

# PUBLIC DISCLOSURE

August 13, 1996

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank: The Chippewa Valley Bank  
#043952500000  
20 South Main Street  
Rittman, Ohio 44270

Supervisory Agency: Federal Reserve Bank of Cleveland  
P.O. Box 6387  
Cleveland, Ohio 44101-1387

**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 the 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 Chippewa Valley Bank prepared, as of August 13, 1996, by the Federal Reserve Bank of Cleveland, the institution's supervisory agency. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

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

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.

The Chippewa Valley Bank was rated "Satisfactory" at the previous CRA examination conducted as of August 14, 1995.

The following table indicates the performance level of The Chippewa Valley Bank ("CVB") with respect to each of the five performance criteria. Additionally, the bank's qualified investments have been evaluated.

**SMALL  
INSTITUTION  
ASSESSMENT  
CRITERIA**

**The Chippewa Valley Bank  
PERFORMANCE LEVELS**

	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Varying Incomes and to Businesses of Varying Sizes	X		
Geographic Distribution of Loans	X		
Response to Complaints		No complaints received.	
Qualified Investments	X		

**DESCRIPTION OF INSTITUTION**

CVB, located in Wayne County 60 miles south of Cleveland, Ohio, is an independent

bank with nine offices and slightly more than \$128 million in assets. The bank’s headquarters and one branch office are located in Rittman, Ohio. Other branches are located in Sterling, Chippewa Lake, Wadsworth, Doylestown, Westfield Center, and Clinton, Ohio. Wayne County is situated in the north central section of Ohio and is bordered on the east by Stark County and the north by Medina and Summit Counties. The bank offers basic loan and deposit products, including the following types of loans: conventional mortgage, refinancings of mortgages, second mortgages, consumer, agricultural, and small business. The loan portfolio by dollar amount includes the following mix:

<b>Loan Type</b>	<b>Percentage of Total Loans</b>
1-4 Family Residential Real Estate	39.4%
Other Real Estate	17.4%
Total Real Estate	60.2%
Loans to Individuals	25.5%
Agricultural	6.2%
Commercial and Industrial	5.7%

CVB has no legal or financial constraints which would impede its ability to provide credit to its community.

**DESCRIPTION OF ASSESSMENT AREA**

The Chippewa Valley Bank defines its assessment area as portions of the counties of Wayne, Medina, Summit, and Stark. Medina County is a part of the Cleveland-Lorain-Elyria, Ohio Primary Metropolitan Statistical Area ("PMSA") and Summit County is part of the Akron, Ohio PMSA. Together, these two PMSAs make up the Cleveland Consolidated Metropolitan Statistical Area ("CMSA"). Stark County is part of the Canton-Massillon, Ohio Metropolitan Statistical Area ("MSA"). Wayne County is not part of any MSA.

The Wayne County assessment area includes 17 middle-income Block Numbering Areas ("BNAs") and seven upper-income BNAs. Medina County's assessment area includes one moderate-income census tract, 11 middle-income census tracts, and six upper-income census tracts. Summit County's assessment area includes five middle-income census tracts and one upper-income census tract. The Stark County

assessment area contains one middle-income census tract. There are no low-income BNAs or census tracts within the bank's assessment area.<sup>1</sup>

As of the 1990 census data, the median family income for CVB's assessment area was \$37,057, while the median household income was \$32,606. Family income is a measure of the income persons related by blood or marriage within a household. Household income is a measure of the income of all persons within a household. In determining the demographics of BNAs, census tracts, and the income characteristics of borrowers, family income is used.

The following chart details household and family income for the assessment area:

<b>Income Classification</b>	<b>Household Income</b>	<b>Family Income</b>
Low-Income	17.3%	13.8%
Below-Poverty	7.6%	5.9%
Moderate-Income	14.1%	16.4%
Middle-Income	20.6%	25.2%
Upper-Income	48.0%	44.5%

According to data from the 1990 census, there were 67,650 housing units within the bank's assessment area. Of that number, 72.2% were owner-occupied, 24.2% were rental units, and 3.6% were vacant units. In addition, approximately 86.2% of the units were 1-to-4 family units.

The area surrounding CVB is primarily nonminority. The racial composition as a percentage of assessment area population is as follows:

<b>Race</b>	<b>% of Assessment Area Population</b>
White	97.1%

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<sup>1</sup>**NOTE:** Low-, moderate-, middle-, and upper-income are defined as follows:  
Low-income: Up to 50% of the median MSA family income.  
Moderate-income: Greater than 50% up to 80% of the median MSA family income.  
Middle-income: Greater than 80% up to 120% of the median MSA family income.  
Upper-income: Greater than 120% of the median MSA family income.

<b>Race</b>	<b>% of Assessment Area Population</b>
Black	1.7%
Asian	.5%
Hispanic	.5%
American Indian	.2%
Other	.0%

Wayne, Summit, Medina, and Stark counties contain census tracts and BNAs that are comprised of predominantly moderate- to middle- income households. More than 72.2% of the homes in the assessment area are owner-occupied, and the median home value is \$70,284.

According to the 1990 census data, the assessment area continues to maintain a relatively stable labor force of 91,702 individuals. The county's primary sources of industrial activity are salt production and manufacturing of paper and plastic products. The area's two primary employers are Morton Salt which manufactures salt products, and Tenneco Packaging Corporation which manufactures paper products.

According to the Ohio Bureau of Employment Services Labor Force Estimates for November 1996, the unemployment rates for the counties within the bank's assessment area were as follows:

!	Wayne County	4.0%
!	Medina County	4.5%
!	Summit County	4.8%
!	Stark County	5.0%

The State of Ohio unemployment rate was 4.7% and the national unemployment rate was 5.0%.

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

The bank's CRA performance was analyzed using interagency examination procedures. The analysis included the following criteria:

- ! the loan-to-deposit ratio, the record for lending in the assessment area;
- ! lending activity inside and outside the bank's assessment area;

- ! the reasonableness of the geographic distribution of loans within the bank's assessment area;
- ! the record of lending to borrowers with varying income levels;
- ! the distribution of loans to businesses and farms of different sizes; and
- ! the bank's response to written complaints, if any, concerning its performance in helping to meet the credit needs of its assessment area.

For a bank of its size, location, and financial condition, the average of CVB's quarterly loan-to-deposit ratio was considered to be reasonable at 66%. This ratio was evaluated in terms of the institution's capacity to lend, the loan-to-deposit ratios of similarly situated and competitor banks, and available loan opportunities in the assessment region.

A sample of the major loan products was reviewed to determine the lending activity within the bank's assessment area. The following chart details the percentages of loans within CVB's assessment area by the number and dollar amount of total loan types sampled:

<b>Inside Assessment Area</b>		
<b>Type of Loan</b>	<b>No. of Loans</b>	<b>\$ Amount</b>
Installment	80%	79%
Single Payment	93%	98%
Small Business	93%	89%
Small Farm	78%	82%

Many of the bank's installment loans which fell outside its assessment area were indirect loans originated by automobile dealers. Although the dealers were located within the bank's assessment area, prospective customers come from an area much greater than the assessment area. The bank also attracts small farm loans from localities beyond its assessment area because of CVB's expertise and commitment to agricultural lending. Many of CVB's competitors are branches or affiliates of major regional banks. Some of these larger banks do not offer agricultural loans. In those bank's that do offer agricultural lending, the credit decisions are generally made at the banks' main offices in Cleveland or Columbus.

Installment and single payment loans were analyzed based on the borrowers' incomes. The following chart shows the levels of lending by borrowers' incomes:

**Income of Borrower**

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<b>Type of Loan</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
Installment	26%	30%	23%	21%
Single Payment	28%	24%	21%	27%
<b>% of Population</b>	17%	14%	21%	48%

The bank's lending distribution to borrowers of different incomes exceeds standards for satisfactory performance. Additionally, CVB has a balanced penetration among individuals of different income levels, including low- and moderate-income.

A business revenue analysis was performed on a sample of the bank's small business and small farm loans. The following table reflects the loan amount as a percentage of types of loans sampled and the number of loans sampled in each category.<sup>2</sup>

<b>Type of Business Loan</b>	<b>Loan Amount &lt;= \$100,000</b>	<b>No. of Loans Sampled</b>	<b>Loan Amount &gt;\$100,000 but &lt;\$250,000</b>	<b>No. of Loans Sampled</b>	<b>Loan Amount \$250,000 but &lt;\$1 million</b>	<b>No. of Loans Sampled</b>
Small Farm; Borrowers' Income Used	75%	40	25%	3	0%	0
Small Business; Borrowers' Income Used	58%	55	27%	4	15%	1
Small Business; Business Revenue Used	63%	10	14%	2	23%	1

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<sup>2</sup>**NOTE:** Small businesses and farms are defined as entities having gross annual revenues of less than \$1 million.

An analysis was performed of the geographic distribution of borrowers by BNAs or census tracts. Census tracts and BNAs are defined as low-, moderate-, middle-, or upper-income based on the results of the most recent census data. The assessment area includes no low-income census tracts, one moderate-income census tract (2%), 34 middle-income census tracts (69%), and 14 upper-income tracts (29%).

The following chart shows the distribution of loans by income level of BNAs and census tracts :

Type of Loan	Census Tract or BNA	
	Middle Income	Upper Income
	#/% of loans	#/% of loans
Installment	96/87%	16/14%
Single Payment	68/80%	17/20%
Small Farm	30/70%	13/30%

None of the loans in the sample were to borrowers within the one moderate-income tract. This tract is located in the far northwest quadrant of the bank's assessment area. The closest CVB branch is approximately 10 miles from the tract and the area is served by several other financial institutions.

A review of the bank's 1995 Home Mortgage Disclosure Act ("HMDA") data revealed that half of the bank's HMDA-related loan applications were from census tracts within the bank's assessment area. Because HMDA data only reflects loan applications from within MSAs, it is not possible to determine the level of the bank's lending activity within Wayne County which is not part of an MSA.

Based on this analysis, the bank's distribution of loans within its assessment area is more than reasonable.

CVB also makes available reduced rate loans to municipalities for the purposes of improving infrastructure and providing government services for the residents of these communities. These services improve the quality of life for all residents, including low- and moderate-income households.

The bank also participates in the City of Wadsworth Community Housing Improvement Program ("CHIP"). Funding for the city's loan pool has been committed from 1996 to 1998. The program makes various housing-related loans available to low- and moderate-income applicants. CHIP applicants must meet certain income guidelines

based on the median income of the MSA. Wadsworth offers two programs, a mortgage loan program for major home improvements to owner-occupied residences and a home improvement loan program for repairing or making replacements or additions to owner-occupied residences.

No substantive violations of the Fair Housing Act or other fair lending laws were identified during the examination. No complaints were received by the Federal Reserve Bank of Cleveland or The Chippewa Valley Bank regarding the bank's performance under the Community Reinvestment Act.