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Comptroller of the Currency  
Administrator of National Banks

Small Bank

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## **PUBLIC DISCLOSURE**

**July 6, 1998**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Nelsonville  
Charter Number 14473**

**11 Public Square  
Nelsonville, Ohio 45674**

**Office of the Comptroller of the Currency**

**Central Ohio Field Office  
325 Cramer Creek Court, Suite 202  
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 **The First National Bank of Nelsonville** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 6, 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.**

This institution meets the requirements for SATISFACTORY performance. The average loan-to-deposit ratio of 84% is well above the average loan-to-deposit ratios of national and local peer banks. A sample of this institution's home loans reveals that a substantial majority (98%) of the bank's loans are made within the assessment area and are reasonably dispersed. Based on the sample of home loans, a substantial majority (85%) were originated in moderate-income areas. The sample also revealed that the bank's loans are reasonably dispersed to borrowers of all income levels, including 35% to low- and moderate-income borrowers. Also, based on a sample, 83% of the bank's business loans were to small businesses.

## **DESCRIPTION OF INSTITUTION**

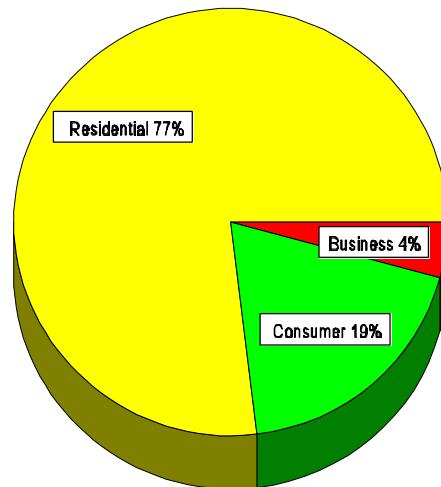
The main office of The First National Bank of Nelsonville (FBNB) is located approximately 65 miles Southeast of Columbus in the city of Nelsonville, which is in the Appalachian Region of Southeastern Ohio. The bank's primary business focus is retail banking, with an emphasis on residential real estate lending (see graph at right and discussion below). The bank offers standard products and services through its two offices in Athens County. In addition to its main office, the bank operates one full service branch in the Village of Glouster, Ohio. Glouster is approximately 10 miles northeast of Nelsonville. The bank operates two automated teller machines (ATM) in Nelsonville. A third ATM is scheduled to be opened in Glouster in July 1998.

There is a strong degree of banking competition in the institution's assessment area (AA). There are three state banks and a thrift located in Nelsonville. One of the state banks also has two offices in Glouster. There are several other community banks and branches of regional banks located throughout the bank's AA. Currently, no legal or economic impediments exist that could restrict the institution's ability to serve the community's credit needs.

As of the bank's March 31, 1998 Call Report, FBNB reported total assets of approximately \$37.9 million and gross loans of approximately \$28.1 million. Loans for one-to-four family residential housing purposes represented about 77% of gross loans, loans for individual consumer purposes represented about 19% and the remaining 4% had commercial purposes (see above graph). The bank did not have any agricultural loans outstanding as of March 31, 1998.

## **Loan Portfolio Mix**

**As of March 31, 1998**



## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area (AA) consists of twelve block numbering areas (BNAs) in Athens County, six BNAs in Hocking County, three BNAs in Morgan County, two BNAs in Perry County, and three BNAs in Vinton County (see page 5 for a listing). The bank's AA is not in a metropolitan statistical area. The bank's defined AA complies with all regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas. One BNA is considered low-income, fourteen are moderate-income, nine are middle-income, and two are upper-income.

The population of the AA is 109,702. The median family income for the AA is \$30,563. The weighted average median housing value is \$42,825, with a median year built of 1960. Sixty-two percent of the housing units are owner occupied and 11% are vacant. The percentage of owner occupied housing by income tract is 1% in low-income, 57% in moderate-income, 36% in middle-income, and 6% in upper-income. The 27% rental occupied units have a median monthly gross rent of \$332. The above demographic data is based on the 1990 US Census. The July 1998 updated median family income for the AA is \$40,500. Families in the AA are 27% low-income, 21% moderate-income, 23% middle-income, and 29% upper-income.

The April 1998 unemployment rates for the five counties in the AA are: Athens 4.2%, Hocking 5.1%, Morgan 13.1%, Perry 5.4%, and Vinton 10.9%. Overall, this compares unfavorably to both the state and national unemployment rates of 3.8% and 4.3%, respectively. The economic condition of the AA is considered moderate. Twelve percent of the households are on public assistance, and 17% are retired. The largest employers include Ohio University (Athens), TS Trim (Athens), O'bleness Hospital (Athens), Rocky Shoes and Boots Inc (Nelsonville), Hocking Technical College (Nelsonville), and Doctors Hospital (Nelsonville) in Athens County; Goodyear and Smead in Hocking County; Tomkins Industries and American Electric Power in Morgan County; LEMPCO in Perry County; and several logging companies in Vinton County. In addition, many people in the AA commute out of the area for employment.

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

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

The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs.

FNBN's loan-to-deposit (LTD) ratio of 79% as of March 31, 1998, and the average LTD ratio over the last ten quarters of 84%, exceeded those of other similarly situated banks. FNBN's LTD ratios were compared with a peer group of similar banks nationwide, a custom peer group consisting of banks in Ohio, Indiana, Kentucky, and West Virginia with total assets between \$25 and \$50 million, and all banks headquartered in the AA. FNBN's ratios were higher than the averages for national peer banks (67%), custom peer banks (69%), and local banks (74%).

### **Lending in the Assessment Area:**

A substantial majority of loans are in the bank's assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

A sample of all 12 commercial business loans which were originated in 1997 and year to date 1998 were reviewed for borrower location and income. All 12 (100%) of the business loans were originated within the bank's AA.

A sample of 100 home loans originated in 1998 was also reviewed for borrower location and income. Of the home loans sampled, 98/100 (98%) were within the bank's AA. Of the 26 BNAs in the bank's AA, the sample had loans in 17. The BNAs which there were no loans represented in the sample are the furthest points in the AA from FNBN's branches. The credit needs of these BNAs are served by other banks.

The sample did not have any loans in the only low-income BNA in the AA, BNA # 9731. However, this BNA is where Ohio University is located and there would be limited opportunity to originate real estate loans in this BNA. The demographics for BNA #9731 show that 89% of the 2,382 housing units are rental, and that 59% of the persons there live in group quarters. These demographics are typical of student housing. In addition to the university and student housing, there are 498 businesses located in this BNA, which are 1/3 of the businesses in Athens County.

Please refer to the table on the next page. Additional discussion will follow.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

### HOME LOAN REVIEW - SAMPLE RESULTS

BNA	DEMOGRAPHICS	# (and %) OF LOANS OF THE 100 SAMPLED
9726 - Branch Office	Moderate	Athens County - 12
9727 - Main Office*	Moderate	20
9728 - Main Office*	Moderate	20
9729	Moderate	3
9730	Upper	2
9731	Low	0
9732	Middle	4
9733	Upper	2
9734	Middle	2
9735	Moderate	4
9737	Middle	1
9738	Middle	2      Total in Athens County: 72%
9649	Middle	Hocking County - 0
9651	Moderate	1
9652	Middle	2
9653	Middle	0
9654	Moderate	1
9655	Moderate	17      Total in Hocking County: 21%
9689	Middle	Morgan County - 0
9690	Moderate	1
9691	Middle	0      Total in Morgan County: 1%
9661	Moderate	Perry County - 4
9663	Moderate	0      Total in Perry County: 4%
9530	Moderate	Vinton County - 0
9531	Moderate	0
9532	Moderate	0      Total in Vinton County: 0%
TOTAL INSIDE AA		<u>98</u>
OUTSIDE AA		2

\*The Nelsonville Branch is located on the boarder of BNA 9727 and 9728.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)**

### **Lending in Geographies of Different Income Levels:**

The distribution of loans in geographies of different income levels reflects excellent dispersion.

Of the 12 commercial business loans sampled, all 12 (100%) were originated to businesses located in moderate-income BNAs.

A substantial majority (85%) of the home loans sampled were originated in moderate-income BNAs. As previously discussed, there is limited opportunity for home loan lending in the low-income BNA. Please refer to the table below for the dispersion of the sampled loans among BNA income levels compared to the dispersion of owner occupied housing among those BNAs.

**DISPERSION OF LENDING BY INCOME GEOGRAPHIES**

GEOGRAPHY INCOME LEVEL	HOME LOAN SAMPLE - DISPERSION BY BNA (%)	DEMOGRAPHIC - DISPERSION OF OWNER OCCUPIED (%)
LOW	0	1
MODERATE	85	57
MIDDLE	11	36
UPPER	<u>4</u>	<u>6</u>
	100%	100%

### **Lending to Borrowers of Different Income Levels:**

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Of the 12 business loans reviewed in the sample, 10 (83%) are considered to have been extended to small businesses (gross revenues less than \$1 million).

The results of the home loan sample show that the bank's lending to borrowers of different income levels (including low- and moderate-income individuals) is satisfactory. Of the 100 real estate loans in the sample, 35% were made to low- and moderate-income individuals. Please refer to the table on the following page for the dispersion of the sampled home loans among borrower income levels compared to the percent of families in the AA within each income level.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)**

### **Lending to Borrowers of Different Income Levels (continued):**

#### **DISPERSION OF LENDING BY BORROWER INCOME**

INCOME LEVEL	HOME LOAN SAMPLE BORROWER DISPERSION %	DEMOGRAPHIC - DISPERSION OF FAMILIES IN AA %
LOW	11	27
MODERATE	24	21
MIDDLE	31	23
UPPER	<u>34</u>	<u>29</u>
	100%	100%

### **Response to Complaints Regarding the Bank's CRA Performance:**

Since the last CRA examination, the bank has had no consumer complaints regarding its CRA performance.

### **Fair Lending:**

No evidence of discriminatory or other illegal credit practices on a prohibited basis were noted during the course of the Fair Lending examination. The Fair Lending examination tested consumer lending from January to April 1998. The bank is in compliance with the substantive provisions of anti-discrimination laws.