



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 29, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Columbia County Farmers National Bank
Charter Number 11058**

**232 East Street
Bloomsburg, PA 17815**

**Comptroller of the Currency
Northern Pennsylvania Field Office
100 Hazle Street, Suite 202
Wilkes-Barre, PA 18702**

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

This institution is rated Satisfactory.

The overall rating is based on the following factors:

- The loan-to-deposit ratio exceeds the standard for satisfactory performance;
- A substantial majority of the bank's loans are originated in its assessment area (AA);
- The bank's record of lending to borrowers of different incomes meets the standard for satisfactory performance; and
- A satisfactory level of community development lending.

DESCRIPTION OF INSTITUTION

Columbia County Farmers National Bank (CCFNB) is a \$214 million intrastate community bank with its main office and headquarters in Bloomsburg, Pennsylvania. Bloomsburg is the county seat of Columbia County in eastern Pennsylvania. CCFNB is a wholly owned subsidiary of CCFNB Bancorp, Inc. This holding company also owns a partnership interest in a small, local insurance agency.

In addition to the main office, the bank has five branch offices, all located in Columbia County, which is the bank's AA. The bank also has four ATMs located at branch office sites. Five of the six offices have drive-up facilities. All offices are located in middle-income geographies. A bank website offers information on branch hours of service and bank products. Internet banking is also available. CCFNB does not have any legal or financial condition restrictions that would impede their ability to help meet the credit needs of their community.

As of December 31, 2001, CCFNB reported \$142 million in net loans and \$156 million in total deposits. Net loans represented 67% of total assets. The bank's loan portfolio consists of residential real estate loans (55%), consumer loans (7%) and commercial loans (38%). The primary lending product is residential mortgage loans, which is a primary business focus of the bank. Net Tier 1 Capital is \$25 million as of that same date.

According to the June 30, 2001 FDIC/OTS Summary of Deposits Market Share Report, CCFNB was ranked 17th out of 33 institutions in the Scranton/Wilkes-Barre/Hazleton, PA MSA with 1.63% of deposits. PNC Bank was ranked first with 43 offices in the MSA and 23.1% of the deposits. Other financial institutions include First Union National Bank, in second place, with 19 offices and 9.08% of the deposits, and M&T, ranked third with 24 offices and 8.24% of the deposits.

In the bank's AA of Columbia County, CCFNB was ranked second out of nine institutions with 17.89% of the deposits. Competitors in this market include the First National Bank of Berwick, ranked first with six offices in the county and 29.17% of the deposits, First Columbia Bank and

Trust Co., ranked third with eight offices and 17.88% of the deposits, and PNC Bank, ranked fourth with four offices and 12.02% of the deposits.

The evaluation period for the Lending Test for home mortgages reported under the Home Mortgage Disclosure Act (HMDA) and for community development loans is from January 1, 1997 through December 31, 2001.

CCFNB's last Public Evaluation (PE) was dated January 13, 1997 and the overall CRA rating assigned was **Satisfactory**. Since the previous PE, CCFNB has not closed or opened any branches.

DESCRIPTION OF SCRANTON/WILKES-BARRE/HAZLETON, PA MSA

CCFNB has identified all of Columbia County as its AA. This AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. Columbia County is primarily a rural area in the eastern part of the state. It is part of the Scranton/Wilkes-Barre/Hazleton, PA MSA 7560 (SWH MSA). The more populous Wyoming Valley and City of Scranton are approximately 40 to 50 miles to the north of Bloomsburg.

There are 15 census tracts (CTs) in Columbia County. One CT is moderate-income (7%), thirteen are middle-income (86%) and one is an upper-income tract (7%). There are no low-income tracts in the AA. The total population in the AA was 63,202 as of the 1990 U.S. Census. The unemployment rate as of May 31, 2002 in Columbia County was 6.5%. This rate is higher than the MSA rate of 6.1% and the state rate of 5.6%. Major employers in the bank's AA as of September 30, 2001 include Bloomsburg University, Wise Foods, H.J. Heinz Company, Magee Rieter Automotive Systems and the Berwick Hospital.

The median cost of housing in the AA is \$55,997. The Updated Median Family Income for 2002 is \$45,100. The percentage of households below the poverty level is 10.95%. The AA's population is comprised of 16,657 families with the following family income distribution: 16% are low-income, 23% are moderate-income, 28% are middle-income, and 33% are upper-income.

In 2000, 140 lenders originated HMDA loans in the bank's AA, according to the HMDA Peer Mortgage Data. CCFNB was ranked first in the AA with a market share of 12.45%. First Columbia Bank and Trust Company ranked second with a market share of 8.82%. Other competitors consisted of large national banks and mortgage companies, large regional banks, local community banks, credit unions and mortgage brokers with nationwide sources of funding.

A community contact was made with a community leader and a representative of the local chamber of commerce. The unemployment rate, due to the loss of manufacturing jobs in the area, was expressed as an area of concern. The need to attract new businesses, especially to the downtown area, was also thought to be a community need. However, the contacts could not identify unmet credit needs, as local financial institutions were perceived as currently being able to meet the various credit needs in the community.

Community development opportunities in the county are limited. Competition for these types of investments is very strong. Also, in the MSA most of the development opportunities are in the Wyoming Valley, Hazleton and Scranton areas.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The evaluation period covered lending activity for home mortgages reported under the Home Mortgage Disclosure Act (HMDA) from January 1, 1997 through December 31, 2001. These loans were the only products reviewed due to the business focus of the bank and the large percentage of the loan portfolio comprised of home mortgage loans.

Loan-to-Deposit Ratio

CCFNB's loan-to-deposit ratio exceeds the standard for satisfactory performance. The bank's average loan-to-deposit ratio for the prior 20 quarters is 91%. This ratio exceeds the average quarterly ratios of similarly situated banks in a peer group of banks with similar asset size in Pennsylvania. That custom peer average was 83%, with average ratios during the period ranging from 79% to 88%.

Lending in Assessment Area

A substantial majority of the home mortgage loans originated during the evaluation period were within the AA. CCFNB exceeds the standard for satisfactory performance for lending in the AA. An analysis of the HMDA data disclosed that 86% of the loans were originated in the AA. The following table is an analysis of the distribution of home mortgage loans.

HOME MORTGAGE LOANS ORIGINATED DURING EVALUATION PERIOD				
	<i>INSIDE ASSESSMENT AREAS</i>		<i>OUTSIDE ASSESSMENT AREAS</i>	
	# Loans	\$(000)	# Loans	\$(000)
Home Purchase Loans	258	19,867	52	3,819
Home Refinance Loans	398	23,476	63	3,420
Home Improvement Loans	273	7,276	40	993
Multifamily	3	723	0	723
Total Loans	932	51,342	155	8,232
Percentage	86%	86%	14%	14%

Source: 1997-2001 HMDA-LAR

Lending to Borrowers of Different Incomes

CCFNB's record of lending to borrowers of different incomes meets the standard for satisfactory performance. The level of home mortgage loans originated to low-income borrowers is less than the percentage of low-income families in the AA. However, when considering the affordability of housing in the MSA, this performance is adequate. The median cost of housing in the MSA is \$56 thousand, based on 1990 census data. The HUD updated median family income for 2002 is \$45 thousand. This means that a low-income person earns less than \$22.5 thousand. Based on these statistics, it would be difficult for a low-income individual to purchase housing in the AA. Also, in 2000, of the 58 lenders to low-income individuals in the AA, CCFNB was ranked sixth, with a market share of 4.88%.

The percentage of loans made to moderate-income borrowers is near to the percentage of moderate-income families in the MSA. This performance is good. Of the 68 lenders to moderate-income individuals in 2000, CCFNB ranked first in the AA with a market share of 12.23%.

Borrower Distribution of Home Mortgage Loans in the AA					
Income Level	# of Loans	% of Loans	\$ (000) of Loans	% of \$ of Loans	Income Level of Families in AA
Low	72	7.73%	2,453	4.78%	16.22%
Moderate	185	19.85%	7,464	14.54%	22.80%
Middle	293	31.43%	14,796	28.82%	27.91%
Upper	382	40.99%	26,629	51.86%	33.07%
Total	932	100.00%	51,342	100.00%	100.00%

Source: 1997-2001 HMDA-LAR

Geographic Distribution of Loans

The geographic distribution of loans in the AA is adequate. There are no low-income geographies in the AA and there is only one moderate-income geography in the AA. This moderate-income geography is located in a portion of a borough 13 miles from the closest CCFNB branch. Due to the number of competitors with facilities in that borough (six), the lack of public transportation and the lack of a branch office nearby, the bank's ability to generate loans in the moderate-income area is very limited.

In 2000, of the 47 lenders originating HMDA loans to individuals in the AA's moderate-income geography, CCFNB was ranked sixth, with a market share of 4.93%.

These factors mitigate the bank's level of performance in relation to the percentage of owner occupied households in the moderate-income geographies. Additionally, an analysis of the bank's lending patterns in the AA revealed that the bank originated loans in every census tract in the AA.

Geographic Distribution of Home Mortgage Loans					
Census Tract	# of Loans	% of Total Loans	\$ (000) of Total Loans	% of \$ of Total Loans	% of Owner-Occupied Units
Low	0	0%	0	0%	0%
Moderate	12	1.29%	441	0.86%	9.04%
Middle	861	92.38%	47,162	91.86%	87.03%
Upper	59	6.33%	3,739	7.28%	3.93%
Total	932	100.00%	51,342	100.00%	100.00%

Source: 1997-2001 HMDA-LAR

Community Development Lending

CCFNB's level of community development lending is satisfactory when considering the limited opportunities available in the AA. The bank originated three community development loans totaling \$1.3 million during the evaluation period. All of these loans were for the construction of new housing complexes for elderly low-income individuals.

Responses to Complaints

The bank has not received any CRA-related consumer complaints since the last CRA examination.

Fair Lending Review

An analysis of the bank's most recent public comments, consumer complaint information and the bank's HMDA lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The most recent comprehensive fair lending examination was performed in 2000. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified at that time.