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## PUBLIC DISCLOSURE

July 24, 1996

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers National Bank  
Charter No. 7174

P.O. Box 267  
Williamsburg, Kentucky 40769

Comptroller of the Currency  
One Financial Place Suite 2700  
440 South LaSalle  
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 Farmers National Bank prepared by the Comptroller of the Currency, the institution's supervisory agency, as of July 24, 1996. 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 Record of Meeting Community Credit Needs.

## COMMUNITY AND BANK PROFILE

### COMMUNITY PROFILE

Farmers National Bank (FNB) is located in Whitley County, Kentucky. FNB has designated Whitley and Laurel County as its delineated community.

#### Whitley County

The population of Whitley County is approximately 33,000. Median family income of the area is \$17,333 (based on the 1990 census) making it a moderate-income area. Median housing value for the area is \$36,800. The local economy is stable. The local unemployment rate as of June 1996 was 6%. This rate is somewhat above state and national averages. Major employers in the area include the Cumberland College, Firestone Industrial Products, Lion Apparel, Williamsburg Plastic, and TCA.

#### Laurel County

The population of Laurel County is approximately 43,500. Median family income of the area is \$21,051 (based on the 1990 census) making it a middle-income area. Median housing value for the area is \$46,500. The local economy is stable. The local unemployment rate as of June 1996 was 4%. This rate is below state and national averages.

Overall, competition in the assessment area is fairly aggressive.

Through our examination, we determined the main credit needs for the delineated community are low- and moderate-income housing and small consumer loans.

### BANK PROFILE

Farmers National Bank (FNB) is owned by the Pikeville National Corporation. The main office is located in Williamsburg, Kentucky, with two full-service facilities and four Automated Teller Machines (ATMs) located within Whitley and Laurel County. The facilities are readily accessible by all members of the community.

The bank is a full service lender with an emphasis on consumer loans, mortgages, and commercial lending. Total assets as of March 31, 1996 were \$126 million. The bank's loan-to-deposit ratio is approximately 65% and is comparable to similarly situated banks within its area.

## I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- o Management and Board efforts to ascertain the credit needs of the community are satisfactory.

Management and the Board are regularly involved in a number of community organizations. These help keep management informed of community needs. Bank officers are actively involved with the Southern Kentucky Economic Development Corporation, Williamsburg County Chamber of Commerce, the Williamsburg In Action Committee, and the Williamsburg Planning and Zoning Board and solicit input from them.

Farmers National Bank (FNB) offered a deferred payment plan aimed at low- and moderate-income individuals. This offer came under the Emergency Loan Program instituted in the first part of 1994. This program was the direct result of community input and was designed to aid community members who suffered financial difficulties during the winter of 1994.

Management instituted a revolving line of credit product in 1995 called the Convenient Credit Line. This product was established after management realized that low- and moderate-income individuals were obtaining small loans and paying them back only to request a new small loan at a later date. By establishing a small line of credit, FNB could accommodate these borrowers' small loan needs quickly and easily. This program also helps them build a credit history with the bank.

Lending services are reviewed on an informal basis during management committee meetings. Management and the Board review demographic data in regards to their lending activities on an annual basis.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act (CRA).

- o The Board is involved in supervising and promoting the bank's CRA activities.

One member of the board is appointed to work with the bank's CRA Officer in coordinating the bank's CRA program and serving on the CRA Committee. The CRA Officer reports to the CRA Committee and the Board on a semi-annual basis. The CRA Officer also provides the Board with an annual CRA Self-Assessment.

The Board also reviews and approves CRA policies and procedures annually along with the CRA Statement. The Board actively supports CRA training for everyone.

## II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- o Credit services are effectively marketed in the assessment area.

FNB offers a variety of loans. Some of the loans offered are:

- o residential mortgages such as Kentucky Housing loans, Federal Home Loan Bank mortgages, and loans on the secondary market through FreddieMac;
- o home improvement and home equity;
- o commercial;
- o consumer;
- o agricultural; and,
- o student loans.

The marketing program provides good coverage of the entire delineated community. FNB uses several different types of advertising media. FNB has used some specific advertisements for auto loans, home improvement loans, and mortgage loans to low- and moderate-income home buyers. One specific marketing promotion aimed at low-income families was the Emergency Loan Program. The advertisement was well received and a number of customers benefited from the program.

Loan Officers provide assistance to individuals applying for credit. The bank also has an active Officer Call Program.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- o FNB has satisfactorily originated loans to help meet the community's credit needs.

Credit is extended throughout its community and has affirmatively addressed the identified credit needs in the community. The two primary credit needs, low- and moderate-income housing and small consumer loans, have been satisfactorily addressed through FNB's extensive small dollar lending and their residential mortgage products. FNB has approximately \$35 million in residential mortgage loans outstanding with around 50% of the bank's total loan portfolio being 1-4 family residential as of March 31, 1996. Of these loans, FNB originated approximately \$4.3 million 1-4 family residential loans in 1995 alone. In addition, FNB had \$10 million in Federal Home Loan Bank mortgage loans on their books as of December 31, 1995.

FNB makes a majority of their loans within their assessment area. During 1995, 89% of the number and 66% of the dollar amount of loans originated were within the delineated community.

	Number	%	Dollar Amount	%
Inside Community	1650	89	\$12,056,604	66%
Outside Community	206	11	\$6,156,641	34%
Total	1856	100	\$18,213,245	100%

The bank actively makes small mortgage loans. FNB made 29 mobile home loans in 1995 and 18 so far in 1996. FNB has an outstanding balance of approximately \$1 million in mobile home loans as of June, 1996.

FNB has no minimum loan amount. In 1995, FNB made approximately 496 installment loans below \$1,000 to individuals.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- o Participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms is satisfactory.

FNB is a Kentucky Housing Lender and sells loans on the secondary market through FreddieMac. While FNB has had limited results with loans through Kentucky Housing, lending results through FreddieMac have been more positive. In 1995, they processed 16 loans on the secondary market for a total of \$1,127,227.

FNB also originated 50 government guaranteed student loans in 1995 through the Kentucky Higher Education Student Loan Corporation.

### III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

#### Reasonableness of Delineated Community

- o The delineated community is reasonable and does not exclude any low- and moderate-income areas.

FNB has designated Whitley and Laurel County as its delineated community. Please see the community profile on page 1 for more information.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- o The geographic distribution of credit extensions, applications and denials is reasonable.

Management uses internal reports to identify the geographic distribution of credit applications, approvals, and denials. These reports indicate FNB receives applications from all segments of the delineated community. There is no indication of unjustified or disproportionate distribution patterns of lending activity affecting low- and moderate-income areas.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- o FNB's performance regarding providing services to its delineated community is satisfactory.

FNB operates two branches in addition to the main office. All are full service and easily accessible by the community. In addition to the branches, FNB has four Automatic Teller Machines (ATMs). Business hours are sufficient to meet customer needs.

During 1995, FNB bought the Bank of Williamsburg which enabled FNB to enter the London, Kentucky market.

#### IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- o There is no evidence of practices that would discourage potential applicants.

Based upon loans approved and denied, management solicits applications from all segments of its delineated community.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- o Compliance with the Equal Credit Opportunity Act, Fair Housing Act, and other consumer credit regulations is satisfactory.

No evidence or instances of discrimination or other illegal credit practices were identified. Management routinely provides training to lending officers and other bank personnel on fair lending. Adequate policies and procedures are in place to support non-discriminating activities in all aspects of the credit process.

## V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- o The bank is aware of and participates in community development and redevelopment projects and programs.

Management is willing to participate in community development activities; however, opportunities are limited. For instance, FNB continues to fund loans for the improvement of business properties within the city of Williamsburg. There are currently \$760,000 in outstanding loans for this purpose. In addition, FNB has also invested in the community through the purchase of two Whitley County school bonds totaling approximately \$393,000.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- o FNB demonstrates the ability to meet community credit needs.

Local economic conditions, the institution's financial condition and size, and legal impediments do not bear adversely on FNB's ability to meet the objectives of the Community Reinvestment Act.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- o FNB is involved in other activities which contribute to community development and meeting community credit needs.

The bank supports many local organizations by providing leadership for community programs, supporting a student run bank in the local high school, making donations, and allowing employees time to participate in community activities. This activity demonstrates the bank's efforts to be active in the community it serves.

FNB offers several different checking accounts which have no fees and require no minimum balance. The Special Checking account, for example, has these features because it was designed for the customer who does not write many checks. FNB also has a basic savings account that allows unlimited deposits and up to ten withdrawals without a service fee.

## ADDITIONAL INFORMATION

The institution is not located in a Metropolitan Statistical Area (MSA).