

**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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**PUBLIC DISCLOSURE**

**February 04, 2002**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**National Bank of York County  
Charter Number 23063**

**1127 Ebenezer Road  
Rock Hill, SC 29732**

**Comptroller of the Currency  
ADC - Carolinas Field Office  
6100 Fairview Road Suite 1154  
Charlotte, NC 28210**

**NOTE: This document is an evaluation of this 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. 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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## 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 National Bank of York County, Rock Hill, South Carolina as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of February 4, 2001. 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.**

The following factors support this overall rating:

- C ***Loan to Deposit Ratio*** - The institution exhibits more than a **reasonable** loan-to-deposit ratio.
- C ***Lending in Assessment Area*** - The institution extends a **substantial majority** of its loans within its assessment area.
- C ***Lending to Borrowers of Different Incomes and Sizes*** - The institution's record of lending to borrowers' of different income levels and businesses of different sizes is **reasonable**.
- C ***Geographic Distribution of Loans*** - The institution's distribution of loans within its assessment area by geography is **adequate**.
- C ***Response to Complaints*** - The bank has not received any CRA related complaints since the institution began operations on July 11, 1996.

## DESCRIPTION OF INSTITUTION

National Bank of York County (NBYC) is an intrastate bank with \$74 million in gross loans and \$118 million in total assets as of September 30, 2001. The bank opened for business on July 11, 1996 and currently operates from two full service and one limited service location in York County. The main office is located in an upper-income census tract headquartered in Rock Hill, SC and additional offices are located in the nearby communities of Fort Mill (middle-income census tract) and York (moderate-income census tract). The Rock Hill and Fort Mill Office has an ATM and drive-up facility. The York office is currently being converted from a limited service to a full service facility with a drive-up window, night depository service, and ATM.

NBYC is a wholly owned subsidiary of First National Corporation (FNC). First National Corporation is headquartered in Orangeburg, SC and operates three national banks in the state headquartered in Orangeburg, Rock Hill, and Florence. FNC also operates a finance company in the state headquartered in Florence, SC. FNC had total assets of \$1.1 billion as of September 30, 2001. First National Bank is the lead bank of the holding company.

NBYC has average assets of \$110 million with gross loans representing 68% of average assets as of September 30, 2001. Deposits totaled \$89 million for the same time period. NBYC's Tier One Capital is \$8.6 million and their risk based capital to risk weighted assets equals 12%. Table 1 shown below, provides a breakdown of the bank's loan portfolio by loan category, dollar volume, and percentage according to the Consolidated Report of Income and Condition as of September 30, 2001.

Table 1 - Breakdown by Loan Type

<b>TYPES OF DOMESTIC LOANS OUTSTANDING</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial, Industrial and Non-farm, Non-residential Real Estate Loans	\$ 34,697	47
1-4 Family Residential Loans	\$ 22,793	31
1-4 Family Home Equity Loans	\$ 9,183	12
Construction and Land Development	\$ 2,337	3
Loans to Individuals	\$ 5,240	7
<b>Total</b>	<b>\$ 74,250</b>	<b>100%</b>

Based on lending volume since July 11, 1996, through date of evaluation, the bank's primary business focus is commercial and residential real estate lending. Our evaluation is based on analysis of a sample of commercial and mortgage loans. The bank actively originates mortgage loans for sale in the secondary market. The bank is not an agricultural lender. The bank originated one agricultural loan for \$275 thousand during the evaluation period.

The bank provides various deposit and loan products to individuals and businesses throughout its Rock Hill, Fort Mill, and York offices. The offices are reasonably accessible to all segments of the bank's assessment area, with reasonable hours and services provided. This review disclosed no legal, financial, or other impediments restricting the bank's lending activities.

This is the bank's second Community Reinvestment Act examination. National Bank of York County's CRA performance was rated "Satisfactory" in the last public evaluation dated November 25, 1997.

## DESCRIPTION OF YORK COUNTY

National Bank of York County has defined its assessment area as York County, South Carolina. York County is located at the northwest quadrant of South Carolina and its northern border is Mecklenburg County, North Carolina. There are nine municipalities within York County: Rock Hill, Clover, Fort Mill, Hickory Grove, McConnells, Sharon, Smyrna, Tega Cay and York. Rock Hill is the largest city in York County and the sixth largest city in South Carolina. Rock Hill is part of the Charlotte-Gastonia-Rock Hill Metropolitan Statistical Area (MSA). The City of Rock Hill is the commercial and financial center, while the City of York is the county seat.

The bank's assessment area consists of 39 census tracts, of which two are low-income, nine are moderate-income, twenty-one are middle-income, and six are upper-income geographies. There is also one census tract that is not categorized. Approximately 36,099 families reside in the assessment area. Of this total, 19% are classified as low-income, 18% are moderate-income, 25% are middle-income and 38% are upper income. The 1990 census reported the population of the assessment area at 131,497. Total housing units are 50,438 with owner-occupied housing units at 93%, rental-occupied housing at 26%, and vacant housing units at 7% of the assessment area. The area continues to experience steady growth. The bank's assessment area meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. Table 2 set forth below, reflects the demographics for the assessment area.

Table 2 - Population, Geographies, Median Family Income, and Economic Indicators

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF ASSESSMENT AREA</b>	
<b>Population</b>	
Number of Households	46,996
<b>Median Family Income (MFI)</b>	
2000 HUD-Adjusted MFI	\$60,400
<b>Economic Indicators</b>	
Unemployment Rate, York County*	5.4%
Unemployment Rate, State of South Carolina *	5.7%
2000 Median Housing Value	\$75,369
% of Households Below Poverty Level	11.25%

\* As of December 31, 2001, SC Labor Market Information

Within the assessment area, the majority of commercial businesses are located in middle-income census tracts (58%). There are two low-income and nine moderate-income census tracts with less than 1% and 19% of businesses, respectively, located in those tracts. Businesses located in upper-income census tracts represent 24%.

The overall economy of the bank's assessment area is experiencing steady growth and expansion. The unemployment rate is below state average for the assessment area, as illustrated above. The largest industries in the assessment area are services, manufacturing, retail trade, and government.

Major employing industries with one thousand or more employees include: Bowater Incorporated, Catawba Nuclear Station, Celanese, Duracell USA, Lancaster County School District, Paramount's Carowind, Piedmont Healthcare System, Rock Hill School District Three, and Spring Industries.

Competition is strong and includes thirteen financial institutions with banking offices in the assessment area. Major competitors in the assessment area include community banks, branches of multinational banks, offices of regional banking companies, and credit unions. There are no similarly situated banks in the assessment area that can be used for comparison purposes based on the size of the financial institution, product niche, and assessment area.

We determined the needs of the community through discussions with management and three local community contacts. The contacts included two government organizations (housing authority and economic development) and one economic development corporation. The primary credit needs identified by these contacts are as follows: affordable housing (rental and 1-4 family residential), small business loans (start-up and working capital), and consumer loans. Also, the community contacts indicated that there is a need for down payment assistance programs, credit counseling, and a need for more marketing of available programs within the community. Management identified credit and community development needs for affordable housing and funds for heating.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

Our sample included commercial and home mortgage loans. Based on the bank's mix, we determined that the bank's primary loan products were commercial and home mortgage loans. Furthermore, commercial and home mortgage loans were identified as credit needs in the community. NBYC is a Home Mortgage Disclosure Act (HMDA) reporter. The bank was unable to locate the FFIEC submission format for the 1998 HMDA Loan Application Register (HMDA-LAR) and the 2001 HMDA-LAR was not available in that format as of the review. Therefore, we randomly sampled 40 home mortgage loans during those time periods and evaluated the entire population for 1999 and 2000 to determine the bank's performance. We also selected a random sample of 30 commercial loans originated since our last examination. Our evaluation period was November 1997 through September 2001. This sample was used to determine the bank's percentage of lending in the assessment area. This sample was used to determine the bank's geographic distribution and distribution by borrower income level performances.

### **Loan-to-Deposit Ratio**

The quarterly average loan-to-deposit ratio for the bank since the last examination is 83%. This ratio appears more than reasonable based on the bank's capacity and opportunities to lend within its assessment area. For comparison purposes, there are no similarly situated institutions in the assessment area. However, the bank's loan-to-deposit ratio consistently exceeds other banks of similar size throughout the nation, peer group average is 78% at September 30, 2001.

**Lending in Assessment Area**

The bank extends a substantial majority of its commercial loans within their assessment area. Based on sample of 30 loans, the bank extended 93% of the number of loans (28 loans) and 95% of the dollar volume to businesses (\$7,822 million) within the bank's assessment area.

The bank also extends a substantial majority of its home mortgage related loans within the assessment area. Based on loans reviewed during this evaluation period, the bank extended 85% of the number of loans (432 loans) and 88% of the dollar volume (\$65,537 million) within the bank's assessment area. The bank's performance is considered more than satisfactory.

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

The bank's distribution of home mortgage loans is reasonable. The bank made 5% and 16% of their home mortgage loans to low- and moderate-income borrowers, respectively. Demographic information shows that 19% of the families in the assessment area are low-income and 18% are moderate-income. The bank's poor performance to low-income borrowers is mitigated by the fact that 39% of the low-income families in the assessment area live below the poverty level, which makes it difficult for them to afford and maintain a home. Table 3 set forth below, illustrates the bank's record of home mortgage lending to borrowers of different income levels.

Table 3- Borrowers of Different Incomes

<b>Home Mortgage Originations By Income Level</b>					
Census Tract	# of Loans Originations By Bank	% of Originations	\$ of Loan Originations By Bank (000's)	% of Originations	Assessment Area Demographics (% Families within Each Tract)
Low	22	5%	\$ 2,112	3%	19%
Moderate	71	16%	\$ 6,361	10%	18%
Middle	98	22%	\$12,230	19%	25%
Upper	242	56%	\$44,858	68%	38%
NA	3	1%	\$ 430	1%	0%
<b>Total</b>	<b>436</b>	<b>100%</b>	<b>\$65,991</b>	<b>100%</b>	<b>100%</b>

\*Based on entire population of home mortgage loans originated in 1999 and 2000 and sample of 40 home mortgage loans originated during January 1, 1998 - December 31, 1998 and January 1, 2001 - December 31, 2001.

The bank's distribution of commercial loans is reasonable. The bank made 68% of their commercial loans to small businesses (businesses with annual revenues \$1 million or less). This is lower than demographic information that shows that small businesses represent 86% of all businesses in the assessment area. Furthermore, small business loans of \$100 thousand or less make up a reasonable portion of the bank's commercial loan portfolio. Of the 28 commercial loans, 9 loans were originated at or below \$100 thousand, which represents 32% of the business originations.

## Geographic Distribution of Loans

The bank's geographic distribution of home mortgage loans is adequate. The bank has made no home mortgage loans in low-income geographies and approximately 10% in moderate-income geographies. This performance is reasonable, although it is below demographic data that shows less than one percent and 13% of owner-occupied units are located in these geographies, respectively. There are two low-income census tracts with 18 owner occupied units. Therefore, lending opportunities are limited.

Table 4 set forth reflects the bank's commercial lending patterns to various geographies.

Table 4 - Home Mortgage-Lending Pattern to Various Geographies

<b>1999 - 2001 Home Mortgage Originations By Income Level</b>					
Census Tract	# of Loans Originations by Bank	% of Originations	\$ of Loan Originations by Bank (000's)	% of Originations	Assessment Area Demographics
Low	0	0%	\$0	0%	1%
Moderate	42	10%	\$ 3,573	5%	13%
Middle	245	56%	\$34,922	53%	65%
Upper	149	34%	\$27,496	42%	23%
<b>Total</b>	<b>436</b>	<b>100%</b>	<b>\$65,991</b>	<b>100%</b>	<b>100%</b>

\*Based on entire population of home mortgage loans originated in 1999/2000 and sample of 40 home mortgage loans originated during 1998/2001.

In terms of commercial loans, NBYC made no loans in low-income geographies and approximately 14% in moderate-income geographies. This performance is reasonable, although it is below demographic data that shows that .05% of the businesses in the bank's assessment area are located in low-income geographies and 19% are in moderate-income geographies. One factor that might contribute to the bank's lower lending performance in these geographies is the number of businesses operating in these areas. In the low-income geography, there are only 3 businesses. In the moderate-income geographies, 1,193 businesses operate in the assessment area. No conspicuous lending gaps were identified as a result of this analysis. Table 5 set forth below reflects the bank's commercial lending patterns to various geographies.

Table 5 - Commercial Lending Pattern to Various Geographies

<b>2000 / 2001 Sample Commercial Originations By Income Level</b>					
Census Tract	# of Loans Originations by Bank	% of Originations	\$ of Loan Originations by Bank (000's)	% of Originations	Assessment Area Demographics
Low	0	0%	\$0	0%	.1%
Moderate	4	14%	\$825	0%	18%
Middle	12	43%	\$4,014	15%	57%
Upper	12	43%	\$2,983	85%	24%
<b>Total</b>	<b>28</b>	<b>100%</b>	<b>\$7,822</b>	<b>100%</b>	<b>100%</b>

\*Based on a random sample of 30 commercial loans

## **Responses to Complaints**

NBYC did not receive any CRA related consumer complaints during this evaluation period.

## **Fair Lending Review**

An analysis of 2000 and 2001 year public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.

The bank has not had a comprehensive fair lending examination since opening in 1996.