

PUBLIC DISCLOSURE

May 20, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Levy County State Bank
06120175

Chiefland, Florida

Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the 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 Levy County State Bank prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of May 20, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

The bank's loan-to-deposit ratio is reasonable compared to other similarly situated institutions in the assessment area. A substantial majority of loans are extended to customers who reside in the assessment area. Additionally, the bank's overall performance with respect to lending activity to borrowers of different income levels and throughout its assessment area is satisfactory.

GENERAL INFORMATION (CONTINUED)

The following table indicates the performance level of Levy County State Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	LEVY COUNTY STATE BANK		
	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 previous examination.		

DESCRIPTION OF INSTITUTION

Levy County State Bank is located in Levy County and has four offices. Total assets reported in the December 31, 1995 Consolidated Reports of Condition and Income were \$77.9 million. The bank is a member of the Capital City Bank Group, Inc., Tallahassee, Florida, a four-bank holding company. Levy County State Bank offers a variety of consumer and business loan products to meet community credit needs. Consumer loans can be requested for auto purchases (new and used), home improvement, lines of credit, and personal expenses. Real estate loans for the construction, purchase, or rehabilitation of one- to four-family and multifamily housing are available. In the past, these loans have been offered through adjustable rate mortgage programs, but as of January 1996, the bank introduced a fixed-rate mortgage program with an amortization option of up to 20 years. Additionally, commercial loans are extended to finance expansion and growth, develop new products, add or replace equipment, cover the cost of inventory, and other legitimate purposes.

The composition of the loan portfolio according to the December 31, 1995 Uniform Bank Performance Report is as follows:

LOAN TYPE	PERCENTAGE
Construction and development	4.12
Secured by one- to four-family dwellings	53.21
Other real estate:	
Farmland	4.54
Multifamily	1.59
Nonfarm nonresidential	16.36
Commercial and industrial	6.14
Loans to individuals	12.90
All other	1.14
Total	100.00

Although real estate loans make up a majority of the dollar volume of the bank's loan portfolio, management stated that consumer purpose loans are the most requested loan product.

The September 30, 1995 safety and soundness examination conducted by the State of Florida did not identify any legal or financial impediments that would prevent the bank from meeting the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA: LEVY COUNTY

Levy County is located in the north central part of Florida. The county seat is Bronson. The bank's assessment area consists of seven block numbering areas (BNAs): two are moderate-income and five are middle-income BNAs. The community's housing market is primarily one- to four-family dwellings and mobile homes. There are eleven schools, one hospital, and three shopping centers in the assessment area. The major employers in the county are the school board and the State of Florida. Although the county is considered mostly rural and supports a large agribusiness industry, the majority of the labor force is employed in retail trade and the service industry.

Based on 1990 Census data, the median family income of \$22,746 for the assessment is below the median family income of \$25,875 for all nonmetropolitan statistical areas in Florida. The table below summarizes income levels of families in Levy County State Bank's assessment area.

FAMILY INCOME	NUMBER OF FAMILIES	PERCENTAGE IN ASSESSMENT AREA
Low	1,959	26.3
Moderate	1,447	19.4
Middle	1,604	21.5
Upper	2,449	32.8
Total	7,459	100.0

As indicated above, low- and moderate-income individuals make up a large part (45 percent) of the assessment area's population even though there are no low-income BNAs and only two moderate-income BNAs. Individuals of all income levels reside in relatively close proximity to each other. According to the 1990 Census, the population of the assessment area is 25,923. The 1996 estimated county population is 30,432¹, indicating steady growth. 12,307 housing units are located in the bank's assessment area. 67 percent are owner-occupied, 14.9 percent are rented, and 18.1 percent are vacant. The distribution of owner-occupied housing among the moderate- and middle-income BNAs is shown in the following table.

¹Source: Levy County Development Authority and Levy County Economic Development Council, Inc.

DESCRIPTION OF ASSESSMENT AREA: LEVY COUNTY (CONTINUED)

BNA INCOME LEVEL	TOTAL HOUSING UNITS	NUMBER OF OWNER-OCCUPIED UNITS	PERCENTAGE OF OWNER-OCCUPIED UNITS TO TOTAL HOUSING UNITS
Moderate-income	3,059	1,925 (23.3%)	62.9
Middle-income	9,248	6,323 (76.7%)	68.4
Total	12,307	8,248 (100.0%)	67.0

Two community contacts were made in conjunction with this examination. Both contacts said that affordable housing is needed in the community, but construction companies cannot afford to build homes at a price manageable for low- and moderate-income individuals to finance. They stated that the housing problems are related to the lack of affordable housing, not to banks' unwillingness to lend. Neither of the contacts presented derogatory information about local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's loan-to-deposit ratio is reasonable; the average loan-to-deposit ratio for the eleven quarters since the previous examination is 63.5 percent. The average loan-to-deposit ratio for the three peer banks (other small banks) in the assessment area for the same time period is 63.2 percent.

During the examination, information was collected on 150 loans to determine the percentage in the bank's assessment area, to assess the bank's lending to borrowers of different incomes, and to evaluate the geographic distribution of the loans. Based on number and dollar volume, consumer loans and loans secured by real estate are the bank's primary loan products. A sample of 98 unsecured consumer loans and 52 loans secured by residential real estate was reviewed. Because the bank is located in a rural county, post offices boxes are used as addresses; residents do not have street addresses. Consequently, the number of loans analyzed for each category was reduced because of insufficient data to determine BNA locations. A total of 103 loans was analyzed.

70 consumer loans and 33 residential real estate loans were analyzed to evaluate the bank's lending performance within its assessment area. A substantial majority of the bank's lending activity occurs within its assessment area. 58 (83 percent) of the consumer loans and 28 (85 percent) of the real estate loans analyzed were within the bank's assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

The bank's lending to borrowers of different income levels is reasonable given the composition of the assessment area. The bank's lending to borrowers of various income levels, based on the sample of consumer and residential real estate loans in the assessment area, is detailed below.

FAMILY/BORROWER INCOME LEVEL	# OF FAMILIES	% OF TOTAL FAMILIES	CONSUMER LOANS		REAL ESTATE LOANS	
			Number	Percent	Number	Percent
Low-income	1,959	26.3	25	44	1	4
Moderate-income	1,447	19.4	12	21	2	7
Middle-income	1,604	21.5	8	14	4	14
Upper-income	2,449	32.8	12	21	21	75
Total	7,459	100.0	57	100	28	100

The consumer loan analysis indicates that the bank has a very good penetration among individuals of different income levels, especially low- and moderate-income individuals. However, the outcome of the real estate loan analysis is somewhat different. The numbers and percentages of loans indicate that the bank is not penetrating all income levels for this product type. Low-income families make up 26.3 percent of the population, but received only 4 percent of the loans. Similar problems were noted with respect to borrowers in the moderate- and middle-income categories. Contributing to the problem is the lack of affordable housing for low- and moderate-income individuals. The median housing value in the assessment area is \$48,983. With an annual family income of less than \$12,000², home ownership is very difficult for low-income individuals. Bank management believes that mobile home lending is a viable solution to this problem. 5,470 (44 percent) of the total housing units in the assessment area are mobile homes. To date, Levy County State Bank has 41 mobile home loans outstanding in the amount of \$332,910. The above real estate analysis does not include these loans because they are classified by the bank's loan system as secured consumer purpose loans.

²Based on 49 percent of the median family income for the bank's assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

The geographic distribution of the sampled loans in the assessment area is shown in the following table:

INCOME LEVEL OF BNA	PERCENT OF MEDIAN FAMILY INCOME	NUMBER OF BNAS IN ASSESSMENT AREA	CONSUMER LOANS		REAL ESTATE LOANS	
			Number	Percent	Number	Percent
Low	Less than 50	0	0	--	-	--
Moderate	50 - 79	2 (29%)	31	53	13	46
Middle	80 - 119	5 (71%)	27	47	15	54
Upper	120 and above	0	0	--	0	--
Total		7 (100%)	58	100	28	100

Because the assessment area is made up of only moderate- and middle-income BNAs, it is more meaningful to concentrate on the distribution of loans among income levels of borrowers than the distribution of loans by income level of the BNAs. The table above shows that a significant amount of the bank's loans are made to individuals residing in the moderate-income BNAs.

No credit practices inconsistent with the substantive provisions of the antidiscrimination laws and regulations were identified. The bank solicits credit applications from all segments of the assessment area. Bank management has adopted comprehensive policies and procedures that ensure compliance with the regulations. Additionally, a second review of denied applications is done to determine whether credit denials are justified or whether alternative financing can be provided.

TO THE INSTITUTION EXAMINED:

THIS COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION WAS PREPARED BY THE FEDERAL RESERVE BANK OF ATLANTA. THE FOLLOWING ACTIONS MUST BE TAKEN TO FULFILL THE CRA'S REQUIREMENTS.

- C AT A MINIMUM, PLACE THE EVALUATION IN YOUR CRA PUBLIC FILE LOCATED AT YOUR HEAD OFFICE (AND A DESIGNATED OFFICE IN EACH OF YOUR LOCAL COMMUNITIES) NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THE EVALUATION.
- C PROVIDE A COPY OF THE EVALUATION TO THE PUBLIC UPON REQUEST (YOU ARE PERMITTED TO CHARGE A FEE NOT TO EXCEED THE COST OF REPRODUCTION AND MAILING IF APPLICABLE) NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THIS LETTER.
- C ADD THE FOLLOWING LANGUAGE TO YOUR CRA PUBLIC NOTICE THAT IS POSTED IN EACH OF YOUR OFFICES, NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THE EVALUATION:

"YOU MAY OBTAIN THE PUBLIC SECTION OF OUR MOST RECENT CRA PERFORMANCE EVALUATION, WHICH WAS PREPARED BY THE FEDERAL RESERVE BANK OF ATLANTA, AT (YOUR MAIN OFFICE ADDRESS)."

FEDERAL RESERVE BANK OF ATLANTA

ASSISTANT VICE PRESIDENT

(Date)

CYNTHIA C. GOODWIN

(Title)

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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TO THE FEDERAL RESERVE BANK OF ATLANTA

A COPY OF THE COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PREPARED AS OF THE CLOSE OF BUSINESS MAY 20, 1996, BY AN EXAMINER FOR THE FEDERAL RESERVE BANK OF ATLANTA HAS BEEN RECEIVED AND WILL BE MADE AVAILABLE TO THE PUBLIC IN THE MANNER STATED IN THE LETTER WHICH ACCOMPANIED THE EVALUATION.

(Signature of Authorized Officer)

(Title)

LEVY COUNTY STATE BANK

(Name of Bank)

CHIEFLAND, FLORIDA

(Location)

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Board of Directors
Levy County State Bank
Post Office Box 69
Chiefland, Florida 32626

Dear Board Members:

Enclosed is the bank's Community Reinvestment Act Performance Evaluation prepared by Federal Reserve Examiner Lisa L. Bullard using the guidelines established by the Federal Financial Institutions Examination Council. This evaluation was prepared in accordance with the Community Reinvestment Act (CRA), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, and must be made available to the public. The following actions must be taken to fulfill the CRA's requirements.

- C At a minimum, place the evaluation in your CRA public file located at your head office (and a designated office in each of your local communities) no later than 30 business days after receiving this letter.
- C Provide a copy of the evaluation to the public upon request (you are permitted to charge a fee not to exceed the cost of reproduction and mailing if applicable) no later than 30 business days after receiving this letter.
- C Add the following language to your CRA public notice that is posted in each of your offices, no later than 30 business days after receiving the evaluation:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Reserve Bank of Atlanta, at (your main office address)."

Board of Directors
Levy County State Bank
Chiefland, Florida

Please acknowledge receipt of this evaluation by signing and returning the attached blue form. The format and content of the evaluation should not be altered or abridged in any manner. You may wish to comment on this information detailing actions the bank has taken since the examination to meet its obligations under the CRA. Any written comments concerning the evaluation placed in the public file should also be forwarded to this office. If you believe any of the information included in the public evaluation is proprietary, please contact this Reserve Bank so that the appropriate action can be taken.

Our Community Affairs staff is available to assist you in determining and responding to community credit needs. Please feel free to contact Mr. Courtney Dufries at (404) 589-7226. If you have any questions concerning this report or any other compliance matter, contact Ms. Gale Williams at (404) 589-7223.

Very truly yours,

Cynthia C. Goodwin

Enclosures

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Name of Bank: LEVY COUNTY STATE BANK

City and State: CHIEFLAND, FLORIDA

Date of Examination: May 20, 1996