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Comptroller of the Currency  
Administrator of National Banks

**SMALL BANK**

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# **Public Disclosure**

January 3, 2000

## **Community Reinvestment Act Performance Evaluation**

**Florence National Bank  
Charter No. 23550**

**2009 Hoffmeyer Road  
Florence, South Carolina 29501**

**Office of the Comptroller of the Currency  
6100 Fairview Road, Suite 1154  
Charlotte, North Carolina 28210-3277**

**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 the **Florence National Bank**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 3, 2000. 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.

- C The institution exhibits a reasonable loan-to-deposit ratio.
- C The institution's record of lending to borrowers within its assessment area is satisfactory.
- C The distribution of loans to businesses of different sizes among various geographies is reasonable.
- C There were no violations of the substantive provisions of the antidiscrimination laws or regulations identified.

## **DESCRIPTION OF INSTITUTION**

Florence National Bank is a one branch institution located in Florence, South Carolina. The bank opened for business on July 6, 1998. The main office is located in a middle-income census tract. The bank has one ATM, which is located in a low-income census tract. Florence National Bank is a wholly owned subsidiary of Community Bankshares, Inc., a three bank holding company with total assets of \$214 million as of September 30, 1999. Community Bankshares, Inc. is headquartered in Orangeburg, South Carolina.

As of September 30, 1999, Florence National Bank had average assets of \$19 million with gross loans representing 82% of average assets. The loan portfolio is comprised of the following loan types:

- 64% Commercial, Industrial and Non-farm, Non-residential Real Estate Loans, Construction
- 21% 1-4 Family Residential, Home Equity
- 15% Consumer Loans

As illustrated above, the bank's lending is more heavily concentrated among the commercial loan categories, consistent with the institution's overall strategic goals and objectives. We determined the volume of home mortgage related credits originated during the assessment period was not sufficient to provide for an analysis of HMDA loans. Given the bank has primarily been a commercial lender and had a limited number of HMDA originations, our evaluation is based solely on analysis of a sample of commercial loans.

This review disclosed no financial or legal impediments restricting the bank's lending activities. The bank's volume of originations during our assessment period, from July 6, 1998 through September 30, 1999, included 402 loans totaling \$21million.

## **DESCRIPTION OF THE ASSESSMENT AREAS**

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The bank has designated the Florence County Metropolitan Statistical Area (MSA) as its assessment area. Within the Florence County MSA there are two low-income census tracts which equals 7% of the total number of census tracts within the bank's assessment area. We identified six moderate-income census tracts which comprise 21% of the total number of census tracts. There are 13 middle-income tracts which represent 45% of the total number of census tracts, and eight upper-income tracts which represent 28% of the total tracts within the assessment area. The 1990 census reported the population within the MSA at 114,344.

Within the Florence County MSA, 7% of the businesses are located in low income census tracts and 20%

are located in moderate income census tracts. Businesses located in middle and upper census tracts represent 47% and 26%, respectively.

The bank's assessment area is well diversified with major industries relating to the medical field, including two regional hospitals and a large pharmaceutical operation. The Florence area is also home to several manufacturing entities, a sizable retail market, and city/county government. Florence County also benefits from investment in the area by international corporations which has contributed to continued job creation for the area.

Competition in the bank's assessment area is extensive and includes several community banks, branches of regional institutions, credit unions, and finance companies. The bank's main competitors are branches of regional banks as well as the new community banks which have recently entered the local market.

As part of our review we also incorporated information obtained from two local community contacts. The contacts included a privately funded real estate organization and a local planning and development office. These contacts indicate a need for the development of affordable housing and loan products specifically tailored to meet the needs of low- and moderate-income borrowers.

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

### **Loan to Deposit Ratio**

The quarterly average loan-to-deposit ratio since the bank opened on July 6, 1998 is satisfactory at 61%. Although this ratio is below the 76% average loan-to-deposit ratio for national banks in South Carolina, the ratio is comparable to the average loan-to-deposit ratio for the bank's most similarly situated local competitor, at 66%. In addition, the bank's current average ratio is reasonable given the bank's relatively short operating period.

### **Lending in the Assessment Area**

#### ***Commercial Loan Origination Analysis***

The bank extends a substantial majority of its commercial loans within the assessment area. Based on a four month sample of business loans originated during 1999, the bank extended 93% of the number of loans and 91% of the dollar volume to businesses within the bank's assessment area.

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

### ***Small Business Lending***

We found the institution's distribution of lending among businesses of different sizes reflects good penetration. Based on a random sample of 55 commercial loans originated during the evaluation period, the bank originated 49 loans totaling \$3,337,767 to small businesses, representing 89% of number of loans and 83% of the dollar volume of the sample.

In addition, small business loans of \$100,000 or less make up a substantial portion of the bank's commercial loan portfolio. Of the 49 originations to small businesses, 42 of these loans were originated at or below \$100,000 which represents 86% of the small business originations. Small businesses are defined as companies with gross annual revenues of \$1 million or less. The bank's lending pattern compares favorably to business demographics for the assessment area which indicate 71% of the commercial businesses generate revenues under \$1 million.

### ***Small Farm Lending***

The bank does not actively pursue agricultural lending, however, since opening, the bank has originated \$55 thousand in farm loans. Due to the insignificant volume of farm lending, no analysis of agricultural loans was performed.

## **Geographic Distribution of Commercial Loans**

The geographic distribution of business loans within the bank's assessment area is satisfactory. The following table illustrates the bank's penetration throughout the assessment area. The bank's penetration compares favorably to business demographics for the MSA which indicate 7% of the businesses are located in low-income census tracts while 20% are located in moderate-income census tracts. Of the remaining businesses in the assessment area, 47% are located in middle-income tracts and 26% in upper-income census tracts. Loan originations to businesses located in low-income census tracts exceed MSA demographics by both the number and dollar of originations. The loan sample did not identify any loan originations in moderate-income areas. This is reasonable given most of these census tracts are located in the outer portions of the county which are not easily served by the bank's current one branch structure. However, during our review management provided examples of commercial credit extensions in moderate-income census tracts.

<b>1999 Business Originations*</b>				
<b>Census Tracts</b>	<b># of Loans</b>	<b>% of Orig</b>	<b>\$ of Loans</b>	<b>% of Orig</b>
<b>Low</b>	9	17%	537,011	15%
<b>Moderate</b>	0**	0%**	0**	0%**
<b>Middle</b>	30	57%	2,595,614	70%
<b>Upper</b>	14	26%	561,603	15%

\* Based on a random four month sample of 53 commercial originations extended during the assessment period.

\*\* Although there were no commercial originations in moderate census tracts noted in our sample, management provided examples of business loan originations in moderate census tracts during the assessment period.

### **Review of Complaints**

The bank has received no complaints during the assessment period.

### **Institution's Record of Complying with the Anti-discrimination Laws**

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations including the Equal Credit Opportunity Act. During our examination, we tested a sample of diverse applications to determine if similarly situated applicants had an equal chance of obtaining credit. Our review disclosed no evidence of disparate treatment or other illegal credit practices.