



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

## **PUBLIC DISCLOSURE**

**August 05, 2002**

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

**The Berea National Bank  
Charter Number 8435**

**424 Chestnut Street  
Berea, KY 40403**

**Comptroller of the Currency  
Louisville Field Office  
9200 Shelbyville Road Suite 505  
Louisville, KY 40222**

**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.**

## TABLE OF CONTENTS

<u><i>INSTITUTION'S CRA RATING</i></u> .....	<i>1</i>
<u><i>DESCRIPTION OF INSTITUTION</i></u> .....	<i>2</i>
<u><i>DESCRIPTION OF ASSESSMENT AREA</i></u> .....	<i>3</i>
<u><i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</i></u> .....	<i>7</i>

## **INSTITUTION'S CRA RATING**

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Berea National Bank, Berea, Kentucky** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **August 5, 2002**. 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.**

Major Conclusions:

- The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- A substantial majority of loans and other lending-related activities are in the bank's assessment area.
- The average loan-to-deposit ratio is reasonable, considering the bank's size, financial condition, and assessment area credit needs.

## **DESCRIPTION OF INSTITUTION**

Berea National Bank (BNB) is a full-service intrastate bank headquartered in Berea, Kentucky. As of March 31, 2002 the bank had \$87 million in total assets, \$76 million in deposits, \$54 million in loans and \$9 million in Tier One capital. Traditional banking products and services are offered.

BNB operates four full service offices. Each has an Automated Teller Machine (ATM). In addition, the bank maintains an ATM in Berea Hospital and on the Berea College campus. The main office and two of the branches are within Berea's city limits. The other branch is in downtown Mt. Vernon, in Rockcastle County. All four offices are located close to Interstate 75. This makes them accessible to more segments of the community.

The bank's primary lending focus is on home mortgage loans and consumer loans to residents of Madison County and Rockcastle County. BNB also makes loans to small businesses in the area.

The loan portfolio constitutes 62% of the bank's assets as of March 31, 2002. Loan portfolio mix is as follows: 1-4 family residential mortgages 48%, business loans 27%, consumer loans 12%, multifamily residential real estate loans 5%, construction loans 4%, and farm loans 4%.

The bank does not make fixed-rate home loans with terms longer than 15 years, but has alternative programs available to provide an additional source of credit for low- and moderate-income borrowers. BNB has arrangements with long-term mortgage lenders for preparing the application package and submitting it for their decision. Management is currently in the process of implementing an additional program to offer 30-year fixed-rate home mortgage loans under another arrangement with a secondary market lender. The bank can also assist business borrowers with applications for Small Business Association (SBA) loan guarantees.

Controlling interest in the bank is closely held by members of the local community.

There are no legal or financial circumstances that impact the bank's ability to meet community credit needs.

The last CRA evaluation was performed on November 24, 1997. The bank received a rating of Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

BNB has two distinct assessment areas, the contiguous geographies of Madison County and Rockcastle County in Kentucky. This delineation meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

### **MADISON COUNTY**

Madison County is the southernmost county in the Lexington, Kentucky Metropolitan Statistical Area (MSA). It borders the Appalachian region of the state. The county's population is 57,508, according to the 1990 U.S. Census. Preliminary data from the 2000 Census shows the population grew 23% over the last ten years. Madison County has two large towns. Richmond, the county seat, is situated in the center of the county. It has a population of 21,155. Berea, population of 9,851, is situated in the far southern part of the county and borders Rockcastle County. It is 14 miles from Richmond.

The economy is mixed. Much of the county remains rural, but the area has experienced a sustained housing boom for several years. The region in the northern part of Madison County has become a bedroom community for Lexington, Kentucky. The central part of the county, which includes Richmond, contains most of the service and manufacturing firms. Eastern Kentucky University, with 18,000 students, is also located there. The school dominates a significant part of the county's only two census tracts designated "low-income", and one census tract designated "moderate-income". Directly to the east of Richmond, the government's Bluegrass Army Depot dominates one of the middle-income census tracts.

Madison County's major employers include Tokiko (automobile parts), Yuasha (batteries), Ko Ko Ku (molded plastics), Nacco (forklifts), Sherwin-Williams (automotive paints), Alcan (aluminum recycling), Eastern Kentucky University, and Berea College. Other major employers include federal, state and local governments, hospitals, and schools. Madison County's unemployment rate was 4.5% as of May 2002. This is slightly lower than the state average of 5.2%.

Numerous other financial institutions and non-bank entities compete for loans and deposits in the Madison County assessment area. According to the FDIC's website, there are twelve banks located in Madison County, with 34 offices. These offices held a combined total of \$661 million in deposits, as of June 30, 2001. Many of BNB's competitors have offices in both major towns, Richmond and Berea. BNB had an 11% market share of deposits, as of June 30, 2001. Additional competition comes from ten major investment companies, ten major insurance companies, three credit unions, and three community banks located outside Madison County.

## **ROCKCASTLE COUNTY**

Rockcastle County is directly south of Madison County. It is part of the non-MSA portion of Kentucky. The county's population is 14,803, according to the 1990 U.S. Census. Rockcastle County has one major town, Mt. Vernon, the county seat. It has a population of 2,654. Mt. Vernon is situated in the center of the county.

The economy is rural. Mountainous terrain tends to separate the central part of the county from areas to the east and to the south. Interstate 75 bisects the county and provides residents with access to banks in Mt. Vernon and Berea.

Rockcastle County's major employers include Rockcastle Manufacturing (uniforms), Mt. Vernon Plastics (molded plastics), Taylor's Produce (produce supplier), state and local governments, hospitals, and schools. Rockcastle County's unemployment rate was 6.0% as of May 2002. This is slightly higher than the state average of 5.2%.

BNB has a moderate level of competition in Rockcastle County. According to the FDIC's website, there are two other banks operating in Rockcastle County, with 4 offices. These offices held a combined total of \$147 million in deposits as of June 30, 2001. BNB has been operating directly in Rockcastle County only since August of 2001, when it opened a branch in Mt. Vernon.

## **OTHER INFORMATION**

To gain additional insight into the community's credit needs and other factors affecting banks' ability to lend, the OCC consulted community contacts specializing in the area's affordable housing needs and small business development needs. The contacts indicated the local banks are adequately meeting credit needs. They stated credit needs for small business, residential housing, and industrial development are ongoing due to the growing economy.

The following two pages contain additional demographic information on the two counties.

**MADISON COUNTY**

The 1990 U.S. Census divided Madison County into 14 census tracts. The Census designated two of the census tracts as “low-income,” four as “moderate-income,” seven as “middle-income,” and one as “upper-income.” This determination was based on the 1990 Lexington, Kentucky MSA Median Family Income of \$32,687.

The following demographic information is based on 1990 census data, unless otherwise indicated.

Lexington, Kentucky MSA 2002 HUD Adjusted Median Family Income: \$56,300

Families in Madison County 14,691  
 Income Levels of Families 31% are low income (4,544 families)  
 17% are moderate-income (2,539 families)  
 22% are middle income (3,144 families)  
 30% are upper-income (4,464 families)

Households in Madison County 20,010  
 Income Levels of Households 33% are low-income (6,712 households)  
 17% are moderate-income (3,334 households)  
 18% are middle-income (3,534 households)  
 32% are upper-income (6,430 households)

Median Home Value (1990) \$54,192  
 Median Year of Homes Built: 1971

**Businesses in the Madison County Assessment Area**

	Number	Percent
Under \$1 Million Revenue	2,182	90%
Over \$1 Million Revenue	138	6%
Revenue Not Reported	104	4%
Total	2,424	100%

**Demographic Information by Income Level of Census Tract Geographies:**

Census Tracts by Income Level	Owner-Occupied Housing		Population		Families		Households		Small Businesses	
	#	%	#	%	#	%	#	%	#	%
Low	809	6%	9,601	17%	1,327	9%	2,010	10%	246	11%
Moderate	3,473	28%	14,454	25%	4,070	28%	5,770	29%	792	36%
Middle	7,195	58%	29,605	51%	8,204	56%	10,854	54%	969	45%
Upper	944	8%	3,848	7%	1,090	7%	1,376	7%	175	8%
Total	12,421	100%	57,508	100%	14,691	100%	20,010	100%	2,182	100%

**ROCKCASTLE COUNTY**

The 1990 U.S. Census divided Rockcastle County into four populated Block Numbering Areas (BNA's). The Census designated two of these BNA's as "moderate-income" and two as "middle-income." This determination was based on the Kentucky 1990 Non-MSA Median Family Income of \$22,542. None of the BNA's in Rockcastle County were designated "low-income" or "upper-income."

The following demographic information is based on 1990 census data, unless otherwise indicated.

Kentucky 2002 HUD Adjusted Median Family Income: \$36,300

Families in Rockcastle County 4,259  
 Income Levels of Families 30% are low income (1,295 families)  
 19% are moderate-income (820 families)  
 20% are middle income (847 families)  
 31% are upper-income (1,297 families)

Households in Rockcastle County 5,435  
 Income Levels of Households 33% are low-income (1,826 households)  
 17% are moderate-income (905 households)  
 19% are middle-income (1,021 households)  
 31% are upper-income (1,683 households)

Median Home Value (1990): \$29,837  
 Median Year of Homes Built: 1969

**Businesses in the Rockcastle County Assessment Area**

	<u>Number</u>	<u>Percent</u>
Under \$1 Million Revenue	304	87%
Over \$1 Million Revenue	22	6%
Revenue Not Reported	23	7%
Total	349	100%

**Demographic Information by Income Level of BNA Geographies:**

<b>BNA by Income Level</b>	<b>Owner- Occupied Housing</b>		<b>Population</b>		<b>Families</b>		<b>Households</b>		<b>Small Businesses</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Moderate	2,522	59%	9,062	61%	2,625	62%	3,403	63%	102	34%
Middle	1,752	41%	5,741	39%	1,634	38%	2,032	37%	202	66%
Total	4,274	100%	14,803	100%	4,259	100%	5,435	100%	304	100%

\* Note: The Rockcastle County assessment area has no low-income or upper-income geographies.



## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

The distribution of loans, given the demographics of the two assessment areas, reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and reasonable levels of lending to businesses of different sizes.

BNB's overall distribution of home purchase loans, home refinance loans, home improvement loans and business loans is generally comparable to the respective demographic compositions of Madison County and Rockcastle County. The levels of penetration to low- and moderate-income families in Madison County and Rockcastle County are reasonable, considering the high poverty level and other factors detailed in the **Description of Institution** section and **Description of Assessment Area** section of this public evaluation.

To arrive at the above conclusions, the Office of the Comptroller of the Currency (OCC) evaluated the origination volume of selected BNB primary loan products (home purchase loans, home improvement loans, home refinance loans and business loans). The OCC utilized digital records of HMDA-reported loans for a representative timeframe, January 1, 2000 through March 31, 2002. The OCC also sampled twenty business loans in Madison County and twenty business loans in Rockcastle County originated during the same timeframe.

### Madison County Analysis

The overall borrower distribution of home mortgage loans is good in the Madison County assessment area (AA). Refer to **Tables INC-1 Madison County Mortgage Lending (by Number)** and **INC-2 Madison County Mortgage lending (by Dollar)**.

The percentages of BNB's Home Purchase, Home Improvement and Refinance loans to low- and moderate-income borrowers generally meets or exceeds the percentage of families in the Madison County assessment area with low- and moderate-income. Of the total number of Home Purchase loans, 29% went to low-income families and 30% to moderate-income families. Of the total number of Home Improvement loans, 41% went to low-income families and 24% to moderate-income families. Of the total number of Refinance loans, 18% went to low-income families and 32% to moderate-income families. By comparison, 31% of all the families in the assessment area are low-income and 17% are moderate-income. This performance is considered good in light of the high poverty level in the county and the related difficulty low-income families may have in affording even a low-priced home. According to the 1990 Census, 22% of the households in Madison County are below the poverty level.

The distribution of loans to small businesses in Madison County is good. Of the 20 loans sampled, 19 or 95% were to businesses with under \$1 million in revenues per year. By comparison, 90% of businesses in Madison County reported having revenues under \$1 million. Refer to **Table INC-3 Madison County Business Lending**.

**Table INC 1 Madison County Mortgage Lending (by number)**

Residential Real Estate Lending to Borrowers of Different Income Levels Within the Madison County AA By Number of Loans									
Borrower Income Level	Families	Home Purchase		Home Improvement		Home Refinance		Combined	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent
Low-Income	31%	17	29%	43	41%	9	18%	69	32%
Moderate-Income	17%	18	30%	25	24%	16	32%	59	28%
Middle-Income	22%	14	24%	25	24%	15	30%	54	25%
Upper-Income	30%	10	17%	11	11%	10	20%	31	15%
<b>Total</b>	100%	59	100%	104	100%	50	100%	213	100%

\* Source: Bank-prepared Loan Application Registers (1/1/2000 through 3/31/2002). OCC verified for accuracy.

**Table INC 2 Madison County Mortgage Lending (by dollar)**

Residential Real Estate Lending to Borrowers of Different Income Levels Within the Madison County AA By Dollar Amount of Loans (000's)									
Borrower Income Level	Families	Home Purchase		Home Improvement		Home Refinance		Combined	
		Dollar	Percent	Dollar	Percent	Dollar	Percent	Dollar	Percent
Low-Income	31%	693	18%	212	24%	267	8%	1,172	15%
Moderate-Income	17%	1,099	29%	220	25%	1,021	32%	2,340	30%
Middle-Income	22%	830	22%	238	27%	940	29%	2,008	25%
Upper-Income	30%	1,190	31%	205	24%	996	31%	2,391	30%
<b>Total</b>	100%	3,812	100%	875	100%	3,224	100%	7,911	100%

\* Source: Bank-prepared Loan Application Registers (1/1/2000 through 3/31/2002). OCC verified for accuracy.

**Table INC-3 Madison County Business Lending**

DISTRIBUTION OF BUSINESS LOAN ORIGINATIONS INSIDE THE MADISON COUNTY ASSESSMENT AREA				
Annual Revenue of Borrower	Number	Percent	Dollar	Percent
Under \$1 Million	19	95%	1,540	94%
Over \$1 Million	1	5%	100	6%
<b>Total Business Loans</b>	20	100%	1,640	100%
<b>Distribution of Businesses in the Assessment Area By Annual Revenue</b>				
	<u>Number</u>	<u>Percent</u>		
Under \$1 Million	2,182	90%		
Over \$1 Million	138	6%		
Revenue Not Reported	104	4%		
<b>Total</b>	2,424	100%		

\* Source: OCC sample of small business loans originated 1/1/2000 through 3/31/2002. Dollar amounts are in 000's.

**Rockcastle County Analysis**

The overall borrower distribution of home mortgage loans is adequate in the Rockcastle County AA. Although the bank has a low level of penetration in Home Purchase loans and Home Refinance loans, it has a good record of making Home Improvement loans. Refer to **Table INC-4 Rockcastle County Mortgage Lending (by Number)** and **Table INC-5 Rockcastle County Mortgage lending (by Dollar)**.

Of the total number of Home Improvement loans, 29% went to low-income families and 22% to moderate-income families. By comparison, 30% of all the families in the Rockcastle County assessment area are low-income and 19% are moderate-income.

Only 2 of the 11 Home Purchase loans and 5 of the 19 Home Refinance loans went to low- and moderate-income borrowers in Rockcastle County. This is a low level of penetration. However, BNB's performance is considered reasonable in light of the high poverty level in the county and the related difficulty low-income families may have in affording even a low-priced home. According to the 1990 Census, 32% of the households in Rockcastle County are below the poverty level.

In addition, consideration is given to the fact that the bank's only branch in Rockcastle County has been open less than a year. Opening this branch expanded BNB's market. In the past, the market consisted of the two Rockcastle BNA's contiguous to Madison County, while going forward, it includes all four of the BNA's in Rockcastle County.

The distribution of loans to small businesses in Rockcastle County is good. All 20 or 100% of loans sampled were to businesses with under \$1 million in revenues per year. By comparison, 87% of businesses in Rockcastle County reported having revenues under \$1 million. Refer to **Table INC-6 Rockcastle County Business Lending**.

**Table INC 4 Rockcastle County Mortgage Lending (by number)**

Residential Real Estate Lending to Borrowers of Different Income Levels Within the Rockcastle County AA By Number of Loans									
Borrower Income Level	Families	Home Purchase		Home Improvement		Home Refinance		Combined	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent
Low-Income	30%	1	9%	16	29%	1	5%	18	21%
Moderate-Income	19%	1	9%	12	22%	4	21%	17	20%
Middle-Income	20%	6	55%	14	25%	4	21%	24	28%
Upper-Income	31%	3	27%	13	24%	10	53%	26	31%
<b>Total</b>	100%	11	100%	55	100%	19	100%	85	100%

\* Source: Bank-prepared Loan Application Registers (1/1/2000 through 3/31/2002). OCC verified for accuracy.

**Table INC 5 Rockcastle County Mortgage Lending (by dollar)**

Residential Real Estate Lending to Borrowers of Different Income Levels Within the Rockcastle County AA By Dollar Amount of Loans (000's)									
Borrower Income Level	Families	Home Purchase		Home Improvement		Home Refinance		Combined	
		Dollar	Percent	Dollar	Percent	Dollar	Percent	Dollar	Percent
Low-Income	30%	12	2%	39	15%	28	3%	79	4%
Moderate-Income	19%	31	6%	28	10%	161	15%	220	12%
Middle-Income	20%	262	49%	82	30%	182	18%	526	29%
Upper-Income	31%	226	43%	120	45%	651	64%	997	55%
<b>Total</b>	100%	531	100%	269	100%	1,022	100%	1,822	100%

\* Source: Bank-prepared Loan Application Registers (1/1/2000 through 3/31/2002). OCC verified for accuracy.

**Table INC-6 Rockcastle County Business Lending**

DISTRIBUTION OF BUSINESS LOAN ORIGINATIONS INSIDE THE ROCKCASTLE COUNTY ASSESSMENT AREA				
Annual Revenue of Borrower	Number	Percent	Dollar	Percent
Under \$1 Million	20	100%	1,019	100%
Over \$1 Million	0	0%	0	0%
<b>Total Business Loans</b>	20	100%	1,019	100%
<b>Distribution of Businesses in the Rockcastle County Assessment Area By Annual Revenue</b>				
	<u>Number</u>	<u>Percent</u>		
Under \$1 Million	304	87%		
Over \$1 Million	22	6%		
Revenue Not Reported	23	7%		
<b>Total</b>	349	100%		

\* Source: OCC sample of small business loans originated 1/1/2000 through 3/31/2002. Dollar amounts are in 000's.

## Lending in Assessment Area

A substantial majority of loans and other lending-related activities are in BNB's assessment area. The analysis shows 87% of the total number and 85% of the dollar amount of all loans originated from December 1, 1997 through close of business on May 31, 2002 were to borrowers inside the assessment area.

To reach this conclusion, the OCC analyzed the bank's lending activity using digital records of loan originations for the period under review.

**Table I/O-1 All Loans**

<b>ALL LOAN ORIGINATIONS December 1, 1997 through May 31, 2002 *</b>				
<b>\$(000's)</b>	<b>Number of Loans</b>	<b>Percentage of loans</b>	<b>Dollar Amt of Loans</b>	<b>Percentage of Loans</b>
<b>Within the Assessment Area</b>	1,823	87%	\$58,825	85%
<b>Outside the Assessment Area</b>	264	13%	\$ 10,619	15%
<b>Totals</b>	2,087	100%	\$ 69,444	100%

\* Source: Computer-generated loan records from the bank. OCC verified for accuracy. The digital records did not include some of the oldest of the paid-out originations due to purging, but the OCC concluded the volume was not significant compared to the quality of the sample derived. Dollar amounts are in 000's.

## Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the bank's size, financial condition, and assessment area credit needs.

BNB's average loan-to-deposit ratio for the 18 quarters since the last CRA evaluation is 65.14%. The loan-to-deposit ratio has increased steadily since the last CRA evaluation and as of March 31, 2002 is 70.98%. The ratio has been as low as 55.67% (March 31, 1998) and as high as 73.71% (December 31, 2001).

The OCC identified four similarly situated financial institutions operating in Kentucky markets similar to BNB's market. The banks are comparable to BNB in deposit size, major lending products and number of offices. The chart below shows that BNB's average of quarterly loan-to-deposit ratios since the last CRA evaluation is comparable to **Bank #1** and **Bank #2**, but lower than the other two institutions.

<b>Institution</b>	<b>Total Deposits As of 3/31/02 (\$ Million)</b>	<b>Number of Banking Offices</b>	<b>Average of the Quarterly Loan to Deposit Ratios from 12/31/97 to 3/31/02</b>
<b>Berea National Bank</b>	\$ 83	4	65%
<b>Bank #1</b>	\$100	3	63%
<b>Bank #2</b>	\$ 87	3	74%
<b>Bank #3</b>	\$ 97	6	86%
<b>Bank #4</b>	\$ 90	3	98%

## Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.

BNB's lending activity extends to most of the census tracts in Madison County and all of the BNA's in Rockcastle County. The bank's home mortgage and business lending activity to the moderate-income tracts is significant. There were no conspicuous gaps in lending, other than the lack of loans to the two small low-income census tracts in Richmond, where Eastern Kentucky University is situated. BNB's opportunity to make home mortgage loans in this area is impacted by low demand and the many other financial institutions in the area. Market penetration was also lower in the census tracts further away from the bank's offices, but this is reasonable, considering the bank's location, size, lending expertise, and market conditions. To reach this conclusion, the OCC analyzed the bank's lending activity using the same sources and timeframes of data collected in the previous sections.

As discussed in the **Description of Assessment Area** section, BNB's offices in Berea and Mt. Vernon are located close to most of the moderate-income census tracts in the assessment areas. BNB is less convenient to borrowers to the north, in Richmond, due to the distance from the bank's offices and the high level of competition. There are 12 competing banks located directly in town, while BNB is over 14 miles away. Outside Interstate 75, the rural road system also tends to restrict travel. In Rockcastle County, the mountainous area to the east and south of Mt. Vernon is a natural barrier for borrowers to come to BNB. Instead, many residents travel in the opposite direction, to banks in Jackson County and Laurel County. This helps explain why BNB's lending activity is lower in the census tracts further from the bank.

### Madison County Analysis

The overall geographic distribution of home mortgage loans is good in the Madison County AA. Refer to **Tables GEO-1 Madison County Mortgage Lending (by Number)** and **GEO-2 Madison County Mortgage lending (by Dollar)**. The moderate-income census tracts contain just 28% of all owner-occupied housing in the county, but the bank made 49% of Home Purchase loans, 60% of Home Improvement loans and 60% of Refinance loans there. As noted above, BNB made no home mortgage loans to the two low-income census tracts in Richmond. These geographies contain only a small portion of the assessment area's owner-occupied housing (6%). Census data also shows these geographies have only 809 of the county's 12,421 owner-occupied housing units. In census tracts containing a university, the residents tend to rent. Affordability is also a barrier to lending there, since 36% of the households are below the poverty level. These factors mitigate the bank's record of performance in the low-income census tracts.

The geographic distribution of loans to small businesses in Madison County is good. In the sample collected, 37% of BNB's small business loans were to firms located in the moderate-income census tracts. As discussed above, the bank had no loans to businesses located in the low-income census tracts. Refer to **Table GEO-3 Madison County Business Lending**.

**Table GEO-1 Madison County Mortgage Loans (by Number)**

<b>Geographic Distribution of Madison County Home Mortgage Loans by Geography Income Designation By Number of Loans</b>									
Income Level Of Census Tract	Owner-occupied Housing Units	Home Purchase		Home Improvement		Home Refinance		Combined	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent
Low-Income	6%	0	0%	0	0%	0	0%	0	0%
Moderate-Income	28%	29	49%	62	60%	30	60%	121	57%
Middle-Income	58%	29	49%	42	40%	20	40%	91	43%
Upper-Income	8%	1	2%	0	0%	0	0%	1	0%
<b>Total</b>	<b>100%</b>	<b>59</b>	<b>100%</b>	<b>104</b>	<b>100%</b>	<b>50</b>	<b>100%</b>	<b>213</b>	<b>100%</b>

\* Source: Bank-prepared Loan Application Registers (1/1/2000 through 3/31/2002). OCC verified for accuracy.

**Table GEO-2 Madison County Mortgage Loans (by Dollar)**

<b>Geographic Distribution of Madison County Home Mortgage Loans by Geography Income Designation By Dollar Amount of Loans (000's)</b>									
Income Level Of Census Tract	Owner-occupied Housing Units	Home Purchase		Home Improvement		Home Refinance		Combined	
		Dollar	Percent	Dollar	Percent	Dollar	Percent	Dollar	Percent
Low-Income	6%	0	0%	0	0%	0	0%	0	0%
Moderate-Income	28%	2,018	53%	450	51%	1,918	59%	4,386	55%
Middle-Income	58%	1,714	45%	425	49%	1,306	41%	3,445	44%
Upper-Income	8%	80	2%	0	0%	0	0%	80	1%
<b>Total</b>	<b>100%</b>	<b>3,812</b>	<b>100%</b>	<b>875</b>	<b>100%</b>	<b>3,224</b>	<b>100%</b>	<b>7,911</b>	<b>100%</b>

\* Source: Bank-prepared Loan Application Registers (1/1/2000 through 3/31/2002). OCC verified for accuracy.

**Table GEO-3 Madison County Small Business Loans**

<b>Geographic Distribution of Madison County Small Business Loans</b>					
Income Level of Census Tract	Small Businesses	Number	Percent	Dollar	Percent
Low-Income Census Tracts	11%	0	0%	0	0%
Moderate-Income Census Tracts	36%	7	37%	266	17%
Middle-Income Census Tracts	45%	11	58%	1,115	73%
Upper-Income Census Tracts	8%	1	5%	159	10%
<b>Total</b>	<b>100%</b>	<b>19</b>	<b>100%</b>	<b>1,540</b>	<b>100%</b>

\* Source: OCC sample of small business loans originated 1/1/2000 through 3/31/2002. Dollar Amounts are in 000's.



## Rockcastle County Analysis

The overall geographic distribution of home mortgage loans is reasonable in the Rockcastle County AA. Refer to **Tables GEO-4 Rockcastle County Mortgage Lending (by Number)** and **GEO-5 Rockcastle County Mortgage lending (by Dollar)**. The two moderate-income BNA's contain 59% of all owner-occupied housing in the county. The bank made 55% of Home Purchase loans, 33% of Home Improvement loans and 32% of Refinance loans to these moderate-income BNA's. The county has no low-income or upper-income BNA's.

The geographic distribution of loans to small businesses in Rockcastle County is good. In the sample collected, 75% of BNB's small business loans were to firms located in the moderate-income census tracts. By comparison, 34% of the county's small businesses are located there. Refer to **Table GEO-6 Rockcastle County Business Lending**.

**Table GEO-4 Rockcastle County Mortgage Loans (by Number)**

Geographic Distribution of Rockcastle County Home Mortgage Loans by Geography Income Designation By Number of Loans									
Income Level Of Census Tract	Owner-occupied Housing Units	Home Purchase		Home Improvement		Home Refinance		Combined	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent
Moderate-Income	59%	6	55%	18	33%	6	32%	30	35%
Middle-Income	41%	5	45%	37	67%	13	68%	55	65%
<b>Total</b>	100%	11	100%	55	100%	19	100%	85	100%

\* Source: Bank-prepared Loan Application Registers (1/1/2000 through 3/31/2002). OCC verified for accuracy.

\*\* Note: The Rockcastle County assessment area has no low-income or upper-income geographies.

**Table GEO-5 Rockcastle County Mortgage Loans (by Dollar)**

Geographic Distribution of Rockcastle County Home Mortgage Loans by Geography Income Designation By Dollar Amount of Loans (000's)									
Income Level Of Census Tract	Owner-occupied Housing Units	Home Purchase		Home Improvement		Home Refinance		Combined	
		Dollar	Percent	Dollar	Percent	Dollar	Percent	Dollar	Percent
Moderate-Income	59%	260	49%	69	26%	271	27%	600	33%
Middle-Income	41%	271	51%	200	74%	751	73%	1,222	67%
<b>Total</b>	100%	531	100%	269	100%	1,022	100%	1,822	100%

\* Source: Bank-prepared Loan Application Registers (1/1/2000 through 3/31/2002). OCC verified for accuracy.

\*\* Note: The Rockcastle County assessment area has no low-income or upper-income geographies.

**Table GEO-6 Rockcastle County Small Business Loans**

Geographic Distribution of Rockcastle County Small Business Loans					
Income Level of Census Tract	Small Businesses	Number	Percent	Dollar	Percent
Moderate-Income Census Tracts	34%	15	75%	944	93%
Middle-Income Census Tracts	66%	5	25%	75	7%
<b>Total</b>	100%	20	100%	1,019	100%

\* Source: OCC sample of small business loans originated 1/1/2000 through 3/31/2002. Dollar Amounts are in 000's.

## **Responses to Complaints**

BNB has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

## **Fair Lending Review**

An analysis of recent years' public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in November 1997.