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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

July 17, 1997

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

**First National Bank and Trust  
Charter No. 7890**

**4th and Main Street  
London, Kentucky 40741**

**Office of the Comptroller of the Currency**

**One Financial Place  
440 South LaSalle, Suite 2700  
Chicago, Illinois 60605**

**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 First National Bank and Trust prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 17, 1997. 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.

- o The bank's record of lending to borrowers of different income levels, including low- and moderate-income individuals, is satisfactory.
- o A majority of the bank's loans were made within the assessment area.
- o The average quarterly loan-to-deposit ratio since the last evaluation is reasonable.

## **DESCRIPTION OF INSTITUTION**

First National Bank and Trust (FNB) is a small, locally-owned bank serving the rural community of Laurel County, Kentucky. It has total assets of approximately \$147 million, as of March 31, 1997. FNB currently operates four full service offices and also a drive-thru branch that accepts deposits. The bank has Automated Teller Machines (ATM's) at 3 of the offices and also a stand-alone ATM in a local gas/food mart. A branch in South Laurel County is currently under construction and is scheduled to open in several months.

FNB offers traditional banking services and lending products. Its primary lending focus is on general consumer loans, home mortgage loans, and loans to small businesses. The bank has also established a market niche in mobile home lending, both by making direct loans and by purchasing indirect paper generated by area dealers.

As of March 31, 1997, net loans represented approximately 58% of total assets. Composition of the loan portfolio is as follows:

24%	one-to-four family residential loans
11%	mobile home loans
28%	other consumer loans
29%	commercial real estate loans and other loans to businesses
4%	government and industrial development authorities
<u>4%</u>	<u>other loans</u>
100%	

The bank's ability to help meet the credit needs in its assessment area is not impeded by any legal or financial constraints, or any other factors. The last evaluation of FNB's CRA performance was on June 19, 1995. At that time, the bank's record of meeting community credit needs was rated satisfactory.

## **DESCRIPTION OF LAUREL COUNTY**

The bank has designated Laurel County as its assessment area. Laurel County is located in southeastern Kentucky and has a population of 43,438. London is the county seat and economic center of the county. Unemployment remains moderate, at 7.2%. (Kentucky average ranges from 4.9% to 5.2%). The majority of jobs are in wholesale/retail trade and manufacturing industries, with a concentration in food processing and distribution.

Economic prospects are favorable because of additional job opportunities in the region plus the relocation of new industries to Laurel County. Local government and civic leaders have been successful in implementing their 1995 Economic Development Plan. The county's new occupational tax is helping to fund industrial development and infrastructure growth. New

employers include a large discount retailer's warehouse/distribution center, a cookie baking facility, and an automotive parts manufacturer. Several other firms have expanded operations.

The recent business development initiatives and the county's general economic expansion are providing financial institutions with new opportunities to meet community credit needs. These include upgraded housing for all income levels and price ranges, consumer loans for automobiles and other needs, small business loans, and business development/civic loans.

The following demographic information further profiles the county. Median family income is \$21,051, slightly below average for Kentucky. However, of the county's 11 Block Numbering Areas (BNA's), 10 are classified "middle-income" and one "upper-income." None are "low-income" or "moderate-income" (1990 Census).

Laurel County's demographic composition by family income is as follows:

Families	Number	Percentage
Low-income	3,255	26%
Moderate-income	2,108	17%
Middle-income	2,526	20%
Upper-income	4,713	37%
Total	12,603	100%

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

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

The loan-to-deposit ratio is a measure of the bank's overall level of lending activity in relation to its deposit base. This ratio can also give a general indication of the bank's comparative performance in lending activity, when evaluated in relation to the ratios of other banks in a similar position.

We found FNB's loan-to-deposit ratio to be reasonable, having considered the lending opportunities, competition, and overall economic environment in Laurel County. FNB's quarterly loan-to-deposit ratio averaged 65% since the last CRA examination. As of March 31, 1997, FNB's loan-to-deposit ratio was 71%. This is comparable to the composite average loan-to-deposit ratio of fourteen similarly-situated lenders in the region (68%).

## Lending in the Assessment Area

We evaluated the level of lending within the bank's assessment area (Laurel County) by sampling loans originated since the last CRA examination in 1995. We used management's log of residential real estate loans to gather information on this type of loan, and we used the credit files on automobile loans made during the month of May, 1997 for this type of consumer loan. As shown in **Table 1**, the majority of these loans were made within the assessment area.

**Table 1**

	<b>Mortgage Loans</b>	<b>Consumer Loans</b>
Total number in sample	365	19
Total original dollar amount in sample	\$15,313,000	\$139,300
Total number in assessment area	351	15
Total original amount in assessment area	\$14,578,000	\$ 97,800
Percent of number in assessment area	96%	70%
Percent of dollar amount in assessment area	95%	79%

We also evaluated the bank's mobile home lending. As mentioned earlier, FNB serves its assessment area and a broader region of Eastern Kentucky by originating loans directly and also purchasing indirect paper from two area mobile home dealers. The dealers operate four lots: one in Laurel County, two a few miles outside the county, and one 75 miles away. For this reason, many of the mobile home loans the bank originates are outside the designated assessment area. We reviewed a sample of recent production to determine the extent to which this activity serves the community of Laurel County. Of the 12 mobile home loans booked in June 1997, three were inside the assessment area. All three loans were under \$9,000, and made to low- and moderate-income borrowers.

Our sample confirms management's analysis that they are meeting the housing credit needs of low- and moderate-income borrowers by financing used mobile homes with low purchase prices. Their analysis shows approximately 25% of production is for used mobile homes, with a typical loan amount of \$5,000. We concluded that the bank is addressing Laurel County's mobile home financing credit needs with this arrangement.

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

The distribution of FNB’s lending generally reflects the income characteristics of the assessment area, Laurel County. See **Table 2**, below. We used the same mortgage loans and consumer loans described in **Table 1** to evaluate this criteria.

**Table 2**

	<b>Proportion of families within assessment area</b>	<b>Number of mortgage loans on bank’s log</b>	<b>Percent of number of mortgage loans</b>	<b>Number of consumer loans in sample</b>	<b>Percent of number of consumer loans</b>
<b>Low-income</b>	<b>26%</b>	<b>51</b>	<b>14%</b>	<b>4</b>	<b>21%</b>
<b>Moderate-income</b>	<b>17%</b>	<b>75</b>	<b>21%</b>	<b>4</b>	<b>21%</b>
<b>Middle-income</b>	<b>20%</b>	<b>96</b>	<b>26%</b>	<b>4</b>	<b>21%</b>
<b>Upper-income</b>	<b>37%</b>	<b>143</b>	<b>39%</b>	<b>7</b>	<b>37%</b>
<b>Total</b>	<b>100%</b>	<b>365</b>	<b>100%</b>	<b>19</b>	<b>100%</b>

We also evaluated some other measures that show the bank is actively lending to all income levels, including low- and moderate-income borrowers. FNB has no minimum loan amount. Consequently, the bank helps make credit available to those low- and moderate-income borrowers that can only qualify for small dollar amounts or have the need to borrow small amounts. The bank sets credit card lines for as low as \$300, and during the period under review, has made home improvement loans as low as \$1,000 and purchase money residential real estate loans as low as \$5,000.

Another indication the bank is actively lending to all income levels is the number of real estate loans under \$25,000 originated since the last CRA examination. Certain borrowers may only be able to qualify for mortgage loans if the amount borrowed is under \$25,000. The bank originated 169 mortgage loans under \$25,000 since the last CRA examination.

FNB made a significant amount of business development loans and civic loans during the period, often serving as the lead bank. We noted 12 loans totaling over \$7.5 million in this endeavor. Projects included land acquisition loans for a new industrial park, construction of a speculative building in the park, acquisition and renovation of a vacant office complex for use by the college and other tenants, construction and renovation of police headquarters and the 911 building, renovation of a landmark office building in downtown London, and equipment and vehicles for the fire department, ambulance service and City of London.

### **Geographic Distribution of Loans**

Under this criteria, we evaluate how well the bank distributes credit geographically, and how well all the different income levels are served. We did not perform an analysis of the geographic distribution of FNB's lending activity. The geographical divisions in Laurel County are too similar demographically to draw any conclusions. We could not identify any areas that were primarily low-income or moderate-income. As mentioned earlier, all the Block Numbering Areas in Laurel County are either middle- or high-income.

### **Response to Complaints**

No complaints have been received since the last CRA examination.

### **Compliance with Antidiscrimination Laws**

The examination did not identify any violations of the substantive provisions of federal antidiscrimination laws and regulations.