



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 17, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Citizens National Bank of Norwalk
Charter Number 11275

12 East Main Street
Norwalk, Ohio 44857

Comptroller of the Currency
Central District Office
One Financial Place, Suite 2700
440 South LaSalle Street
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 The Citizens National Bank of Norwalk (CNB) prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of July 17, 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.

The bank has successfully serviced its community through the offering of residential mortgage loans, commercial business loans and consumer instalment loans. This is evidenced by the large volume of loans to deposits, the varied distribution of their lending activity within the assessment area and the ability to meet the credit needs of small businesses and low and moderate income consumers.

The following table indicates the performance level of Citizens National Bank of Norwalk with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	CITIZENS NATIONAL BANK OF NORWALK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet 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	No Complaints	were received since	the prior exam.

DESCRIPTION OF INSTITUTION

Citizens National Bank of Norwalk, Norwalk, Ohio is owned by Independent Community Bancorp, a one bank holding company located in Norwalk. The bank has continued to grow steadily since the prior evaluation in July 1993. Total assets of \$83 million permit the bank to offer numerous loan products and services. The bank is the largest independent financial institution in Norwalk. This enables the bank to operate competitively within its local market while competing against branches from local regional banks.

The bank maintains three office facilities, all within the city of Norwalk. These offices offer loan products ranging from low down payment purchase money mortgages to Small Business Administration loans. Mortgage products are underwritten with secondary market guidelines and considerations and are becoming a smaller portion of the bank's lending activity. Loan growth has been centered in small business loans and consumer instalment. No legal or financial impediments exist to prohibit the bank from continuing to serve their market area

DESCRIPTION OF CNB's ASSESSMENT AREA

The bank has designated all of Huron County and the Townships of Groton, Oxford, Milan, Berlin, and Florence in Erie County as the assessment area for this evaluation. The area has a population of 67,400. The 1990 census designated all 13 tracts in Huron county as middle income, and the two tracts in Erie county as upper income. These designations are based upon the Median Household Income for Non-MSA areas in the state of Ohio. The bank's assessment area includes neighborhoods internally identified as being low-moderate income within the city of Norwalk. These areas were identified through income information on loan applications received over the past few years. Our review determined that the bank does not arbitrarily exclude low-moderate income neighborhoods from its lending area.

Unemployment in the area (9.9%) is considered higher than the state average, but steadily improving. Population growth is considered stable, with new housing construction and growth mainly limited to the area of Norwalk. Median housing values range in the \$60 thousands, with new construction exceeding the \$100 thousands. Industries located within the area are predominately automobile related with small manufacturing, agricultural and tourism diversifying the economic base. The general consensus is that the overall economies of the area are steadily improving.

Housing stock in the area is predominately 1-4 family, with 75% owner occupied. Housing turnover is considered low, limiting purchase opportunities for low-moderate income individuals. New construction for low-moderate income individuals is limited to rental units. Vacant housing is below 5%, further limiting opportunities for private ownership for these income groups.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Four indicators were relied upon to assess the performance of the bank in meeting the credit needs of the community under CRA. They are as follows:

Loan-to-Deposit Ratio

A primary determination of the banks efforts to meet the credit needs of its community can be measured in the loans to deposits (LTD) ratio. A review of the LTD for each quarter since the prior evaluation indicates a higher percentage of loan growth versus deposits. Over the same period, commercial and installment loans generated the majority of the increase in volume. Over the period, the bank averaged a LTD of 72%. In addition, the bank has a record of selling loans in the secondary market. Those current balances would result in a current LTD in excess of 80%. This record indicates the bank is using the majority of its financial capacity to meet the credit needs of borrowers within their market area.

Loan to Deposit Ratios

4Q93	1Q94	2Q94	3Q94	4Q94	1Q95	2Q95	3Q95	4Q95	1Q96	1Q96*
69.0	66.1	69.1	71.8	69.9	74.5	70.6	76.1	74.2	76.1	84.2

* Denotes adjustment for O/S balances on sold loans.

Average for the above period: 71.7%

Credit Extended Inside and Outside Assessment Area

An analysis was performed of the bank's assessment area to determine the volume of loan originations within that area since the prior evaluation. The analysis focused upon the bank's three primary lending products; commercial; residential mortgage; and consumer instalment. Data on the three products reveal that the majority of new loans are made to businesses and individuals who operate or reside within the bank's assessment area.

Lending within the Bank's Defined Assessment Area.

Residential Mortgage Lending		Commercial Lending		Direct Consumer Lending	
IN	OUT	IN	OUT	IN	OUT
81%	19%	81%	19%	80%	20%

Residential: All loan applications recorded on the 1995 and 1996 mortgage loan application register.

Commercial: All commercial loans originated by the bank in 1995 and 1996.

Direct Consumer : Random sample of loans originated in 1996.

Geographical Distribution of Credit within the Assessment Area

The geographies of the bank's assessment area consist mainly of the city of Norwalk as the primary center with an estimated population of 12,700 or 19% of the entire assessment area. Several other towns and villages exist within the area and are widely separated by agricultural sectors. The bank internally identified neighborhoods it believes are predominately low-moderate income. These neighborhoods along with the entire assessment area are plotted on maps to visually illustrate the loan penetration. A review of these maps clearly reveal the majority of lending within Norwalk, including neighborhoods identified as low-moderate income.

The analysis further reveals pockets of lending reasonably distributed in the outlying towns and villages, with limited penetration in the sparsely populated agricultural sectors. Distribution outside the lending area was centered mainly in the city of Sandusky.

Distribution of Loans Among Income Groups

One of the primary factors when assessing performance under the Act is the bank's ability to meet the needs of all income groups, including low and moderate income households. The following table illustrates the bank's volume of applications and originations among the various income groups for the residential mortgage product. This data is compared versus 1990 Census data on households within the assessment area. Clearly, the bank falls short in servicing a representative sample of low income households. The bank attributes the numbers to a shortage of available housing for this particular income group. Housing stock turnover in the area is low precluding opportunities for home ownership. Bank products are mainly underwritten with the guidelines required for secondary market sale. In addition, no particular mortgage product exists at the bank that would foster ownership growth for this income group.

Distribution of Lending Activity Among Individual Income Characteristics

Residential Mortgage Lending					
	Bank Activity Data			U.S. Census Data	
	All Applications	Assessment Area Applications	All Loans Originated	Huron County Households	Erie County Households *
Low	5%	5%	1%	19%	12%
Moderate	15%	16%	14%	15%	13%
Middle	26%	27%	24%	22%	16%

Upper	54%	52%	61%	44%	59%
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* Erie County Data includes only those townships within the bank's assessment area.

Median Household Income (MHH) for Non-MSA's in Ohio updated for 1996: \$37,000.

Low Income: 50% or Less of MHH, Moderate: 51% to 80% of MHH, Middle: 81% to 120% of MHH, and Upper: 121% + of MHH. Source: 1990 US Census

The majority of the bank's business loans are to small businesses (revenues under \$1 million). In addition, the bank is active in community development projects in the Norwalk area. The bank recently completed funding of a 46 unit low-moderate income rental complex in Norwalk, and is funding two additional 92 unit facilities in Erie county. The bank is also a participant with other financial institutions in local funding projects for the Norwalk downtown revitalization project. The bank generates loans under both SBA and the Ohio Link Deposit program with outstandings of \$200 thousand and \$850 thousand respectively.

Distribution of Lending Activity Among Small Businesses

Commercial Lending	
All Lending Areas	Assessment Area Only
65% Small Business	69% Small Business

Record of Complying with Anti Discrimination Laws

No violations of the substantive provisions of the Anti discrimination laws were identified. The bank reviews denied credits on a limited basis. A formal secondary review that compares denied applications to other similarly situated applications would assist the bank in ensuring ongoing compliance with anti-discrimination laws.