



## GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First National Bank of Ohio** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **April 19, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

### Basis for the Rating

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. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

## ASSIGNMENT OF RATING

### Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

## ABBREVIATIONS

The following abbreviations are used in this Public Evaluation:

- ATM - Automatic Teller Machine
- CRA - Community Reinvestment Act (12 USC 2901)(12 CFR 25).
- FMER - FirstMerit Corporation
- FNB - First National Bank of Ohio
- HMDA - Home Mortgage Disclosure Act (12 USC 2801)(12 CFR 203).
- MSA - Metropolitan Statistical Area
- PMI - Private Mortgage Insurance, commonly required when a mortgage loan exceeds 80% of the appraised value of the collateral.
- SBA - United States Small Business Administration.

## DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: **Outstanding** record of meeting community credit needs.

**Evaluation Period** - The bank's previous Public Disclosure was dated April 24, 1994. The current disclosure evaluates the bank's performance from April 25, 1994 through April 19, 1996.

**Bank Profile** - First National Bank of Ohio (FNB) is a wholly-owned subsidiary of FirstMerit Corporation (FMER) which owns six commercial banks in Ohio, one trust company in Florida, and one federal savings bank in Florida. As of December 31, 1995, FMER had total assets of \$5.6 billion and net income of \$31 million.

Several significant changes occurred during the review period. During 1994, the bank purchased Great Northern Savings Bank. During 1995, the bank added the prefix FirstMerit to its name. As a result, the bank's marketing efforts centered on re-enforcing the name change within the delineated community. Finally, during the third and fourth quarters of 1995, FMER drastically altered its affiliate structure and restructured its affiliate CRA programs.

The following table shows that the bank's net income and return on average assets has declined during the examination period. The decline has not significantly impacted the bank's ability to meet its responsibilities under the CRA.

**Year-end Assets, Net Income, and Return on Average Assets**  
**\$ (millions)**

	1994	1995
Total Assets	3,008	2,986
Net Income	40	30
Return on Average Assets	1.50	1.00

Source: Year-end 1994 and 1995 Consolidated Report of Income and Condition

As of year-end 1995, the bank had 62 full service branches and 70 ATM's.

The table below shows the bank's loan to deposit ratios for year-end 1994 and year-end 1995. The loan to deposit ratios are reasonable given the bank's size, and the high level of competition from other financial institutions. The bank extends a significant number of both consumer and commercial loans. These tables exclude loans which were made by FNB within its delineated community and subsequently sold in the secondary market.

**Year-end Loans and Deposits**  
\$ (millions)

Type of Account	1994	%	1995	%
Retail Loans	1,044	57%	983	51%
Commercial Loans	779	43%	927	49%
Agricultural Loans	<1	<1%	<1	<1%
Total Loans	1,823		1,910	
Total Deposits	2,252		2,322	
Total Loans/Total Deposits	81%		81%	

Source: 1994 and 1995 Reports of Condition

**Community Profile** - The bank delineates its local community based on geographical boundaries and branch locations. FNB's community delineation includes all of Cuyahoga and Summit county, portions of western Portage county, and portions of northern Stark county. For administrative purposes the bank divides the delineated community into two regions, Northern and Southern.

**Northern Region** - This region is comprised of all of Cuyahoga county and portions of western Portage county. The unemployment rate for the area (4.7%) is slightly below State of Ohio (4.9%) and national (5.2%) unemployment rates. Dominant industries are diversified and include health services, government services, automotive, steel manufacturing, and financial services.

**Southern Region** - This region is comprised of all of Summit county and portions of northern Stark County. The unemployment rate for the area (5%) approximates the State of Ohio and national unemployment rates. Dominant industries include health services, automotive, polymer, bearings, and consumer appliance production.

The following table shows demographic information for the bank's delineated community. For purposes of this evaluation, low- and moderate-income census tracts are defined as those tracts with less than 80% of the MSA's median income.

**Demographic Information for the Bank's Delineated Community**

	<b>Summit &amp; Portage Counties</b>	<b>Stark County</b>	<b>Cuyahoga County</b>	<b>Totals</b>
<b>Population</b>	657,575	367,585	1,412,140	2,437,300
<b>Median income (\$)</b>	32,025	31,408	32,550	-
<b># census tracts</b>	145	75	486	706
<b># Low income census tracts</b>	20	5	109	134
<b># Moderate income census tracts</b>	28	15	91	134
<b># housing units</b>	263,776	146,910	604,538	1,015,224
<b># OOC* housing</b>	171,949	97,872	348,985	618,806

Source: 1990 U.S. Census

\*OOO - Owner Occupied

The table shows that a significant number (40%) of the census tracts within the bank's delineated community are low- or moderate-income. In addition, the majority (61%) of housing units within the delineated area are owner occupied.

**Community Credit Needs** - Our evaluation included contacts with representatives from local affordable housing organizations, realtors, and community activists. These contacts were used to help identify community credit needs.

Community credit needs identified include:

- **Loans for affordable single family housing**

Loans with flexible lending criteria are needed throughout the delineated community. Barriers to customers obtaining these types of loans include poor credit history, high debt-to-income ratios, insufficient funds for downpayment and closing, and zoning restrictions.

- **Small business loans with flexible underwriting criteria**

Economic development is needed within inner city areas throughout the delineated community. This includes investment in “mom and pop” enterprises, as well as, strip centers and large franchises. Greater use of new technology (computer terminals, the World Wide Web, fax lines, electronic mail) combined with layoffs of middle management over the past few years has spawned the growth of home based businesses within the delineated area. These businesses require start-up funds and working capital. Barriers to customers obtaining these types of loans include lack of knowledge of the loan process, lack of collateral, and lack of business expertise.

- **Building Consumer Confidence**

Some customers within the bank’s delineated community are bank-adverse. Customers are hesitant to borrow from banks, even when credit is needed, because of a distrust of the banking industry. This is especially true in many low- and moderate-income areas with high (greater than 50%) owner occupancy rates. In some cases, home owners have made great sacrifices to obtain clear title to properties. Any lien placed against the property is viewed unfavorably.

These needs have also been identified by FNB. See Assessment Factor A for the bank’s responses to these credit needs.



## I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

**Assessment Factor A** - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **Management has developed a formal ascertainment program that is effective in identifying credit needs throughout the bank's delineated community, including the bank's low- and moderate-income census tracts. Credit products have been developed or altered to meet identified credit needs.**

Management constructs and implements an annual CRA Action Plan. The plan includes specific, measurable goals, requires analysis of lending performance, and details ascertainment activities. FNB's CRA Officers are responsible for monitoring compliance with the plan.

FNB's ascertainment activities center around personal, ongoing contacts with a variety of community groups. Some of the groups contacted include: Urban League of Cleveland, Akron Association of Real Estate Brokers, Cleveland Area Development Finance Corporation, Financial Women Association, Home Builders Association, Akron Summit County Action Agency, Akron and Barberton NAACP, Slavic Village Development, Akron City Hospital, Cleveland/Akron/Lakewood Chambers of Commerce, Hillcrest Rotary Club, Mental Health Association, South Akron Board of Trade, City of Cleveland, City of Akron, Cleveland Economic Development, Amistad Development, Living in Cleveland Center, Access, Inc., Wendco/Wand Neighborhood Programs, and Famico Foundation.

Management routinely organizes or participates in community focus groups. During the review period, three focus groups were organized by the bank. The groups are composed of 10-15 individuals who work or have expertise in a common field (ministry, realty, small business, etc.). The groups meet for one day and discuss credit needs in the local community, and the community's perception of FNB. In addition, the bank's CRA officers participated in two focus groups sponsored by community organizations.

FNB management routinely obtains demographic reports. These reports are used to monitor changes in the size and composition of the local community, identify potential credit needs, and target marketing efforts.

As a result of the ascertainment efforts described above, three major credit needs of the local community were identified. These credit needs, along with the bank's response to these needs are detailed below.

- **Affordable housing loans with flexible underwriting criteria**

As of December 1995, FNB offers a variety of conventional residential loan products through its affiliate, the FirstMerit Mortgage Company (FMMC). In addition, the FMMC offers two affordable residential purchase loan products with flexible underwriting criteria, the Build Equity Starting Today I & II (BEST I and BEST II) Loans. Prior to December 1995, the bank offered mortgage products directly. For details, refer to Assessment Factor I.

- **Economic Development/Small business loans**

The bank has entered into agreements with both the City of Cleveland and the City of Akron to invest in targeted areas. Targeted areas are identified by the respective municipalities, and generally include low- or moderate-income areas with limited economic growth and a significant level of deteriorating housing stock. Refer to Assessment Factor H for details. The bank also offers a variety of conventional and government sponsored small business loans.

- **Building Consumer Confidence**

The bank has aggressively forged ties with local community development groups that have achieved strong confidence ratings in the local community. Some bank-adverse customers are more responsive to seminars, literature, loan programs, etc. promoted by these groups than by bank personnel. In addition, FNB management has dispersed financial product information at a variety of fairs, annual banquets, and business seminars.

**Assessment Factor C** - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- **FNB's Board of Directors and senior management maintain a strong role in the review and approval of policies and bank CRA performance.**

As part of a FMER mandate, the bank's CRA program was revised during fourth quarter 1995, and the FMER Corporate CRA Division (CCD) took an active role in the formulation and review of policies and bank CRA performance. The Corporate CRA Division also approved the 1996 CRA Action Plan. FNB's Board reviewed the bank's CRA activities, CRA Statement, community delineation, and CRA Notice.

FNB has two CRA Officers, each responsible for a region (Northern or Southern) of the bank. These officers report directly to the bank CEO. The Corporate CRA Division (CCD) CRA Officer meets with the bank's CEOs to discuss affiliate goals. He also provides a summary to the FNB/FMER Board of Directors semiannually (the Boards are one in the same because of the close proximity of the bank and the corporation). The Corporate CRA Officer's summary includes the status of CRA Action Plan goals, branch openings and closings, and adherence to CRA technical requirements.

The bank has a well-organized CRA Committee. The Committee meets monthly and consists of senior consumer and commercial lenders, compliance officers, CRA Officers, and the CCD CRA Officer. The Committee is responsible for recommending and reviewing new credit products and marketing promotions, and for providing input on CRA data collection systems. An example of a credit product developed via the CRA Committee is the secured credit card. The card is designed to assist customers attempting to establish or reestablish credit, and is secured by a FNB savings account or certificate of deposit. The minimum line is \$375. After two years of satisfactory payment history the line may be renewed without a secured interest. During the review period, the bank issued 293 secured credit cards for \$273 thousand.

FNB complies with the technical requirements of CRA.

## II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

**Assessment Factor B** - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **The bank effectively markets their credit products within the local community, including low- and moderate-income persons. In 1994, marketing campaigns were designed to focus on the bank's credit and financial products. During 1995, marketing efforts centered on name recognition and small business loans.**

FNB marketed its name change and affordable mortgage and home equity loans using a variety of media sources including television, radio, and local newspapers. The largest generally circulated newspapers, such as the "Akron Beacon Journal", and the "Plain Dealer", were the primary media sources used by the bank. While the use of targeted media sources is limited, a number of advertisements were run in newspapers such as the "Call and Post" (African American), "The Reporter" (African American), and "El Nuevo Dia" (Hispanic). During 1995, FMER's Corporate Marketing Division conducted a direct mail campaign for equity lines of credit. In addition, the bank used statement stuffers and word of mouth to promote its credit products. The effectiveness of advertising sources and campaigns is routinely monitored by FMER's Marketing Department.

FNB also uses a network of realtors to promote its affordable housing programs. Loan officers establish working relationships with realtors throughout the local community. The realtors in turn refer potential home buyers to the bank. In addition, management conducted a Home Buying Workshop at the YWCA in Akron. The seminar was designed to promote the BEST loan products.

During 1995, FNB established the Small Business Lending Group (SBLG). The SBLG is composed of six lenders who promote FNB's commercial products to businesses with annual sales of less than \$1 million. The SBLG also targets businesses that are located in, or are willing to relocate within, areas targeted for economic development. Most targeted areas are low-income census tracts.

FNB offers a variety of consumer and commercial loan products. The 1995 CRA Statement correctly lists the credit products offered by the bank. These products are available throughout the entire delineated community.

- **Residential:** One-to-four and multi-family mortgage loans, home improvement, and home equity loans
- **Consumer:** installment loans, lines of credit, credit cards, leases, and education

loans

- **Commercial:** term loans and lines of credit

Since 1990, FNB has offered two affordable mortgage loan programs, BEST I and BEST II. These programs are designed to meet the need for affordable mortgage financing. The BEST I loan program eligibility and underwriting criteria are as follows:

Purpose:	Purchase and Rehabilitation
Downpayment:	Five Percent
Closing costs:	FNB contributes up to \$1,000
Debt Ratios:	33% Housing/38% Total
Maximum Income:	None
PMI:	Required
Restriction:	Limited to designated census tracts

The BEST II loan program eligibility and underwriting criteria are as follows:

Purpose:	Purchase and Rehabilitation
Downpayment:	Five Percent
Closing costs:	FNB contributes up to \$500
Debt Ratios:	33% Housing/38% Total
Maximum Income:	\$120% of median for neighborhood
PMI:	Required
Restriction:	No geographic restrictions

**Assessment Factor I** - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **FNB’s level of origination of mortgage, home improvement and small business loans within its community reflects a strong level of responsiveness to needs identified within the community.**

The following table details HMDA reportable loans originated by FNB during the review period:

**FNB HMDA Lending Within Community  
(represents number of loans)**

	1994		1995	
	Total	W/I	Total	W/I
<b>Conventional</b>	1,571	1,064	1,457	1,073
<b>Refinance</b>	388	360	332	266
<b>HIP</b>	1,284	1,208	1,020	954
<b>Total</b>	3,243	2,632	2,809	2,293
<b>BEST I &amp; II (included in Total HMDA loans):</b>				
	#	\$(000)	#	\$(000)
	*194	8,698	183	6,521

**Source:** 1994 HMDA LAR, 1995 HMDA Register, Internal reports

W/I - Within community delineation

Conventional - Conventional home purchase loans

HIP - Home Improvement

\*As of 11/1/94, Year-end 1994 BEST loan totals unavailable

The table shows FNB originates a high level of refinance and home improvement loans within its delineated community. A significantly lower percentage of conventional purchase loans are originated within the local area. This is the result of a loan production office (LPO) in Toledo, Ohio and referral relationships with mortgage brokers in Columbus, Ohio. Both the LPO and the referral relationship were terminated during third quarter 1995.

The number of HMDA reportable loans declined from 1994 to 1995 as a result of an increase in interest rates, the loss of a large home improvement vendor who referred customers to the bank, and the termination of the LPO and brokerage relationships described above.

Small business loans are defined as loans to businesses with annual sales of \$1 million or less. The following table shows the number and dollar amount of small business loans originated within the bank's delineated community during the evaluation period. The table clearly indicates that the bank makes a substantial majority of its small business loans to businesses located within its community.

#### **Small Business Lending within Community**

	#	% of Total Originations	\$(000)	% of Total Originations
<b>1994</b>	1,321	84%	434,466	87%
<b>1995</b>	1,352	86%	481,594	90%
<b>TOTAL</b>	2,673		916,060	

Source: Internally generated bank reports.

While not specifically identified as a community credit need, FNB maintains a significant portfolio of consumer loans. The bank tracks consumer loans, including installment loans such as auto and boat loans and personal lines of credit (home improvement loans reported on HMDA reports have been deducted from consumer loan totals to prevent duplication). The following table shows the number and dollar amount of consumer loans originated within the bank's delineated community during the evaluation period. Consumer loans declined from 1994 to 1995 due to a restructuring of the bank's consumer loan program.

#### **Consumer Loan Originations within Community**

	#	% Total Originations	\$(000)	% Total Originations
<b>1994</b>	15,324	79%	184,304	72%
<b>1995</b>	10,338	73%	137,667	75%
<b>TOTAL</b>	25,662		321,971	

Source: Internally generated bank reports.

**Assessment Factor J** - The institution's participation in governmentally-insured, guaranteed, or subsidized loan programs for housing, small businesses or small farms.

- **FNB is an active participant in governmentally guaranteed loan programs for small businesses.**

The bank actively participates in a variety of federal, state, and local governmental sponsored small business loan programs. FNB also developed its BEST I & BEST II affordable home loans as an alternative to government sponsored housing programs. See Assessment Factor I for details.

The following table shows FNB's level of originations under each of the government programs listed. The bank's originations increased significantly during the examination period. This was the result of the aggressive marketing efforts of the Small Business Lending Group (SBLG). In addition, lending officers took advantage of streamlined Small Business Administration procedures and drastically reduced loan processing time.

#### **Government Program Originations**

<b>Program</b>	<b>1994 #</b>	<b>1994 \$(000)</b>	<b>1995 #</b>	<b>1995 \$(000)</b>
<b>*Barberton Revolving Loan</b>	1	80	2	348
<b>Linked Deposit</b>	8	1,131	7	889
<b>SBA</b>	10	2,210	25	6,799
<b>**Shaker Hts. Low Interest Loan</b>	1	5	10	36
<b>State of Ohio</b>	1	473	3	4,465
<b>Total</b>	21	3,899	47	12,537

**Source:** Internally generated bank reports.

**\*Barberton Revolving Loan** - A loan participation program between the City of Barberton and local banks. The city's participation reduces the bank's level of exposure.

**\*\*Shaker Heights Low Interest Loan** - Compensating balance program provides low interest rate loans to designated areas of Shaker Heights.



### III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

**Reasonableness of Delineated Community** - The bank's community delineation is considered reasonable. Refer to the Bank Profile section of this evaluation for details.

**Assessment Factor E** - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- **The geographic distribution of the bank's credit extensions, credit applications, and denials is reasonable.**

FNB has extended credit throughout its delineated community. The bank receives applications from a substantial majority of its census tracts. Loan originations are dispersed throughout the community. Within the bank's largest communities (Akron and Cleveland MSA), its market share of home purchase and home improvement loans originated in low- and moderate-income census tracts is better than in middle- and high-income census tracts.

During 1995, FMER's Compliance Department performed a geographic distribution analysis of FNB's HMDA reportable loan applications, originations, and denials from 1992 through 1994. As part of the analysis, the Compliance Department analyzed bank loans using borrower income. The analysis showed that of the applicants within the bank's delineated community, a significant percentage (41%) of HMDA reportable applications were received from L/M persons, versus middle-income (27%), and higher-income (30%) persons. However, the report revealed that the level of application denials was higher for low- and moderate-income borrowers (19%) versus middle-income (14%), and higher-income (7%) borrowers.

The following charts show FNB's market share for various products which were reported in the HMDA Loan Application Register for 1994. HMDA information for 1995 was not available during this examination.

All of the percentages shown are based on the number of applications received or loans approved (not the dollar volume of credit requested by the applicant). The aggregate figures include all providers of the particular type of credit (banks, savings and loans, savings banks, etc.) being reviewed. The tables are based on median family income for the respective years.

The following abbreviations are used in conjunction with the tables:

- PMA - Purchase Money Applications
- PML - Purchase Money Loans
- REFA - Refinance Applications
- REFL - Refinance Loans
- HIA - Home Improvement Applications
- HIL - Home Improvement Loans
- L/M - Low- and moderate-income
- MI - Middle-income
- HI - High-income

The tables show that within its largest markets (Akron MSA and Cleveland MSA), FNB's generates more home purchase and home improvement applications and loans within L/M areas than in middle- and higher-income areas. These ratios reflect the success of the bank's BEST I & II loan programs, and the existence of working relationships with local realtors who often promote the bank's mortgage loan programs. The bank has limited operations in the Canton MSA. All Canton MSA branches are located within the northern quadrant of Canton, a middle- income/high-income area. Another FMER affiliate maintains branches throughout the entire Canton MSA. Within the northern quadrant of the Canton MSA, no low- and moderate-income HMDA reportable applications were received by any lenders, and consequently no loans were extended. In addition, throughout its entire delineated community, FNB generated more refinance applications and loans in middle- and high-income areas than in low- and moderate-income areas.

**Akron MSA 0080  
1994 Market Share**

Loan Type	L/M%	MI%	HI%	TOTAL%
PMA	13.2	6.7	5.1	7.0
PML	13.7	7.4	5.2	7.4
REFA	2.2	3.4	3.7	3.3
REFL	3.4	4.0	3.9	3.9
HIA	15.6	18.3	15.7	17.1
HIL	21.1	21.9	18.0	21.1

Source: 1994 HMDA Data

**Canton MSA 1320  
(Northern Quadrant Only)  
1994 Market Share**

Loan Type	L/M%	MI%	HI%	TOTAL%
PMA	-	7.4	7.8	7.6
PML	-	8.0	8.5	8.2
REFA	-	1.8	1.0	1.4
REFL	-	2.2	1.3	1.7
HIA	-	6.4	8.6	7.2
HIL	-	8.5	10.1	9.1

Source: 1994 HMDA Data

**Cleveland MSA 1680  
1994 Market Share**

Loan Type	L/M%	MI%	HI%	TOTAL%
PMA	1.5	.8	.8	.9
PML	1.5	.8	.8	.9
REFA	.2	.3	.4	.3
REFL	.1	.3	.4	.3
HIA	2.8	1.8	1.7	2.1
HIL	3.4	1.8	1.7	2.2

Source: 1994 HMDA Data

**Assessment Factor G** - The institution's record of opening and closing offices and providing services at offices.

- **FNB's branch offices are reasonably accessible and have a good track record of providing services to all segments of the community.**

FNB has a network of 62 full service facilities, and 70 ATM's. The majority of bank branches are located in low-income (15) or moderate-income (26) census tracts. Hours of operation are based on customer needs, with most offices open Monday through Saturday.

During the review period, three branches were closed, six branches were relocated, and two branches were sold. All three branch closures were conducted in compliance with the bank's branch closing policy. The policy required a financial and demographic review, a notice to the Office of the Comptroller of the Currency, and at least a 90-day notice to bank customers. FNB purchased Great Northern Savings Bank during 1994. As part of the acquisition, the bank received six branches located within 500 feet of existing FNB branches. To alleviate duplication, the newly acquired branches were merged into existing facilities.

During the review period, the bank operated a loan production office (LPO) in Toledo, Ohio. The LPO only accepted applications. In addition, FNB established a referral relationship with several mortgage brokers in Columbus, Ohio. Based on an administrative decision, these operations were discontinued during 1995.

In addition to the branch network, FNB offers a 24-hour customer service telephone line.

#### IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

**Assessment Factor D** - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- **FNB's performance is acceptable, with internal systems in place to attempt to ensure ongoing compliance.**

FNB has taken reasonable steps to ensure that no violations of law or illegal activities take place. These steps include the implementation of an ongoing compliance testing program (designed by FMER). No problems were noted in these internal reviews.

FNB also internally monitors its HMDA data for accuracy. The goal is to ensure that all reportable transactions are reported properly.

Senior management has amended all lending policies to include policy statements forbidding discrimination on an illegal basis. Frequent reminders have also been issued regarding the need for accurate and timely adverse action notices.

A second review program is in place for all purchase money mortgage applications which initially may not meet the bank's underwriting standards. Various senior loan officers are involved in these reviews, which are designed to ensure that all bank policies are properly applied in the credit decision.

**Assessment Factor F** - Evidence of prohibited discriminatory or other illegal credit practices.

- **No prohibited discriminatory or other illegal credit practices are evident.**

We reviewed approximately 100 purchase money mortgage applications which were received during 1995. In our analysis, we reviewed applications from African-Americans which were denied and applications from whites which were approved, to ensure consistency of decision making and policy application. No instances of inconsistent or improper treatment were found.

## V. COMMUNITY DEVELOPMENT

**Assessment Factor H** - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **FNB actively participates in local affordable housing development/redevelopment projects within the Akron and Cleveland metropolises. These areas include the bank's largest low- and moderate-income census tracts.**

The following tables detail FNB's level of participation in community development projects during the review period. The dollar values listed reflect approved lines of credit or equity investments. The bank's level of participation in development projects increased sharply during the review period. This is primarily the result of management's aggressive identification of investment opportunities in the Akron MSA.

**Community Development Investments  
City of Akron**

Program	Purpose	*Loan / Equity	1994 \$(000)	1995 \$(000)
Akron Metro Housing Authority	Provide downpayment assistance to L/M persons	L	69	25
City of Akron Rehab & Loan Grant Program	Finance low-cost rehab loans within designated areas	L	387	366
Home Purchase Incentive Program	Finance fixed rate home purchase loans within designated areas.	L	19	30
Richmond Housing Project	Clearinghouse for home improvement grants and loans within East Akron	L	46	46
Southeast Home Limited Partnership	Provide construction and rehab loans in Southeast Akron	L	-	1,800
City of Akron Enterprise Zone and Loan Fund	Finance consumer and small business loans within designated areas	L	-	82
West Akron Homes Limited Partnership	Construct and rehab homes in Central Akron	L	-	2,729
Tierra y Esperanza Para La Comunidad Humana Organizada	Purchase and rehab homes primarily located in Latino communities	L	15	15
<b>TOTAL</b>			<b>536</b>	<b>5,093</b>

Source: Internal Bank Reports

\*L denotes a loan commitment, E denotes an equity investment.

**Community Development Investments  
City of Cleveland**

Program	Purpose	*Loan / Equity	1994 \$(000)	1995 \$(000)
City of Cleveland Micro Loan	Pool of loans provides a guaranty for small business loans	E L	50 63	50 57
Enterprise Foundation	Tax credit targets rehab projects within Cleveland	E	250	500
Cuyahoga Partners LIHTC	Tax credit for multi-unit apartments in Glenville area	E	-	750
Local Initiative Support Corp.	Tax credit targets construction of homes within city of Cleveland	E	-	500
Miles Heights Amistad	Finance below market home improvement loans	L	-	13
Mt Pleasant Development	Finance construction of 25 homes within designated area	L	1,000	150
University Settlement Affordable Housing Funds	Purchase and rehab of six homes for the homeless	L	-	128
<b>TOTAL</b>			<b>1,363</b>	<b>2,148</b>

Source: Internal Bank Reports

\*L denotes a loan commitment, E denotes an equity investment.



During fourth quarter 1994, a bank affiliate, FirstMerit Community Development Corporation (FMCDC) was established. The FMCDC makes investments within FNB's local community. The following chart details those investments.

### 1995 FMCDC Investments

Program	Purpose	*Loan / Equity	1995 \$(000)
University Settlement	Purchase transitional housing for homeless families	L	128
Lane-Howe Dev. Project	Purchase and rehab 10 homes, for resale to L/M families	L	200
Mini Loan Program	A pool of funds that provide loans of less than \$5 thousand to small businesses in Akron	E	100
Shorebank Cleveland	Provide financing to local bank specializing in economic revitalization projects	**	98
East Akron Neighborhood Dev. Corp.	Purchase and demolish an abandoned property operating as a center for drug activity in a low income area targeted for rehab	L	15
Total			541

**Source:** Internal Bank Reports

\*L denotes a loan commitment, E denotes an equity investment.

\*\*The bank invested in a certificate of deposit issued by Shorebank Cleveland. Shorebank reinvests the funds in housing and economic revitalization projects.

**Assessment Factor K** - The institution's ability to meet various credit needs based on its financial condition and size, legal impediments, local economic conditions, and other factors.

- **There are no financial impediments which inhibit the bank's efforts to help meet the credit needs of its delineated community.**

The bank participates in CRA activities commensurate with its size and financial capacity. The Community and Bank Profiles detailed earlier in this Evaluation provide further information on the financial trends of the institution and the local economy.

**Assessment Factor L** - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- **FNB is actively involved in the origination of student loans.**

The bank considers student loans an important element in ensuring the future economic/employment stability of the local community. As a result, the bank originated \$26.5 million in student loans during the exam period.