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Comptroller of the Currency  
Administrator of National Banks

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## **Public Disclosure**

June 17, 1997

### **Community Reinvestment Act Performance Evaluation**

Lorain National Bank  
Charter Number 14290

457 Broadway Avenue  
Lorain, OH 44052

Office of the Comptroller of the Currency

Cleveland Office  
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Independence, OH 44131

**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 **Lorain National Bank** prepared by **The Office of Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **June 17, 1997**. The agency evaluates performance in assessment areas, as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. 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

Lorain National Bank's (LNB) performance was evaluated from January 1996 to May 1997. Its performance under the Lending, Investment and Service tests is Satisfactory. Our review shows:

- Lending levels reflect good responsiveness to assessment area credit needs.
- A substantial majority of loans are made in the bank's assessment area, and the geographic distribution of loans reflects good penetration throughout the assessment area.
- The distribution of borrowers reflects good penetration among businesses of different sizes and adequate penetration among customers of different income levels.
- LNB has made a good level of community development loans. The bank also uses flexible lending products in order to serve area credit needs.
- The bank has an adequate level of qualified investments within its assessment area.
- Services are accessible to essentially all portions of the assessment area and business hours are convenient. LNB provides a relatively high level of community development services.

The following table indicates the performance level of **Lorain National Bank (LNB)** with respect to lending, investment, and service tests.

Performance Levels	Lorain National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		X
Low satisfactory		X	
Needs to improve			
Substantial noncompliance			

\*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

### Description of Institution

LNB is a full service financial institution headquartered in Lorain, Ohio. Lorain is approximately 30 miles west of Cleveland, along the shore of Lake Erie. It has 17 full service branches and 25 automatic teller machines (ATM's). All branches and the majority of ATM's are located within Cuyahoga and Lorain Counties. One ATM is located in Erie County. Both Cuyahoga and Lorain counties are included in the Cleveland-Lorain-Elyria, Ohio Metropolitan Statistical Area (MSA 1680). LNB has designated an assessment area (AA) which includes parts of Cuyahoga, Lorain, and Erie Counties.

There are no financial conditions which would impede LNB's lending, investment or service performance. As of March 31, 1997, LNB had total assets of \$440 million, net income of \$1.4 million and a return on average assets of 1.32%. LNB is both a strong real estate and commercial lender. It provides a broad array of home mortgage and commercial purpose products. The composition of the loan portfolio is: residential-related real estate 60%, commercial and commercial real estate 29%, and installment 11%. These numbers are typical of its performance during the review period.

LNB faces strong competition from a number of regional banks (bank's with assets of more than \$3 billion) including Bank One, National City Bank, KeyBank, FirstMerit, and two other banks which are similar in size and strategy. These two similarly sized banks, compared to LNB in the table on page 3, are referred to as peer banks in this document.

### Peer Banks

	LNB	EST NB *	Premier Bank & Trust **
Assets (3/31/97)	\$440 million	\$494 million	\$593 million
Net Income (3/31/97)	\$ 1.4 million	\$1.7 million	\$ 1.3 million
Business Focus	Real Estate, Commercial, and Consumer	Real Estate, Commercial, and Consumer	Real Estate, Commercial, and Consumer
Total HMDA*** Loans (#) (1995)	320	283	321
HMDA loans made in the Cleveland/Lorain Elyria MSA	304#	283	321
HMDA loans made in Erie County	16#	0	0

Source: 3/31/97 Call Reports, 12/31/95 HMDA data and most recent Public Evaluations  
1995 is the most recent year that peer HMDA data is available

\* EST National Bank is located in Elyria, OH

\*\* Premier Bank & Trust is located in Elyria, OH

\*\*\*HMDA refers to the Home Mortgage Disclosure Act

# Represents loans made within LNB's AA

### Description of Assessment Area

LNB has designated an assessment area (AA) which includes a total of 89 geographies. The vast majority of the AA is located within Cuyahoga and Lorain Counties, which are included in the Cleveland-Lorain-Elyria, Ohio Metropolitan Statistical Area (MSA 1680). All branch offices and most ATM's are located within MSA 1680. The small portion of the AA not within the MSA consists of two Block Numbering Areas in northeast Erie County, adjacent to Lorain County. The total population of the AA is 346,186 persons. The median family income (per census data) of the MSA portion of the AA is \$36,500. The median family income of the Erie County portion of the AA is \$30,563.

The table on page 4 shows selected demographic and economic data for the AA. The table shows that middle- and upper-income families are LNB's largest population groups. Unemployment rates in 1996 for the Cleveland-Lorain-Elyria MSA (1680), at 5.3%, is slightly higher than Ohio (4.9%) but comparable to national (5.4%) unemployment rates. The cities of Lorain and Elyria experienced much higher unemployment rates (9.4% and 7%, respectively) in 1996. This reflects the impact of the economic turbulence the region experienced during the early and mid 1980's when employment in shipbuilding, steel production, and automobile production declined significantly. The region is still transitioning from a manufacturing area to a service area. The Cuyahoga County portion of the AA experienced significantly lower unemployment at 2.5% during 1996. Erie County unemployment during 1996 was comparable to the Cleveland-Lorain-Elyria MSA at 5.3%. During 1997, Ford Motor Company announced the pending layoff of up to 1,800 employees at the company's Lorain automotive assembly plant.

### LNB's Assessment Area Demographic and Economic Data

	Number	Percent
Total Families	94,831	100%
Low-income families	15,413	16.3%
Moderate-income families	15,577	16.4%
Middle-income families	23,142	24.4%
Upper-income families	40,699	43.0%
Unemployment rate (1996)	N/A	5.3%
Major Industries	Automotive Steel Retail Service	N/A

Source: 1990 Census data and Ohio Bureau of Employment Services

The majority of the geographies are middle-income (45%) , followed by upper-income geographies (34%). Low-income geographies represent the smallest segment of the AA at 3%, followed by moderate-income geographies at 18%. All low- and moderate-income geographies are located within Lorain County, primarily within the cities of Lorain and Elyria. See Table I.

The owner occupancy level in low-income geographies is less than 1%. For moderate-income geographies, owner occupancy is 12%, middle-income owner occupancy is 49%, and upper-income owner occupancy is 38%.

## Community Contacts

During this examination, we contacted four community groups (community development, local government, business, and social services) within LNB's AA. These contacts resulted in the identification of the following lending, service, and investment needs.

**Lending:** Small- and mid-sized business loans are needed. In addition, funding is needed to help revitalize the cities of Lorain and Elyria through attracting new businesses. Commercial credit would also help businesses expand and hire new workers, especially displaced blue collar workers. Affordable housing loans with flexible criteria are needed in low- and moderate-income geographies.

**Service:** The following services are needed: credit education and support of social service and job training organizations.

**Investment:** The following investments are needed: financial support of economic development and infrastructure improvement projects (highways and local streets).

We used information supplied by the community contacts, LNB, and information derived from the Lorain County Chamber of Commerce to identify the following activity within LNB's AA:

**Lending:** Several affordable housing and small business loan programs are offered by a number of banks within LNB's AA.

**Service:** We identified over 20 groups that provide community development services in LNB's AA. Some of these groups include: South Lorain Community Development Corp., El Centro de Sericios Sociales, 2nd Harvest Food Bank, Lorain Metropolitan Housing Association, New Sunrise Properties, and the Small Business Development Center.

**Investment:** In our discussions with community contacts we were able to identify a very limited number of investment projects within LNB's AA. Community contacts stated that they obtained their funding through a combination of federal, state, and local private foundation sources. Contacts stated that the local financial institutions' participation centered on providing home mortgage and small business credit to individuals participating in the various community organizations' programs.

## Conclusions with Respect to Performance Tests

### LENDING:

We analyzed HMDA data for LNB's home mortgage loans through March 1997. HMDA data includes home purchase, home improvement, and refinance loans. We also analyzed data for the bank's small business loans through May 1997. The following are our conclusions (The tables referred to in this evaluation are located in the Appendix):

- **Lending levels show good responsiveness to the credit needs of LNB's AA. LNB's volume of small business loans is good.**

LNB offers a good mix of commercial, residential, and consumer installment credit products. Our discussions with community representatives shows that these credit products are needed within the AA. The bank's level of lending activity is comparable to peer and represents a 13% increase in loan volume over the previous year. During 1996, LNB originated a total of 403 HMDA reportable loans for \$34.5 million. Through March 1997, LNB originated 63 loans for \$6.2 million. Management stated that 1997 HMDA activity declined primarily due to rising interest rates and the public's concern with the announced layoffs at the Ford Motor Company's Lorain automotive assembly plant.

During 1996, LNB originated 304 small business loans for \$22.9 million within its AA. Small business loans are defined as loans of \$1 million or less to businesses. Through May 1997, LNB originated 98 small business loans for \$5.8 million. The volume of small business lending was good given the number of small businesses in LNB's AA (30,126 establishments with less than 50 employees), LNB's financial capacity, and their competition. Bank management estimated that approximately 80% of all businesses within its AA meet the small business definition.

- **A substantial majority of LNB's loans are made within its designated AA.**

During the review period the bank's origination activity was focused heavily within the AA. Of the 403 HMDA loans originated by LNB during 1996, 368 (91%) totaling \$30.2 million were made within its AA. Of the 63 HMDA loans originated during 1997 (through March), 60 (95%) totaling \$5.8 million were located in the AA. See Table I.

Of the 322 small business loans originated by LNB in 1996, 304 (94%) totaling \$22.9 million were made within its AA. Of the 147 loans made through May 1997, 98 (67%) totaling \$5.8 million were made in the AA. See Table III.

- **In its AA, LNB's geographic distribution of loans is good. However, limited activity is noted in HMDA loan originations in the Elyria area's low- and moderate-income geographies. Penetration among businesses of different sizes is good.**

During 1996, LNB made at least one HMDA loan in two of the three low-income geographies (67%) and fourteen of its sixteen moderate-income geographies (88%). Most of the low- or moderate-income geographies with no penetration were the geographies in and around the city of Elyria. Strong competition from two Elyria-based banks (refer to Peer Banks table on page 3) and the fact that LNB has only one office in Elyria hampers the bank's ability to effectively compete in this area. Low owner occupancy levels in low- and moderate-income geographies (0.8% and 12%, respectively) have also adversely affected the bank's ability to make HMDA loans in these areas.

During 1996, LNB made at least one small business loan in 61% of its AA geographies. LNB made at least one small business loan within 67% of its low-income geographies, 88% of its moderate-income geographies, 65% of its middle-income geographies, and 40% of its upper-income geographies. During 1997, LNB made at least one small business loan in 52% of its geographies. The bank originated at least one loan in 67% of the low-income geographies, 38% of moderate-income geographies, 70% of the middle-income geographies, and 30% of the upper-income geographies. See Table IV.

- **LNB has reasonable penetration among customers of different income levels, and good penetration among businesses of different sizes. LNB has a good record of meeting the credit needs of very small businesses.**

During 1996, LNB made 8.7% of its HMDA loans to low-income, 14.7% to moderate-income, 22.6% to middle-income, and 44.3% to upper-income borrowers. An additional 9.8% of 1996 HMDA loans did not have income information. Loans to low-income borrowers is less than the level of low-income families within the AA (8.7% vs. 16.3%), while lending to moderate-income borrowers is consistent with the level of moderate-income families within the AA (14.7% vs. 16.3%). Lending penetration to middle and upper-income borrowers is consistent with the level of these borrowers within the AA. The 1996 HMDA data for peer banks was not available during this examination. See Table II.

Again, management stated that 1997 originations were adversely affected by rising interest rates and public concerns with the announced layoffs at the Ford Motor Company's Lorain Plant. These issues had a more noticeable impact on low- and moderate-income persons than it did on middle and upper-income persons. See Table II.

The majority of LNB's loans to small businesses (79% for 1996 and 82% for 1997) are in amounts of less than \$100,000. See Table V.

- **LNB's record of meeting the credit needs of low- and moderate-income geographies is good.**

During the review period the bank's level of originations were generally comparable to the percentage of low and moderate-income geographies that exist in its AA. During 1996, LNB originated 1.4% of its HMDA loans in low-income geographies. LNB originated 15.8% of its HMDA loans in moderate-income geographies. Through March 1997, LNB originated 1.7% of its HMDA loans in low-income geographies and 5% in moderate income geographies. See Table I.

During 1996, LNB originated 10.2% of its small business loans in low-income geographies and 17.4% in moderate-income geographies. Through May 1997, LNB originated 13.2% of its small business loans in low-income geographies and 9.2% in moderate-income geographies. See table III.

- **LNB has made a good level of community development loans.**

During the review period LNB originated a total of \$4.5 million in community development loans. This level of activity is considered good given the need for these types of credits and LNB's capacity. See Table VI.



- **LNB uses flexible lending criteria in order to meet AA credit needs.**

LNB offers a home purchase product and home improvement product (both under the Local Lender program) which are designed to meet the credit needs of low- or moderate-income persons. The products have less stringent down payment requirements and reduced origination fees. The bank requires that the value of the home be \$75,000 or less. The products are considered flexible and similar to those offered by LNB's peers. During 1996, the bank originated 32 home purchase loans for \$1.4 million and 40 home improvement loans for \$161 thousand. Through May 1997, the bank originated 1 home purchase loan for \$41 thousand and 39 home improvement loans for \$140 thousand. These loans are included within the HMDA data during the review period.

- **We found no violations of the substantive provisions of the antidiscrimination laws and regulations.**

We reviewed a sample of LNB's home purchase loans to determine compliance with the various fair lending laws. We tested for illegal discrimination based on the gender of the applicant. We compared a sample of denied applications from female applicants to a sample of approved applications from male applicants, testing for consistency in the bank's credit underwriting practices. LNB conducts fair lending training for its employees and it has adopted and implemented sufficient policies and procedures to guide its employees in adhering to the fair lending laws.

## INVESTMENTS

- **LNB has an adequate level of qualified investments within its AA.**

LNB has invested \$112 thousand in qualified investments within its AA. See Table VII for details of these investments. During our examination we contacted a variety of community representatives. These contacts were able to identify a very limited number of investment projects within LNB's AA. Community contacts stated that they obtained their funding primarily through a combination of federal, state, and local private foundation sources. They stated that local financial institutions participate primarily by providing home mortgage and small business credit to those individuals participating in the various community organizations' programs.

## SERVICES

- **LNB's services are accessible to essentially all portions of the AA and business hours do not vary in a way that inconveniences any portion of the AA. LNB provides a relatively high level of community development services.**

LNB has 17 branch offices. Three (18%) of its branches are in low-income, none in moderate-income, ten (59%) in middle-income, and four (23%) in upper-income geographies. The distribution of branches is representative of the area considering that low- and moderate-income geographies combined represent 21.2% of all geographies.

While the bank has no branches in moderate-income geographies, its loan originations and branch offices in high traffic areas does show that the bank's activities reach moderate-income persons and areas. No branches have been closed since the previous examination. Two branches were opened in upper-income geographies in Cuyahoga County.

LNB operates 25 ATMs. Four (16%) ATM's are in low-income, none in moderate-income, sixteen (64%) in middle-income, and five (20%) in upper-income geographies.

LNB also offers a 24 hour telephone banking service (TeleBanker), which provides callers with information on their accounts, interest rates available, bank hours, and office locations. A computer- based service for business accounts (Corporate Connection) allows account access and inquiries regarding product and service information.

LNB employees provided strong, ongoing guidance and technical expertise to local organizations and programs that provide services targeted to low- and moderate-income areas and individuals. Our community contacts uniformly stated that credit and financial services educational programs are especially needed by low- and moderate-income persons. Examples of the organizations in which bank personnel conducted presentations or provided technical assistance include the Lorain County Urban League, Lorain County Fair Housing Board, Community Housing Cooperative, Lorain Metropolitan Housing, Lorain County Development Corp., Lorain County Free Clinic, El Centro de Cervices, Main Street Lorain Development Corporation, Lorain City School District, and the Lorain County Chamber of Commerce Economic Development Council. LNB conducted 43 seminars and workshops during the review period. The seminars conducted by bank personnel are:

Home Buyer's Seminars: Seminars which address basic banking practices, home buying how-to's, and ways to eliminate debt and re-establish credit.

Basic Banking and Budgeting: Banking products and services, how to open accounts, how to establish credit, and jobs in banking.

Entrepreneur Business Program: Conducted in conjunction with several community organizations, the programs provide basic small business ownership skills and financing alternatives.

## **APPENDIX**

**Table I.  
HMDA Loans: Volume and Geographic Distribution  
(\$000)**

	1996	Percent of Total Loans	YTD March 1997	Percent of Total Loans
# and \$ of loans in AA	368 \$30,213	91%	60 \$5,842	95%
Low-income geographies in AA	3	3%	3	3%
# and \$ of loans in low-income geographies	5 \$222	1.4% 0.7%	1 \$55	1.7% 0.9%
Moderate- income geographies in AA	16	18%	16	18%
# and \$ of loans in moderate- income geographies	58 \$3,005	15.8% 10.0%	3 \$146	5% 2.5%
Middle-income geographies in AA	40	45%	40	45%
# and \$ of loans in middle- income geographies	198 \$17,183	53.8% 56.9%	42 \$3,609	70% 61.8%
Upper-income geographies in AA	30	34%	30	34%
# and \$ of loans in upper- income geographies	107 \$9,803	29.1% 32.4%	14 \$2,032	23% 34.8%

Source: HMDA Data and Internal Bank Reports

**Table II**  
**HMDA Loans: Distribution by Borrower Income**  
**(\$000)**

	1996	Percent	YTD March 1997	Percent
#\$ of loans to low-income borrowers	32 \$919	8.7% 3.0%	1 \$16	1.7% .3%
# of low-income families	15,413	16.3%	15,413	16.3%
#\$ of loans to moderate-income borrowers	54 \$2,444	14.7% 8.1%	4 \$233	6.7% 4.0%
# of moderate-income families	15,577	16.4%	15,577	16.4%
#\$ of loans to middle-income borrowers	83 \$5,301	22.6% 17.5%	12 \$689	20% 11.8%
# of middle-income families	23,142	24.4%	23,142	24.4%
#\$ of loans to upper-income borrowers	163 \$18,468	44.3% 61.1%	35 \$4,192	58.3% 71.8%
# of upper-income families	40,699	42.9%	40,699	42.9%
Total Families	94,825	100%	94,825	100%
N/A*	36 \$3,081	9.7% 10.3%	8 \$712	13.3% 12.1%
<b>TOTAL</b>	368 \$30,213	100%	60 \$5,842	100%

Source: 1990 Census Tract Data, 1995 HMDA LAR Data, and Internal Bank Reports

\* Income information is not available.

**Table III**  
**Volume and Geographic Distribution of Small Business Loans**  
**(\$000)**

	1996	Percent	YTD May 1997	Percent
Total # and \$ of loans in AA	304 \$22,890	94%	98 \$5,807	67%
# and \$ of loans in low-income areas	31 \$1,837	10.2% 8.0%	13 \$626	13.2% 10.8%
# and \$ of loans in moderate-income areas	53 \$1,804	17.4% 7.9%	9 \$332	9.2% 5.7%
# and \$ of loans in middle-income areas	146 \$11,303	48.0% 49.4%	55 \$3,291	56.1% 56.7%
# and \$ of loans in upper-income areas	74 \$7,946	24.3% 34.7%	21 \$1,558	21.4% 26.8%

Source: Internal Bank Reports

**Table IV**  
**Penetration of Geographies with Small Business Loans**

	1996	Percent	YTD May 1997	Percent
Total # and % of areas penetrated	54	61%	46	52%
# and % of low-income areas penetrated	2	67%	2	67%
# and % of moderate-income areas penetrated	14	88%	6	38%
# and % of middle-income areas penetrated	26	65%	28	70%
# and % of upper-income areas penetrated	12	40%	9	30%

Source: Internal Bank Reports

**Table V**  
**Distribution of Small Business Loans by Loan Size**  
**(\$000)**

Loan Size	1996	Percent	YTD May 1997	Percent
<\$100K	239 \$7,171	79%	81 \$2,616	82.7%
>\$100K <250K	43 \$6,626	14%	13 \$1,764	13.2%
>\$250K <\$1,000K	22 \$9,099	7%	4 \$1,283	4.1%
Total	304 \$22,890	100%	98 \$5,807	100%

Source: Internal Bank Reports

**Table VI  
Community Development Loans**

Loan Purpose	Amount
Permanent financing of 40 single family homes located within the Cityview neighborhood for rent to low-income persons.	\$900 thousand
Purchase office building to house non-profit affordable housing organization.	\$416 thousand
Provide temporary financing to bridge the period between disbursements and tax revenue collection for the City of Lorain Public school system. Lorain City Schools are located primarily in low- and moderate-income areas.	\$2 million
Construction and renovation of affordable multi-family housing for rent to low- and moderate-income persons.	\$235 thousand
Rehabilitation of a single family home for lease (with purchase option) to a low- or moderate-income persons.	\$24 thousand
Short term working capital for organization providing day care services to low-income parents, homeless shelters, nutrition programs for low-income elderly, affordable housing, and transportation services.	\$62 thousand
Funded the relocation of two single family residences slated for demolition to a moderate-income area for sale to low- and moderate-income persons.	\$80 thousand
Permanent financing and renovation for a 16 unit housing project for low-income persons with disabilities.	\$447 thousand
Funding to a local medical facility that provides free medical services to low income persons.	\$16 thousand
Reconstruct a church located in a moderate-income area which provides community center services in conjunction with state and county youth service programs.	\$255 thousand
Renovate a small abandoned commercial building in severe disrepair located in a moderate-income area. This project will provide needed services for low- and moderate-income persons.	\$33 thousand
<b>TOTAL</b>	<b>\$4.5 million</b>

Source: Internal Bank Reports

**Table VII**



### LNB's Community Development Investments During the Review Period

Examples	
Donation to help fund a variety of community based organizations whose primary goal is to enrich the lives of low- or moderate-income persons.	
Scholarship funds for low- and moderate-income students.	
Organization promoting the revitalization of a low- and moderate-income area.	
Donation to a local organization that provides free medical services to low-income persons.	
Organization that distributes food to low-income persons.	
Community service organization for low- and moderate-income persons. Provides food, clothing, and shelter facilities.	
Donations to other social service, affordable housing, and community development organizations for low- and moderate-income areas and persons.	
<b>Grand Total</b>	<b>\$112,200</b>

Source: Internal Bank Reports