



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

January 28, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank of Berkeley Springs
Charter Number #14198**

**212 South Washington Street
P.O. Box 130
Berkeley Springs, West Virginia 25411-0130**

**Office of the Comptroller of the Currency
West Virginia Field Office
100 Capitol Street
Security Building - Suite 400
Charleston, West Virginia 25301**

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 **Citizens National Bank of Berkeley Springs** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 30, 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**.

The Citizens National Bank of Berkeley Springs (CNB) has met or exceeded the standards for satisfactory performance for each of the following assessment criteria: loan to deposit ratio, lending within the assessment area, lending to borrowers of different incomes and to businesses of different sizes, and geographic distribution of loans. This evaluation is based on information from September 30, 1995 through September 30, 1998.

The following table indicates the performance level of **Citizens National Bank of Berkeley Springs** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	CITIZENS NATIONAL BANK'S PERFORMANCE LEVELS		
	<i>Exceeds</i> Standards for Satisfactory Performance	<i>Meets</i> Standards for Satisfactory Performance	<i>Does Not Meet</i> 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	The bank has not received any CRA related complaints since our previous CRA examination.		

DESCRIPTION OF INSTITUTION

Citizens National Bank (CNB) is a \$120.1 million independent community bank with its main office located in Berkeley Springs, West Virginia. CNB also operates two full service branches: on Valley Road in Berkeley Springs and a new branch in Hedgesville, WV¹. Drive-through facilities are located at all three banking locations and automated teller machines (ATM) are located at the main office and the Hedgesville branch. Additionally, the bank has cash machines at two locations within Morgan County.

As of September 30, 1998, net loans represented approximately 69% of total assets. CNB's loan portfolio consists of 74% real estate loans, 20% consumer loans, and 6% commercial loans. CNB offers a variety of loans including personal loans with no minimum loan amount; residential real estate loans; student loans; home improvement loans; construction loans; and business loans, including Small Business Administration (SBA) loans. There are no financial conditions, legal constraints, or other conditions that would hinder the bank's ability to help meet the credit needs of its assessment area. CNB's CRA performance was last evaluated in June 1995, and was rated Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) consists of Morgan County, WV. The AA does not arbitrarily exclude low- and moderate-income geographies. The AA includes four block numbering areas (BNA)², of which, two BNAs are middle-income tracts and two are upper-income tracts. There are no low- or moderate-income tracts within Morgan County.

Although the AA does not contain low- or moderate-income tracts, families whose income levels are categorized as being low or moderate do reside within the AA. The income levels of the various families in the AA are as follows: low-income (11%), moderate-income (16%), middle-income (20%), and upper-income (53%). The 1998 updated HUD median family income³ for Morgan County, WV equaled \$28,200. Based on 1990 census data, Morgan County has a population of 12,128. Thirty three percent of the households in the AA receive social security income while another 6% receive some other type of public assistance.

The AA's economy is stable and loan demand is good. Banking within the AA is competitive as there are sufficient financial institutions to meet local credit needs. In addition to CNB, the AA contains two branches of One Valley Bank East, N.A. and one branch of City National Bank (Blue Ridge Bank division).

¹ *The Hedgesville branch, located in Berkeley County, WV, was opened in October 1998. Berkeley County is included in the Washington, D.C. metropolitan statistical area (MSA) and as such will require the bank to track CRA-related lending more rigorously. Due to the recentness of this branch opening, any lending performance related to the branch will not be addressed in this evaluation.*

² *A block numbering area (BNA) is defined by the Bureau of the Census as a statistical subdivision of counties in which census tracts have not been established.*

³ *The term median family income describes the statewide average income earned by people sharing a home that are related by birth, marriage, or adoption.*

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

◆ **Loan to Deposit Ratio**

CNB's loan to deposit ratio is reasonable. During the 13 quarters from September 30, 1995 through September 30, 1998, CNB's net loan to deposit ratio averaged 77%. The net loan to deposit ratio of similarly situated community banks, nation-wide, averaged 65% for the same period. The assessment of CNB's loan to deposit performance against local banking competitors was hindered by the nature of its local competition. As mentioned previously, CNB's local banking competition consists of branches of two state-wide regional banks, thus precluding a meaningful local bank-to-bank comparison.

◆ **Lending in Assessment Area**

A substantial majority of the bank's lending activity is within the AA. In order to determine this, we reviewed a sample of home purchase loans originated from January 1997 through September 1998 and retained in CNB's real estate portfolio. This sample consisted of 36 loans. The following table represents CNB's home purchase lending within their AA:

Home Purchase Lending Pattern				
	# of Loans	% of Loans	\$ of Loans	% of Amount Loaned
Home Purchase Loans <i>within</i> the AA	31	86%	\$1,619,800	86%
Home Purchase Loans <i>outside</i> the AA	5	14%	\$217,000	14%
Total	36	100%	\$1,836,800	100%

As part of our evaluation of CNB's lending performance, we performed three local community contacts. These community contacts were conducted in an effort to determine opportunities for participation by financial institutions in helping to meet local credit needs and to understand community perceptions of financial institutions' performance in meeting those needs. No salient, unaddressed credit needs were identified during these contacts. All three contacts expressed opinions that the financial institutions operating in Morgan County were responsive to the credit needs of consumers and small businesses within the area.

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

CNB's lending to borrowers of different income levels within the AA is reasonable. We determined this by reviewing a sample of home purchase loans originated within the AA from January 1997 through September 1998 and maintained in the bank's real estate portfolio. This

sample consisted of 31 loans. The following table illustrates CNB's penetration of home purchase loans to individuals within each income level within the AA:

Home Purchase Loans to Individuals of Different Income Levels Within the AA			
Income Level	Percent of Families in the AA	Percent of Loans Originated	Percent of Loans Originated, by Amount
<i>Low</i>	11%	3%	1%
<i>Moderate</i>	16%	16%	12%
<i>Middle</i>	20%	39%	39%
<i>Upper</i>	53%	42%	48%
Total	100%	100%	100%

CNB participates in various West Virginia Housing Development Fund (WVHDF) programs, including the Early Ownership Program (EOP) and the Mini-Mod Rehabilitation Program. The EOP program, which features 100% financing and the opportunity to finance closing costs, is designed for low- and moderate-income home buyers who could not otherwise qualify for traditional credit. Loans made under these programs are originated by CNB and then sold to WVHDF. Therefore, these loans would not be reflected in the previously described sample. From January 1996 through September 1998 the bank originated 31 loans totaling \$1.4 million. This level of participation with the WVHDF significantly enhances CNB's lending to the low- and moderate-income segments of the AA.

The bank's level of lending to businesses of different sizes is reasonable, as well as consistent with the number of small businesses in the AA. We reviewed a sample of 10 new or renewed commercial loans originated since January 1998. By using the size of loans as an indicator of business size, we found that all of the commercial loans were for amounts less than \$1 million. Additionally, 80% of these loans were for amounts less than or equal to \$500,000.

◆ **Geographic Distribution of Loans**

CNB's geographic distribution of loans reflects a reasonable dispersion throughout their AA. As previously mentioned, there are no low- or moderate-income geographies in the AA.

◆ **Response to Complaints**

CNB has not received any CRA-related complaints since the prior CRA evaluation.

◆ **Compliance with anti-discrimination Laws and Regulations**

A fair lending examination was performed in conjunction with our CRA evaluation. This examination was performed to determine if any disparate treatment to any prohibited basis groups

had been conducted. The fair lending examination focused on rates, terms, fees, etc. of all home purchase loans originated from January 1997 through September 1998. No violations of the substantive provisions of anti-discrimination laws and regulations were identified.