

# **PUBLIC DISCLOSURE**

**February 25, 1998**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank of South Carolina  
Charter Number 10680**

**801 Gilway Street  
Holly Hill, SC 29059**

**Office of the Comptroller of the Currency  
Southeastern District  
Marquis One Tower, Suite 600  
245 Peachtree Center Avenue, N.E.  
Atlanta, Georgia 30303**

**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 **First National Bank of South Carolina**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 25, 1998. 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 institutions record of lending to borrowers within its assessment area is reasonable. The distribution of loans by income and geography reflects reasonable penetration. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

The following table indicates the performance level of First National Bank of South Carolina with respect to each of the five performance criteria.

<b>FIRST NATIONAL BANK OF SOUTH CAROLINA</b>			
<b>Performance Levels</b>			
<i>SMALL INSTITUTION ASSESSMENT CRITERIA</i>	<i>Exceeds Standards for Satisfactory Performance</i>	<i>Meets Standards for Satisfactory Performance</i>	<i>Does not meet Standards for Satisfactory Performance</i>
<i>Loan-to-Deposit Ratio</i>		X	
<i>Lending in Assessment Area</i>		X	
<i>Lending to Borrowers of Different Incomes and to Businesses of Different Sizes</i>		X	
<i>Geographic Distribution of Loans</i>		X	
<i>Response to Complaints</i>	No Complaints Received		

## **DESCRIPTION OF INSTITUTION**

First National Bank of South Carolina is a six office institution with its main office located in Holly Hill, South Carolina. In addition to the main office, the bank has three offices located in Summerville, South Carolina, one branch in Eutawville, South Carolina, one office in Harleyville, South Carolina, and one branch in Ridgeville, South Carolina. These branches are no more than thirty miles from the main office. The bank opened for business in 1905 and is a subsidiary of First National Bank Corporation, a one bank holding company. The main office and branch facilities are all located within middle-income census tracts.

Average assets were \$101 million as of September 30, 1997 with gross loans representing 56% of average assets. The loan portfolio is comprised of the following loan types:

68% Commercial, Industrial and Non-farm, Non-residential Real Estate Loans  
20% 1-4 Family Residential, Construction, Home Equity  
12% Consumer Loans

As illustrated above, the majority of the bank's lending is centered in commercial and commercial real-estate loan products, which is consistent with the institution's overall strategic goals and objectives. Despite the strong commercial lending focus, the institution also provides a variety of residential mortgage products as detailed above. Our review disclosed no financial or legal impediments restricting the lending activities of the bank. During 1997 the bank originated 1,728 loans totaling \$39 million.

## **DESCRIPTION OF THE ASSESSMENT AREAS**

The bank has two assessment areas located within three contiguous counties within the southern portion of South Carolina. The larger of the two assessment areas consists of 18 census tracts within the North Charleston/Charleston Metropolitan Statistical Area (MSA). This MSA consists of 99 census tracts, however, the institution has limited their assessment area to 18 tracts as the branch structure could not reasonably serve the entire MSA. The 18 census tracts within the MSA are divided between Dorchester and Berkley counties.

The second assessment area is comprised of three census tracts located in Orangeburg County which border the North Charleston/Charleston MSA. The bank's assessment areas meet the legal requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas.

***North Charleston/Charleston MSA Assessment Area:***

There are no low-income census tracts within this assessment area. We identified 4 moderate-income census tracts which equals 21% of the total number of census tracts. There are 12 middle income tracts which represents 63% of the total census tracts, and 3 upper income tracts which equals 16% of the total tracts within the assessment area. The 1990 census reported the 18 census tracts within the North Charleston/Charleston MSA population at 142,730. Lending to borrowers of different incomes was evaluated on the basis of the 1997 statewide MSA median family income of \$39,500.

***Orangeburg County Non-MSA Assessment Area:***

There are no low- or upper-income designated census tracts within the non-MSA assessment area. There are two moderate-income census tracts which represent 67% of the total census tracts, and one middle-income census tract which equals 33% of the total tracts within this assessment area. The 1990 census reported a population within these census tracts of 14,622. Lending to borrowers of different incomes was evaluated on the basis of the 1997 statewide non-MSA median family income of \$34,700.

The bank's designated assessment areas consist primarily of manufacturing business activity. Major employers for the area include Bosch Incorporated, an auto parts manufacturer, three cement companies, Westvaco, a paper manufacturer, city and county government, local hospitals, and various small businesses related to the tourism industry. Competition in the institution's area is extensive and includes several regional and community banks, credit unions, and numerous finance companies. The bank's main competitors in the MSA areas are larger regional institutions with sizable asset structures. In the non-MSA portion of the assessment area, the bank's primary competition is another community bank that is comparable in size and business philosophy.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

**Loan to Deposit Ratio**

The average loan-to-deposit ratio since the previous CRA examination in 1994 is satisfactory at 61%. This ratio is only slightly lower than the average loan-to-deposit ratio for the other local institution within the bank's assessment area, at 65%, as well as all banks in South Carolina, with an average loan-to-deposit ratio of 65%. All bank's with average assets under \$250 million are considered peer banks for comparative purposes.

**Lending in the Assessment Area**

A substantial majority of the bank's lending is within its defined assessment areas. We performed a review of the bank's lending patterns using HMDA data which includes all home purchases, refinance, and home improvement loan products originated during 1996 and 1997. The results of this sample indicated that 90% of the total number of all loans, and 85% of the total dollar amount of all loans, were made to borrowers within the combined assessment areas during 1996. During 1997, we found similar results with 89% of the total number of all loans, and 81% of the total dollar amount of all loans made to borrowers within the bank's two assessment area. In addition, we found the bank had extended credit to 18 of the 22 census tracts within its assessment areas, which reflects reasonable penetration. Only one of the four census tracts the bank did not penetrate is designated as a low- or moderate-income census tract.

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

***North Charleston/Charleston MSA Assessment Area:***

We reviewed all home mortgage, refinance, and home improvement loans originated during 1996 and 1997 within the MSA to determine the bank's distribution of lending to borrowers of different incomes. A summary of these findings is detailed below:

<b>HMDA Originations to Borrower's of Different Income Levels Within the MSA</b>								
<b>1996</b>					<b>1997</b>			
<b>Income Category</b>	<b># of Loans</b>	<b>% of Orig</b>	<b>\$ of Loans</b>	<b>% of Orig</b>	<b># of Loans</b>	<b>% of Orig</b>	<b>\$ of Loans</b>	<b>% of Orig</b>
<b>Low</b>	11	22%	110,000	10%	17	25%	200,000	12%
<b>Moderate</b>	12	25%	249,000	23%	21	32%	299,000	17%
<b>Middle</b>	15	31%	342,000	31%	17	25%	484,000	27%
<b>Upper</b>	11	22%	400,000	36%	12	18%	774,000	44%

\* Based on 1996 and 1997 HMDA LAR data

The bank's MSA assessment area is comprised of 18% low-income, 16% moderate-income, 25% middle-income, and 41% upper-income families. As evidenced by the table above, the bank has exceeded the MSA demographics for lending to low- and moderate-income borrowers.

***Orangeburg County Assessment Area:***

We reviewed all home mortgage, refinance, and home improvement loans originated during 1996

and 1997 within the non-MSA assessment area to determine the bank's distribution of lending to borrowers of different incomes. A summary of these findings is detailed below:

<b>HMDA Originations to Borrower's of Different Income Levels for Non-MSA</b>								
<b>1996</b>					<b>1997</b>			
<b>Income Category</b>	<b># of Loans</b>	<b>% of Orig</b>	<b>\$ of Loans</b>	<b>% of Orig</b>	<b># of Loans</b>	<b>% of Orig</b>	<b>\$ of Loans</b>	<b>% of Orig</b>
<b>Low</b>	7	13%	109,000	9%	7	13%	67,000	6%
<b>Moderate</b>	13	25%	184,000	15%	19	36%	310,000	28%
<b>Middle</b>	18	33%	314,000	26%	20	38%	517,000	46%
<b>Upper</b>	16	29%	619,000	50%	7	13%	233,000	20%

\* Based on 1996 and 1997 HMDA LAR data

The bank's non-MSA assessment area is comprised of 32% low-income, 17% moderate-income, 20% middle-income, and 31% upper-income families. Although the bank's mortgage-related lending to low-income individuals is below the demographic statistics, this is a result of a variety of factors. In part, the low numbers are a result of heavy competition in the area from finance companies for small dollar home improvement loans. In addition, mobile home purchases account for a large number of housing related needs in the area, which are largely financed by those dealers. The bank has exceeded the demographics for lending to moderate-income borrowers.

We also found the institution's distribution of lending among businesses of different sizes reflects reasonable penetration. The bank originated 202 loans to small businesses totaling over \$11 million during 1997. In addition, small business loans of \$100,000 or less make up a substantial portion of the bank's commercial portfolio. Out of 202 originations to small businesses, 173 loans were originated at or below \$100,000 which represents 86% of the small business originations. Small businesses are defined as companies with less than \$1 million in gross annual revenues.

### **Geographic Distribution of Loans**

#### ***North Charleston/Charleston MSA Assessment Area:***

Distribution of residential mortgage lending within the assessment area is reasonable. We based these findings on a review of all HMDA loans originated in the MSA, which includes home mortgage, refinance, and home improvement loans originated during 1996 and 1997. The table on the following page demonstrates the bank's satisfactory penetration throughout the assessment area.

<b>HMDA Originations Within the MSA</b>								
<b>1996</b>					<b>1997</b>			
<b>Census Tracts</b>	<b># of Loans</b>	<b>% of Orig</b>	<b>\$ of Loans</b>	<b>% of Orig</b>	<b># of Loans</b>	<b>% of Orig</b>	<b>\$ of Loans</b>	<b>% of Orig</b>
<b>Low</b>	0	0%	0	0%	0	0%	0	0%
<b>Moderate</b>	6	12%	205,000	19%	13	19%	201,000	12%
<b>Middle</b>	42	86%	883,000	80%	52	78%	1,539,000	87%
<b>Upper</b>	1	2%	13,000	1%	2	3%	17,000	1%

\* Based on 1996 and 1997 HMDA LAR data

The percentages of originations extended to borrower's residing in low- and moderate-income census tracts on average exceed the MSA demographics. The North Charleston/Charleston Assessment Area demographics reflect no low-income census tracts while 13% of families reside in moderate-income census tracts. Of the remaining census tracts in the assessment area, 68% of the families reside in middle-income census tracts and 19% of the families reside in upper-income census tracts.

***Orangeburg County Assessment Area:***

The geographic distribution of credit within this assessment area also reflects reasonable penetration. We noted no conspicuous, unexplained gaps in the bank's lending patterns as all three census tracts were penetrated during 1996 and 1997. We based our findings on a review of all HMDA loans originated in the non-MSA area during 1996 and 1997. HMDA loans include home mortgage, refinance, and home improvement loans. The results are illustrated in the following table:

<b>HMDA Originations Within the Non-MSA Assessment Area</b>								
<b>1996</b>					<b>1997</b>			
<b>Census Tracts</b>	<b># of Loans</b>	<b>% of Orig</b>	<b>\$ of Loans</b>	<b>% of Orig</b>	<b># of Loans</b>	<b>% of Orig</b>	<b>\$ of Loans</b>	<b>% of Orig</b>
<b>Low</b>	0	0%	0	0%	0	0%	0	0%
<b>Moderate</b>	31	56%	709,000	56%	28	53%	434,000	39%
<b>Middle</b>	24	44%	552,000	44%	25	47%	693,000	61%
<b>Upper</b>	0	0%	0	0%	0	0%	0	0%

\* Based on 1996 and 1997 HMDA LAR data



The percentages of originations extended to borrower's residing in low- and moderate-income census tracts are relatively consistent with the MSA demographics. The Orangeburg County Assessment Area demographics show no low-income census tracts and 70% of families reside in moderate-income census tracts. The remaining 30% of the population resides in middle-income census tracts. The non-MSA assessment area has no upper-income census tracts.

### **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 home improvement loans to determine if similarly situated applicants had an equal chance of obtaining a loan. This testing disclosed no evidence of disparate treatment on a prohibited basis.