

**PUBLIC DISCLOSURE**

January 4, 1999

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

National Bank of Montpelier  
Charter #13912

1201 East Main Street  
Montpelier, Ohio 43543

Comptroller of the Currency  
Southfield Field Office  
Omni Officentre, Suite 411  
26877 Northwestern Highway  
Southfield, Michigan 48034

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 CRA performance of the National Bank of Montpelier prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of January 4, 1999. 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 as having a “**Satisfactory** record of meeting the credit needs in the community.”

- C The National Bank of Montpelier has demonstrated a willingness to lend to borrowers of all income levels. The examination found the bank has a good record in lending to low- and moderate-income borrowers based on the loan sample. Approximately 40 percent of the residential mortgage loans sampled were made to low- and moderate-income borrowers. This ratio compares favorably to demographic data information.
- C The bank has addressed the needs of agricultural and small business lending in its assessment area. The majority of commercial loans sampled were to small businesses (including small farmers). The National Bank of Montpelier is an active residential mortgage lender in the community.
- C The bank has demonstrated a reasonable level of loan activity within its assessment area in the past two years. A sample of all types of loans made by the bank showed that 84 percent were made in the bank's assessment area.
- C The National Bank of Montpelier was found to reasonably address the credit needs of the community it serves. The bank's loan to deposit ratio was consistent with the peer average for banks of similar size.

## **DESCRIPTION OF INSTITUTION**

The National Bank of Montpelier is a full-service community bank located in Montpelier, Ohio. In addition to its main office on the east side of Montpelier, the bank has three other branch offices servicing the community. The branch locations include downtown Montpelier, Pioneer, Ohio, and West Unity, Ohio. All but the downtown Montpelier office have drive-up facilities. During the past two years the bank installed 24-hour automated teller machines at the bank's main office, Pioneer branch office, and the West Unity branch office.

As of December 31, 1998, total assets of the bank were approximately \$106 million. The bank makes consumer, residential, business, and agricultural loans. The loan portfolio totaled \$65 million as of December 31, 1998, which represented 61 percent of the bank's total assets. The loan portfolio consisted of first- and second-residential mortgage loans (79 percent), commercial loans (14 percent), and consumer loans including home improvement and mobile home loans (7 percent). The bank also offers a variety of deposit products.

This CRA examination covered the period since the prior CRA examination of September 5, 1996. There are no legal impediments which would adversely affect the bank's ability to serve the community. The previous CRA examination rated the bank "Satisfactory."

## **DESCRIPTION OF ASSESSMENT AREA**

The National Bank of Montpelier has designated Williams County in Northwest Ohio as the bank's CRA assessment area. Williams County consists of nine block number areas (BNAs). Based on 1990 census data, none of the BNA tracts in the assessment area were low- or moderate-income. The assessment area of the bank does not arbitrarily exclude any low- or moderate-income areas.

Based on discussions with bank management and community contacts, the local economy is strong. The unemployment rate for Williams County as of November 1998 was 4.3 percent. This is in line with the overall unemployment rate for the United States of 4.1 percent and the State of Ohio of 4 percent. Major industries in the area include: Health care, retail trade, manufacturing, and agricultural. Major employers in the area include: Continental General Tire, Chase Brass and Copper Company, Spangler Candy Company, Williams County Hospitals, Edon Plastec, and Key Plastics.

The area is served by several financial institutions that compete with the National Bank of Montpelier. This includes four community banks, two regional banks, one thrift institution, and two credit unions. These financial institutions are located throughout the assessment area.

The examination team contacted two local community leaders and/or business persons to better evaluate the community needs and the bank’s performance in meeting those needs. Based on these community contacts, the primary credit need in the assessment area is housing related loans. This includes affordable home purchase loans, home improvement loans, and mobile home loans. The community contacts also expressed the need for small business and farm loans in the community.

Table 1 describes the demographic information for the nine BNA tracts located in the assessment area.

<b>Table 1 Demographic Information for National Bank of Montpelier ’s Assessment Area - Williams County</b>		
<b>Block Area Characteristics</b>	<b>Count</b>	<b>%</b>
Low (below 50% median)	0	0%
Moderate (50-80% of median)	0	0%
Middle (80-120% of median)	7	78%
Upper (over 120% of median)	2	22%
NA	0	0%
Totals	9	100%
<b>Business Data (# of businesses in block areas)</b>	<b>Count</b>	<b>%</b>
(sales <= \$1 million)	856	88%
(sales > \$1 million)	118	12%
Totals	974	100%
<b>Population Data (# of families)</b>	<b>Count</b>	<b>%</b>
Low (below 50% of median)	1,373	13%
Moderate (50-80% of median)	1,754	17%
Middle (80-120% of median)	2,853	28%
Upper (over 120% of median)	4,406	42%
Totals	10,386	100%
<b>Housing Information</b>	<b>Count</b>	<b>%</b>
Owner Occupied Units	10,637	72%
Rental Units (Occupied)	3,170	22%
Vacant Units	938	6%
Totals	14,745	100%

## **SCOPE OF THE EXAMINATION:**

The CRA evaluation included a review of activities occurring since the previous CRA evaluation of September 5, 1996. A sample of loans originated during calendar years 1997 and 1998 was taken. A sample size of 105 loans or \$5.7 million was reviewed. This represented 5 percent of the total loans originated or 11 percent of the total dollar amount originated. The sample included 65 residential loans or \$3 million, 20 consumer loans or \$157,000, and 20 commercial loans or \$2.5 million.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

The bank has exhibited a reasonable commitment towards addressing the credit needs of its assessment area in light of its size, resources, and capabilities. This commitment is illustrated by a good record of lending to low- and moderate-income borrowers and a reasonable level of loan activity within the assessment area. In addition, the bank has an adequate loan to deposit ratio.

### **Loan to Deposit Ratio**

**! The bank's loan to deposit ratio is reasonable and demonstrates its willingness to lend.**

The National Bank of Montpelier's average loan to deposit ratio since the prior examination was 69 percent. This represents an increase over the prior calendar years of 1995 and 1996 when the average loan to deposit ratio was 64 percent. The bank's loan to deposit ratio over the review period was generally consistent with the peer average of 73 percent for banks similar in size throughout the United States.

The examination disclosed that the bank was active in meeting the credit needs of the community, especially in the area of residential housing. In 1997 and 1998, the bank originated 503 loans (home purchase and refinances) secured by residential mortgages totaling approximately \$31 million. During the same time period the bank originated 1,467 consumer loans, including home improvement and mobile home loans totaling approximately \$9 million. Mobile home loans are included in the consumer loan portfolio if they are not secured by real estate. The bank also originated 135 commercial loans in 1997 and 1998 totaling \$10 million. According to bank reports, many of the commercial loans originated during this period were renewals of existing commercial loans.

## Lending in Assessment Area

**! The majority of National Bank of Montpelier's lending is within its assessment area. The National Bank of Montpelier has addressed the lending needs of the assessment area it serves.**

Table 2 shows the bank has originated a significant majority of its loans within its assessment area. A sample of 105 loans originated in 1997 and 1998, as described below, showed that 84 percent of these loans were made to borrowers located within the bank's assessment area.

Loan Product	# Loans in Sample	Loans in Assessment area		Loans outside Assessment area	
		#	%	#	%
1-4 Family Real Estate Mortgages	65	55	85%	10	15%
Consumer Loans *see footnote	20	16	80%	4	20%
Commercial	20	17	85%	3	15%
Total	105	88	84%	17	16%

*Data Source:* Bank loan files

\* Home improvement and second mortgage loans are included in the consumer loan category. Mobile home loans are included in consumer category if they are not secured by real estate.

## Geographic Distribution of Loans

**! The National Bank of Montpelier's distribution of loans is adequate.**

The geographic distribution of loans within the bank's assessment area is reasonable. While none of the assessment area BNAs tracts are low or moderate, the examination's review of the entire loan portfolio as of December 31, 1998, disclosed that the bank has made loans in all of the BNAs within the assessment area.

Overall, the bank's loan activity is concentrated in and around the cities/villages of Montpelier, Bryan, Pioneer, and West Unity. This is consistent with the bank's branch office locations and larger populated areas in Williams County that the bank serves.

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

**! The National Bank of Montpelier has shown a good level of extending credit to borrowers of all income levels.**

Residential Mortgage Lending

The National Bank of Montpelier is an active residential lender in the community. During the review period the bank made residential loans, mobile home loans, residential rental property loans, and home improvement loans. The examination found the bank has flexible lending practices that assist low- and moderate-income borrowers. This includes offering residential mortgage loan products with a minimum of 10 percent down without private mortgage insurance and reduced fees.

National Bank of Montpelier originates residential loans to a wide variety of borrowers with varying income levels (see table 3). Loans made to low- and moderate-income borrowers represented about 40 percent of the loans originated, based on the sample taken. The bank compared well to banks that were HMDA reporters for the same time period. 1997 reports showed those banks made approximately 29 percent of their loans (in this assessment area) were to low- and moderate-income borrowers. The bank also compared well to the demographic data for the nine BNA tracts, which shows about 33 percent of the households have low- to moderate- incomes.

Table 3 Loans Made in the Assessment Area: Williams County								
# Loans in Sample that were made within the assessment area and included current income information.	Loans to Low Income Borrowers		Loans to Moderate Income Borrowers		Loans to Middle Income Borrowers		Loans to Upper Income Borrowers	
	#	%	#	%	#	%	#	%
<i>1-4 Family Real Estate Mortgages Originations</i>								
55	4	7%	18	33 %	21	38%	12	22%
<i>1997 HMDA Data</i>								
1,216	78	6%	274	23%	354	29%	490	40%
<i>Demographic Data on Nine Block Numbered Areas</i>								
# of Households	Low Income Households		Moderate Income Households		% Middle Income Households		Upper Income Households	
	#	%	#	%	#	%	#	%
13,821	2,509	18%	2,103	15%	2,971	22%	6,238	45%

*Data Source for Origination Data:* Bank loan files.

*Data Source for Demographic Data:* 1990 U.S. Census Data

*1997 HMDA Data:* Includes all banks with total assets of \$250 million or more. The HMDA Data included 20 borrowers with no income data.

### Small Business and Farm Loans

The bank was found to be actively addressing the needs of small businesses (including small farmers). The National Bank of Montpelier offers various types of commercial loans to meet the credit needs of small businesses. The vast majority of the commercial loans originated over the review period were under \$300,000. A sample of 20 commercial loans disclosed that the majority of the loans sampled were made to businesses with annual revenues of \$1 million or less.

The bank participates in the State of Ohio, Agricultural Linked Deposit program, to provide farmers with low costing loans. This program allows the bank to offer a reduced interest rate to farmers that meet the qualifications of this program. For calendar years 1997 and 1998 the bank granted seven loans under this program with a total approved loan amount of \$204,000.

### Fair Lending

We did not identify any violations of the anti-discrimination laws and regulations during our examination. We reviewed the bank's underwriting practices and sampled unsecured loans for less than \$5,000. Our sample included 70 approvals and 35 denials, which represent 100 percent of denied files. In addition, the bank received no complaints regarding its fair lending activities.