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Comptroller of the Currency  
Administrator of National Banks

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

## Public Disclosure

March 10, 1997

# Community Reinvestment Act Performance Evaluation

**Hoblitzell National Bank  
Charter Number: 6615**

**P.O. Box 667, Center Street  
Hyndman, Pennsylvania 15545**

**Office of the 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 CRA performance of **Hoblitzell National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 10, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

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

Hoblitzell National Bank 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 loan products offered and a good loan to deposit ratio of 72%,
- ▶ The strong lending performance within the assessment area at 99%,
- ▶ A reasonable distribution of loans to individuals and families of different income levels,
- ▶ A reasonable geographic distribution of loans within the assessment area given the size of the institution, and
- ▶ A good record of lending to small businesses.

The following table shows the performance level of **Hoblitzell National Bank (HNB)** for the five performance criteria.

<b>Small Institution Assessment Criteria</b>	<b>Hoblitzell National Bank Performance Levels</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does Not Meet Standards for Satisfactory Performance</b>
<b>Loan to Deposit Ratio</b>		<b>X</b>	
<b>Lending in Assessment Area</b>	<b>X</b>		
<b>Lending to Borrowers of Different Incomes and to businesses of Different sizes</b>		<b>X</b>	
<b>Geographic Distribution of Loans</b>		<b>X</b>	
<b>Responses to Complaints</b>	<b>HNB has not received any CRA-related complaints since the last examination.</b>		

**Description of Institution**

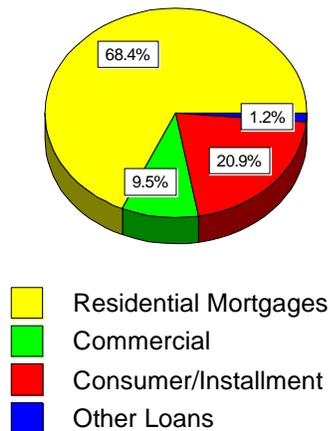
HNB is headquartered in Hyndman, Pennsylvania. The bank had total assets of \$31 million as of December 31, 1996. HNB offers a variety of consumer and commercial loan and deposit products. The primary focus of lending activities is centered in residential real estate and consumer installment lending. This is reflected in the composition of the loan portfolio shown in the graph below. The institution has no financial or legal impediments that hinder its ability to help meet the credit needs of the community.

HNB has two banking offices. One branch is in Hyndman in the same building as the headquarters. The other banking office is in State Line, Pennsylvania. Both branches are full-service and offer drive-up banking.

The chart below reflects HNB's loan composition as a percentage of the dollar amount of outstanding loans on December 31, 1996:

## LOAN COMPOSITION

December 31, 1996



### Description of Assessment Area

HNB's assessment area meets the requirements of the CRA regulation and does not arbitrarily

exclude low or moderate income geographies.

The bank has a multi-state assessment area (Pennsylvania, Maryland, and West Virginia). Banking offices are not located within a Metropolitan Statistical Area (MSA), but HNB's assessment area includes counties located within the Cumberland, Maryland and Johnstown, Pennsylvania MSAs. HNB's assessment area is segregated into four regions. Regions one and two are in Pennsylvania and consist of portions of Bedford and Somerset Counties. Regions three and four include most of Allegany County, Maryland, and Mineral County, West Virginia. The assessment area population is 136,737 and is unique in that it includes both rural and metropolitan areas. In our evaluation we used the MSA/Non-MSA's updated median family income of \$31,685 for 1996.

The economic environment is considered stable. Allegany and Bedford Counties have experienced economic growth. Several large employers (State and Federal Prisons and AES Warrior) have relocated or are planning to move into the area. The major industries are manufacturing and retail. Despite the improvement in the economic conditions the unemployment rate for the assessment area continues to be well above the National and State average, with the exception of Somerset County. The following table shows the unemployment rates:

<b>County</b>	<b>Unemployment Rates for September 1996</b>	<b>States/National</b>	<b>Unemployment Rates for September 1996</b>
Allegany County, MD	7.9%	Pennsylvania	4.8%
Bedford County, PA	6.6%	Maryland	4.9%
Mineral County, WV	6.4%	West Virginia	6.5%
Somerset County, PA	4.1%	National Rate As of March 1997	5.3%

HNB competes with traditional and non-traditional banking entities. Within the bank's assessment area are several branches of larger regional banks. In addition, several credit unions and finance companies compete with the bank for consumer business.

HNB plans to open an additional branch within the next year as well as Automated Teller Machines (ATM). The new branch and ATM's will be within its current assessment area. This will allow customers greater accessibility to bank services.

## **Conclusions with Respect to Performance Criteria**

### *Loan-to-Deposit Ratio*

HNB's loan to deposit ratio is good. The loan to deposit ratio has averaged 64% over the last eight quarters. Since our last examination the loan to deposit ratio has increased from 60% to 72%. This compares favorably to the national peer average of 66%.

### *Lending in Assessment Area*

A substantial majority of loan originations are within the assessment area. We used manually prepared management reports to determine lending levels within the assessment area. We tested management reports for accuracy and found no exceptions.

In 1996 the bank originated 414 consumer loans. Of those originations, 410 or 99% were made within the assessment area. Comprehensive reports were not available for 1995, however, lending philosophies regarding the geographic market area have remained substantially consistent over the last two years.

### *Income Distribution within Assessment Area*

The distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels.

In our review of 20 personal unsecured loans, we found that 30% were made to low income families, 20% to moderate income families, 35% to middle income families, and 15% to upper income families. In our review of 20 residential mortgage loans, we found that 20% were made to moderate income families, 30% to middle income families, and 50% to upper income families. This reflects a reasonable dispersion of mortgages and personal loans to individuals of different income groups.

Further analysis beyond the sample of loans discussed above, revealed that 11% of all residential mortgage loans originated in 1996 were to low income families.

This table summarizes lending to borrowers of different income levels based on our sample of 20 mortgage and 20 personal unsecured loans.

<b>Lending to Borrowers of Different Income Levels (1996)</b>										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	20%		19%		24%		37%		100%	
Loan Type	#	%	#	%	#	%	#	%	#	%
Personal Loans	6	30%	4	20%	7	35%	3	15%	20	100%
Mortgages	0	0%	4	20%	6	30%	10	50%	20	100%

Demographics from 1990 Census Data

HNB has a good record of lending to small businesses. In our review of commercial loans we found that 100% of commercial loan originations were to small businesses. A small business loan is defined as a loan made to a company with annual revenues of \$1 million or less.

### *Geographic Distribution of Loans*

The bank's lending performance for distribution of loans is reasonable given the size of the institution. However, a loan penetration analysis shows that the bank is not lending in substantially all of the census tracts or block numbering areas (BNA's) in its assessment area. The bank's good loan to deposit ratio indicates that the bank is actively soliciting and granting loans. However, HNB has limited resources, i.e. branch offices and ATMs. The bank has two banking offices in Bedford County, Pennsylvania for servicing an assessment area that spans into three states and includes portions of four counties. The small branching network and the locations limit the bank's ability to provide loan and deposit services to its entire assessment area. HNB plans to increase its branch network and to install ATMs. This will allow the bank to better serve its assessment area.

The following table shows HNB's lending performance within census tracts of different income levels:

<b>Lending by Characteristics of Census Tract (1996)</b>										
	Low Income Census Tracts		Moderate Income Census Tract		Middle Income Census Tracts		Upper Income Census Tracts		Total	
Area Demographic Characteristics	2.5%		10%		80%		7.5%		100%	
Loan Type	#	%	#	%	#	%	#	%	#	%
Mortgages	0	0%	1	5%	17	85%	2	10%	20	100%

Demographics from 1990 Census Data

The above table is based on our sample of 20 mortgage loans originated during 1996.

*Fair Lending*

HNB is compliance with the provisions of anti-discrimination laws and regulations. An analysis performed during the recent consumer compliance examination did not reveal any discriminatory treatment or illegal practices.