



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

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Public Disclosure

March 22, 1999

Community Reinvestment Act Performance Evaluation

**The Peoples National Bank of Mount Pleasant
Charter Number 6667**

**P.O. Box 217
Mount Pleasant, Ohio 43939**

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 CRA performance of **The Peoples National Bank of Mount Pleasant** prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of **March 22, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated Satisfactory.

- C Lending performance was based on the largest portion of the bank's loan portfolio (residential real estate loans).
- C The bank's loan-to-deposit ratio is reasonable given the bank's size, its financial condition, and the credit needs of its assessment area.
- C The bank originates a majority of its home mortgage loans within its assessment area.
- C The bank's distribution of loans to borrowers of different income levels is satisfactory.
- C There are no low- or moderate-income census tracts in the bank's assessment area, so an analysis of the geographic distribution of loans would not be meaningful.
- C The bank has not received any complaints from the public regarding its performance in meeting the credit needs of the assessment area.
- C No violations of the substantive provisions of anti-discrimination laws and regulations were noted during our review.

DESCRIPTION OF INSTITUTION

The Peoples National Bank of Mount Pleasant (PNB) is a wholly-owned subsidiary of The Peoples Bancorp of Mount Pleasant, a one-bank holding company. The bank's main office is in Mount Pleasant, Ohio, and its two branches are in the neighboring communities of Dillonvale, Ohio and Adena, Ohio. As of December 31, 1998, the bank had \$42.8 million in assets.

While PNB offers a variety of consumer and commercial lending products, its primary focus has been on retail lending (home mortgage loans and loans to individuals). Table 1 shows the makeup of the bank's loan portfolio as of December 31, 1998. Because residential real estate loans account for 72.2% of PNB's entire loan portfolio, conclusions regarding the bank's CRA performance focused on home mortgage loan originations. Data regarding PNB's (and other banks') home mortgage loan originations can be found in annual Home Mortgage Disclosure Act Loan Activity Reports.

TABLE 1

	\$ amount (000s)	% of gross loans
Residential Real Estate	9,535	72.2
Commercial Real Estate	255	1.9
Commercial	323	2.4
Consumer/Installment	2,834	21.5
Other	269	2.0
Total	13,216	100.0

A number of other financial institutions have branches in PNB's assessment area. The other institutions vary in asset size, and several have over \$50 billion in assets. Additional competition comes from financial institutions with offices in larger communities outside PNB's assessment area (Wheeling, WV and St. Clairsville, OH). Many of the people living within the bank's assessment areas commute to jobs in those communities, giving them convenient access to other financial institutions.

There are no financial or legal impediments that affect the bank's ability to serve the credit needs of its community. PNB's last CRA Public Evaluation was dated October 2, 1996. At that time, the bank was assigned a rating of "Satisfactory Record of Meeting Community Credit Needs".

DESCRIPTION OF ASSESSMENT AREA

The assessment area that the bank had disclosed in its CRA Public File did not meet regulatory requirements. Specifically, it included only portions of a number of census tracts and block numbering areas. The governing regulation states that a bank's assessment area should include only whole geographies (census tracts and block numbering areas). Therefore, a revised assessment area was created, with the help of bank management, for the purposes of this evaluation. The bank's Board of Directors plans to adopt a similar assessment area within several months. Neither the original nor the revised assessment area arbitrarily excludes any low- or moderate-income areas.

The bank's revised assessment area consists of four census tracts in the southwest corner of Jefferson County. Jefferson County is part of the Steubenville-Wiarton OH-WV Metropolitan Statistical Area (MSA 8080). MSA 8080 is a multi-state MSA, with 45 census tracts spanning the Ohio river between western West Virginia and southeastern Ohio. All of the bank's offices are located in a single census tract within the assessment area, and the combination of the four census tracts represents the community that the bank attempts to serve.

The bank's assessment area is primarily rural, with light manufacturing and service industries. The area had been heavily dependent on the coal mining industry, which declined significantly in the early 1980's due to environmental concerns. Other local industries also suffered, as an inexpensive source of power was reduced. Unemployment levels reached 20 percent during the early and mid 1980's and many residents left the area. The local economy has never fully recovered.

The four census tracts in PNB's assessment area are all characterized as middle-income. Of the 5,151 housing units in the assessment area, 72% are owner-occupied (1990 US Census data). The median home was built in 1945 and has a value of \$36,240. The updated median family income is \$36,200. Table 4 shows the distribution of families by income category (low-, moderate-, middle-, or upper-income). The unemployment rate for Jefferson County during February 1999 was 8.2%, compared to 4.7% for the entire state of Ohio.

Information received from community contacts indicates that community credit needs are being met. Jefferson County officials identified home mortgage loans and other consumer loans as the primary credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

PNB's loan-to-deposit ratio is reasonable given the bank's size, its financial condition, and the credit needs of its assessment area.

PNB's average loan-to-deposit ratio over the last nine quarters has been 39.55%. This represents a small improvement over the 38.31% cited in the last public disclosure. However, the national average for banks of similar size was 66.97% as of 12/31/98. Other banks with offices in PNB's assessment area also have higher loan-to-deposit ratios, but all have branches and main offices in more populated urban areas outside the assessment area. Most are also significantly larger than PNB. Table 2 shows PNB's loan-to-deposit ratio at the end of each of the last nine quarters.

PNB's low loan-to-deposit ratio appears to be a result of low loan demand in its assessment area. The bank's willingness to lend is evidenced by its market share of home mortgage loans originated in its assessment area. PNB had the largest market share during 1997 (the most recent data available), with 46 of the 254 loans originated (18.11%). The next most active lender in the assessment area originated 22 loans, for an 8.66% share of the market. PNB also lent more dollars in the assessment area than other institutions. The \$1.5 million in home mortgage loans it originated during 1997 was 15.22% of the total in the assessment area. The next most active lender originated \$652 thousand in home mortgage loans (6.61% of the total dollars). Data collected by the bank for the Home Mortgage Disclosure Act (HMDA) shows that most of the home mortgage loan applications that the bank denied were denied based on the applicant's credit history rather than their income or debt-to-income ratio. Information received from community contacts also indicates that local credit and banking needs are being met.

TABLE 2

Quarter	4Q96	1Q97	2Q97	3Q97	4Q97	1Q98	2Q98	3Q98	4Q98	Average
LTD Ratio	41.10	40.17	40.19	39.21	43.50	40.79	38.91	35.45	36.62	39.55

Lending in Assessment Area

PNB originates a majority of its home mortgage loans within its assessment area.

During 1997 and 1998, PNB originated 137 home mortgage loans (purchase, refinance, and home improvement) totaling \$4.1 million. HMDA data collected by the bank shows that 70.8% of those loans were within the bank's assessment area. The data also shows that the loans within PNB's

assessment area account for 68.9% of the \$4.1 million. More detailed information is provided in Table 3.

TABLE 3

	# of loans originated			\$ amount of loans originated (000s)		
	Total #	Inside A/A	% Inside	Total \$	Inside A/A	% Inside
1997	67	46	68.7	2,163	1,500	69.3
1998	70	51	72.9	1,937	1,326	68.5
Total	137	97	70.8	4,100	2,826	68.9

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

PNB's distribution of loans to borrowers of different income levels is reasonable.

During 1997 and 1998, the percentage of home mortgage loans that the bank originated in the assessment area to moderate-income borrowers exceeded the percentage of moderate-income families in the assessment area. However, the percentage of home mortgage loans to low-income borrowers was lower than the percentage of low-income families in the assessment area. It is important to note, however, that approximately 16% of the families in the assessment area live below the poverty line, with little or no capacity to borrow. PNB also had the largest market share of loans to low-income borrowers during 1997 (the most recent market share data). PNB had 20% of this market, while no other institution had more than 10%. Table 4 shows the number and percentage of loans PNB originated to each income category during 1997 and 1998, compared to the percentage of families in the assessment area in each income category.

The distribution of loans to businesses of different sizes was not analyzed because PNB makes very few commercial loans. All the commercial loans the bank has made have been below \$1 million, and would qualify as loans to small businesses.

TABLE 4

	1997		1998		Total		% of Families in the A/A (1990 census)
	#	%	#	%	#	%	
Low-Income	4	8.70	5	9.80	9	9.28	23.50
Moderate-Income	13	28.26	17	33.33	30	30.93	22.00

Middle-Income	18	39.13	17	33.33	35	36.08	25.95
Upper-Income	11	23.91	12	23.53	23	23.71	28.55
Total	46	100.0	51	100.0	97	100.0	100.0

Geographic Distribution of Loans

There are no low- or moderate-income census tract in the bank’s assessment area, so an analysis of the geographic distribution of loans would not be meaningful.

The four census tracts in PNB’s assessment area are all middle-income. The bank originated home mortgage loans in all four census tracts during 1997 and 1998, with the largest number originated in the census tract containing all three of the bank’s offices.

Response to Complaints

The bank has not received and complaints from the public regarding its performance in meeting the credit needs of the assessment area.

Other Considerations

No violations of the substantive provisions of anti-discrimination laws and regulations were noted during our review.