
Comptroller of the Currency
Administrator of National Banks

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

November 20, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of McConnellsburg
Charter Number: 8083**

**101 Lincoln Way West
McConnellsburg, Pennsylvania 17233**

**Comptroller of the Currency
Western Pennsylvania Duty Station
4075 Monroeville Boulevard, Suite 300
Monroeville, PA 15146**

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 Community Reinvestment Act (CRA) performance of **The First National Bank of McConnellsburg** prepared by **Comptroller of the Currency**, the institution's supervisory agency, as of November 20, 1996. 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 **Satisfactory**.

The First National Bank of McConnellsburg is responsive to the credit needs of the community, including the low and moderate-income individuals and areas. This is supported by:

- ⇒ The number and types of loans products offered and the reasonable loan to deposit ratio,
- ⇒ A substantial majority of lending is within the assessment area at 85%,
- ⇒ A reasonable distribution by income of lending, and
- ⇒ A good record of lending to small business.

The following table indicates the performance level of The First National Bank of McConnellsburg with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>THE FIRST NATIONAL BANK OF McConnellsburg</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	Not Meaningful		
Response to Complaints	No Complaints were received since the last examination		

DESCRIPTION OF INSTITUTION

First National Bank of McConnellsburg (FNB) as of September 30, 1996 has total assets of \$98 million. The bank offers a wide range of loans and deposit products. Its primary business focus is real estate (mortgage loans) and consumer loans. The bank has no financial or legal impediments which would hinder its ability to help meet the credit needs of its community.

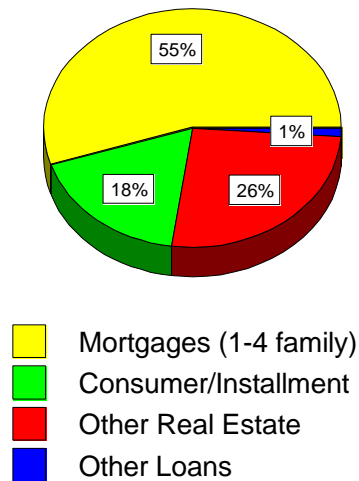
FNB has a total of four banking offices. Two of the four offices are located in McConnellsburg including the main office. Both of these offices are located in Fulton county. These offices have ATM services which include deposit-taking capabilities. The bank also has a branch in Needmore, PA which is located in Fulton County. The fourth branch is located in Fort Loudon located in Franklin county.

The bank's loan portfolio is primarily real estate (mortgage loans) at 55%. The remainder of the portfolio is comprised of other real estate loans (including commercial) at 26%, consumer and installment loans at 18%, and other loans at 1%.

The following chart identifies FNB's loan composition as a percent of total dollar amount of loans as of September 30, 1996:

Loan Composition

September 30, 1996



Note: Commercial loans are included in the Other Real Estate and Other Loans

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low or moderate income areas.

The bank's assessment area consists of all of Fulton County and a small portion of Franklin County. Fulton County is one of Pennsylvania's smallest counties. The population totals 13,837 according to 1990 census data. The bank's assessment area is not located in a Metropolitan Statistical Area (MSA). Both Fulton and Franklin counties are made up of block numbering areas (BNAs). We used the Pennsylvania non-MSA median family income of \$32,800 in our analysis. The bank's branches are located in rural areas.

The bank's assessment area is composed of the following geographic area (BNAs) with the following characteristics: no low, no moderate, 9 middle, and no upper.

The assessment area's economic environment is considered to be stable. The largest employer in Fulton county is JLG industries located in McConnellsburg. JLG employs approximately 2,500 employees which has added to stability to the local economy.

We interviewed a community contact who indicated that the community credit needs included loans to small entrepreneurs. The bank currently offers this type of loan product.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Management continues to help in meeting the credit needs of the entire assessment area, including low and moderate-income individuals. This is considered to be consistent with its resources and capabilities.

Loan to Deposit Ratio

FNB's average loan to deposit ratio over the past eight quarters was 66 percent. This loan to deposit ratio average is relatively consistent with local competition that demonstrated an average loan to deposit ratio of 71 percent. Disparity between FNB and local competition is primarily due to the recent acquisition of the Fort Loudon office, with assumption only of new deposits and no new loans.

Lending in the Assessment Area

A substantial majority of the bank’s lending activities is within the assessment area. We used manually prepared management reports to determine lending levels within the assessment area. We tested management’s reports for accuracy.

Loans by dollar originations for 1995 within the assessment area represent 83 percent of the total loan volume (\$16 million). In addition, the bank originated 1,968 loans for 1995, of which 1,666 or 85 percent were within the bank’s assessment area.

Income Distribution within Assessment Area

The distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels. Within the bank’s assessment area 14.9 percent are low, 18.2 percent moderate, 27.1 percent middle, and 39.8 percent upper income families.

In our review of 20 mortgage loans and 20 consumer loans, we found that 30 percent of all consumer loans were made to low income families. In addition, and on average, 35 percent of all mortgage and consumer loans were to moderate income families, 37 percent to middle income families, and 13 percent to upper income families. This represents a reasonable dispersion of sampled mortgages and consumer loans to individuals of different income groups. Additionally, FNB provides significant mobile home instalment credit which is not captured in total mortgage loan numbers and volumes.

The following chart demonstrates FNB’s loan dispersion to borrowers of different incomes. FNB’s assessment area shows a high concentration of rental occupied units. FNB offers no minimum dollar amount on instalment credit in an effort to meet differing credit needs.

<i>Lending to Borrowers of Different Incomes</i>										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
<i>Area Demographic Characteristics</i>	14.89		18.18		27.10		39.83		100%	
<hr/>										
<i>Loan Types</i>	#	%	#	%	#	%	#	%	#	%
Mortgages	0	0%	9	45%	10	50%	1	5%	20	100%
Consumer	6	30%	5	25%	5	25%	4	20%	20	100%

There is an excellent penetration of loans to small business. Information from the June 30, 1996 Call Report indicates that 100% of commercial lending is to small businesses. We sampled a small number of these loans to ensure revenue accuracy. A small business loan is defined as a loan with an original amount of less than \$1 million dollars. Total small business loans of \$7 million dollars represents 13% of total loans and leases.

Small Business Loans By Size of Loans as of 6/30/96					
	Commercial Real Estate		Commercial Loans		% (by #)
Loan Size	#	\$(000)	#	\$(000)	
<\$100M	24	\$838	100	\$1,400	81%
\$100-\$250M	5	\$663	13	\$1,362	12%
\$251M-\$1MM	5	\$1,432	6	\$1,373	7%
>\$1MM	0	0	0	0	100%

M = Thousand
MM = Million

Geographic Distribution of Loans

FNB's assessment area includes no low and moderate BNAs. As such, no meaningful analysis was possible regarding the distribution of credit within the assessment area.

Fair Lending Analysis

FNB is in substantial compliance with the provisions of antidiscrimination laws and regulations. An analysis performed during the recent consumer compliance examination did not reveal any discriminatory treatment or illegal practices.