



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

**PUBLIC DISCLOSURE**

**June 1, 2009**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Community First Bank, National Association  
Charter Number 7518**

**118 East Lima Street  
Forest, Ohio 45843**

**Office of the Comptroller of the Currency**

**Central Ohio Field Office  
325 Cramer Creek Ct. Suite 101  
Dublin, Ohio 43017**

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 based on the following information.**

- The loan-to-deposit ratio is reasonable given the bank size and community lending needs.
- A substantial majority of the loans originated during the evaluation period were in the assessment area.
- The distribution of loans to borrowers among different income levels and to businesses and farms of different sizes is reasonable.

**SCOPE OF EXAMINATION**

We performed a small bank Community Reinvestment Act (CRA) examination of the Community First Bank, National Association, using financial data as of March 31, 2009. The evaluation period for lending activity included loans originated between January 1, 2007 and May 15, 2009. The loan-to-deposit ratio was reviewed using both the current ratio and an 18-quarter average ratio. Analyses of lending performance inside the identified assessment area, borrower income distribution and geographical distribution were based on loan origination data from a sample of 20 residential real estate loans and 20 agricultural loans originated during the evaluation period.

The following table indicates the bank’s primary lending products (by number and dollar) during the evaluation period. As identified in previous CRA exams, residential real estate and agricultural loans are the bank’s primary loan products.

<b>Table 1 – Loan Portfolio Distribution By Loan Type</b>		
<b>Loan Type</b>	<b>% by Dollar of Loans Originated/Purchased during evaluation period</b>	<b>% by Number of Loans Originated/Purchased during evaluation period</b>
<b>Residential Real Estate Loans</b>	<b>56%</b>	<b>28%</b>
Commercial Loans	10%	10%
Installment Loans	6%	38%
<b>Agricultural Loans</b>	<b>28%</b>	<b>24%</b>
Total	100%	100%

Source: Internally supplied bank reports.

Note: Bold type indicates primary lending product.

## **DESCRIPTION OF INSTITUTION**

Community First Bank, N.A. (CFB) is a wholly owned subsidiary of a one-bank holding company, Community First BancShares, Inc. The main offices of both CFB and the holding company are located in the village of Forest, Ohio, (Hardin County) which is located approximately 70 miles northwest of Columbus, Ohio. In addition to its main office, CFB operates two full-service branches located in Kenton (Hardin County) and Upper Sandusky (Wyandot County). CFB offers a variety of products and services which include residential real estate, agricultural, consumer and commercial loans. The bank offers ATMs at each of its three locations.

As of the March 31, 2009 Call Report Information, the bank had \$44.62 million in total assets with net loans representing approximately 72.2% of assets. The bank's loan portfolio consists of residential real estate loans, which account for 58.51% of the bank's loan portfolio, loans for agriculture and farmland which represent 27.02%, commercial and industrial loans which are 8.59%, and consumer/other loans representing 5.88%.

The bank's prior CRA rating was Satisfactory per the Performance Evaluation dated January 3, 2005. No legal or financial impediments exist at this time which could restrict the institution's ability to serve the community's credit needs.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The bank's Assessment Area (AA) includes all of Hardin and Wyandot Counties, which are not in a metropolitan statistical area (MSA). These counties are contiguous. Hardin County consists of seven census tracts (CT), all which were identified as middle-income based on the 2000 U.S. Census data. Similarly, there are six CTs that make up Wyandot County, and all are middle-income CTs. CFB retains a market share of 5.09% of all AA deposits according to the June 30, 2008 FDIC market share report. The AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas.

The economies of Hardin and Wyandot Counties have experienced negative trends due to the current economic decline and increasing unemployment trends. The AA is primarily rural with an agricultural focus, but does contain several manufacturing and retail businesses. Larger employers include M-Tek, Inc., Ohio Northern University, The Budd Company/Plastics Division, and International Paper. Per the Bureau of Labor Statistics May 2009 data, the unemployment rate for Hardin County is 12.1% and Wyandot County is 13.1%. The rates of both counties are higher than the 9.1% unemployment rate for Ohio and the national unemployment rate of 10.4% for May 2009.

Overall competition for loans and deposits within the bank's marketing area is fairly aggressive, stemming primarily from three other community banks, branches of three regional banks, and one savings and loan association.

The economic status of families and geographies are categorized as low-, moderate-, middle-,

and upper-income groups using the following definitions. Low-income means an individual income or a geography that is less than 50% of the Ohio statewide non-MSA updated median family income. Moderate-income means an individual income or a geography that is at least 50% and less than 80% of the Ohio statewide non-MSA updated median family income. Middle-income means an individual income or a geography that is at least 80% and less than 120% of the Ohio statewide non-MSA updated median family income. Upper-income means an individual income or a geography that is 120% or more than the Ohio statewide non-MSA updated median family income.

<b>Table 2 - AA Income Composition by Families and Geographies</b>								
<b>Income Designation</b>	<b>Low-Income</b>		<b>Moderate-Income</b>		<b>Middle-Income</b>		<b>Upper Income</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Families	2,335	16.00%	3,067	21.01%	3,690	25.28%	5,504	37.71%
Census Tracts	0	0%	0	0%	13	100%	0	0%

Source: 2000 Census Data

As of the 2000 Census, the population of the AAs is 54,853, consisting of 14,596 total families. The AA family total is made up of approximately 16% low-income, 21% moderate-income, 25% middle-income and 38% upper-income families, as displayed in the table above. Of the AA's 22,231 housing units, approximately 69% (15,369) are owner-occupied and have an average median cost of \$78,187, and about 25% (5,476) are occupied rental units. The Department of Housing and Urban Development's (HUD) estimate of the Ohio statewide non-MSA median family income was \$50,000 for 2007 and is \$51,600 for 2008 and 2009. Based on 2008 Dunn and Bradstreet data, there are 488 farms reported in the AA. Of these farms, three (0.61%) reported revenues greater than \$1 million, and 479 (98.16%) reported revenues less than \$1 million; six farms (1.23%) in the AA did not report revenue for 2008.

A community contact interview indicated that there is a need for industrial development loans in the area. To meet this community need, CFB is offering low-interest loans to businesses coming into Forest. The individual also reported that CFB is a significant part of the Forest community and has not heard of any significant complaints against financial institutions in the area.

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

The bank's lending performance is based on its residential real estate and agricultural loans which originated during the evaluation period beginning January 1, 2007 and ending May 15, 2009. These products are considered the bank's primary lending products based on the volume originated during this period. We selected a sample of 20 of each loan type in order to evaluate the level and trends with lending in each of the bank's primary areas of lending. The first level of analysis involved the use of these files to determine the level of lending within the borders of

AA. Any loans which were originated outside of the AA were then disregarded and additional loans within the AA were added to the samples to bring the total number of loans for each sample to 20 in order to perform the Borrower Distribution analyses.

## Loan-to-Deposit Ratio

- CFB's LTD ratio is reasonable.

The bank's LTD ratio is 83.63% as of March 31, 2009. The average LTD ratio over the last 18 quarters since the prior CRA examination (October 1, 2004 through March 31, 2009) of 92.70% is also reasonable. The bank's quarterly LTD ratio ranged from a low of 83.63% at March 31, 2009, to a high of 104.61% at June 30, 2006. For analysis purposes, CFB's current and 18-quarter average LTD ratios were compared with a custom peer group consisting of FDIC insured financial institutions also located in Hardin and Wyandot Counties. The analysis shows that CFB's LTD ratios were reasonable compared with the peer group's average of 72.44% as of March 31, 2009. The peer group low LTV was 30.14% and high LTV was 91.36%.

## Lending in Assessment Area

- The bank's lending performance within the AA meets the standard for outstanding performance.

Based on a review of internal bank reports, CFB's primary loan types during the evaluation period consist of residential real estate and agricultural loans. We sampled 20 loans from each primary loan type originated during the evaluation period. Table 3 reflects the bank's lending within the AA by number and dollar volume. We found that a substantial majority of the loans included in our sample were originated inside the bank's AA. By number, 95% of the bank's loans in our sample originated during the evaluation period were inside its AA, and by dollar volume 95% of the loans originated during this period were inside its AA.

Table 3 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (in 000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Loans	19	95%	1	5%	20	\$1,831	94%	\$115	6%	\$1,946
Agricultural Loans	19	95%	1	5%	20	\$2,049	96%	\$92	4%	\$2,141
Totals	38	95%	2	5%	40	\$3,880	95%	\$207	5%	\$4,087

Source: Loan Sample.

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

- The bank's lending to borrowers of different incomes and to businesses of different sizes is satisfactory.

The analysis of the distribution of the residential real estate loan sample demonstrates that the bank makes a reasonable volume of its home loans to low- and moderate-income borrowers. While residential real estate loan originations to low-income borrowers as a percentage of total residential real estate loans is less than the percentage of low income families in the AA (10% versus 16% respectively), the level of home lending to moderate-income borrowers exceeds the AA demographic (30% compared to 21%, respectively). A factor to consider with the lower penetration to low-income borrowers is that 11% of the families in the AA are below the poverty level and may not be able to meet the bank’s underwriting criteria for home loans. Table 4A demonstrates the bank’s distribution of home loans by borrower income and compares this to the AA’s specific family income composition.

<b>Table 4A - Borrower Distribution of Residential Real Estate Loans in the AA</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>
Residential Real Estate Loans	16.00%	10%	21.01%	30%	25.28%	15%	37.71%	45%

Source: Loan Sample; 2000 U. S. Census Data.

The agricultural loan sample analysis indicates that farm loan originations during the evaluation period exceed the standard for satisfactory performance. All (100%) of farm loan originations were to farms with reported revenues less than \$1,000,000. The percentage of farms with reported annual revenues of less than \$1,000,000 is 98.16% for the AA. Table 4B below lists the percentages by dollar and by number of loans made to farms of different sizes.

<b>Table 4B - Borrower Distribution of Loans to Farms in the AA</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/Unknown</b>	<b>Total</b>
% of AA Businesses	98.16%	0.61%	1.23%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Loan sample; 2008 Dunn and Bradstreet Data.

### **Geographic Distribution of Loans**

Because the bank’s AA contains no low- or moderate-income geographies, a geographic analysis was not performed as it would not be meaningful. Therefore, this criterion is not applicable.

### **Responses to Complaints**

No complaints related to CRA were received by either CFB or the Office of the Comptroller of the Currency since the last CRA examination.



## **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.