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Comptroller of the Currency  
Administrator of National Banks

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## PUBLIC DISCLOSURE

June 24, 1996

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Central City  
Charter Number 8229  
130 W. Broad St.  
P.O. Box 389  
Central City, Kentucky 42330

Office of the Comptroller of the Currency  
Evansville Duty Station  
P.O. Box 20130  
Evansville, Indiana 47708

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 Central City for the time period of October 12, 1993 through June 24, 1996. This document was prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency. 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 bank's average loan to deposit ratio over the last two years is similar to the ratios of other banks in the area. A significant portion of the bank's loans are to customers living within the bank's assessment area.

The following table indicates the performance level of the First National Bank of Central City with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK OF CENTRAL CITY PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints		X	



## DESCRIPTION OF INSTITUTION

The First National Bank of Central City (FNB) is a full-service bank located in Central City, Kentucky and is wholly owned by First United, Inc. First United, Inc. is a one-bank holding company and is locally owned. As of March 31, 1996, total assets of FNB were \$70 million. There are no legal impediments or financial constraints which would hinder the bank's ability to meet community credit needs. The bank's previous CRA rating of "Satisfactory" was assigned on October 12, 1993.

FNB is a full-service lender focusing locally on residential real estate and small business lending. As of March 31, 1996, the loan portfolio consisted of 60% real estate loans (75% of which are secured by 1-4 family residential mortgage), 28% consumer loans, 11% commercial loans, and 1% agricultural loans. FNB has one branch office in the northern Muhlenburg County town of Bremen. Both the main office and the branch have an ATM machine.

## DESCRIPTION OF ASSESSMENT AREA

Central City has a population of 5,000 and is located in central Muhlenburg County, Kentucky. The assessment area is all of Muhlenburg County, which has a population of 31,300. Muhlenburg County consists of nine Block Numbering Areas (BNAs), eight of which are designated as middle-income areas (defined as having a median family income between 80% and 120% of the statewide non-MSA median family income of \$26,400) and one is designated as a moderate-income area (between 50% and 80%). The assessment area meets the criteria of the regulation and does not arbitrarily exclude any low- and moderate-income areas. The main office and the Bremen branch are both located in middle-income BNAs.

The area surrounding Central City is rural. Businesses in small surrounding towns offer moderate employment and economic support. The economy is highly dependent on timber production and small local businesses. The town's largest employers are the state prison, the county school system, and the Tennessee Valley Authority. The current unemployment rate is 7.4%. Competition among local financial institutions is moderate, with seven banks within 20 miles of Central City.

A local government official was interviewed to determine the needs of the community and how well local banks are helping to meet these needs. The contact stated that the community's primary credit needs are low interest business loans and affordable housing loans. Other concerns include the need to attract new industry to the county and to revitalize the downtown area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to deposit ratio: The bank's loan to deposit ratio since the last CRA examination averages 74%. This is comparable to the average loan to deposit ratio of all similarly situated banks over the same time period, which ranges from 60% to 88%.

Lending in assessment area: Loans to customers living in the assessment area comprise 82% of both the total number of loans and the dollar volume of the loan portfolio. The OCC analyzed a sample of 25 real estate loans that were originated during the prior twelve month period. All of these 25 real estate loans were to customers living in Muhlenburg County.

Lending to borrowers of different incomes and to businesses of different sizes: The review of the 25 real estate loans revealed that the bank lends to consumers of all income levels. Our analysis showed that 12% of all sampled real estate loans were extended to moderate-income borrowers (those earning 50% to 80% of the statewide non-MSA median family income of \$26,400). Loans to middle-income borrowers (80% to 120% of median) represent 16% of all sampled loans and the remaining 72% of loans were generated to upper-income (over 120% of median) borrowers.

The majority of the bank's commercial loans are to small businesses. Eleven of nineteen (58%) commercial loans sampled were to businesses and farms that had annual revenues of less than \$1,000,000. To address the stated community credit needs for low interest business loans and the revitalization of the downtown area, the bank has created a low interest business loan product. In conjunction with the "Central City Main Street" organization, the bank offers a below-market interest rate to businesses that move on to Main Street. To date, two businesses have taken advantage of this program, borrowing a total of approximately \$50,000.

Geographic distribution of loans: The bank's assessment area comprises eight middle- and one moderate-income BNA. From our real estate loan sample described above, we found that 8% of the real estate loans were secured by property located in the moderate-income area. Considering that the moderate-income BNA is 11% (one of nine) of the assessment area, an 8% penetration is considered reasonable.

Response to complaints: The bank has received one written complaint about its lending practices. A long-time FNB customer was upset that the bank requested to perform a credit investigation when he applied for a small consumer loan. Upon receipt of the complaint, the president sat down with the customer and explained why the credit investigation was necessary. According to the memo the president wrote, the customer was satisfied with this explanation. The bank's response to this complaint was appropriate.

Compliance with antidiscrimination laws: We tested the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No violations of the substantive provisions of these antidiscrimination laws and regulations were identified.