



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

October 25, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Jackson
Charter Number 9320
PO Box 640
Jackson, Kentucky**

**Office of the Comptroller of the Currency
Administrator of National Banks
Charleston West Virginia Field Office
100 Capitol Street
Security Building - Suite 400
Charleston, West Virginia 25301**

<p>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.</p>

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 First National Bank of Jackson* prepared by the *Office of the Comptroller of the Currency*, the institution's supervisory agency as of the June 30, 1999. 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**.

The First National Bank of Jackson (FNB) has met the standards for satisfactory performance for each of the following assessment criteria: loan to deposit ratio, lending within the assessment area, lending to borrowers of different incomes and to businesses of different sizes, and geographic distribution of loans. This evaluation is based on information collected since FNB's last CRA evaluation dated May 8, 1995.

The following table indicates the performance level of *The First National Bank of Jackson* with respect to each of the following criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	THE FIRST NATIONAL BANK OF JACKSON-S PERFORMANCE LEVELS		
	<u>Exceeds</u> Standards for Satisfactory Performance	<u>Meets</u> Standards for Satisfactory Performance	<u>Does Not Meet</u> Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans	X		
Response to Complaints	The bank has not received any CRA related complaints since our previous CRA examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of Jackson is a community bank with total assets of \$84 million. The main office and full service branch are located in Jackson, KY. The bank is owned by First National Holding Company of Jackson, KY.

As of June 30, 1999, net loans represented approximately 44% of total assets. FNB's loan portfolio consists of 71% real estate related loans, 18% consumer loans, and 11% commercial loans. FNB offers a variety of loans including: personal or residential real estate, home improvement, small consumer, commercial, home equity, signature, mobile home, and construction loans. There are no financial conditions, legal constraints, or other conditions that would hinder the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The bank has one assessment area (AA). The AA consists of Breathit County where the bank's main office and branch are located. This AA includes seven Block Numbering Areas (BNAs).¹ There are no low-income areas within this AA, however, there are six moderate-income areas and one middle-income area. The AA does not arbitrarily exclude low- and moderate-income geographies.

The income levels of the various families in the AA are as follows: low-income (40%), moderate-income (15%), middle-income (15%), and upper-income (30%). The 1998 KY statewide updated HUD non MSA median family income² equaled \$29,800. Based on 1990 census data, Breathit County has a population of 15,638. The largest city in the county is Jackson with a population of 2,466. 29% of the households receive social security income and 24% receive some other type of public assistance.

The Breathit County economy is depressed but stable and loan demand is moderate. The major employers within the area include the local government, Board of Education, hospital, and the service industry.

There is one competing bank within the AA. There are a few other financial institutions in neighboring areas which also provide some competition.

¹ A BNA tract is defined by the Census Bureau. It describes a geographic area within a county.

² The term median family income describes the median income earned by people sharing a home that are related by birth, marriage, or adoption.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

< **Loan to Deposit Ratio**

FNB's loan to deposit ratio is reasonable. During the 16 quarters from September 30, 1995 through June 30, 1999, FNB's net loan to deposit ratio averaged 51%. FNB's loan to deposit ratio has remained stable during this time period. The net loan to deposit ratio of four similarly situated community banks ranged from 50% to 84%.

< **Lending in Assessment Area**

In order to assess this performance factor, we analyzed consumer loans and residential real estate loans originated during 1999. These samples consisted of 20 consumer loans and 23 residential real estate loans. We found that 75% of the consumer loans, and 87% of the residential real estate loans, were originated within the AA.

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

FNB's lending to borrowers of different income levels is reasonable. We determined this by assessing borrowers' incomes of residential mortgage loans and consumer loans originated within the AA during 1999. The following table compares FNB's penetration of loans to the distribution of families with different income levels in the AA.

FNB's Loan Penetration by Borrower Income Level			
Income Level	Families within the Assessment Area	Residential Mortgage Loans	Consumer Loans
Low Income	40%	0%	53%
Moderate Income	15%	5%	27%
Middle Income	15%	29%	13%
Upper Income	30%	66%	7%

The bank's distribution of loans to low-income borrowers is satisfactory when compared to the demographic data. FNB lending levels to low and moderate borrowers exceeded the demographic comparisons for consumer loans. Residential mortgage lending was well below the demographic

comparisons. This is attributed to the fact that 39% of the households in the AA are below poverty level. The majority of the low income population is below poverty level and could not afford to purchase and maintain a home. Residential mortgage lending to moderate income borrowers is 5% which falls below the demographic comparison of 15%.

< **Geographic Distribution of Loans**

FNB's Loan Penetration by Geography Income Level		
Income Level	Distribution of Tracts by Income Level	Residential Mortgage Loans
Low Income	0%	0%
Moderate Income	86%	90%
Middle Income	14%	10%
Upper Income	0%	0%

FNB's geographic distribution of loans reflects a good dispersion throughout their AA when compared to the demographic data. As mentioned earlier in this document, there are no low-income BNA tracts in the AA and six moderate-income tracts. Based on residential mortgage loans originated within the AA during 1999, FNB's residential mortgage lending of 90% in moderate tracts exceeded the demographic comparison of 86%.

< **Response to Complaints**

FNB has not received any CRA related complaints since the prior CRA evaluation.

Compliance with Antidiscrimination Laws and Regulations

A fair lending examination was performed in conjunction with our CRA evaluation. This examination was performed to determine if any disparate treatment to any prohibited basis groups had been conducted. No violations of the substantive provisions of antidiscrimination laws and regulations were identified.