



This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Citizens National Bank** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **September 30, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

### Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

## ASSIGNMENT OF RATING

### Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

## ABBREVIATIONS

The following abbreviations are used in this Public Evaluation:

- ATM - Automated Teller Machine
- CNB - Citizens National Bank
- CRA - Community Reinvestment Act (12 U.S.C. 2901)(12 CFR 25).
- FMER - FirstMerit Corporation
- FMMC - FirstMerit Mortgage Company
- HMDA - Home Mortgage Disclosure Act (12 U.S.C. 2801)(12 CFR 203).
- MSA - Metropolitan Statistical Area
- PMI - Private Mortgage Insurance, commonly required when a mortgage loan exceeds 80% of the appraised value of the collateral.
- SBA - United States Small Business Administration.

## DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: **“Satisfactory record of meeting community credit needs.”**

**Evaluation Period** - The bank’s previous Public Disclosure was dated March 21, 1994. The current disclosure evaluates the bank’s performance from March 22, 1994 through September 30, 1996.

Mortgage loans, originated by FirstMerit Mortgage Company (FMMC) within the bank’s delineated community, are included in loan totals throughout this Evaluation.

**Bank Profile** - Citizens National Bank (CNB) is a wholly owned subsidiary of FirstMerit Corporation (FMER) which owns six commercial banks in Ohio, and one commercial bank in Florida. As of June 30, 1996, FMER had total assets of \$5.5 billion, and net income of \$19.2 million.

FMER acquired Citizens Savings Bank of Canton (CSBC) in the fourth quarter 1994 and merged it into FNB Massillon in January 1995. The bank’s name was changed to CNB to reflect the merger and change of ownership. During 1995, marketing efforts centered on reinforcing the name change within the delineated community. During the third and fourth quarters of 1995, FMER drastically altered its affiliate structure. Included in this alteration, was a restructuring of affiliate CRA programs.

The following table shows that the bank’s net income and return on assets increased significantly during the review period. This is the result of the merger described above. As a result of the dramatic increase in assets and net income, totals from 1994 should not be used for comparative purposes.

**Year-end Assets, Income, and Return on Average Assets**  
**\$ (millions)**

	1994	1995	June 30, 1996
Total Assets	255	1,001	991
Net Income	3.9	12.2	7.3
Return on Assets	1.5%	1.2%	1.4%

**Source:** Year-end 1994, 1995, and 9/30/96 Consolidated Report of Income and Condition.

As of September 30, 1996, the bank had 16 full service branches, one private banking/trust office, and 16 ATMs.

**Community Profile** - CNB delineates its local community based on geographical boundaries and branch locations. The delineation expanded significantly during the review period with the purchase of CSBC. Prior to the purchase of CSBC, CNB's delineation consisted of the city of Massillon and surrounding areas. After the purchase, the delineation was expanded to include most of Stark County. The city of Alliance was excluded from the delineation. This area includes two low- and moderate-income areas. The city was excluded because CNB has no branches, and very little lending (.5% of mortgage loans) or depository activity in Alliance. A large number of other financial institutions and mortgage providers (79) are available to service the financial needs of the city of Alliance, including low- and moderate-income areas.

**Stark County** - The unemployment rate for the area (5.7%) is on a par with the State of Ohio (5%) and national (5.5%) unemployment rates. Dominant industries include manufacturing, wholesale and retail trade, services, government, finance, and construction. Major employers are: Timken Company, The Hoover Company, and area hospitals. There are no significant economic problems impacting the area.

The following table shows demographic information for CNB's current delineated community. For purposes of this evaluation, low- and moderate-income census tracts are defined as those tracts with less than 50% and 80% of the MSA's family median income, respectively.

**Demographic Information for CNB's Delineated Community**

	<b>Stark County</b>
<b>Population</b>	343,496
<b>Median income</b>	\$32,485
<b># Census tracts</b>	68
<b># Low-income census tracts</b>	4
<b># Moderate-income census tracts</b>	12
<b># Housing units</b>	137,203
<b># OOC* housing</b>	92,197

Source: 1990 U.S. Census.

\*OOC - Owner Occupied.

The table shows that a significant number (24%) of the census tracts within CNB's delineated community are low- or moderate-income. In addition, a majority (67%) of housing units within the delineated area are owner occupied.

**Community Credit Needs** - Our evaluation included contacts with representatives from local affordable housing organizations, civic organizations, and social service agencies. These contacts were used to identify community credit needs.

Community credit needs identified include:

**o Loans for affordable single family housing, and home improvement.**

Loans with flexible lending criteria are needed throughout the delineated community. In addition, the area has a large supply of older housing stock which is in need of a variety of minor and major repairs. Barriers to customers obtaining these types of loans include insufficient income due to unemployment, poor credit history, high debt to income ratios, and insufficient funds for down payment and closing.

**o Economic development loans to attract large businesses and finance small businesses.**

Job creation is needed throughout the delineated community, but especially in low- and moderate-income areas. Loans are needed to finance small neighborhood businesses, strip centers and large franchises. These businesses require start-up funds and working capital. Barriers to customers obtaining these types of loans include lack of knowledge of the loan process, lack of collateral, and lack of business expertise.

These needs have also been identified by CNB. See Assessment Factor A for CNB's responses to these credit needs.

**I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS**

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **Management has developed a formal ascertainment program that is effective in identifying credit needs throughout CNB's delineated community, including CNB's low- and moderate-income census tracts.**

CNB has effectively identified credit needs throughout its delineated community. Management constructs and implements an annual CRA Action Plan. The plan includes specific, measurable goals, requires analysis of lending performance, and details ascertainment activities. On a quarterly basis, FMER Corporate CRA Division (CCD)

analyzes performance under the plan and provides its analysis to the CNB CRA Committee.

CNB's ascertainment activities center around personal, ongoing contacts with a variety of community groups. Some of the groups contacted include: Habitat for Humanity, Stark County Out of Poverty Partnership, Canton Urban League, Stark County Housing Task Force, Massillon Neighborhood Services, Consumer Credit Counseling Services, Property Investment Group and Services, Stark County NAACP, Canton Fair Housing Commission, Interdenominational Ministries Association of Stark County, Stark County Business League, Stark County Association of Realtors, Association for Better Community Development, Stark Metropolitan Housing Authority, and the Canton Community Development Corporation. Management routinely invites community representatives to its quarterly CRA Committee meetings.

CNB management routinely obtains demographic reports. These reports are used to monitor changes in the size and composition of the local community, identify potential credit needs, and target marketing efforts.

As a result of CNB's ascertainment efforts, two major credit needs of the local community were identified. These credit needs, along with CNB's response to these needs are detailed below.

**o Affordable housing and home improvement loans with flexible underwriting criteria**

As of December 1995, CNB offers a variety of conventional residential loan products through its affiliate, FMMC. In addition, the FMMC offers two affordable residential purchase loan products with flexible underwriting criteria, the Build Equity Starting Today I & II (BEST I and BEST II) Loans. Prior to December 1995, CNB offered mortgage products directly. CNB also offers a home improvement loan product with a reduced interest rate for applicants with incomes below a set threshold. For details, refer to Assessment Factor I.

**o Economic development/Small business loans**

CNB offers a variety of conventional and government sponsored small business loans. For details, refer to Assessment Factor J.

CNB develops specific lending goals for mortgage, small business, and consumer lending in low- and moderate-income areas. Management tracks its performance quarterly.

**Assessment Factor C** - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- **CNB's Board of Directors and senior management maintain a strong role in the review and approval of policies and bank CRA performance.**

As part of a FMER mandate, CNB's CRA program was revised during fourth quarter 1995. The FMER CCD was given responsibility for the formulation and review of policies and affiliate bank CRA performance. CNB's Board retained responsibility for review of CNB's CRA activities, CRA Statement, community delineation, and CRA Notice.

CNB has one CRA officer who reports to the CCD as well as the CNB Board of Directors. The CCD CRA Officer provides a summary to the FMER Board of Directors semiannually. The CRA Officer's summary includes the status of CRA Action Plan goals, branch openings and closings, and adherence to CRA technical requirements.

CNB has a well-organized CRA Committee. The Committee meets on a quarterly basis, and membership consists of the Chief Executive Officer, Senior Lending Officer, CRA Officer, FMMC representatives, Marketing Director, consumer and commercial lenders, and invited community representatives.

The Committee is responsible for ascertaining community credit needs, recommending new credit products, marketing promotions, developing and monitoring CRA Action Plans and goals, and special projects. An example of a credit product developed via the CRA Committee is the Rate Reducer Home Improvement Loan. This product is offered at 2% below CNB's quoted interest rate to applicants with incomes below the Stark County median income level.

CNB complies with the technical requirements of the CRA.

## II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

**Assessment Factor B** - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **CNB's marketing efforts are reasonable. The effectiveness of advertising sources and campaigns is routinely monitored by FMER's Marketing Department.**

During 1994, marketing campaigns informed all segments within the local community of CNB's credit products. However, most 1995 campaigns centered on name recognition, as management sought to establish the new bank name in the local community. During 1996, mortgage loans were not strongly advertised. This was the result of technical and personnel

problems encountered during a restructure of the mortgage loan area.

During the review period, CNB marketed its name change, mortgage, installment, and small business loans using a variety of media sources. These sources included television, radio, and local newspapers. The largest generally circulated newspapers, such as the "Akron Beacon Journal," the "Plain Dealer," and the "Canton Repository" were the primary media sources used by CNB. Targeted media sources such as "Freedoms Journal" were used to advertise affordable mortgage loans and free checking services. "Freedoms Journal" is a local newspaper that targets African Americans. In addition, CNB used statement stuffers and word of mouth to promote its credit products.

CNB managers routinely attend Stark County Board of Realtor meetings. Attendance at these meetings is a primary method of establishing and maintaining working relationships with local Realtors, and distributing promotional material, especially for affordable mortgage programs. The Realtors then refer potential borrowers to CNB.

Management participated in a variety of seminars and workshops during the review period. These events provided valuable credit counseling to members of the local community, including low- and moderate-income persons. Affordable mortgage products were promoted during home-buyer seminars sponsored by The Stark County Out of Poverty Partnership, The Stark County Association of REALTORS, and the Canton Urban League. The features of CNB's small business products were detailed in presentations made to the Stark Development Board.

**Assessment Factor I** - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **CNB's level of origination of residential mortgage and small business loans within its community is reasonable. During 1994, the level of originations within the local community was marginal. Nearly half of these loans were made outside the delineated area. Since the 1995 merger and expansion of the delineated community, the percent of loans originated within the delineated area is very strong.**

CNB offers a variety of consumer and commercial loan products. The 1996 CRA Statement correctly lists the credit products offered by CNB. These products are available throughout the entire delineated community.

Since 1990, CNB has offered two affordable mortgage loan programs, BEST I and BEST II. Since the 1995 merger, CNB has offered the Rate Reducer Home Improvement loan. These products are designed to meet the affordable mortgage and home improvement credit needs of low- and moderate-income customers. No detailed tracking of these programs was available

during this examination. However, the overwhelming majority of these loans are reported as loans to low- and moderate-income persons under the HMDA. These numbers are shown in the following table. The table also shows CNB and FMMC's residential loan activity generated within the delineated community.

The data shows that during 1994, CNB originated less than half (47%) of its home purchase loans within the local community. Total residential lending within the community was 58%. This trend improved dramatically in 1995 to nearly 90%, as the result of a merger that resulted in a larger delineated community.

During 1996, the volume of home purchase and home improvement loans within the community declined sharply. Management attributes the decline to the restructuring of the mortgage loan department, a decrease in advertisements for HMDA loan products, and to a managerial decision to place a stronger emphasis on home equity lines of credit (HELOC) versus home improvement loans. CNB originated 889 HELOCs in 1995. As of October 31, 1996, the bank had originated 1,585 HELOCs. CNB does not report HELOCs as part of its HMDA data.

Finally, the table shows that a significant percentage of mortgage loans were extended to low- and moderate-income persons (35% in 1994, 28% in 1995, and 28% as of September 30, 1996).

**CNB HMDA Lending Within Delineated Community  
(represents number of loans)**

	1994		1995		9/30/96	
	Total	W/I	Total	W/I	Total	W/I
<b>Home Purchase</b>	161	75	551	492	*	234
<b>Refinance</b>	150	102	195	185	*	266
<b>HIP</b>	174	103	180	165	*	33
<b>Total</b>	485	280	934	842	*	533
<b>Loans to LMI Persons included in above totals</b>						
	165	97	251	239	*	149

Source: 1994 HMDA LAR, 1995 HMDA Register, 1996 Internal reports.

W/I - Within delineated community.

HIP - Home Improvement.

LMI - Low- and moderate-income.

\* Totals were not available for 1996.

**Small Business Loans**

Small business loans are defined by bank management as loans of less than \$1 million that are made to commercial entities. The following table shows the number and dollar amount of small business loans originated inside CNB's delineated community during the evaluation period. During 1994, CNB originated approximately half of its small business loans, outside its delineated community. Since the 1995 merger, most of CNB's small business loans have been extended to businesses located within the community.

**Small Business Lending within the Delineated Community**

	#	% of Total Originations
<b>1994</b>	124	51%
<b>1995</b>	201	90%
<b>9/30/96</b>	258	89%
<b>TOTAL</b>	583	77%

Source: Internally generated bank reports.

**Assessment Factor J** - The institution's participation in governmentally-insured, guaranteed, or subsidized loan programs for housing, small businesses or small farms.

- **CNB routinely participates in a variety of government-guaranteed affordable housing and small business loan programs.**

The following table shows CNB's originations of a variety of government-sponsored programs. CNB's originations increased in 1995 as a result of the merger, but have declined since that time. This is the result of a sharp decline in Farmer's Home Administration/Veteran's Administration (FHA/VA) guaranteed loans. FHA/VA loan responsibility was transferred to FFMC during 1996. However, as of September 30, 1996, FFMC had not obtained certification to extend these types of loans.

**Government Program Originations**

Program	1994 #	1994 \$(000)	1995 #	1995 \$(000)	9/30/96 #	9/30/96 \$(000)
<b>FHA/VA</b>	0	0	26	1,668	0	0
<b>City Downtown Development*</b>	6	1,209	2	1,504	0	0
<b>SBA</b>	1	100	9	800	7	545

<b>Program</b>	<b>1994 #</b>	<b>1994 \$(000)</b>	<b>1995 #</b>	<b>1995 \$(000)</b>	<b>9/30/96 #</b>	<b>9/30/96 \$(000)</b>
<b>Total</b>	7	1,309	37	3,972	7	545

**Source:** HMDA data and internally generated bank reports.

\* City Downtown Development is a Main Street renovation project in the City of Massillon.

### III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

**Reasonableness of Delineated Community** - CNB's community delineation is considered reasonable. For details refer to the Community Profile section of this evaluation.

**Assessment Factor E** - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- **The geographic distribution of CNB's credit extensions, credit applications, and denials is reasonable. CNB has extended credit throughout its delineated community. Lending levels in low- and moderate-income (LMI) areas are significantly lower than that in middle- and upper-income areas. Some efforts have been made to offset this trend by extending a reasonable level of loans to LMI persons without regard to geography.**

During 1995, the CRA Officer used an internally generated report, the Annual Real Estate Activity Analysis (AREAA) to analyze the geographic distribution of mortgage loans. The AREAA analyzed CNB's distribution of loans throughout Stark county. The report also identified targeted areas. Targeted areas are defined by CNB as any census tract with median income of 115% or less of county median income. A total of 29 targeted areas were identified during 1995. Per bank policy, management established a loan origination goal (125 mortgage loans) to ensure that some mortgage loan activity occurred in these areas. The origination goal was based on lender experience, aggregate HMDA mortgage lender data, and CNB's past lending performance. CNB slightly exceeded its goal of 125 loans by extended 129 mortgage loans for a total of \$5.6 million. These analyses were revised during 1996 as FMER consolidated and revised CRA reporting at the corporate level.

Our analysis of 1995 HMDA data shows that CNB received applications and made at least one loan within most of its census tracts, 96% and 95%, respectively. In addition, CNB received applications from 94% of the LMI census tracts within its delineated community. CNB received applications and extended loans in all LMI tracts except census tract 7001. This tract contains the only branch office that is located in a LMI area, and is primarily a commercial district. It contains a limited amount of residential housing, most of which is non-owner occupied (80%). The high non-owner occupancy level is a result of a large number of public housing rental units in the area.

During 1994, CNB received HMDA applications from 94% of its delineated community. In addition, CNB received applications from 100% of its LMI census tracts. CNB's lending distribution was marginal. CNB originated at least one mortgage loan in only 39% of the census tracts within its entire delineation. Within LMI tracts, CNB had at least one mortgage loan in 25% of the tracts (1 of 4).

The following tables show CNB's market share for HMDA Loan Application Register loan activity for 1994 and 1995. The 1995 merger of CNB Massillon and CSBC dramatically changed the asset size, delineation, and market share of CNB. As a result, 1994 data is included for informational purposes only, and should not be used for comparative analysis. Please refer to CNB Profile for details. HMDA data for 1996 was not available during this examination.

All of the percentages shown are based on the number of applications received or loans approved (not the dollar volume of credit requested by the applicant). The aggregate figures include all providers of the particular type of credit being reviewed (banks, S&Ls, savings banks, etc.) The tables below are based on median family income for the respective years. The following abbreviations are used in conjunction with the charts:

PMA - Purchase Money Applications  
PML - Purchase Money Loans  
REFA - Refinance Applications  
REFL - Refinance Loans  
HIA - Home Improvement Applications  
HIL - Home Improvement Loans  
L/M - Low- and moderate-income  
MI - Middle income  
HI - High income

The tables show that during 1994, CNB's market share of purchase money and refinance loans in LMI areas was lower than its share in higher income areas. However, the market share of home improvement originations in LMI areas exceeded that in middle- and upper-income areas.

During 1995, CNB's market share of purchase money and refinance loans in LMI areas remained lower than its market share in higher income areas. CNB's market share of home improvement loans within LMI areas was higher than that in middle- and upper-income areas. Management attributes the higher market share for home improvement loans in LMI areas to the success of the "Rate Reducer" home improvement product, and a referral relationship with the Stark County Out of Poverty Partnership (SCOPP).

**CNB Delineated Community - 1994 Market Share**

Loan Type	L/M%	MI%	HI%	TOTAL%
PMA	5.7	5.9	4.3	5.1
PML	4.4	7.5	5.4	6.1
REFA	6.1	8.1	7.3	7.6
REFL	7.7	10.7	9.5	10
HIA	22	20.9	16.4	19.7
HIL	29	24.4	16	22.3

Source: 1994 HMDA Data.

**CNB Delineated Community - 1995 Market Share**

Loan Type	L/M%	MI%	HI%	TOTAL%
PMA	6.8	8.1	9.4	8.2
PML	9.5	11.4	12.1	11.3
REFA	1.7	5.7	5.3	4.5
REFL	4.6	8.5	8.0	7.7
HIA	6.6	8.2	7.1	7.6
HIL	11.3	10.2	8.9	10.2

Source: 1995 HMDA Data.

The following tables show CNB’s market share of HMDA reportable activity based on the applicant’s income level. The data shows that during 1994 CNB had a substantially higher penetration in lending to LMI persons than to middle and upper income persons.

During 1995, CNB’s market share of purchase money and refinance originations to LMI persons was significantly less than its market share of loans to higher income persons. CNB’s share of home improvement loans made to LMI persons was higher than its share of these types of loans made to middle and upper income persons. This, again reflects the success of CNB’s “Rate Reducer” home improvement loan product.

**CNB Delineated Community**

**1994 Market Share By Applicant Income**

Loan Type	L/M%	MI%	HI%	Total
PMA	7.3	4.2	5.3	5.1
PML	7.2	5.3	6.1	6.1
REFA	11.7	6.9	7.3	7.6
REFL	13.8	9.1	9.0	10
HIA	25.3	16.9	15.7	19.7
HIL	30.5	20.3	16.7	22.3

Source: 1994 HMDA Data.

**CNB Delineated Community  
1995 Market Share By Applicant Income**

Loan Type	L/M%	MI%	HI%	Total
PMA	6.6	9.2	11.9	8.2
PML	8.8	10.9	13.6	11.3
REFA	3.9	5.2	5.7	4.5
REFL	7.1	7.9	8.1	7.7
HIA	8.8	5.8	7.3	7.6
HIL	11.5	8.4	9.6	10.2

Source: 1995 HMDA Data.

During 1994, CNB's received 40% of its HMDA reportable applications from LMI persons. This volume of activity is proportionately higher than the population of LMI households within the delineation (34%). Middle-income persons represented 23% of applications compared to 21% of households. Upper-income persons represented 36% of applications compared to 45% of the households.

Of the 1995 HMDA reportable applications within the community, 32% were received from LMI persons. This volume of activity is proportionate to the population of LMI households within the delineation (38%). Middle-income persons represented 27% of applications compared to 21% of households. Upper-income persons represented 41% of applications compared to 41% of the households.

**Small Business**

During 1994, 1995, and 1996, management performed a detailed tracking of small business loans using internally generated reports. Management defines small business loans as loans of less than \$1 million to commercial entities. In 1994, LMI tracts accounted for 22% of CNB's delineated community. In 1995 and 1996, LMI tracts accounted for 24% of the delineated community.

The following table shows that the number of loans to small businesses located in LMI census tracts is not proportionate to the population of LMI census tracts in the delineated community. Management asserts that this is the result of all commercial lenders being based in the Massillon area while the majority of LMI census tracts are located outside the Massillon market. The increased volume between 1994 and 1995 is the result of the merger between CSBC and FNB Massillon.

**CNB Delineated Community  
Small Business Lending**

	1994	1995	YTD 9/30/96
<b>Total loans made in Delineation</b>	124	201	258
<b>% made in LMI areas</b>	13%	12%	12%
<b>% of LMI areas in delineated community</b>	22%	24%	24%

**Assessment Factor G** - The institution's record of opening and closing offices and providing services at offices.

- **Branch offices provide reasonable access and services to the community. One branch is located in a low- and moderate-income census tract.**

CNB has a network of 16 full service branches, one private banking/trust office, and 16 ATMs. Branch locations provide reasonable service and access for bank customers. However, only one of the 16 LMI census tracts has a branch office. CNB has been able to reach some LMI persons through the operation of branches located in malls or other high traffic areas. Hours of operation are reasonable and include Saturday hours.

Due to the merger of FNB Massillon and CSBC, CNB closed two branches and one mortgage loan production office. One of the branches and the mortgage loan production office were located in the same LMI census tract. However, these offices were in very close proximity to CNB's main office. The other branch was also located very near an existing CNB branch, and was not in a LMI census tract. The branch closings complied with the FMER branch

closing policy.

In addition to the branch network, CNB offers a 24-hour customer service telephone line for deposit and loan rates. FMMC mortgage originators are also available to meet with mortgage loan applicants by appointment.

#### IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

**Assessment Factor D** - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- **No prohibited discriminatory or other illegal credit practices are evident. CNB solicits credit applications from all segments of its community.**

CNB solicits credit products from all segments of the community, including low- and moderate-income areas. Loan policies and procedures provide a sound basis for nondiscriminatory lending. There are no policies or underwriting standards that act as barriers to credit access.

FMER Corporate Compliance requires fair lending training for all affiliate employees. This training provides ongoing, comprehensive instruction on fair lending issues, the Equal Credit Opportunity Act and major compliance regulations to loan officers, tellers, and administrative personnel.

Residential loans are originated by the mortgage company using corporate lending policies. A senior underwriter reviews all residential loan application denials. This second review process helps to ensure that all applicants are treated fairly and consistently.

A corporate program that tests for possible illegal discrimination in mortgage lending has been implemented. The program evaluates mortgage denial and approval rates based on race of the applicant.

**Assessment Factor F** - Evidence of prohibited discriminatory or other illegal credit practices.

- **Citizens National Bank is in compliance with fair lending laws and regulations.**

This examination tested CNB's compliance with fair lending laws and regulations. No violations or illegal practices were noted. We performed a review of credit card loans originated by CNB during 1995. We tested for illegal discrimination based on gender.

Credit card loan approvals are generally made by underwriters at the Corporate Operations

Center based in Akron, Ohio, and are based on corporate loan policy guidelines. However, based upon policy guidelines and judgmental experience, designated corporate or bank personnel can approve or deny a loan request regardless of whether or not the credit score meets CNB's standard criteria.

We reviewed all female credit card applications that were denied during the month of December 1995, a total of 17. We compared these applicants to 76 marginally qualified male applicants, who were extended credit during this time period. The objective was to determine if denied applicants were treated similarly and given the same level of assistance when compared to approved applicants. We found that applicants were treated equally and were provided the same level of assistance during the application process.

## V. COMMUNITY DEVELOPMENT

**Assessment Factor H** - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **CNB routinely participates in local community development and redevelopment programs.**

During the review period CNB financed a total of \$875 thousand in affordable housing and economic development projects. CNB has committed to fund an additional \$2.9 million in residential construction loans for low- and moderate-income persons.

- o St. Paul Church - CNB provided a \$100 thousand real estate mortgage loan to fund improvements to the church facility. The church is located in a low- and moderate-income area and serves as a community center. The center distributes free clothing and meals to low income and poverty stricken individuals.
- o Pathway - Caring for Children - CNB provided a \$100 thousand line of credit to Pathway, a nonprofit organization that provides family counseling and foster care placement services. Pathway's services are provided primarily to low- and moderate-income families.
- o Forrest Estates - CNB extended a \$675 thousand real estate mortgage loan to this residential rental project. The low- and moderate-income residents of this Section 8 project receive HUD rental subsidies.
- o Association for Better Community Development (ABCD) - CNB has committed to fund a \$2.8 million loan to ABCD for the construction financing of a 40 home residential project in Canton. The homes will be available only to low- and moderate-income persons who have experienced difficulty in obtaining bank financing. CNB also approved a \$50 thousand line of credit to ABCD for the purchase and

rehabilitation of residences for low- and moderate-income persons.

**Assessment Factor K** - The institution's ability to meet various credit needs based on its financial condition and size, legal impediments, local economic conditions, and other factors.

- **There are no financial impediments which inhibit CNB's efforts to help meet the credit needs of its delineated community.**

CNB participates in CRA activities commensurate with its size and financial capacity. The Community and Bank profiles detailed earlier in this Evaluation provide further information on the financial trends of the institution and the local economy.

**Assessment Factor L** - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- **CNB routinely provides technical expertise and financial support to a variety of community organizations designed to promote economic development and affordable housing.**

Management provides technical assistance to local community organizations, including Habitat for Humanity, the City of Canton Fair Housing Commission, Peoples Baptist Church CDC, Neighborhood Housing Services, Association for Better Community Development, and Property Investment Group and Services. For example, CNB annually assists Habitat for Humanity in applying for Federal Home Loan Bank grant monies. CNB also provides free mortgage servicing for loans originated by Habitat for Humanity. During the review period, CNB serviced approximately 50 loans. CNB also performed real estate appraisals on Habitat for Humanity residences at no charge.

CNB also provides financial support to some of these groups. From May 1994 to September 1996, CNB contributed a total of approximately \$15 thousand. The largest contributions were made to:

- o Association for Better Community Development,
- o Neighborhood Housing Services of Massillon,
- o Canton Urban League,
- o Stark County Business League,
- o J.R. Coleman Renovation Corporation, and
- o Habitat for Humanity.