



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

**July 14, 2008**

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

**The First National Bank of Sycamore  
Charter Number 11383**

**141-149 South Sycamore Avenue  
Sycamore, OH 44882**

**Office of the Comptroller of the Currency**

**Cleveland Field Office  
Summit Office Park, Suite 530  
3 Summit Park Drive  
Independence, OH 44131**

**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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

- The First National Bank of Sycamore (FNB of Sycamore) performance of originating loans to borrowers of different incomes and businesses and farms of different sizes is good. This is supported by the bank's performance of lending to low- and moderate-income borrowers, and lending to businesses and farmers with total gross revenue of \$1 million or less.
- The majority of loans were originated in the bank's assessment area (AA). Residential mortgage and commercial lending in the AA is satisfactory, while agriculture lending in the AA is strong.
- The bank's loan-to-deposit ratio is reasonable given its size, financial condition, and community credit needs. The average loan-to-deposit ratio has increased over the past three Community Reinvestment Act (CRA) Performance Evaluations.
- An in-depth review was not performed for the geographic distribution of loans since there are no low- or moderate-income geographies in the AA. The loan sample disclosed the bank is making loans in each of its three Block Number Areas (BNAs) that make up the bank's AA.

**SCOPE OF EXAMINATION**

Our evaluation of FNB of Sycamore's CRA performance within its AA covered the period from the last CRA Performance Evaluation of July 29, 2002 through July 14, 2008. This full scope evaluation used small bank assessment procedures. Since FNB of Sycamore is located in a non-MSA area, we randomly sampled loans from the bank's three main lending products based on the volume and/or number of loans granted. The loan sample included: 44 single-family mortgage loans, 30 commercial loans, and 24 agriculture loans. Loan sample was based on the current year and the previous two calendar years except for residential mortgage loans where we also took a loan sample from the current year and the past three calendar years. This evaluation used 2000 U.S. Census Data, bank compiled data, OCC CRA data, and other information from governmental websites for our review. The previous CRA Performance Evaluation was July 29, 2002 with a "Satisfactory" rating.

**DESCRIPTION OF INSTITUTION**

FNB of Sycamore does not have any holding company or subsidiaries, or any financial, legal, or other impediments restricting its capacity to serve the community. FNB of Sycamore is an \$89.2 million independent bank headquartered in Sycamore, Ohio. Sycamore is located in northwestern Ohio. In addition to the main office located in Sycamore, there is one branch in McCutchenville and one branch in New Riegel. The bank also has a second office in Sycamore that only provides lending services. The three branch offices are each located in cities with no other banks, savings and loans, or credit unions. The bank has cash dispensing only ATM locations at the Mickey Mart in Sycamore, New Riegel Branch Office, and Scutch Drive Thru in McCutchenville. Net loans to total assets at March 31, 2008 were 52.7 percent and Tier One capital was 12.7 percent.

Deposit products and services include: checking, savings, money market, certificate of deposits, ATMs, internet banking with bill pay, direct deposits, etc. The bank provides a broad range of lending products including: residential mortgages, consumer loans, home equity loans, and agriculture loans. The bank also participates in Ohio's First-time Homebuyer Program and provides FHA loans. To assist borrowers that don't have the minimum down payment the bank provides private mortgage insurance (PMI) and participates in a Freddie Mac program which requires only three percent down.

Residential Mortgage Loans (First Liens)	\$13,707	27.6%
Commercial Real Estate Loans	\$9,859	19.9%
Agriculture Related Loans	\$9,652	19.4%
Real Estate – 1-4 Family Non-Owner	\$7,467	15.0%
Commercial Loans	\$3,455	7.0%
Consumer Loans	\$3,204	6.5%
Home Equity Loans & 2 <sup>nd</sup> /3 <sup>rd</sup> Mtg 1-4 Family Loans	\$1,782	3.6%
Other	\$516	1.0%
Total Loans Outstanding	\$49,642	100.00%

*Data Source: FNB of Sycamore Internal Report June 30, 2008.*

## **DESCRIPTION OF ASSESSMENT AREA(S)**

FNB of Sycamore's AA consists of three BNAs located in Wyandot County (BNA #9880), Crawford County (BNA #9742), and Seneca County (BNA #9631), in the northwestern part of the State of Ohio. All three BNAs are middle-income. All branch offices and ATMs are located within the designated AA. The bank's three branch offices are each located in cities with no other banks, savings and loans, or credit unions. Given this fact, FNB of Sycamore provides an important role in meeting the local area banking needs including deposit and loan services. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

FNB of Sycamore's AA is comprised of 13,522 people based on the 2000 US Census. Total families were reported to be 3,856 with 13.9 percent or 537 representing low-income, 16.4 percent or 631 moderate-income, 28.3 percent or 1,091 middle-income, and 41.4 percent or 1,597 upper income. The HUD updated median family income is \$51,100. The breakdown of housing units in the AA includes: 81.7 percent owner occupied housing, 14.1 percent rental occupied housing, and 4.2 percent vacant housing units. There are a total of 931 businesses in the AA, 237 of which are farm related. None of the farm businesses reported total gross revenue of more than \$1 million. Of the non-farm businesses 54.5 percent generated gross revenue of \$1 million or less, 4.2 percent had gross revenue above \$1 million, and 41.3 percent did not report revenues.

The AA is basically rural, with manufacturing, agriculture, and other service industries. Farming plays a significant role in the AA and surrounding communities. Along with small farm operations, Farmland Foods and two school districts are major employers in the AA. Over the past several years the three county areas have lost a number of manufacturing jobs especially in the auto-related field. These manufacturing jobs that were lost provided higher paying jobs to the people in these communities. The unemployment rate as of May 2008 for Wyandot County was 5.8 percent, Seneca County was 5.9 percent, and Crawford County was 6.7 percent. These unemployment rates are higher than the United States seasonally adjusted unemployment rate of 5.5 percent. The loss of manufacturing jobs in this three county area has negatively impacted the local economy. FNB of Sycamore has made a commitment of \$6,000 over a three year period starting in calendar year 2008 to a newly formed business organization directed at providing economic development for Wyandot County.

FNB of Sycamore's AA is unique since it services three BNAs in three different counties, and each of their branch offices are located in a city where no other financial institutions are located. We could not find another bank in the area that had a similar AA. For these reasons it was more difficult to compare FNB of Sycamore's CRA performance to other local banks in the area. The three county areas of Wyandot, Crawford, and Seneca are made up of 24 financial institutions and various credit unions. There are seven mid-size and large banks, five savings and loans, and twelve community banks. For this three county area FNB of Sycamore had a deposit market share of 3.0 percent and ranked 16<sup>th</sup> among the financial institutions. Old Fort Banking Company had the largest market share of 11.3 percent.

During this CRA evaluation three community contacts were made including two real estate brokers and one organization involved in economic development for businesses. The primary needs of the area were identified as residential mortgage loan programs directed at low- and moderate-income people, and programs where the consumer is able to put less than the normal 20 percent down payment required by financial institutions. The contacts also recognized the loss of manufacturing jobs in the area and the need to replace these jobs with similar high paying jobs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

FNB of Sycamore's performance of originating loans to borrowers of different incomes and businesses and farms of different sizes is good. FNB of Sycamore's record of lending in the AA is satisfactory. The bank's loan-to-deposit ratio is reasonable given its size, financial condition, and credit needs of the community. An in-depth review was not performed for the geographic distribution of loans since there are no low- or moderate-income geographies in the AA. The loan sample disclosed the bank is making loans in each of its three BNAs that make up the bank's AA.

## Loan-to-Deposit Ratio

The bank’s loan-to-deposit ratio is reasonable given its size, financial condition, and credit needs of the community. A meaningful comparison with other banks’ loan-to-deposit ratios is difficult, given the makeup of FNB of Sycamore’s AA.

However, for comparison purposes FNB of Sycamore’s loan-to-deposit ratio over the evaluation period is in line with other financial institutions which serve at least one of the three counties in which FNB of Sycamore serves and has at least three branch offices. FNB of Sycamore’s average quarterly loan-to-deposit ratio for the quarter ended June 30, 2002 through the first quarter of March 31, 2008 was 65.7 percent and represents an increase from the previous CRA Evaluation of 57.0 percent. This is in line with five other financial institutions meeting these above criteria. These banks reported average quarterly loan-to-deposit ratios of 42.4 percent, 51.2 percent, 76.0 percent, 81.9 percent, and 85.5 percent.

FNB of Sycamore is active in the selling of residential mortgages to the secondary market since calendar year 2002. The bank’s loan-to-deposit ratio would be higher if these loans were not sold. Loan sales for calendar year 2006 were \$1.5 million, for 2007 they were \$1.1 million, and for the first six months of calendar year 2008 loan sales were \$763,050.

## Lending in Assessment Area

FNB of Sycamore’s record of lending in the AA is satisfactory. A majority of the bank’s residential mortgage loans, commercial loans, and agriculture loans are within the AA. A loan sample disclosed 74.5 percent of the number of loans and 72.0 of the dollar amount of the loans were in the bank’s AA. Residential mortgage and commercial lending in the AA is satisfactory, while agriculture lending in the AA is strong. The sample of agriculture loans disclosed 87.5 percent of the number of loans made in the AA. The following table details the bank’s residential mortgage, commercial, and agriculture lending within the AA by number of loans and dollar volume. This was based on a random sample of the bank’s three main lending products.

Type of Loan	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Residential Mortgage Loans	32	72.7	12	27.3	44	2,930	74.5	1,002	25.5	3,932
Commercial Loans	20	66.7	10	33.3	30	931	55.9	736	44.1	1,667
Agriculture Loans	21	87.5	3	12.5	24	674	96.1	28	3.9	702
Total	73	74.5	25	25.5	98	4,535	72.0	1,766	28.0	6,301

*Data Source: Random Sample of 44 residential mortgage loans, 30 commercial loans, and 24 agriculture loans.*

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

FNB of Sycamore’s distribution of residential mortgage loans to borrowers of different incomes is good. The bank’s percentage of the number of residential mortgage loans to low income people is below the demographic information of families that are low income in the AA. However, given their income level, many low income families are unable to qualify for a home mortgage loan. The bank’s performance in lending to moderate-income borrowers for residential mortgages loans is strong since the percentage of the number of residential mortgage loans granted in the AA to moderate-income people far exceeded the demographic information of families that are moderate-income as the chart below demonstrates.

Borrower Income Level	Low < \$25,550		Moderate \$25,550 - \$40,879		Middle \$40,880 - \$61,319		Upper > \$61,319	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate Loans	13.9	6.3	16.4	43.7	28.3	25	41.4	25

*Source: Loan sample of 32 residential real estate loans; 2000 U.S. Census data.*

The distribution of commercial loans to businesses of different sizes in the AA reflects a good performance. The random loan sample disclosed 80 percent of commercial loans made in the AA were to businesses with gross revenue of one million or less, which reflects favorably to the AA demographics of 54.5 percent of the businesses in the AA having gross revenues of one million or less. Only 27 percent of the dollar amount of loans sampled was made in the AA to businesses with gross revenue of \$1 million or less. This was due to the fact that one large loan of \$500,000, which represented over half the dollar amount of commercial loans sampled, was made to a businesses with gross revenues over \$1 million. The loan sample also disclosed the bank’s flexibility of making loans with low dollar amounts. The random loan sample included five loans with a loan amount under \$5,000 with the smallest loan amount being \$575.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	54.5	4.2	41.3	100%
% of Bank Loans in AA by #	80.0	20.0	0.00	100%
% of Bank Loans in AA by \$	27.0	73.0	0.00	100%

*Source: Loan sample of 20 commercial loans; 2000 U.S. Census data.*

The distribution of agriculture related loans to farm businesses of different sizes represents a strong performance. All of the bank’s agriculture related loans were to farm businesses with gross revenues of one million or less which reflects the demographics of the AA. The bank is meeting the community needs, which includes providing low dollar farm loans. The random

loan sample disclosed four loans with loan amounts under \$5,000 each which reflects favorably on the bank’s willingness to make loans of different loan amounts.

<b>Table 5 - Borrower Distribution of Loans to Farm Related Businesses in FNB of Sycamore’s AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farm Businesses	99.2	0.0	0.8	100%
% of Bank Loans in AA by #	100.0	0.0	0.0	100%
% of Bank Loans in AA by \$	100.0	0.0	0.0	100%

*Source: Loan sample of 21 farm/agriculture related loans; 2000 U.S. Census data.*

**Geographic Distribution of Loans**

A meaningful geographic distribution analysis based on demographics could not be performed, as there are no low- or moderate-income geographies in the AA. FNB of Sycamore’s geographic distribution of loans reflects a reasonable dispersion throughout the AA. During the evaluation a sample of 73 loans were made in the bank’s AA. Based on the sample, FNB of Sycamore’s lending is reasonably dispersed throughout the AA.

**Responses to Complaints**

FNB of Sycamore received no complaints during the evaluation period that would affect its CRA rating.

**Fair Lending or Other Illegal Credit Practices Review**

A random fair lending review of the bank was conduct in March 2008. We found no evidence of discriminatory or other illegal credit practices that would be inconsistent with helping to meet community credit needs.