



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**November 23, 2010**

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

The First National Bank of Powhatan Point  
Charter Number 7759

345 Highway 7 N  
Powhatan Point, OH 43942

Office of the Comptroller of the Currency

Northern Ohio Field Office  
200 Public Square Suite 1610  
Cleveland, OH 44114-2301

**NOTE:** This document is an evaluation of this 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. 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.

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

The major factors supporting the bank's rating include:

- The bank's loan-to-deposit ratio is less than reasonable and does not meet the standards for satisfactory performance.
- A substantial majority of lending activity has occurred inside the bank's Assessment Areas and exceeds the standard for satisfactory performance.
- The distribution of home mortgage and consumer loans to borrowers of different incomes reflects excellent penetration and exceeds the standards for satisfactory performance.
- The geographic distribution of home mortgage and consumer loans reflects poor dispersion and does not meet the standards for satisfactory performance.

## **SCOPE OF EXAMINATION**

The evaluation time period is March 19, 2004 (the date of the previous evaluation) through June 30, 2010. We analyzed home mortgage and consumer loan activity from January 1, 2007 through June 30, 2010. Analysis of both home mortgage and consumer loan activity is based on an initial sample of 27 home mortgage loans and 60 consumer loans. Samples were utilized as the bank is not a Home Mortgage Disclosure Act (HMDA) reporting financial institution. These loan products are representative of the bank's business strategy since the last examination.

First National Bank of Powhatan Point (FNBPP) has a single assessment area (AA) for evaluation purposes as discussed under the **Description of the Assessment Area** section.

Information from members of the local community was also considered in our analysis. We contacted two community organizations involved in affordable housing and economic development initiatives to determine the community's credit and non-credit needs. Refer to the **Description of Assessment Area** section of this document for additional details.

## **DESCRIPTION OF INSTITUTION**

FNBPP is a full service community bank headquartered in Powhatan Point, Ohio that services southern Belmont and northern Monroe Counties. As of June 30, 2010, the bank reported total assets of \$25 million. The bank is a wholly owned subsidiary of Powhatan Community Bancshares Inc, a one-bank holding company.

FNBPP business strategy is to offer its customers a range of loan products including home mortgage, consumer, commercial, municipal, and agricultural loans in addition to

checking, savings, and time deposit accounts. Using bank-generated loan origination reports for the evaluation period, we determined the bank's primary products are home mortgage and consumer loans. FNBPP is active in meeting the credit needs of its community, and consumer lending makes up the majority of FNBPP's lending activity.

As of June 30, 2010, the bank's loan portfolio was comprised of real estate loans (61 percent), consumer loans (25 percent), and commercial loans (13 percent). The balance of the portfolio is in municipal and agricultural loans (1 percent). The real estate portfolio is comprised of home mortgage loans (62 percent) and commercial real estate loans (38 percent).

FNBPP operates a single branch with drive-thru banking service and an ATM for its customers. No offices were opened or closed within this timeframe.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of the communities it serves. The previous CRA examination dated March 19, 2004, resulted in a rating of "Satisfactory".

## DESCRIPTION OF ASSESSMENT AREA

FNBPP's assessment area is described below:

<b>Demographic Information for the AA</b>					
Demographic Characteristics	#	Low Income	Moderate Income	Middle Income	Upper Income
Geographies (Census Tracts)	8	0.00%	37.50%	62.50%	0.00%
Population by Income Level of Geography	25,941	0.00%	19.04%	80.96%	0.00%
Family Distribution by Income Level of Geography	7,451	0.00%	17.55%	82.45%	0.00%
Owner-Occupied Housing Units by Income Level of Geography	11,833	0.00%	14.47%	85.53%	0.00%
Businesses by Income Level of Geography	1,019	0.00%	28.75%	71.25%	0.00%
Farms by Income Level of Geography	81	0.00%	2.47%	97.53%	0.00%
Distribution of Families by Income Level Throughout AA	7,451	20.64%	20.88%	24.20%	34.28%
Businesses by Revenue Level	Revenue < = 1 Million	Revenue > 1 Million		Revenue not Reported	
Farm	100.00%	0.00%		0.00%	
Non-Farm	76.35%	4.02%		19.63%	

HUD Adjusted Median (ADM) Family Income 2009 Non-MSA	= \$48,725	Unemployment Rate: June 2010	
Low Income (below 50% of ADM)	= \$0 - \$24,361	United States	= 9.7%
Moderate Income (50 to 79.99% of ADM)	= \$24,362 - \$38,979	Ohio	= 10.4%
Middle Income (80% to 119.99% of ADM)	= \$38,980 - \$58,469	Belmont County	= 9.7%
Upper Income (120% and above ADM)	= \$58,470 - Above	Monroe County	= 13.6%
Households Below the Poverty Level	= 1,814 [17.00%]		

**Sources:** 2000 U.S. Census; US Department of Labor; Dun and Bradstreet 2010

FNBPP’s AA is comprised of seven census tracts in southern Belmont County and a single census tract in Monroe County that is directly adjacent to the Belmont County border. Belmont County is part of the Wheeling WV–OH multi-state Metropolitan Statistical Area (MSA). Monroe County is not within any MSA. This AA is consistent with the requirements of the regulation, includes whole census tracts and does not substantially extend beyond MSA boundaries.

COUNTY	MAJOR EMPLOYERS
Belmont	Belmont County Government, East Ohio Regional Hospital, Severstall Steel, Belmont Community Hospital, Barnsville Hospital
Monroe	Monroe County Government, Switzerland of Ohio School District, Safe Auto Insurance, Ormet Primary Aluminum Corporation, Woodsfield Nursing and Rehabilitation

**Sources:** Belmont Job & Family Services Office; Monroe County Auditor’s Office

There are 8 financial institutions serving the AA according to a June 30, 2010 Federal Deposit Insurance Corporation (FDIC) deposit market share report. These include two regional banks, two interstate banks, and four community banks, operating a total of 12 offices. The number of financial institutions in the AA provides a competitive banking environment. FNBPP ranked fifth, with approximately eight percent of the insured deposit market.

Local economic conditions for the AA have weakened during the evaluation period. This includes the continued loss of mining and manufacturing jobs, fewer new businesses moving in to compensate for this loss, and uncertainty regarding continued employment in existing industries. The unadjusted unemployment rate for Belmont County as of June 2010 was 9.7 percent, while Monroe County was 13.6 percent. These unemployment rates vary from the State of Ohio unadjusted unemployment rate of 10.4 percent.

We determined the community’s credit needs by contacting representatives from an affordable housing organization and an economic development organization, as well as conducting discussions with bank management. Credit and non-credit needs of the community include:

- Funding for small business development programs to start a new business or expand a business, for entities who do not qualify for traditional financing.

- Funding to provide training in marketing and bookkeeping targeted to small business entities.
- Local banker participation on an agency board to enhance the management and budgeting skills of the agency.
- Local bank participation in providing home ownership counseling to affordable housing clients.

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

The bank's overall lending performance is Satisfactory. Since consumer lending is the bank's primary product, we place more weight on this segment of the bank's lending performance. In addition, the borrower and geographic distribution of consumer loans receives the most weight in our analysis of this component.

Our analysis of consumer and home mortgage loans was based on samples taken from each of these portfolios. As the bank is not a HMDA reporter, our conclusions are based on a sample of 23 home mortgage loans and 57 consumer loans originated by the bank within its AA during the evaluation period. Since FNBPP does not distinguish home mortgage products by class codes, this category combines home purchase, home improvement, and home refinance loans.

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

The bank's net loan-to-deposit ratio is less than reasonable and does not meet the standards for satisfactory performance given the bank's size and financial condition, and the credit needs of the bank's AA. The bank's average quarterly loan-to-deposit ratio over the 26 quarters ending June 30, 2010 was 38.94 percent. This was well below the 66.72 percent experienced by its local peer group of banks during the same period.

Several factors help to mitigate the lower loan-to-deposit ratios. Unemployment rates in portions of the AA are well above both state and national levels, and there is little demand for new housing due to a shrinking and aging population. Approximately twenty-six percent of households in the AA are retired, while thirty-six percent of households receive social security. A third of the AA is located in moderate-income census tracts, and 17 percent of households are below the poverty level. All of these conditions limit opportunities to provide additional lending services.

### **Lending in Assessment Area**

Table 1 details FNBPP's aggregate lending in its AA by number of loan originations and dollar volume of originations during the evaluation period.

FNBPP's record of lending in its AA exceeds the standards for satisfactory performance. A substantial majority of lending activity has occurred inside the bank's AA. Approximately 92 percent of the number of loans originated during the evaluation period were located within the bank's AA.

<b>Table 1 - Lending in FNBPP's Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	23	85.19	4	14.81	27	1,383	87.92	190	12.08	1,573
Consumer	57	95.00	3	5.00	60	467	97.09	14	2.91	481
Totals	80	91.95	7	8.05	87	1,850	90.07	204	9.93	2,054

**Source:** Samples of 27 Home Mortgage and 60 Consumer Loans.

### Lending to Borrowers of Different Incomes

The borrower distribution of loans reflects excellent penetration among borrowers of different incomes. Refer to Table 2 for the primary data used to assess the borrower distribution of home mortgage lending in the AA. See Table 3 for the primary data used to assess the borrower distribution of consumer lending in the AA.

<b>Table 2 - Borrower Distribution of Home Mortgage Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Mortgage	20.64	4.35	20.88	21.74	24.20	30.43	34.28	43.48

**Sources:** 2000 U.S. Census data; Sample of Home Mortgage Loans.

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. Although the percentage of home mortgage loans to low-income borrowers is significantly below the percentage of low-income families in the area, the percentage of loans to moderate-income families exceeds the percentage of moderate-income families in the area.

In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level and the barriers that this may have on home ownership. It is especially difficult for the segment of the low-income population that lives below the poverty line to afford and maintain a home. This has an impact on the opportunity to lend to the low-income population of the community. Refer to the **Description of Assessment Areas** section for demographic information including poverty rates.

<b>Table 3 - Borrower Distribution of Consumer Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA households	% of # of Loans	% of AA households	% of # of Loans	% of AA households	% of # of Loans	% of AA households	% of # of Loans
Consumer	25.89	31.58	17.44	36.84	18.56	19.30	38.11	12.28

**Sources:** 2000 U.S. Census data; Sample of Consumer Loans.

The distribution of consumer loans reflects more than reasonable penetration among borrowers of different income levels. Both the percentages of consumer loans to low- and moderate-income borrowers substantially exceed the percentage of low- and moderate-income households in the area.

**Geographic Distribution of Loans**

The distribution of home mortgage and consumer loans reflect poor dispersion among geographies of different income levels. The percentage of home mortgage loans in moderate-income census tracts is significantly below the percentage of owner-occupied housing units located in those census tracts, and the percentage of consumer loans in moderate-income census tracts is significantly below percentage of households in those census tracts. As previously noted, consumer loans are the bank’s primary product and we thus place more weight on that performance.

Consideration is given to several other factors that impact our findings. FNBPP’s moderate-income geographies are in the far northern portion of its AA, where the bank has little branch presence. Over sixty percent of the AA is comprised of middle-income geographies, where the majority of owner-occupied housing exists. FNBPP operates in a competitive environment, with both regional and interstate banks of considerable size serving its market area. Finally, the area’s unemployment level and uncertainty of continued employment offer limited opportunities to originate these types of loans. Refer to Tables 4 & 5 for the primary data used to assess the geographic distribution of home mortgage and consumer loans in the AA.

Table 4 - Geographic Distribution of Home Mortgage Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans
Home Mortgage	0.00	0.00	14.47	4.35	85.53	95.65	0.00	0.00

**Sources:** 2000 U.S. Census data; Sample of Home Mortgage Loans.

Table 5 - Geographic Distribution of Consumer Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer	0.00	0.00	19.77	5.26	80.23	94.74	0.00	0.00

**Sources:** 2000 U.S. Census data; Sample of Consumer Loans.

### **Responses to Complaints**

FNBPP has not received any written complaints during the evaluation period regarding its performance in meeting the credit and deposit needs of its AA.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.