

# **PUBLIC DISCLOSURE**

November 19, 2001

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Custar State Bank  
RSSD #581116  
22973 Defiance Pike  
Custar, OH 43511

Federal Reserve Bank of Cleveland  
P.O. Box 6387  
Cleveland, OH 44101-1387

**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.

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# INSTITUTION'S CRA RATING

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

The major factors and criteria contributing to this rating include:

- More than reasonable loan-to-deposit ratio, considering competition of larger lenders in the area and other lending-related activities;
- Majority of loans and other lending-related activities are inside the assessment area;
- Poor geographic distribution of loans dispersed throughout the assessment area;
- Reasonable penetration among individuals of different income levels; and,
- There have been no complaints filed against the bank since the previous CRA examination.

The previous CRA examination on November 17, 1997 resulted in a "Satisfactory" performance rating.

## DESCRIPTION OF INSTITUTION

The Custar State Bank ("Custar") is located in Custar, Ohio. This state-member bank has no branches or subsidiaries, and is not affiliated with a bank holding company.

Custar reported assets of approximately \$49 million as of June 30, 2001. Loans constitute approximately 69.81% of total assets, with real estate loans and loans to individuals accounting for approximately 96.0% of the loan portfolio. Approximately 17.4% of the bank's total assets are investments in U.S. Treasury, Agency, and Municipal Securities.

The bank offers a variety of deposit and credit products including real estate, agriculture, commercial and consumer loans. A table illustrating the bank's loan distribution can be found in *Table 1*. This table shows Custar's loan distribution by dollar amount and percent of loans as of June 30, 2001.

Custar has one assessment area located in Wood County, Ohio and it is part of the Toledo MSA 8400. The bank's one office serves approximately 40% of the population of Wood County.

Custar competes with several national and regional financial institutions in providing retail-banking services within its assessment area. Additional details concerning the assessment area are contained later in this report.

The following table presents several key financial ratios for the bank. As of June 30, 2001, Custar had a Return on Average Assets of 1.73%, as compared to peer at 1.06%, which places the bank in the 84<sup>th</sup> percentile for its peer group. A majority of the bank's loan portfolio is in 1-4 family residential real estate lending, followed by consumer and agricultural loans. Based on Custar's Net Loan & Leases to Total Deposit ratio of 82.96%, the bank has demonstrated their ability to meet the credit needs of its assessment areas by placing back into the community a substantial majority of their deposits in the form of real estate; consumer; and agriculture loans.

<b>Key Financial Ratios As of June 30, 2001</b>	
<b>Return on Average Assets</b>	<b>1.73%</b>
<b>Net Loans &amp; Leases to Average Assets</b>	<b>69.81%</b>
<b>Investments to Average Assets</b>	<b>27.05%</b>
<b>Total Deposits to Average Assets</b>	<b>82.33%</b>
<b>Net Loans &amp; Leases to Total Deposits</b>	<b>82.96%</b>
<b>1-4 Family Residential Loans to Average Loans</b>	<b>67.91%</b>
<b>Consumer Loans to Average Loans</b>	<b>3.51%</b>
<b>Commercial Loans to Average Loans</b>	<b>12.04%</b>
<b>Agricultural Loans to Average Loans</b>	<b>16.54%</b>

Based on Custar's asset size and financial condition it appears to have the ability to meet the credit needs of its assessment area. There are no legal or other impediments that would hamper the bank's ability to meet the community's credit needs.

## **SCOPE OF EXAMINATION**

The data collected for this examination is from January 2001 through June 2001. The data was reviewed to determine the geographic distribution of the bank's lending, as well as the volume of loans provided to borrowers of different income levels.

The analysis was conducted on consumer, small business, and small farm loans originated by Custar. The numbers incorporated for consumer lending includes motor vehicle loans and other various secured loans.

Custar is also a Home Mortgage Disclosure Act (HMDA) reporting institution, and therefore, real estate loans, which include conventional, FHA/VA, and refinancing loans are included in this analysis.

Custar has one assessment area located in the Toledo MSA 8400. While the geographic distribution of lending in the assessment area was reviewed, the emphasis of this analysis was placed on borrower distribution to ensure lending to low- and moderate-income level individuals throughout the assessment area

In evaluating the bank's performance, consideration was given to the size of the institution, lending opportunities within the assessment area, and competition from other institutions.

# DESCRIPTION OF ASSESSMENT AREA

## Toledo MSA 8400

The Toledo MSA 8400 consists of Fulton, Lucas, and Wood Counties. However, Custar's assessment area only encompasses portions of Wood County. The assessment area consists of one moderate-income tract, seven middle-income tracts and one upper-income tract. There are no low-income tracts.

In addition, there is one tract (number 218) where income was not reported. This tract is located within the campus of Bowling Green State University. Incomes within this location are not reported to the census bureau, because there is no permanent residency.

Wood County is located in the northwest portion of the State of Ohio. The Maumee and Portage Rivers flow through Wood County. Major attractions in Wood County include the reconstructed Fort Meigs State Memorial, the Perrysburg Historic District and Bowling Green State University.

Major employers in Wood County include Bowling Green State University, ConAgra/Hunt-Wesson Inc., Cooper Tire & Rubber Co., and DaimlerChrysler Corp.

## PERFORMANCE CONTEXT

### Demographic Characteristics

The population of the assessment area, as of the 1990 census, was 45,343, which is 40.0% of the population of Wood County. *Table 2* illustrates the demographic and economic characteristics of the assessment area.

### Income Characteristics

The 1990 median family income for the assessment area was \$33,948, which was less than Wood County at \$38,188. Based on the 1990 census, there is one tract in the moderate-income geography, seven in the middle-income geography and one tract in the upper-income geography.

Families comprise 59.5% of the total households in the assessment area. Families living below the poverty level constitute 7.4% of that figure. Of the families residing in the assessment area, 19.4% are low-income families, 19.8% are moderate-income families, 27.3% are middle-income, and 33.5% are upper-income families.

### Housing Characteristics

As of 1990, there were 15,223 housing units in the assessment area, of which 68.5% were one-to-four family units, 22.8% were five or more family units, 7.7% were mobile homes, and one percent were other units, including boarded-up units. Of the housing units in the assessment area, 54.9% were owner-occupied. The median age of the housing stock in the assessment area was 27 years old, which is comparable to Wood County with a 25 year old housing stock; however, it is younger than the median age of the housing stock for the State of Ohio at 38 years old.

For further information regarding the demographics of the Toledo MSA 8400, refer to *Table 2*.

**Labor, Employment and Economic Characteristics**

According to the Ohio Job and Family Services,<sup>1</sup> the average unemployment rate across Wood County for the month of August 2001 was 3.3%. The unadjusted rate for the State of Ohio was 4.0% for the same time frame. The national unadjusted rate for August 2001 was 4.9%.

**CONCLUSION WITH RESPECT TO PERFORMANCE CRITERIA**

**Loan-to-Deposit Ratio**

Custar’s net loan-to-deposit (NLTD) ratio is more than reasonable based on its size, financial condition, assessment area credit needs, and competition. The bank’s NLTD ratio has varied over the past eight quarters from 85.2% at September 30, 1999, to 83.0% at June 30, 2001, with an average of 86.3%. In comparison, the NLTD ratio for the national peer group during the same time frame ranged from 66.6% to 70.1%, with an average of 68.9%. Custar has consistently outperformed peer in this category and has shown a history of lending at high levels.

The peer group for Custar is banks with assets between \$25 and \$50 million with one banking office, located in a metropolitan area.

**Loans Inside and Outside the Assessment Area:**

The table below illustrates that the percentage of loans made inside the bank’s assessment area was approximately 63% during the evaluation period. This percentage depicts a majority of loans, both by number and dollar amount. Although Custar has only one office serving its assessment area and faces competition from larger financial institutions, the evaluation revealed that the majority of the bank’s lending falls within its defined assessment area. Therefore, lending within the assessment area is considered

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1 Ohio Department of Job and Family Services in cooperation w/U.S. Dept. of Labor



reasonable.

It should also be noted that the bank was unable to provide address information for all of its lending, because they do not require an application for all consumer loans. In addition, loans outside of the assessment area were made in contiguous geographies.

The Custar State Bank								
November 19, 2001								
Loan Type	Inside the Assessment Area				Outside the Assessment Area			
	# of Loans	%	\$ (000's)	%	# of Loans	%	\$ (000's)	%
<i>HMDA/Consumer</i>	78	64.5	2,643	59.9	43	35.5	1,770	40.1
<i>Small Business</i>	10	47.6	24	10.1	11	52.4	213	89.9
<i>Small Farm</i>	37	63.8	657	63.7	21	36.2	374	36.3
<b>Total</b>	<b>125</b>	<b>62.5</b>	<b>3,324</b>	<b>58.5</b>	<b>75</b>	<b>37.5</b>	<b>2,357</b>	<b>41.5</b>

**Geographic Distribution**

The geographic distribution of loans made within Custar’s assessment area needs to improve. The assessment area consists of one moderate-income tract, seven middle-income tracts, and one upper-income tract. The bank’s lending patterns are inconsistent throughout the entire assessment area and are, therefore, considered poor.

For the evaluation period, Custar originated 78 HMDA/consumer loans in their assessment area. Custar’s lending practice is considered poor, when compared to the percentage of households within the moderate- middle- and upper-income geographies. The percentage of bank loans in the moderate-income geographies was 2.7%, which is significantly less than the percentage of households, at 8.4%. The percentage of loans originated in the upper-income geographies was 5.1%, which again is significantly less than the percentage of households, at 14.6%. As indicated by the numbers, the majority of Custar’s lending is in the middle-income geographies. The percentage of bank loans originated was 92.3%, which exceeds the percentage of households, at 76.2%. Although there is an excellent penetration in the middle-income geographies, Custar’s lending in the moderate- and upper-income geographies is poor.

The bank extended 37 small farm loans during the evaluation period. Again, a large percentage of these loans were made in the middle-income geographies. Of the 37 loans originated, 35 were made in the middle-income geographies, while the remaining 2 loans

were originated in the upper-income geographies. The percentage of farms in the moderate-income geographies was 2.8% compared to the total percentage of farms within the assessment area. The percentage of farms in the moderate- and upper-income geographies was 89.6% and 7.6%, respectively. Based on this analysis, Custar's lending of small farm loans is considered reasonable.

### Borrower Distribution of Different Income Levels

Custar has a reasonable penetration of loans to borrowers of different income levels. The percentage of lending for HMDA loans is a reflection of the demographic characteristics of individuals within the assessment area. When considering the distribution of lending to low- and moderate-income borrowers, the percentage of families below the poverty level is taken into consideration. Within the assessment area, 7.4% of families are living below the poverty level. While poverty level is based upon income level and family size, it is generally true that these families are in the low-and moderate-income categories.

As depicted in the table below, the bank originated no loans to low-income borrowers. The percentage of HMDA loans to moderate-income borrowers was slightly less than the percentage of households in the assessment area. Considering that the percentage of families living below the poverty level is 7.4%, the bank's level of real estate lending is considered reasonable. The bank's percentage of real estate loans to middle-income borrowers exceeded the percentage of middle-income households in the assessment area, while the percentage of loans made to upper-income borrowers closely matched the number of upper-income households. Based on the demographic characteristics of the assessment area, the banking competition in the assessment area, and the information provided for this analysis, Custar has a reasonable distribution of HMDA lending among borrowers of different income levels.

It should also be noted that consumer loans could not be reviewed for borrower distribution because the bank does not collect income information for these loans.

### Borrower Distribution of Real Estate Loans

<b>Borrower Distribution: REAL ESTATE LOANS State: OHIO</b>										
<b>Evaluation Period: JANUARY 1, 2001 to JUNE 30, 2001</b>										
MA/Assessment Area:	Total HMDA		Borrower Distribution							
	#	% of Total	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
			% of Hhlds	% BANK Loans	% of Hhlds	% BANK Loans	% of Hhlds	% BANK Loans	% of Hhlds	% BANK Loans
Custar	29	100	29.1	0	17.5	13.8	19.4	55.2	34.0	31.0

## **Complaints**

Neither Custar nor the Federal Reserve Bank of Cleveland has received any complaints regarding performance under the Community Reinvestment Act.

## **Compliance with Antidiscrimination Laws**

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

## **Community Contacts**

No community contacts were conducted in conjunction with this evaluation.

## APPENDIX A TABLES

Table 1

Loan Distribution as of June 30, 2001		
<i>Loan Type</i>	<i>Dollar Amount (000s)</i>	<i>Percent of Total Loans (%)</i>
<i>Construction and Land Development</i>	998	2.93
<i>Secured by Farmland</i>	4,395	12.94
<i>1-4 Family Residential</i>	23,115	68.04
<i>Multi-Family (5 or more) Residential</i>	0	0
<i>Commercial</i>	2,646	7.79
<b><i>Total Real Estate Loans</i></b>	<b>31,154</b>	<b>91.70</b>
<i>Commercial and Industrial</i>	463	1.36
<i>Agricultural</i>	1,104	3.25
<i>Consumer</i>	1,267	3.73
<i>Other</i>	0	0
<i>Less: Unearned Income</i>	15	.04
<b><i>Total Loans</i></b>	<b>33,973</b>	<b>100%</b>

Table 2

<b>Demographics Custar State Bank</b>								
<b>MSA 8400 Assessment Area</b>								
<b>Income Categories</b>	<b>Tract Distribution</b>		<b>Families by Tract Income</b>		<b>Families &lt; Poverty Level as % of Families by Tract</b>		<b>Families by Family Income</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	0	0	0	0	0	0	1,680	19.4
Moderate-income	1	10	878	10.2	89	13.8	1,708	19.8
Middle-income	7	70	6,123	70.8	487	75.7	2,355	27.3
Upper-income	1	10	1,640	19.0	67	10.5	2,898	33.5
<b>Total Assessment Area</b>	<b>10*</b>	<b>100.0*</b>	<b>8,641</b>	<b>100</b>	<b>643</b>	<b>100.0</b>	<b>8,641</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	0	0	0	0	0	0	0	0
Moderate-income	1,252	827	9.9	66.1	362	28.9	93	7.4
Middle-income	11,686	5,821	69.6	49.8	5,575	47.7	648	5.5
Upper-income	2,169	1,716	20.5	79.1	416	19.2	59	2.7
<b>Total Assessment Area</b>	<b>15,107**</b>	<b>8,364</b>	<b>100.0</b>	<b>55.4</b>	<b>6,353</b>	<b>42.1</b>	<b>800</b>	<b>5.3</b>
	<b>Total Businesses by Tract</b>				<b>Businesses by Tract &amp; Revenue Size</b>			
					<b>Under \$1 million</b>		<b>Over \$1 million</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	0	0	0	0	0		0	
Moderate-income	104	6.4	89		8			
Middle-income	1,099	67.1	979		71			
Upper-income	364	22.2	330		20			
Tract not reported	***N/A	4.3	***N/A	***N/A	***N/A	***N/A	***N/A	***N/A
<b>Total Assessment Area</b>	<b>1,567</b>	<b>100.0</b>	<b>1,398</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>					<b>93.4</b>	<b>1,497</b>	<b>6.6</b>

\*one of the tracts (10%) in the assessment are has no reported income, therefore 1990 census not able to categorize

\*\*116 housing units not categorized

\*\*\*tract not reported data is not available by revenue size of businesses, however 70 businesses that did not report revenues are included in the total businesses by tract in the assessment area

## APPENDIX B

### CRA GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**Block numbering area (“BNA”):** Statistical subdivisions of a county for grouping and numbering blocks in nonmetropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

**Census tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals, activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies,

**Consumer loan:** A loan to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into “male householder” (a family with a male household and no wife present) or “female householder” (a family with a female householder and no husband present).

**Full review:** Performance under the lending, investment, and service tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography:** A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (“HMDA”):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home mortgage loans:** Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Limited review:** Performance under the lending, investment, and service tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**Metropolitan area:** Any primary metropolitan statistical area ("PMSA"), metropolitan statistical area ("MSA"), or consolidated metropolitan area ("CMSA"), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Optional loans:** Includes any unreported category of loans for which the institution collects and maintains data for consideration during a CRA examination. Also includes consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Small loans to business:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small loans to farms:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have

original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.