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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**

**December 16, 1996**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Citizens National Bank of Lansford  
Charter Number: 7051  
13-15 West Ridge Street  
Lansford, Pennsylvania 18232**

**Office of the Comptroller of the Currency  
Wilkes-Barre Duty Station  
100 Hazel Street, Suite 202  
Wilkes-Barre, Pennsylvania 18702**

**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 **Citizens National Bank of Lansford** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of December 16, 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**.

This overall rating is supported by the following factors:

- The bank's average loan-to-deposit ratio of 80% exceeds the peer average of 72%.
- The majority of loan originations were within the bank's assessment areas.
- The bank lends to borrowers of all income levels and has a good record of lending to small businesses.
- The bank's percentage of loan originations in moderate income census tracts is significantly higher than the demographic composition would suggest.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Citizens National Bank of Lansford</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	X		
Response to Complaints	No complaints were received since the prior examination.		

## **DESCRIPTION OF INSTITUTION**

Citizens National Bank of Lansford's (CNBL) assets totaled \$154 million on September 30, 1996. Primary loan products offered are mortgage and small business loans. The loan portfolio accounts for 58% of total assets. The loan portfolio consists of 71% one-to-four family residential loans, 19% commercial loans, and 10% consumer loans. CNBL is a subsidiary of Harleysville National Corporation (HNC), a three-bank holding company providing financial services through its banking subsidiaries. Total assets of the holding company just reached \$1 billion on September 30, 1996. HNC is headquartered in Harleysville, Montgomery County, with banking offices in Montgomery, Bucks, Carbon, and Wayne counties. There are no known legal or financial impediments to prevent CNBL from meeting the credit needs of its community.

CNBL's main office is located in the borough of Lansford in Carbon County. Carbon County is in the northern portion of the Allentown-Bethlehem-Easton MSA #240 in eastern Pennsylvania. The bank operates two other branches in Carbon County, one in Summit Hill and another in Mahoning Township. The Mahoning Township branch opened September 29, 1995 and includes an automated teller machine. The bank also operates a branch in Honesdale, Wayne County. Wayne County is located in northeastern Pennsylvania and is not included in an MSA. This branch was acquired through CNBL's merger with Farmer and Merchant's bank on March 1, 1996

## **DESCRIPTION OF ASSESSMENT AREAS**

CNBL has defined two assessment areas which meet regulatory requirements and do not arbitrarily exclude low- or moderate-income geographies. The assessment areas will be referred to as the Carbon County assessment area and the Wayne County assessment area.

The Carbon County assessment area includes all of Carbon County and four block numbering areas (BNAs) in adjoining Schuylkill County. All of Carbon County is within MSA 240 and contains ten census tracts: five moderate-income tracts and five middle-income tracts. The moderate-income tracts include Lansford and Summit Hill, both locations with CNBL branches. Schuylkill County is a non-MSA region of Pennsylvania and all four Schuylkill County BNAs are middle-income geographies. The total population of this assessment area is 73,051 according to 1990 census data. The HUD median family income is \$43,800. The median housing value is \$59,900. According to bank management, the economy is stable although local unemployment is higher than that of the overall MSA. A large segment of the population commutes to the Lehigh Valley and Reading for employment. The largest employer within the assessment area is Kovatch Industries, a vehicle dealership and manufacturer. Other industries are garment- and service-oriented small businesses. The bank's primary competitors are branches of larger banks including Summit Bank, Pennsylvania National Bank, First Union, and Pennsylvania National Corporation (PNC).

The Wayne County assessment area includes fifteen middle-income BNAs. The county is mostly rural except for Honesdale which is the county seat. The total population of this

assessment area is 39,944. The statewide non-metropolitan median family income for non-MSA portions of Pennsylvania is \$32,800. The median housing value is \$91,800. Tourism is the major industry. The county government and small businesses also provide employment opportunities. A highway project is nearing completion in Lackawanna County that will more easily link Wayne County to the metropolitan areas of Wilkes-Barre and Scranton. Primary competitors in this market are Honesdale National Bank, Dime Bank, and Wayne Bank.

Management indicated that the primary credit needs of the community are for housing and loans to small businesses. CNBL adequately meets the credit needs of the community it serves.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :**

For purposes of discussion, the term year-to-date refers to September 30, 1996.

#### **Loan to Deposit Ratio**

CNBL's average loan to deposit ratio since our last examination on December 31, 1992 is 80%. This ratio compares favorably to the peer average of 72% for similar sized banks in Pennsylvania. CNBL's ratio was negatively impacted by the merger with Farmers and Merchants Bank in March of 1996. Prior to the merger, CNBL's average loan to deposit ratio was 85% versus 71% for peer.

#### **Lending in Assessment Area**

Our analysis of this performance criteria is based on bank-prepared reports of all loan originations in 1995 and year-to-date 1996. The accuracy of these reports was verified through testing. The table below shows that a majority of loans were made within the assessment area.

<b>LOAN ORIGINATIONS 1995 AND YTD 1996</b>				
	<b>Number of Loans</b>	<b>%</b>	<b>Dollar Amount (\$000s)</b>	<b>%</b>
<b>Inside AA</b>	<b>1,026</b>	<b>83</b>	<b>\$36,583</b>	<b>80</b>
<b>Outside AA</b>	<b>205</b>	<b>17</b>	<b>8,988</b>	<b>20</b>
<b>Total</b>	<b>1,231</b>	<b>100</b>	<b>\$45,571</b>	<b>100</b>

#### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Lending to borrowers of different incomes was evaluated through analysis of the bank's HMDA loan originations within the two assessment areas. These loans were chosen because

they comprise over 70% of the outstanding loan portfolio. Additionally, income information was readily available. The table below shows 1995 and year to date 1996 HMDA loan originations for the Carbon County assessment area. We concluded that CNBL's volume of lending in the Carbon County assessment area is representative of the area's demographic composition.

<b>LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS</b>					
<b>HMDA LOAN ORIGINATIONS WITHIN CARBON COUNTY ASSESSMENT AREA</b>					
	<b>1995 Originations</b>		<b>YTD 1996 Originations</b>		<b>Demographic Composition of Assessment Area</b>
<b>Income Level of Borrower</b>	<b>Dollar Amount of Loans</b>	<b>Number of Loans</b>	<b>Dollar Amount of Loans</b>	<b>Number of Loans</b>	
<b>Low</b>	<b>12%</b>	<b>23%</b>	<b>5%</b>	<b>15%</b>	<b>24%</b>
<b>Moderate</b>	<b>22%</b>	<b>29%</b>	<b>23%</b>	<b>29%</b>	<b>26%</b>
<b>Middle</b>	<b>30%</b>	<b>25%</b>	<b>44%</b>	<b>39%</b>	<b>27%</b>
<b>Upper</b>	<b>36%</b>	<b>23%</b>	<b>28%</b>	<b>17%</b>	<b>23%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The table below shows 1996 HMDA loan originations in Wayne County. Farmers and Merchants Bank was not subject to HMDA reporting prior to 1996. The volume of lending to borrowers of different income levels is reasonable. More loans were originated to middle- and upper-income borrowers than the demographics of the county would suggest because those borrowers were better able to afford the available housing within the assessment area; median housing value is \$91,800.

<b>LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS</b>			
<b>HMDA LOAN ORIGINATIONS WITHIN WAYNE COUNTY ASSESSMENT AREA</b>			
	<b>YTD 1996 Originations</b>		<b>Demographic Composition of Assessment Area</b>
<b>Income Level of Borrower</b>	<b>Dollar Amount of Loans</b>	<b>Number of Loans</b>	
<b>Low</b>	<b>7%</b>	<b>9%</b>	<b>19%</b>
<b>Moderate</b>	<b>6%</b>	<b>19%</b>	<b>20%</b>
<b>Middle</b>	<b>37%</b>	<b>28%</b>	<b>24%</b>

<b>Upper</b>	<b>50%</b>	<b>44%</b>	<b>38%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Our analysis of loan originations to businesses of different sizes is based on bank-prepared reports of loan originations. The bank's record of lending to small businesses is good. In the Carbon County assessment area all business loan originations in 1995, totaling \$7.2 million, were to small businesses. In 1996, small business loan originations totaled \$5.1 million through September, comprising 43% of all business loan originations. One commercial relationship to a large business accounted for the balance of business loan originations in 1996. In the Wayne County assessment area, all business loans, totaling \$798 thousand were made to small businesses.

### **Geographic Distribution of Loans**

An evaluation of the geographic distribution of loans was performed for the Carbon County assessment area using bank-prepared reports for all loan originations. The 1995 loan origination report did not include the number of loans but only the dollar volume. The table below shows the volume of lending in moderate- and middle-income geographies of the Carbon County assessment area in 1995 and year-to-date 1996. There are no low- or upper-income geographies within the assessment area. We concluded that the bank's volume of lending in moderate-income areas exceeds the demographic composition of the assessment area.

<b>GEOGRAPHIC DISTRIBUTION OF LENDING WITHIN CARBON COUNTY ASSESSMENT AREA</b>					
		<b>1995 Originations</b>		<b>YTD 1996 Originations</b>	
<b>Income Level of Geography</b>	<b>% of Geographies</b>	<b>Number of Loans</b>	<b>Dollar Amount of Loans</b>	<b>Number of Loans</b>	<b>Dollar Amount of Loans</b>
<b>Low</b>	<b>0</b>	<b>NA</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Moderate</b>	<b>36%</b>	<b>NA</b>	<b>62%</b>	<b>66%</b>	<b>81%</b>
<b>Middle</b>	<b>64%</b>	<b>NA</b>	<b>38%</b>	<b>34%</b>	<b>19%</b>
<b>Upper</b>	<b>0</b>	<b>NA</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>100%</b>	<b>NA</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

An analysis of the geographic distribution of loan originations in the Wayne County assessment area was not performed since all BNAs are middle-income geographies.

### **Compliance with Antidiscrimination Laws**

A fair lending review performed in conjunction with this CRA examination revealed satisfactory compliance with fair lending regulations. We noted no practices intended to discourage or impede potential borrowers from applying for credit.

### **Investments**

During this evaluation period CNBL, in conjunction with four other Carbon County community banks, started the Carbon County Homeownership Assistance Program (CCHAP). The local banks felt that such a program was needed to enhance credit availability for affordable housing within the Carbon County assessment area. A first time home buyers mortgage program for low- and moderate-income families, administered by the Carbon County Action Committee for Human Services, was just implemented. CCHAP provides both financing and funding for downpayment and closing costs through a combination of grants by PP & L's Community Partnership Program and low interest loans from the Federal Home Loan Bank's Affordable Home program. CNBL's investment in this program includes 40 hours spent by a senior bank official in coordinating the program, a \$2,000 contribution toward operating costs, and the development and printing costs of CCHAP's initial brochure.