



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 20, 2001

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Home National Bank
Charter Number 9815**

**Third Street
Racine, Ohio 45771**

**Comptroller of the Currency
Central Ohio Field Office
325 Cramer Creek Court, Suite 101
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 Home National Bank, Racine, OH as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of February 20, 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 record of meeting community credit needs. This rating is supported by:

- The bank's lending to borrowers of different income levels and businesses of different sizes is reasonable.
- A substantial majority of the bank's lending activity occurs within its assessment area.
- The bank's loan to deposit ratio is reasonable in comparison with the ratios of its peer banks.

DESCRIPTION OF INSTITUTION

The Home National Bank (HNB) is a locally owned independent bank headquartered in the village of Racine in Meigs County, approximately 110 miles southeast of Columbus, Ohio. HNB is the only institution in Racine. HNB operates one branch office in the village of Syracuse, also in Meigs County, which is three miles west of Racine.

The primary business focus of the bank is residential real estate lending followed by consumer lending. The level of competition for loans and deposits in the bank's service area is considered normal and stable. The primary competition comes from a local institution located nine miles northwest in Pomeroy, Ohio. No branches have been opened or closed since the last examination. There are no financial impediments restricting HNB's ability to continue to meet the credit needs of its community.

On its December 31, 2000 Call Report, HNB reported total assets of \$56 million, with net loans representing 68% of that base. Loans for 1-4 family residential housing purposes represented 42.8% of gross loans, consumer loans represented 27.3% of gross loans, agricultural and farmland represented 10.6%, commercial and industrial loans were 9.9%, commercial real estate represented 7.3%, while the remainder consisted of construction, credit card and municipal loans.

At the prior examination, as of August 22, 1995, HNB received an Outstanding CRA rating. Our current evaluation assesses the bank's performance from August 22, 1995, through February 20, 2001.

DESCRIPTION OF ASSESSMENT AREA

HNB has designated its assessment area (AA) as Meigs County. The assessment area is rural and consists of six block numbering areas (BNAs). Based on 1990 Census Data, the assessment area consists of five, or 83%, moderate-income and one, or 17%, middle-income geographies. The AA includes the incorporated villages of Racine and Syracuse and includes the townships of Letart, Sutton, Lebanon, Olive Chester and Salisbury. The bank's assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude any low- or moderate-income geographies.

The 2000 Department of Housing and Urban Development (HUD) estimated family income for non-MSA areas of Ohio is \$45,300. The 1990 median family income for the AA according to 1990 Census Data is \$21,804. According to 1990 Census Data, the population of the AA is 22,987. There are 6,580 families residing within the AA with the breakdown of families by income as follows: low-income families 34%, moderate-income families 22%, middle-income families 19%, and upper-income families 25%. According to the 1997 Poverty Estimates by the Census Bureau for Meigs County, 20.4% of the population is below the poverty level.

The AA has 9795 housing units with 69.6% of those owner-occupied. Of those owner-occupied units, 86% are located in moderate-income BNAs and 14% are located in middle-income BNAs. The median home value for the AA is \$35,706.

The economic conditions of the AA are depressed. According to 1990 Census Data, Meigs County's per capita income is \$11,545, which is well below the state average of \$16,462. Information dated January 2001, obtained from the Ohio Department of Jobs and Family Services indicates that Meigs County, with an unemployment rate of 11.5% versus 4.8% statewide, is ranked 84th of the 88 Ohio counties. The county has been negatively affected by the decline in the coal mining industry and has consistently posted above average unemployment rates.

Major industries in the area are mining, state and federal government, agricultural and manufacturing. The areas largest employers are American Electric Power, The Veterans Memorial Hospital, and agencies of federal, state and local government.

Primary competition within the assessment area comes from two local institutions located approximately nine miles northwest in Pomeroy. One of the institutions is a state bank and the other is a savings bank.

Our discussion with a local housing agency official indicated that unmet needs exist in the AA. The primary unmet need is for low down payment and first time homebuyer programs. Additionally, a need for financing of affordable housing, 1-4 family residences, rental properties and consumer education programs was also expressed.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

HNB's loan-to-deposit ratio (LTD) is satisfactory given the bank's size, financial condition, and assessment area credit needs.

HNB's LTD ratio for the 13 quarters ending December 31, 2000, ratio has averaged 74.3%. This is within quarterly averages exhibited by national peer banks of (68%). The bank's December 31, 2000, LTD ratio of 80.4% compares favorably with its peer bank's average of 70.4%.

Lending in Assessment Area

A substantial majority of HNB's lending activity occurs within its AA.

Lending in the AA Consumer Loans Sample size = 29 Table 1		
Sample size by Number & Dollar	Loans by Number & Dollar in AA	Percentage of Loans by Number & Dollar in AA
29	25	86%
\$161,000	\$136,000	84%

Lending in the AA Business Loans Sample size = 20 Table 2		
Sample size by Number & Dollar	Loans by Number & Dollar in AA	Percentage of Loans by Number & Dollar in AA
20	16	80%
\$1,607,000	\$1,404,000	87%

A sample of 29 residential real estate, 29 consumer and 20 commercial loans was reviewed to assess the bank's level of lending in the bank's AA. All loans sampled were originated between September 1, 1995 through December 31, 2000. No table illustration for residential 1-4 family loans was prepared as 100% of these loans were located within the bank's AA. Our review revealed that a substantial majority of the bank's loans sampled, 100% of the residential, 90% of the consumer (Table 1) and 80% of the commercial loans (Table 2) were located within the bank's AA.

Geographic Distribution of Loans

HNB's AA contains six BNAs. As noted previously, of the six BNAs, five are moderate-income and one is middle-income. Because a substantial majority (83%) of the bank's AA consists of moderate income BNAs, it was determined that an analysis of HNB's geographic distribution of loans would not be meaningful.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank's lending to borrowers of different income levels and business of different sizes is reasonable.

Based on the residential real estate, consumer and business loans originated within the bank's AA, the distribution to borrowers of different income categories demonstrates reasonable penetration to all income categories. Lending to low-income borrowers for residential real estate loans is significantly lower (14%) than the percentage of low-income families within the AA (34%). This can be attributed to the fact that low-income persons are less likely to meet the credit standards required to qualify for standard home mortgage loans (Table 4).

Distribution of 1-4 Residential Loan Sample by Borrower Income Sample size = 29 Table 4			
Income Category	% of families by income category in the AA	% of sample in each category	
		By Dollar	By Number
Low-Income	33.9%	7%	14%
Moderate-Income	21.8%	16%	21%
Middle-Income	19.2%	38%	38%
Upper-Income	25.1%	40%	28%

The bank's distribution of consumer loans reflects a high level of lending to low- and moderate-income persons. While low- and moderate-income families comprise 55.7 % of the families in the AA, both the number of loans and dollars lent to families in these income categories exceed 55.7%. This reflects a good lending record to low- and moderate-income families (see table 5).

Distribution of Consumer Loan Sample by Borrower Income Sample size = 29 Table 5			
Income Category	% of families by income category in the AA	% of sample in each category	
		By Dollar	By Number
Low-Income	33.9%	45%	56%
Moderate-Income	21.8%	15%	16%
Middle-Income	19.2%	25%	20%
Upper-Income	25.1%	15%	8%

Distribution of Business Loans by Revenues Sample size = 20 Table 6			
Business Size	% of businesses by size in AA	% of sample in each category	
		By Dollar	By Number
Small Business (Annual Revenue less than \$1 million)	94%	62%	94%
Large Business (Annual Revenue greater than \$1 million)	6%	38%	6%

The bank's lending to small businesses reflects a reasonable level of lending to small businesses.

Consumer Complaints

No complaints regarding the bank's CRA performance have been submitted during the evaluation period.

Record of compliance with Antidiscriminaiton Laws

An analysis of five year's public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its analysis of information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA examination this year. The latest comprehensive fair lending examination was performed August 1995.