



## **PUBLIC DISCLOSURE**

July 08, 2013

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

Home National Bank  
Charter Number 9815

502 Elm Street  
Racine, OH 45771

Office of the Comptroller of the Currency

Westlake Center  
4555 Lake Forest Drive, Suite 610  
Blue Ash, OH 45242-3760

**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 Outstanding.**

Home National Bank (“HNB” or “Bank”) exhibits an **OUTSTANDING** record of meeting its community credit needs. This rating is primarily based on the following:

- The bank’s twenty-six quarter average loan-to-deposit (LTD) ratio of 79.46 percent is reasonable and meets the standard for satisfactory performance.
- HNB is lending a substantial majority of their primary loan products inside their assessment area (AA) and exceeds the standard for satisfactory performance.
- The bank’s overall penetration of lending to borrowers of different income levels is excellent and exceeds the standard for satisfactory performance.
- HNB’s geographic distribution of loans reflects excellent dispersion to moderate-income census tracts (CTs) and exceeds the standard for satisfactory performance.
- The bank has not received any complaints about its performance in helping to meet the credit needs of its AA since the previous Community Reinvestment Act (CRA) examination.

## **SCOPE OF EXAMINATION**

We conducted a full scope CRA examination to evaluate HNB’s record and performance of meeting the credit needs of its community. We used the small bank examination procedures to evaluate the bank’s performance.

The bank’s performance regarding its primary lending products is considered foremost in this CRA examination. We identified residential real estate and consumer loans as the bank’s primary loan products based on our discussions with management and review of loan originations during the lending evaluation period. The lending evaluation period was January 1, 2011 through June 30, 2013. We reviewed the bank’s quarterly LTD ratio from December 2006 through March 2013.

To perform our analysis of lending inside the AA, we randomly sampled 40 loans for each primary loan product (80 loans total) originated during the lending evaluation period. We used 2000 U.S. Census data for loans originated in 2011 and 2010 U.S. Census data for loans originated in 2012 through June 30, 2013. In the borrower distribution and geographic distribution analysis, we removed any loans originated outside the bank’s AA in our original sample and added loans originated inside the AA as necessary to ensure the sample included at least twenty loans inside the AA, per census period.

## DESCRIPTION OF INSTITUTION

HNB is an independent community bank (no holding company) with its main branch operating in Racine, OH. The main branch location moved from 209 Third Street, Racine, OH 45771 to 502 Elm St., Racine, OH 45771 since the prior CRA examination. The main branch is approximately thirty miles south of Athens, OH and located on the West Virginia and Ohio border. HNB has one other branch located in Syracuse, Ohio. The two branch locations are situated in moderate-income CTs in Meigs County, OH. The bank has six automated teller machines (ATMs) with three in Racine (ATMs are at each branch), two in Pomeroy, OH and one in Portland, OH. The ATMs located at the branch locations are available twenty-four hours a day.

As of June 30, 2013, Home NB had total assets of \$64 million with Tier 1 capital of \$7.8 million. Net loans and leases represent 68 percent of total assets, and 79 percent of total deposits. HNB's primary lending products are residential real estate loans (home purchase and refinances) and consumer loans. The bank offers a traditional array of deposit products. The table below summarizes primary loan products by volume originated/purchased during the evaluation period.

<b>Primary Loan Types</b> <b>Loans originated/purchased from January 1, 2011 through June 30, 2013</b>		
Loan Type	% by Number of Loans Originated/Purchased during evaluation period	% by Dollars of Loans Originated/Purchased during evaluation period
Residential Real Estate Loans	15%	43%
Business Loans: Commercial and Commercial Real Estate Loans	10%	21%
Individual Consumer Loans	72%	31%
Farm Loans	1%	3%
All Other Loans	2%	2%
Total	100%	100%

*Source: Internal bank reports of loans originated from January 1, 2011 through June 30, 2013.*

There are no financial or legal impediments that would affect the bank's ability to serve the credit needs of its community. Home NB's previous CRA rating was "Satisfactory" as of September 30, 2006.

## DESCRIPTION OF ASSESSMENT AREA

HNB has one AA, which is not located in a metropolitan statistical area (MSA). The AA is comprised of all CTs within Meigs County. Meigs County is primarily made up of rural communities. The AA does not arbitrarily exclude any low- or moderate-income CT's and meets the requirements of the CRA.

As of May 31, 2013, unemployment figures for the county are above both the Ohio and national averages. Meigs County currently has an unemployment rate of 11.1 percent, compared to the non-seasonally adjusted statewide average of 6.9 percent and national average of 7.3 percent. Meigs County is one of six counties in Ohio with unemployment above 10 percent, and has the second highest unemployment rate in the state. Major employers in the area include Rocksprings Rehab Center (medical), Gatling Ohio LLC (mining), and various government entities (local school district, county government, etc.).

Competition in the assessment area is moderate with four other institutions located in the bank's AA. HNB has approximately 23 percent (\$60.20 million) of the county's deposit market share. We included discussion with one community contact in our evaluation of the bank's CRA performance. The community contact indicated local financial institutions, including HNB, are adequately serving the credit needs of the community.

#### Information as of 2000 U.S. Census Data

As of the 2000 U.S. Census, the AA had five moderate-income CTs and one middle-income CT. The middle-income CT (# 9642) is listed as a distressed or underserved CT. The population of the AA was 23,072, with 80 percent living in moderate-income CTs and 20 percent living in middle-income CTs. The AA has 6,595 families with 30 percent low-income, 23 percent moderate-income, 22 percent middle-income, and 25 percent upper-income. The HUD Adjusted Median Family Income for 2011 was \$52,900. In the AA, 20 percent of households are living below the poverty level, 7 percent of households receive public assistance, and 31 percent receive social security benefits.

Owner occupied housing makes up 68 percent of housing units in the AA, with an additional 18 percent consisting of rental units. Approximately 14 percent of the housing units in the AA are vacant. The average median home value is \$54,868.

#### Information as of 2010 U.S. Census Data

As of the 2010 Census, the AA had four moderate-income CTs and two middle-income CTs. The two middle-income CTs (# 9641, 9642) are both listed as a distressed or underserved CT. The total population of the AA is 23,770. The population is dispersed evenly across the six CTs. Approximately 62 percent of the population lives in moderate-income CTs, and 38 percent of the population lives in middle-income CTs. The 2010 Census data indicates that there are 6,354 families in the bank's AA. The income distribution by family is as follows: 29 percent low-income, 20 percent moderate-income, 20 percent middle-income, and 31 percent upper-income. The county has a 2012 FFIEC Adjusted Median Family Income of \$53,600. Based on the 2010 Census, 19 percent of households are living below the poverty level. Additionally, 3 percent of households receive public assistance and 36 percent receive social security benefits. Owner occupied housing makes up 69 percent of housing units in the assessment area, of which, 17 percent are rental units. Approximately 14 percent of the housing units in the AA are vacant. The average median home value is \$79,807.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Based on the criteria for the CRA lending test, the bank's lending performance is outstanding.

### Loan-to-Deposit Ratio

The LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly average LTD ratio over twenty-six quarters since the prior CRA examination is 79.46 percent (4th Quarter of 2006 to 1st Quarter of 2013). The LTD ratio ranged from a high of 84.53 percent to a low of 73.55 percent between examinations. We compared the bank's LTD ratio to eight similarly situated financial institutions with total asset sizes ranging from \$50.23 million to \$239.68 million. The quarterly LTD ratio of eight similarly situated financial institutions located in Meigs and surrounding Ohio counties ranged from 50.09 percent to 97.51 percent. The quarterly average loan-to-deposit ratio of these similar institutions is 74.25 percent.

### Lending in Assessment Area

The bank is lending a substantial majority of their primary loan products inside their AA, exceeding the standard for satisfactory performance in this area.

The results of our loan sample revealed 86 percent of the total number of loans were made to borrowers located inside the bank's AA. Details are outlined in the table below.

<b>Lending in Meigs County AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Purchase and Refinance Loans	36	90%	4	10%	40	\$2,145	79%	\$567	21%	\$2,712
Consumer Loans	33	83%	7	17%	40	\$359	86%	\$60	14%	\$419
<b>Total</b>	<b>69</b>	<b>86%</b>	<b>11</b>	<b>14%</b>	<b>80</b>	<b>\$2,504</b>	<b>80%</b>	<b>\$627</b>	<b>20%</b>	<b>\$3,131</b>

*Source: Loan sample; loans originated from January 1, 2011 through June 30, 2013.*

### Lending to borrowers of different incomes and businesses of different sizes

The bank's overall penetration of lending to borrowers of different income levels is excellent.

Information as of the 2000 U.S. Census Data, Loans originated in 2011

HNB originated 45 percent of their residential real estate loans to moderate-income borrowers, which significantly exceeds the 23 percent of moderate-income families living inside the AA. Penetration in the low-income category is reasonable. The percentage of households in the AA living below the poverty level is relatively high and these potential borrowers may not meet the criteria to qualify for a home loan. Borrower distribution of consumer loans meets the standard for satisfactory performance. Refer to the following tables for specific details.

<b>Borrower Distribution of Residential Real Estate Loans in Meigs County AA in 2011</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate Loans	30%	10%	23%	45%	22%	20%	25%	25%

*Source: Loan sample; 2000 U.S. Census data, updated as of 2011.*

<b>Borrower Distribution of Consumer Loans in Meigs County AA in 2011</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	35%	30%	20%	35%	19%	15%	26%	20%

*Source: Loan sample; 2000 U.S. Census data, updated as of 2011.*

Information as of the 2010 U.S. Census Data, Loans originated in 2012 through June 30, 2013

HNB originated 35 percent of their residential real estate loans to moderate-income borrowers, which significantly exceeds the 20 percent of moderate-income families living inside the AA. Penetration in the low-income category is reasonable. The percentage of households in the AA living below the poverty level is relatively high and these potential borrowers may not meet the criteria to qualify for a home loan. Borrower distribution of consumer loans significantly exceeds the percentage of both low- and moderate-income households in the AA. Refer to the following tables for specific details.

<b>Borrower Distribution of Residential Real Estate Loans in Meigs County AA from January 1, 2012 through June 30, 2013</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate Loans	29%	20%	20%	35%	20%	15%	31%	30%

*Source: Loan sample; 2010 U.S. Census data, updated as of 2012.*

<b>Borrower Distribution of Consumer Loans in Meigs County AA from January 1, 2012 through June 30, 2013</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	33%	45%	19%	30%	17%	15%	31%	10%

*Source: Loan sample; 2010 U.S. Census data, updated as of 2012.*

## **Geographic Distribution of Loans**

HNB's geographic distribution of loans reflects excellent dispersion to moderate-income census tracts.

### *Information as of the 2000 U.S. Census Data, Loan sample originated in 2011*

Our sample of primary loan products originated in 2011 showed excellent dispersion of residential real estate loans and reasonable dispersion of consumer loans. One hundred percent of sampled residential real estate loans were originated in moderate-income CTs, significantly exceeding the 81 percent of owner occupied housing in the AA. The percentage of sampled consumer loans originated in 2011 was slightly higher than the percentage of households in moderate-income CTs at 85 and 82 percent, respectively. Refer to the tables below for details.

<b>Geographic Distribution of Residential Real Estate Loans in Meigs County AA in 2011</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Real Estate Loans	0%	NA	81%	100%	19%	0%	0%	NA

Source: Loan sample; 2000 U.S. Census data, updated as of 2011.

<b>Geographic Distribution of Consumer Loans in Meigs County AA in 2011</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0%	NA	82%	85%	18%	15%	0%	NA

Source: Loan sample; 2000 U.S. Census data, updated as of 2011.

Information as of the 2010 U.S. Census Data, Loan sample originated in 2012 to year to date June 30, 2013

For sampled loans originated in 2012 through year-to-date June 30, 2013, HNB's dispersion of residential real estate loans reflects excellent dispersion. The percentage of residential real estate loans originated in moderate income CTs was 65 percent, which exceeds the 59 percent of owner occupied housing in moderate income CTs. The bank's percentage of consumer loans originated in moderate-income CTs was 70 percent and compares favorably to the 61 percent of households in moderate-income CTs.

There were no low- or high-income census tracts in the bank's AA as of the 2010 U.S. Census. There were no conspicuous gaps or areas of low penetration identified in the bank's lending patterns from our loan sample. Refer to the tables below for details.

<b>Geographic Distribution of Residential Real Estate Loans in Meigs County AA from January 1, 2012 through June 30, 2013</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Real Estate Loans	0%	NA	59%	65%	41%	35%	0%	NA

Source: Loan sample; 2010 U.S. Census data, updated as of 2012.

<b>Geographic Distribution of Consumer Loans in Meigs County AA from January 1, 2012 through June 30, 2013</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0%	NA	61%	70%	39%	30%	0%	NA

Source: Loan sample; 2010 U.S. Census data, updated as of 2012.

## Responses to Complaints

The bank has not received any complaints about its performance in helping to meet the credit needs of its AA since the previous CRA examination.

## Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.