



**Comptroller of the Currency
Administrator of National Banks**

Community Reinvestment Act Performance Evaluation

February 7, 1997

The Mahoning National Bank of Youngstown
Charter Number 2350

23 Federal Plaza
Youngstown, Ohio 44501

Office of the Comptroller of the Currency
Cleveland Duty Station
Three Summit Park Drive, Suite 530
Independence, Ohio 44131

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 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 CRA performance of **The Mahoning National Bank of Youngstown** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 7, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: This institution is rated **Outstanding**.

The Mahoning National Bank of Youngstown (MNB) is rated Outstanding because of its strong performance on the lending and service tests. It is actively involved in providing credit to all segments of its assessment area, including low- and moderate-income geographies and persons. It has a branch network which is readily accessible to the entire assessment area, and has set the hours and services of that network in a way that allows for easy access by customers and potential customers. This access has been increased by expansion of hours and alternative delivery systems. MNB has not been active in the area of community development investments. This is somewhat mitigated by the lack of available opportunities in the local market.

The following table indicates the performance level of **The Mahoning National Bank of Youngstown** with respect to the lending, investment, and service tests. (Indicate the performance level under each criteria by marking an “X” in the appropriate row.)

Performance Levels	The Mahoning National Bank of Youngstown Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High satisfactory			
Low satisfactory		X	
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

The Mahoning National Bank of Youngstown (MNB) is headquartered in Youngstown, Ohio. As of December 31, 1996 it reported total assets of \$769,500,000 and net income of \$11,661,000. MNB is a wholly-owned subsidiary of Mahoning National Bancorp, Inc. (MNBC). MNB is the sole subsidiary of MNBC. As of December 31, 1996, MNBC had total assets of \$769,600,000 and net income of \$11,611,000. According to statements in the 1995 Annual Report of MNBC, most of the shareholders of MNBC are residents of the Youngstown area.

MNB’s business strategy is based on meeting the financial service needs of the Mahoning Valley area. In particular, MNB is aggressively seeking new, quality loans of all types, but especially those to individuals and small businesses.

Based on our review of current and previous levels of performance and other areas of regulatory interest, there are no legal impediments or other outside constraints on the ability of MNB to fulfill its obligations under the Community Reinvestment Act.

Description of Assessment Area

MNB currently operates within one assessment area which includes: Mahoning County, except for the extreme southeastern corner of the county; and an area generally consisting of the eastern half of Trumbull County. There are 94 census tracts (geographies) in this area. All of this assessment area is contained within MSA #9320 Youngstown-Warren, Ohio, and all of it is within the State of Ohio. The eastern edge of the assessment area corresponds to the Ohio-Pennsylvania border. Within this area, MNB operates 23 branches.

Following are some selected demographic data which give a picture of the Assessment Area and how it relates to the MSA as a whole.

Exhibit - 1

Population Demographics

Category	MSA= 9320	MNB= AA	MNB/ MSA
Pop.	600,895	359,596	60%
Min. Pop.	66,527	48,870	74%
Pop. in LI CT	32,949	27,641	84%
Pop. in ModI CT	84,709	44,518	53%
Pop.in MidI CT	332,606	162,997	49%
Pop.in UI CT	150,631	124,440	83%

Exhibit -2

Other Population Demographics

Category	MSA= 9320	MNB= AA	MNB/ MSA
Pop 65+	94,020	58,689	62%

Exhibit-3

Housing Demographics

Category	MSA= 9320	MNB= AA	MNB/ MSA
Housing Units	242,483	145,340	60%
OO Units	165,998	100,596	61%
Rental Units	66,969	39,558	59%
Manufac. Housing	11,444	4,481	39%
Vacant Units	14,516	8,179	56%
Median Monthly Gross Rent	\$333	\$343	
Median Housing Value	\$42,700	\$42,600	

It is clear from this demographic data that MNB's assessment area does not differentiate in any significant way from the demographics of MSA #9320 Youngstown-Warren, Ohio. MNB's decision to limit its assessment area to one that is smaller than the whole MSA is a recognition that it cannot reasonably be expected to serve the area because of the distribution of its branch structure. MNB has not unreasonably or arbitrarily excluded any area in the MSA.

It also should be noted that the two principal communities in this MSA (Youngstown and Warren) have historically not been accepting of businesses from one community entering the other. In fact, the only major financial institution which operates in both markets was created through a merger of a Youngstown bank and a Warren bank. These two communities are located in one MSA, but they are two distinct markets.

Historically, the Youngstown area has been dominated by the steel industry. However, this dominance disappeared in the late 1970's and early 1980's, leaving behind a very depressed local economy. From that time until now, this area has been attempting to rebuild its economic base. Presently, the largest industry sectors are Health Services, Transportation Equipment, Wholesale Trade/Durable Goods, Fabricated Metal Products and Primary Metal Products. The success of this rebuilding process can be seen in the following comparative unemployment figures:

Exhibit - 4

Unemployment Rates								
	1983	1985	1987	1989	1991	1993	1994	1995
MSA	16.8%	11.2%	9.5%	6.5%	7.1%	8.2%	7.5%	5.9%
US	9.6%	7.2%	6.2%	5.3%	6.7%	6.8%	6.1%	5.6%

Source: Ohio Bureau of Employment Services

Note: Year-end unemployment figures for MSA not available for 1996

Particular manufacturers with significant employment in the MSA are: General Motors Corp. [automobile assembly/metal fabrication] (9,500+ employees); Delphi Packard Electric Systems [automobile wiring] (9,500+ employees); and, WCI Steel, Inc. [steel producer] (2,000-3,000 employees).

To assist in developing the performance context for this examination, we relied on community contacts conducted by other OCC personnel during the three months prior to this examination. The principal needs identified by these contacts were for affordable housing and small business/ economic development.

Conclusions with Respect to Performance Tests

Performance under the Lending Test

CONCLUSION: This area is rated Outstanding.

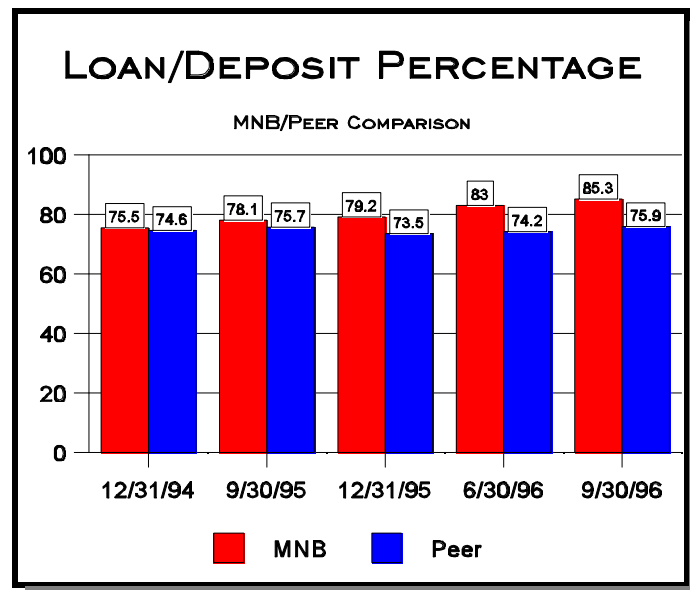
The principal reason for this rating is that MNB has been aggressive in meeting the credit needs of all segments of its assessment area. A high level of deposits are loaned out. These loans are made to low- and moderate-income persons in levels greater than MNB lends in its market as a whole. It has been willing to take the risks involved in developing an innovative credit product (the Mortgage Assist Program) that works with the City of Youngstown to greatly increase low- and moderate-income home purchase lending. MNB has also been active in community development lending using public/private partnerships at all levels of government.

MNB is an active lender across all segments of its assessment area. It engages in all principal types of lending except for agricultural. As of September 30, 1996, 53% of the loan portfolio consisted of mortgage loans, 20% commercial loans, and 27% personal installment loans. This is reasonable given MNB's assessment area.

As can be seen in Exhibit 5, MNB lends out a higher level of its deposits than do its peer banks. In this example, the peer banks are those banks between \$500,000,000 and \$1,000,000,000. As of September 30, 1996 there were 263 banks throughout the United States in this size range.

In each of the periods for which comparative information is available, MNB had a higher loan to deposit percentage than its peer banks. The difference in the loan/deposit level has grown larger during the review period. This difference grew from .9

Exhibit 5



percentage points in December, 1994 to 9.3 percentage points in September, 1996. Comparison numbers are not yet available for December 1996, but MNB's loan to deposit percentage at year end was 83.0%.

MNB lends principally within its assessment area. The percentage of HMDA covered loans (those loans which are real estate related, i.e.; Purchase Money Mortgage, Home Improvement, and Home Refinancing Loans) which were made within the assessment area are shown in Exhibit 6.

Exhibit 6

Percentage of HMDA loans made within the Assessment Area			
	1994	1995	1996
Percentage	85.6%	87.3%	86.5%

Note: This table was calculated using the number of loans Originated and Approved not Accepted by applicants.

As these percentages are in the upper 80% range; clearly, a substantial majority of this category of loans are from within the assessment area.

The CRA loan register, which was completed for the first time in 1996, supports this conclusion as well. A review of the *draft* data (submission is not due until March 1, 1997) shows that 94% of small business loans made during 1996 were originated within the assessment area.

The geographic and economic distribution of loans throughout the assessment area are also a strong component of MNB's lending performance.

Exhibits 7 and 8 show MNB's market shares of purchase money mortgages. The "market" for this analysis consists of all HMDA reporting lenders, which includes Savings and Loans, Mortgage Banks, and Credit Unions. This analysis uses loans originated and loans approved but subsequently not accepted by the applicant.

Exhibit 7 shows 1994's and 1995's performance is excellent, with both low- and moderate-income market shares being above MNB's overall market share. There has also been significant improvement from 1994 to 1995.

Exhibit 8

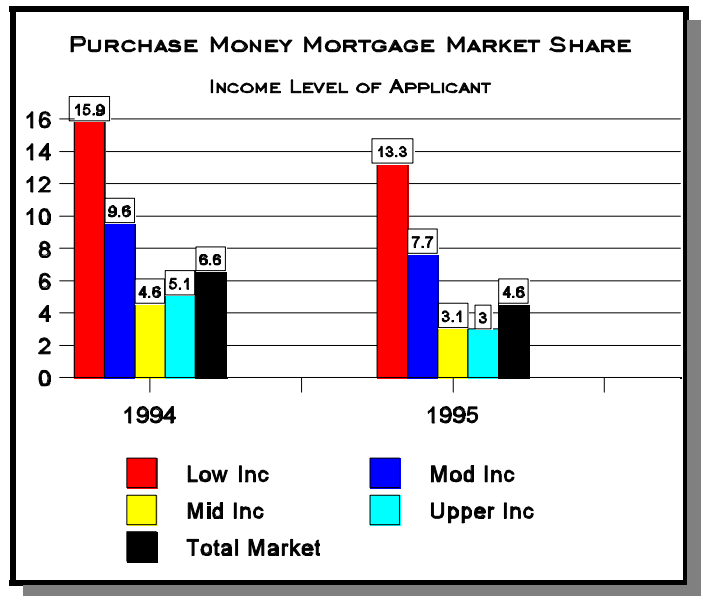
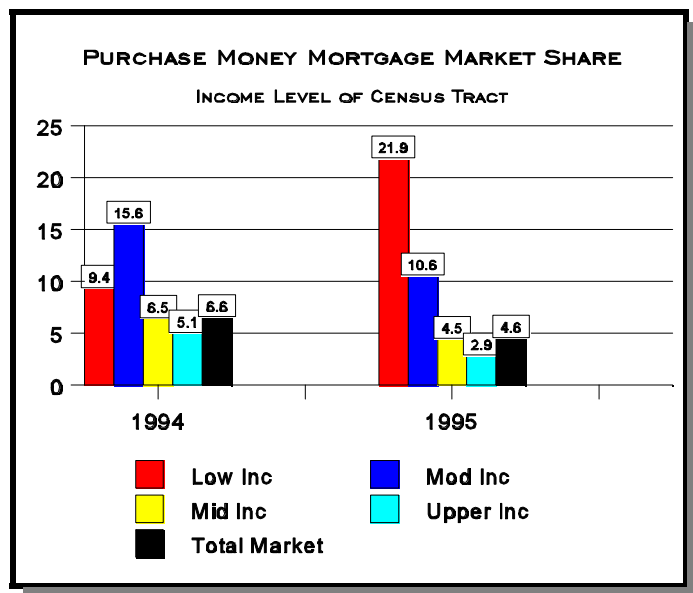


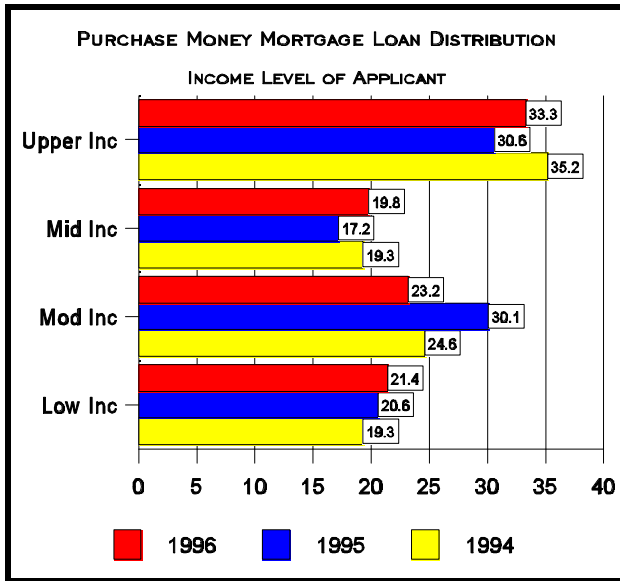
Exhibit 8 analyzes MNB's performance with borrowers of differing income levels. Like Exhibit 7, MNB's market share for both low- and moderate-income borrowers is significantly higher than its share for the overall market. While the market shares for both groups declined from 1994 to 1995, the level of performance shown is still quite strong. This supports our conclusion that MNB is aggressively seeking applicants throughout its assessment area.

Exhibit 7



Exhibits 9 and 10 show MNB's distribution of purchase money mortgages for each income category (again defined by both the geography and borrowers' income level).

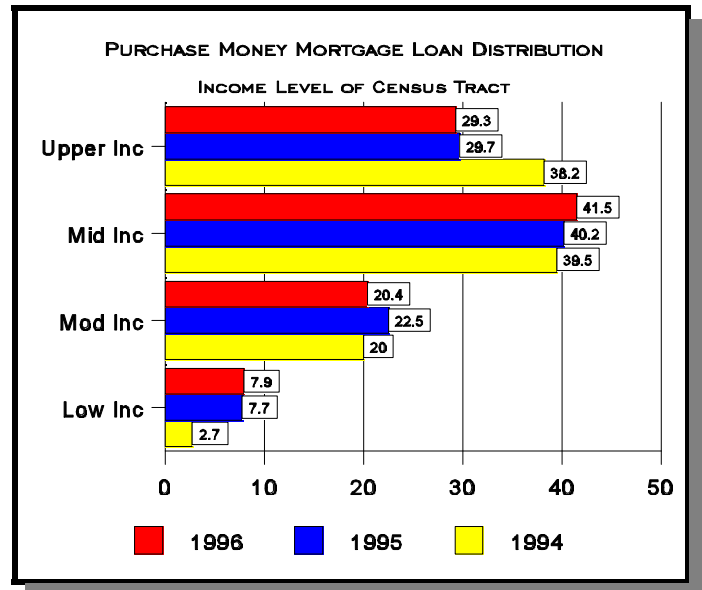
Exhibit 10



Likewise, Exhibit 10 shows the proportion of total loans to low-income applicants increasing steadily during 1995 and 1996. The proportion of loans to moderate-income individuals shows a decrease similar to that in Exhibit 9, but still compares favorably to the numbers of moderate-income borrowers (Exhibit 1). Exhibit 10 also shows the same overall improvement in performance for 1995 and 1996 over that seen in 1994.

Exhibit 9 shows that the proportion of total loans in low-income neighborhoods have increased during 1995 and 1996. The proportion of loans in moderate-income geographies, while decreasing slightly between 1995 and 1996, still compares favorably to the numbers of moderate-income geographies (Exhibit 16). Across all categories the performance is very consistent between 1995 and 1996, with both years showing significant improvement over 1994.

Exhibit 9



Exhibits 11 and 12 show MNB's market shares of home improvement loans. Exhibit 11 reflects a strong market share in the moderate-income segments of this market, but also some weakness in low-income home improvement lending. This exhibit shows performance in various income geographies. While the moderate-income market share remained relatively constant over the two (2) years, the decline of the low-income market share is of some concern.

Exhibit 12

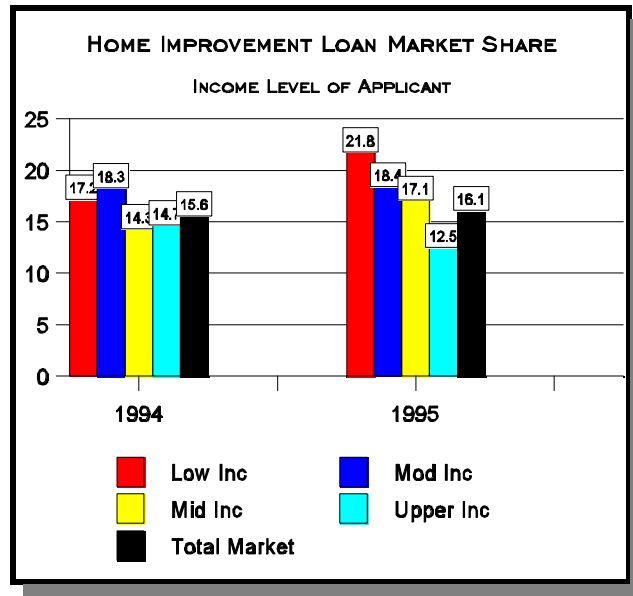
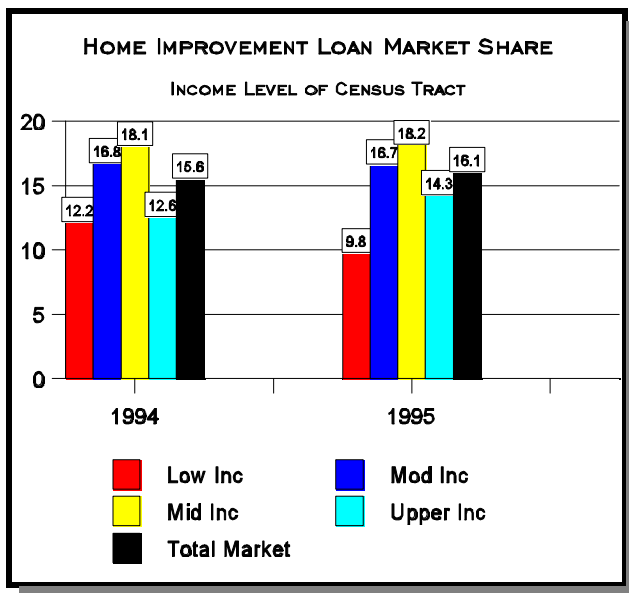
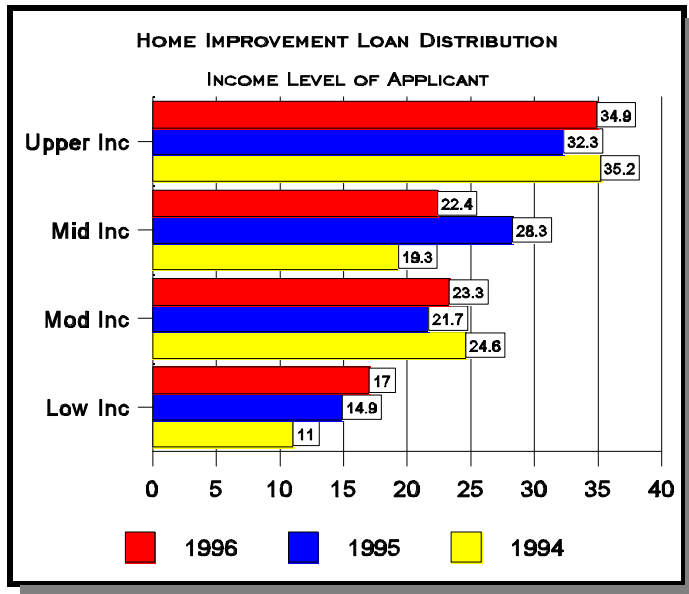


Exhibit 11



However, Exhibit 12 resolves most of the concerns raised by Exhibit 11. While there was a noticeable relative decrease in home improvement lending in low-income geographies, there is an equally marked relative increase in this category of lending to low-income borrowers. The progress shown from 1994 to 1995 is considered to be significant.

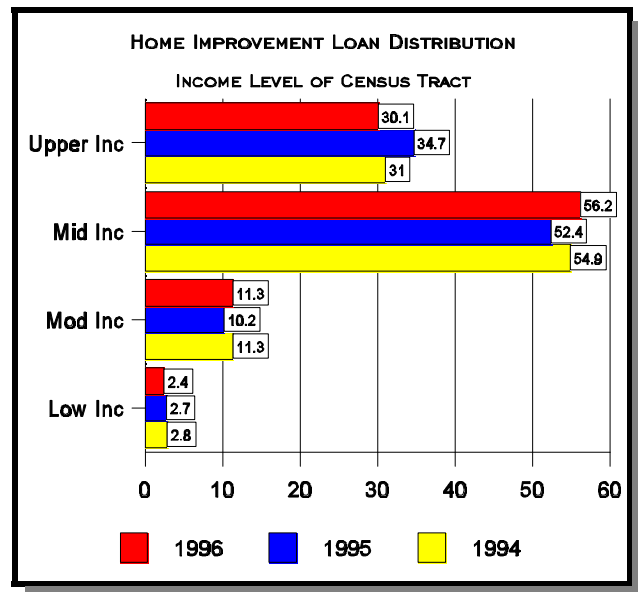
Exhibit 14



Exhibits 13 and 14 show the lending distribution for home improvement loans. Exhibit 13 shows a generally consistent level of performance from 1994 to 1996. However, it also reinforces the conclusions drawn for Exhibit 11, with a small level of home improvement lending in low-income geographies relative to the population of those low-income geographies. In this exhibit, the level of moderate-income lending is also of concern.

However, as was noted in the relationship between Exhibits 11 and 12, MNB's performance in home improvement lending to low- and moderate-income borrowers is significantly better than its lending in the same category for low- and moderate-income geographies. Particularly in the low-income category, there has been steady improvement from 1994 to 1996.

Exhibit 13



Both exhibits 9 and 10 and exhibits 13 and 14 show that there has been no significant change in the distribution of either purchase money or home improvement loans between 1995 and 1996.

A major reason underlying the improvement of MNB's performance in regard to purchase money mortgages has been the development of the "Mortgage Assist Program." This program offers mortgage loans to low- or moderate-income borrowers at the following terms, which are innovative for the Youngstown area market:

- 1) 95% financing *that works with the City of Youngstown to possibly provide the 5% down payment from funds provided from its home ownership programs;*
- 2) No private mortgage insurance;
- 3) No minimum loan amount;
- 4) Actual closing costs, with a loan origination fee that can be waived under certain specified circumstances;
- 5) Higher qualifying ratios - housing expense 30% and total debt 40%; and,
- 6) Flexible credit history and types of income analysis used.

Community Development Lending

MNB is an active lender in both the Small Business Administration and the Blackwell Linked Deposit (State of Ohio) programs.

There are nineteen (19) SBA loans currently extended and being serviced by MNB with total balances outstanding of approximately \$1,400,000. These loans are made to a wide variety of small manufacturing and service companies. There are also thirteen (13) Linked-Deposit loans currently in MNB's portfolio of loans. There is currently approximately \$2,500,000 outstanding on these loans.

MNB is also deeply involved in both the Trumbull and Mahoning county mini-loan funds. These mini-loan funds are consortia formed by a number of local lenders with local and county government funding also included.

MNB has approximately \$50,000 outstanding in two (2) loans involving the Mahoning/Youngstown mini-loan fund. Likewise, MNB has approximately \$35,000 outstanding in one (1) loan involving the Reinvestment Partnership Corporation of Warren/Trumbull County. MNB has committed to lend up to \$300,000 in each of these lending funds.

Performance under the Investment Test

CONCLUSION: This area is rated Low Satisfactory.

The principal reason for this rating is the relatively low level of community development investments. However, this is somewhat mitigated by the general lack of community development investments available in the local community. Community development projects in this market are generally funded through loans rather than investments. MNB has actively pursued the opportunities available, and has indicated a willingness to work with local groups on community development initiatives.

MNB has not acquired any securities, and does not now presently hold any securities which meet the definition of Community Development Investments. Discussion with this and other area banks indicates that there have been no local community development investments originated during 1995 and 1996.

MNB provides grants to institutions which are active in community development work. The funded organizations principally provide home improvement/ maintenance assistance to low- and moderate-income persons, or in low- and moderate-income neighborhoods. These grants totaled \$3,000 during 1995 and 1996.

In addition, MNB gave a house and lot to a local housing rehabilitation group in 1996. This group then rehabilitated the property and made it available to a low-income family or individual. The donated property was appraised at \$7,000.

Finally, MNB has provided \$2,400 to the local Consumer Credit Counseling Service. This is an organization which works with consumers experiencing financial difficulties. The counseling service's goal is to work with consumers to resolve present credit difficulties and to teach them how to avoid similar problems in the future.

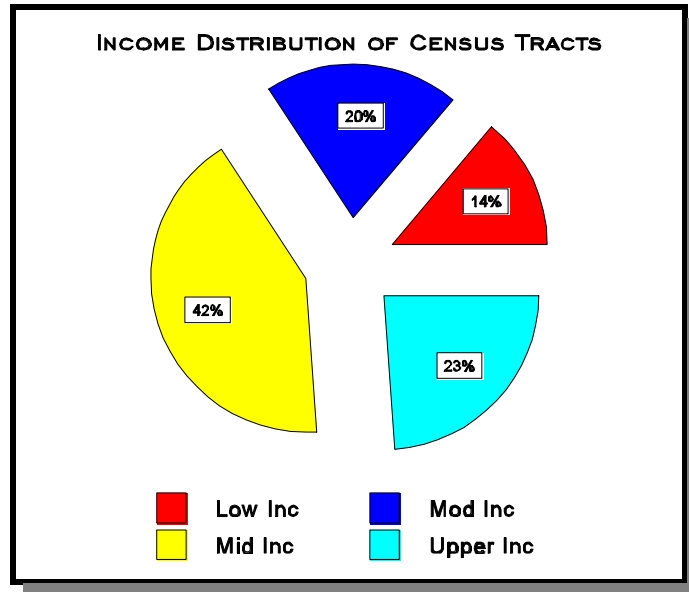
Performance under the Service Test

CONCLUSION: This area is rated Outstanding.

The principal reason for this rating is MNB's branch network and the services delivered through it. The network is readily accessible from throughout the assessment area; branches are found in all types of economic geographies and alternative delivery systems are increasing in scope. Services are not differentiated among the various branches, with all services being available on the same basis at all branches (except the drive-up only branches). The business hours at branches have been expanded significantly since 1995. Automatic Teller Machines (ATM's) have been made significantly more accessible throughout the branch system.

Finally, the Community Based Banking program has responded to a community defined need by creating access to free check cashing for low- and moderate- income individuals.

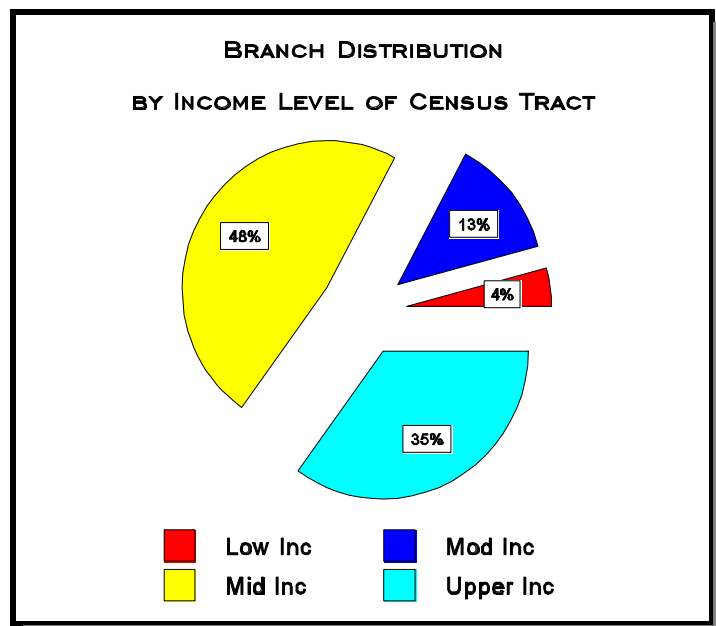
Exhibit 16



As previously mentioned, MNB currently operates 23 branches in Mahoning and Trumbull Counties. These branches are located throughout Mahoning County, and in the eastern portions of Trumbull County.

Exhibits 15 and 16 show the geographic distribution of MNB's branches by census tract income level and the distribution of population within the assessment area by census tract income level. These two (2) charts show that there are not significant differences in the distribution of branches and of the

Exhibit 15



assessment area's population.

There have been significant changes in branch hours and availability in 1995 and 1996. Of the 23 branches:

- 1) 20 expanded operating hours;
- 2) 10 initiated Saturday hours;
- 3) 7 have drive-up ATM's available 24 hours per day; and,
- 4) 10 have walk-up ATM's available 24 hours per day.

All of these improvements are innovative for the Youngstown area market.

In addition, the Main Office (23 Federal Plaza) has an ATM that is available seventeen (17) hours a day (6:00 AM to 11:00PM) with a security guard on duty during all of those times. All of MNB's ATM's are included in the Money Access Center (MAC) network, which enables customers with ATM capability to have access to their accounts throughout Ohio and a number of surrounding states. The ATM's are also included in the Cirrus network, which allows for worldwide access to accounts.

There has been a net decrease of one full-service branch during the period under review. Additionally, one drive-up only branch was closed. The two branches closed were in an Upper-Income geography (Southern Park Mall Office in Boardman) and a Middle-Income geography (Fifth Street Office in Struthers). The one new branch opened was in an Upper-Income geography (Canfield Office).

The Southern Park Mall Office was closed as part of a plan to improve the delivery of services in the Poland/Boardman/ Southern Park area. The nearby Boardman Office (711 Boardman-Canfield Rd), expanded both its hours and its services. This office now maintains the longest hours of any of MNB's branches. The Boardman Office expanded MNB's presence in the heart of the retail shopping district for the entire assessment area.

MNB is also moving into alternative systems for delivering its products and services.

Since our previous review, it has created a telephone banking service (Telebank) available 24 hours per day. Customers can use this service for account inquiries, funds transfers, bill payments, and to establish ATM access on already existing accounts. The bill payment option listed above is more open than many such programs. Upon prior authorization, an MNB customer can pay any type of bill through this program: it is not limited to merchants or utilities with whom MNB has special arrangements. This system can handle both irregular payment amounts and bills which are not necessarily received every month, as well as normal

recurring fixed monthly payments.

MNB has also improved its accessibility throughout its market through the creation of its Centralized Banking Department. This department, which is open from 8:00AM to 5:00PM during the week, and 9:00AM to Noon on Saturdays, is a staffed bank-by-phone operation. This is a service where customers and potential customers can speak to a customer service representative in reference to presently open accounts, or can open deposit accounts or make application for consumer loans. This service is accessible through toll-free numbers from anywhere within the assessment area.

Community Development Services

MNB is involved with a number of projects which are within the definition of community development services. The following list is not all inclusive, but it is a representative group of MNB's community development services.

- 1) **Community Affiliated Banking:** This is the most significant of MNB's community development services. MNB, working in conjunction with the Youngstown Area Community Action Commission, has provided approximately 200 clients of various CAC programs with picture identification cards. These cards allow the holders to cash any government check, or any check drawn on MNB at any MNB branch without charge. This program was developed in direct response to concerns in the local community about the growth of check cashing facilities, and the fees charged by them. This is the first program of its kind in MNB's assessment area
- 2) **Bi-lingual ATM:** MNB has installed English/Spanish ATM's at its Main Office lobby (23 Federal Plaza) and its Campbell-Coitsville Office (809 McCartney Rd., Campbell). These have been installed in direct response to the increase in the Latino population of the area;
- 3) **Local United Way:** A number of MNB officers are involved as United Way Distribution Panel workers. In that role they are responsible for monitoring use of United Way funds, reviewing budget requests, and evaluating programs' effectiveness in meeting community and participant needs.
- 4) **Local Non-profit involvement:** A number of MNB officers serve on the board of directors of local not-for-profit or local government related organizations such as the Youngstown Area Community Action Commission, the City of Youngstown's Loan Review Committee (which reviews and recommends on loan and grant applications under the Homeowners Assistance and Preservation

Program of the City of Youngstown), and the Reinvestment Partnership Corporation (Warren/ Trumbull County's mini-loan fund).

Fair Lending Performance

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

To reach this conclusion, we reviewed all purchase money mortgage loan applications from African-American applicants received during 1996 which were subsequently denied by MNB and compared them to a sample of similarly situated white borrowers whose applications were approved. This review involved a sample of approximately 85 applications.