

**PUBLIC DISCLOSURE**

March 17, 1997

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Johnsonville State Bank

05450740

Post Office Box 8

Johnsonville, South Carolina

**Federal Reserve Bank of Richmond**

**P. O. Box 27622**

**Richmond, Virginia 23261**

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 Johnsonville State Bank, Johnsonville, South Carolina, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of March 17, 1997. 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 Satisfactory.

The bank's loan-to-deposit ratio is considered reasonable given its financial capacity, location, and demand for credit in the area. A majority of loans sampled during the examination were extended to borrowers residing within the assessment areas. The bank's lending performance to low- and moderate-income borrowers exceeds the proportion of such families residing in the assessment areas. The distribution of lending by the income level of geographies in the assessment areas appears responsive to community credit needs.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Johnsonville State Bank</u> 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 have been received since the prior examination.		

**DESCRIPTION OF INSTITUTION**

Johnsonville State Bank operates one office within Florence County, South Carolina. As of December 31, 1996, the bank had assets of approximately \$22 million, of which 36% were loans. The institution offers a variety of credit and deposit products, including loans for consumer, residential mortgage, and small business purposes. The loan portfolio as of December 31, 1996, was comprised of the following: 46% consumer, 42% real estate secured (consumer and business), and 12% commercial. Based on the number of loans extended during the previous year, consumer loans secured by motor vehicles were identified as the bank's primary credit product. The institution's previous CRA rating was satisfactory.

**DESCRIPTION OF ASSESSMENT AREA**

The institution has delineated two assessment areas. Portions of Florence County comprise one local community. Florence County is part of the Florence Metropolitan Statistical Area (MSA). The other assessment area contains portions of Georgetown, Marion, and Williamsburg Counties, South Carolina, and is not located within an MSA. Listed below are the census tract and block numbering areas (BNAs) included in the bank's communities by county.

<u>Florence County</u>		<u>Georgetown County</u>	<u>Marion County</u>	<u>Williamsburg County</u>
16.02	20.00	9801.00	9507.00	9702.00
17.00	22.01		9508.00	9703.00
18.00	22.02			9704.00
19.00				9705.00

The assessment areas are located in the northeast portion of the state. According to the 1990 census, the delineated segment of Florence County has a population of 27,124 and consists of three moderate-income and four middle-income census tracts. The defined area of Georgetown, Marion, and Williamsburg Counties have a combined population of 28,842 and include three moderate-income and four middle-income BNAs. There are no low-income geographies included within the assessment areas. Within the region, a variety of manufacturing facilities employ the majority of local residents. Agriculture also remains an important segment of the area's economy with local farms producing tobacco, soybeans, corn, wheat, cotton, fruits, and vegetables. The February unemployment rates for Florence, Georgetown, Marion, and Williamsburg Counties are 7.5%, 14.1%, 11.1%, and 20.0%, respectively. The jobless rate for the state is 5.9%. The 1996 median family incomes for nonmetropolitan areas within the State of South Carolina and the Florence MSA are \$33,300 and \$36,500, respectively.

An official from a local housing organization was recently contacted to further assist in evaluating the bank's CRA performance. Information gathered from the contact revealed that a shortage of affordable housing exists in the area.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**LOAN-TO-DEPOSIT RATIO**

The average loan deposit ratio of 44% for the previous five quarters is considered reasonable given the institution's size, financial condition, location, and current economic conditions. The bank's lending is responsive to the area's loan demand. Since December 1995, total loans have grown 8%, and total deposits have increased by 25%. The average loan-to-deposit ratios for banks headquartered in metropolitan and nonmetropolitan areas of South Carolina and of similar asset size to Johnsonville State Bank are 54.5% and 62.13%, respectively.

**LENDING IN ASSESSMENT AREA**

To determine the bank's lending distribution within its assessment areas, a sample of 109 loans secured by motor vehicles extended during the previous year was reviewed. As illustrated below, a substantial majority of the number and dollar amounts of the sampled loans have been provided to borrowers residing within the assessment area.

Comparison of Credit Extended Inside and Outside of Assessment Area

	<b>Inside Assessment Area</b>	<b>Outside Assessment Area</b>	<b>Total</b>
<b>Total Number of Loans</b>	89	20	109
<b>Percentage of Total Loans</b>	82%	18%	100%
<b>Total Amount of Loans (000's)</b>	\$596	\$166	\$762
<b>Percentage of Total Amount</b>	78%	22%	100%

**LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES**

The following charts illustrate the distribution of the sample of loans secured by motor vehicles originated within the assessment areas by income level of the borrower. The data are provided separately for each of the bank's assessment areas.

Distribution of Loans by Income Level of Borrower - MSA

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
<b>Total Number of Loans</b>	20	19	15	5	59
<b>Percentage of Total Loans</b>	34%	32%	25%	9%	100%
<b>Total Amount of Loans (000's)</b>	\$120	\$125	\$142	\$37	\$424
<b>Percentage of Total Amount</b>	28%	29%	34%	9%	100%

The volume of lending to low- and moderate-income residents (66%) exceeds the proportion of low-income (32%) and moderate-income (19%) families in the metropolitan assessment area.

Distribution of Loans by Income Level of Borrower - NonMSA

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
<b>Total Number of Loans</b>	14	8	5	3	30
<b>Percentage of Total Loans</b>	47%	27%	16%	10%	100%
<b>Total Amount of Loans (000's)</b>	\$44	\$62	\$36	\$30	\$172
<b>Percentage of Total Amount</b>	26%	36%	21%	17%	100%

The percentage of loans to low- and moderate income residents (74%) within the nonmetropolitan assessment area is substantially greater than the representation of such families (29% low-income and 20% moderate-income) within the market. Furthermore, a majority of the dollar amounts of loans extended in both assessment areas (57% and 62%) were to low- and moderate-income borrowers. Given the demographics of the assessment areas, the distribution of lending to borrowers reflects excellent penetration among individuals of different income levels.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

Distribution of Loans in Assessment Area by Income Level of Census Tract

The review of loan files also included an analysis of lending among various geographies within the assessment areas. As previously mentioned, the two assessment areas each contain three moderate-income and four middle-income census tracts or BNAs. There are no low- or upper-income areas within the local communities. The following chart depicts the distribution of the sampled loans secured by motor vehicles within both assessment areas according to the income level of the geography.

Distribution of Loans in Assessment Areas by Income Level of Census Tract

	Moderate-Income	Middle- Income	Total
Total Number of Loans	13	76	89
Percentage of Total Loans	15%	85%	100%
Total Amount of Loans (000's)	\$74	\$522	\$596
Percentage of Total Amount	12%	88%	100%

In the bank's assessment areas, 46% of the population resides in moderate-income geographies and 54% of the population resides in middle-income areas. The percentage of loans made in moderate-income tracts (15%) appears reasonable considering that the middle-income areas are closer in proximity to the bank's only office.

**COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

No credit practices inconsistent with the substantive provisions of fair housing and fair lending laws and regulations were identified. Technical violations of the Home Mortgage Disclosure Act's Regulation C were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending and credit activities.