\$81		
As a % of Total Small Loans	100%	100%		

Source: FNB's internal reports.

MSA Area

Home Mortgage Loans:

FNB's home mortgage lending volume by borrower income level is very good considering the characteristics of this area. Lending to low- and moderate-income borrowers exceeds the percentages of families with similar income levels. This indicates FNB is meeting the housing

credit need of low- and moderate-income borrowers. Table 4 summarizes the bank's home mortgage lending by borrower income.

Table 4 Home Mortgage Loans by Borrower Income January 1, 1997 through March 31, 1998					
Borrower Income as a % of MSA Median Family Income	Number of Loans	Dollar (000's)	% of Total		Assessment Area Characteristics
			Number of Loans	Dollar (000's)	% of Families
Low Income	3	\$64	50%	32%	25%
Moderate Income	2	\$114	33%	57%	21%
Middle Income	0	\$0	0%	0%	27%
Upper Income	1	\$22	17%	11%	27%
TOTAL	6	\$200	100%	100%	100%

Source: FNB's internal reports; 1990 Census Data, U.S. Bureau of the Census.

Business Loans:

FNB's business lending is good considering the characteristics of this MSA area (94% of businesses are small businesses), and the extent of the bank's business lending (3% of the loan portfolio). Of the 11 (\$141,000) new business loans sampled, all were originated in amounts less than \$100,000. All were made to businesses with business revenues of less than \$1,000,000. This shows FNB is meeting the identified credit need of small loans to small businesses.

Farm Loans:

FNB's farm lending is good considering all farms in this MSA area are small farms and considering farm loans make up 4% of the loan portfolio. Of the 11 (\$395,000) new farm loans sampled, 10 loans totaling \$245,000 are in amounts less than \$100,000. The one remaining loan totaled \$150,000. All 11 loans were made to small farms, farms with revenues of less than \$1,000,000. This shows FNB is meeting the identified credit need of small loans to small farms.

Geographic Distribution of Loans

Based on the sample of loans reviewed, FNB's geographic distribution of loans "meets the standard for satisfactory performance." The following two sections separately discuss FNB's lending volume in the **Non-MSA** and **MSA** areas.

Non-MSA Area

Home Mortgage Loans:

FNB's distribution of home mortgage loans is reasonable considering the characteristics of this Non-MSA area. The following table summarizes the bank's lending by income level of geography.

Table 5 Home Mortgage Loans by Income Level of Geography January 1, 1997 through March 31, 1998					
Income Level of Geography	Number of Loans	Dollar (000's)	% of Total		Assessment Area Characteristics
			Number of Loans	Dollar (000's)	% of Owner-Occupied Units
Moderate Income	1	\$25	6%	3%	12%
Middle Income	15	\$704	94%	97%	80%
Upper Income	0	\$0	0%	0%	8%
TOTAL	16	\$729	100%	100%	100%

Source: FNB's internal reports; 1990 Census Data, U.S. Bureau of the Census.

Table 5 shows FNB's lending in moderate-income geographies is low when compared to the characteristics of this area. Although low, this is reasonable considering the moderate-income geographies are located in the city of Washington Court House, a distance from the bank's only office. Several other financial institutions more readily serve the Washington Court House area. Also considered was the fact that fewer housing units are currently available in moderate-income geographies.

Business Loans:

FNB's small business loan volume is good in moderate-income geographies. The following table displays the number and dollar volume of new business loans originated:

Table 6 Small Business Loans by Income Level of Geography January 1, 1997 through March 31, 1998					
Income Level of Geography	Number of Loans	Dollar (000's)	% of Total		Assessment Area Characteristics
			Number of Loans	Dollar (000's)	% of Businesses
Moderate Income	3	\$35	50%	74%	14%
Middle Income	3	\$12	50%	26%	82%
Upper Income	0	\$0	0%	0%	4%
TOTAL	6	\$47	100%	100%	100%

Source: FNB's internal reports; 1990 Census Data, U.S. Bureau of the Census.

Table 6 shows FNB originated 50% of its new small business loans in moderate-income geographies. This is favorable as 14% of businesses are in moderate-income geographies and small loans are an identified credit need.

Farm Loans:

FNB’s farm loan volume is good in moderate-income geographies. The following table displays the number and dollar volume of new farm loans.

Table 7 Farm Loans by Income Level of Geography January 1, 1997 through March 31, 1998					
Income Level of Geography	Number of Loans	Dollar (000's)	% of Total		Assessment Area Characteristics
			Number of Loans	Dollar (000's)	% of Farms
Moderate Income	1	\$70	20%	64%	8%
Middle Income	4	\$40	80%	36%	84%
Upper Income	0	\$0	0%	0%	8%
TOTAL	5	\$110	100%	100%	100%

Source: FNB’s internal reports; 1990 Census Data, U.S. Bureau of the Census.

Table 7 shows FNB originated 20% of its farm loans in moderate-income geographies. This is favorable as it substantially exceeds the 8% of farms located in this same income level of geographies. FNB is also meeting the farm credit need identified during community contacts.

MSA Area

Home Mortgage Loans:

FNB’s distribution of home mortgage loans is reasonable considering the characteristics of this MSA area. The following table summarizes the bank’s lending by income level of geography.

Table 8 Home Mortgage Loans by Income Level of Geography January 1, 1997 through March 31, 1998					
Income Level of Geography	Number of Loans	Dollar (000's)	% of Total		Assessment Area Characteristics
			Number of Loans	Dollar (000's)	% of Owner-Occupied Units
Moderate Income	0	\$0	0%	0%	17%
Middle Income	6	\$200	100%	100%	83%
Upper Income	0	\$0	0%	0%	0%
TOTAL	6	\$200	100%	100%	100%

Source: FNB’s internal reports; 1990 Census Data, U.S. Bureau of the Census.

As shown in Table 8, FNB does not make any home loans in the moderate-income geography. A large portion of the moderate-income geography consists of Deer Creek State Park and is very rural. Only 20% of the total families in this MSA area live in this geography. Therefore, it is reasonable that FNB would not have any loans in this area.

Business Loans:

FNB’s small business loan distribution is reasonable considering the characteristics of this MSA area and the identified credit need of loans to small businesses. FNB originated one (9% of the total number) small business loan totaling \$35 thousand (25% of total dollars) in the moderate-income geography and 10 (91% of the total number) small business loans totaling \$106 thousand (75% of total dollars) in middle-income geographies. No loans are made in upper-income geographies. This is reasonable as a substantial majority (91%) of businesses are located in middle-income geographies. Only 9% of businesses are located in the moderate-income geography and no businesses are located in upper-income geographies. Also considered was the fact that business loans only constitute a small portion (3%) of FNB’s loan portfolio.

Farm Loans:

FNB’s farm loan volume is reasonable in moderate-income geographies. FNB originated one (9% of the total number) farm loan totaling \$100 thousand (25% of total dollars) in the moderate-income geography and 10 (91% of the total number) farm loans totaling \$295 thousand (75% of total dollars) in middle-income geographies. This is reasonable considering a majority of farms (79%) are located in middle-income geographies compared to 21% in moderate-income geographies. Although farm loans only constitute a small portion, 4%, of the loan portfolio, FNB is meeting the farm credit need of the area.

Lending in the Assessment Area

This assessment factor is rated “meets the standard for satisfactory performance.” A sample of new loans was tested to determine the volume of loans made inside versus outside the assessment area. A substantial majority of loans, 88% by number and 71% by dollar, are originated within the assessment area. The following table summarizes the results of the review.

Table 9 Loans Originated in the Assessment Area January 1, 1997 through March 31, 1998		
Type of Loan	Total Loans Originated	Loans Originated within the Assessment Area

	Number of Loans	Dollar of Loans	Number of Loans	% of Total	Dollar of Loans	% of Total
Home Mortgage	30	\$1,606	22	73%	\$929	58%
Business	18	\$203	18	100%	\$203	100%
Farm	16	\$505	16	100%	\$505	100%
Total	64	\$2,314	56	88%	\$1,637	71%

Sources: FNB's internal reports.

Loan-to-Deposit Ratio (LTD)

This assessment factor is rated “meets standards for satisfactory performance.” FNB’s ratio has shown an increasing trend since the prior CRA examination. At June 30, 1996, the LTD was 42%. The ratio increased to 59% at March 31, 1998, and is considered reasonable. A change in management’s lending philosophy and an active outreach program by lending personnel contributed to increased loan volumes.

FNB’s average LTD ratio since the last CRA examination is 47%. This is below the average LTD ratio of 64%, demonstrated by similarly-situated banking institutions. These institutions are located in the States of Ohio and Kentucky, with total assets ranging from \$10 million through \$40 million. As of December 31, 1997, the LTD ratios of other nearby banking institutions are significantly higher than FNB’s. Although the average ratio is lower than other similarly-situated banks, greater emphasis is placed on FNB’s more recent lending activity.

Response to Complaints

This assessment factor is not rated. No CRA-related complaints have been received.

Compliance with Fair Lending Laws and Regulations

A fair lending review was conducted to determine if the bank engaged in illegal discriminatory practices. We reviewed a sample of unsecured instalment loan applications by gender and processed in 1997 and January 1, 1998 through April 10, 1998. The results revealed the bank does not engage in illegal discriminatory practices. FNB’s fair lending procedures have been effective in this endeavor.