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Public Disclosure

August 12, 1996

Community Reinvestment Act Performance Evaluation

LA Bank, NA
Charter Number: 9886
Route 191
Lake Ariel, Pennsylvania 18436

Office of the Comptroller of the Currency
Northeastern Pennsylvania Duty Station
100 Hazle 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 CRA performance of LA Bank, NA prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 12, 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 primary factors supporting this bank's overall rating include:

- The average loan-to-deposit ratio is 69% and is comparable to peer; however, performance in this area exceeds satisfactory standards due to the volume of loans sold and serviced by the institution.
- The majority of the HMDA (Home Mortgage Disclosure Act) loans originated during the examination period are in the bank's assessment area.
- Loans originated in the assessment area are reasonably distributed among geographies and individuals of different income levels.
- Small business loans constitute a substantial portion of total commercial loans.

The following table indicates the performance level of LA Bank, NA with respect to each of the five performance criteria.

Small Institution Assessment Criteria for LA Bank, NA Performance Criteria			
	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

LA Bank, NA (LAB) is a \$267 million dollar financial institution located in Northeastern Pennsylvania. The bank is a wholly owned subsidiary of LA Bancorp, Inc., a one bank holding company. LAB began operations 85 years ago at its main office in Lake Ariel, Pennsylvania. Financial services are provided through eleven full service offices positioned throughout its primary market area of Lackawanna, Pike, and portions of Wayne counties. LAB's branch network includes ten drive-up facilities and twelve automated teller machines (ATM). One branch was opened since the last CRA examination dated June 13, 1994.

LAB's mission is to remain an independent community bank operating in a manner that will be advantageous to its shareholders, customers, employees, and community. Financial services are provided through a full menu of loan and deposit products developed to benefit both consumer and commercial customers. The bank's loan portfolio comprises approximately 60% of total assets. The majority of loans, 72%, are real estate mortgages with consumer and commercial loans representing an additional 20% and 8%, respectively. Strong competition is provided by other community banks and several regional bank branches positioned in LAB's market.

There are no legal or financial impediments that would prevent LAB from helping to meet the credit needs of its community.

Description of LAB's Assessment Area

LAB's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income census tracts. The assessment area includes 69 census tracts located within the whole geographies of Lackawanna County (MSA 7560) and Pike County (MSA 5660), and nine block numbering areas (BNAs) throughout southern Wayne County.

(For purposes of discussion, the term tracts as mentioned in the following narrative refers to the combination of census tracts and BNAs.) The population of the assessment area approximates 275,000 individuals as determined by 1990 census data. The median family income levels of the census tracts include two low-income, ten moderate-income, fifty-nine middle-income, and seven upper-income tracts. Nineteen percent of the population residing in these tracts are low-income families, nineteen percent are moderate-income, twenty four percent are middle-income, and thirty-eight percent are upper-income families. The HUD MSA median family income for Lackawanna County is \$37,330, Pike County is \$51,400, and Wayne County is \$32,800.

The median housing value is \$65,450 for the entire assessment area, with a wide range of house prices dependent on census tract location. Owner occupied housing is 51 percent of the total and rental occupied housing represents 23%. Vacant housing units are significant at 26%.

The local economy is stable. Unemployment for the assessment area is 7%, mirroring the average state unemployment rate. Employment is provided by industries that include manufacturing, health care, government, education, and retail concerns.

Bank supplied information identifies that the assessment area's credit needs are centered in housing, consumer, and small business lending.

Conclusions with Respect to Performance Criteria

LAB has made a firm commitment to help satisfy its community's credit needs. This assessment is based on a reasonable loan-to-deposit ratio, the substantial volume of loans originated within the assessment area, a reasonable amount of loans made to low and moderate income families, and the strong volume of small business loans outstanding.

Loan-to-Deposit Ratio

LAB's average loan-to-deposit ratio of 69% indicates a reasonable origination of loans by the bank. The ratio is stable and is similar to both local and national peer bank averages of 70%. LAB, however, originates and sells a substantial volume of residential mortgage loans on the secondary market. Since the last CRA examination was performed, approximately \$30 million in residential mortgage loans were originated and sold. In total, the bank currently services \$119 million in loans that it has sold in the secondary market and which are not reflected on the bank's balance sheet. If these loans had been retained by the bank, its loan-to-deposit ratio would be substantially greater. Due to these factors, the bank exceeds the standards for satisfactory performance in this category.

Lending in Assessment Area

Table 1 indicates that approximately 90% of the HMDA reportable loans originated by LAB during the examination period are within its assessment area, reflecting a good response to community housing credit needs. HMDA reportable loans were used to determine the geographic distribution of loan originations since census tract locations

for these loans are retained by the bank on the HMDA loan application register (HMDA-LAR).

Table 1 HMDA Reportable Loan Originations (\$000s)				
	# of Loans	%	\$ Amount	%
Inside Assessment Area	1,129	90	77,864	90
Outside Assessment Area	129	10	9,100	10
Total	1,258	100	86,964	100

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

The record of lending to borrowers of different income levels was determined for HMDA reportable loans and consumer auto loans. Loan originations during the examination period for borrowers of different income levels were obtained from the HMDA loan application registers and a sampling from the consumer installment loan trial balance.

Tables 2 and 3 indicate that the distribution of lending to different borrower income categories is reasonably proportionate to the income levels of families residing in LAB's assessment area. Since the last CRA examination, LAB originated 18% by number of its home purchase, home improvement, and home refinance loans to low- and moderate-income borrowers residing in its assessment area. Additionally, our sample of consumer auto loans indicates that LAB originated 54% by number of these loans to low- and moderate-income borrowers. LAB's performance compares reasonably to 1994 census data which indicates that 38% of the families residing in LAB's assessment area are low- and moderate-income families.

Table 2
HMDA Reportable Loan Originations within the Assessment Area by
Borrower Income Level
(\$000s)

Income Category	# of Loans	%	\$ Amount	%	Percentage of Families by Income Level in Assessment Area
Low	44	4	1,502	2	19%
Moderate	162	14	7,201	9	19%
Middle	332	29	18,752	24	24%
Upper	591	53	50,409	65	38%
Total	1,129	100	77,864	100	100%

Table 3
Distribution of 50 Consumer Loan Originations
Sampled within LAB's Assessment Area
by Borrower Income Level

Income Category	# of Loans	%	\$ Amount	%	Percentage of Families by Income Level in Assessment area
Low	18	36	93,800	33	19%
Moderate	9	18	57,392	21	19%
Middle	12	24	58,253	21	24%
Upper	11	22	69,563	25	38%
Total	50	100	279,008	100	100%

A significant portion of LAB's commercial loan portfolio consists of small business loans. A small business loan is defined as a loan that is originated in an amount less than \$1 million. Data from the June 30, 1995 Call Report indicates that \$28 million or 74% of total commercial loans outstanding were small business loans. Data from the June 30, 1996 Call Report reflects an increase to \$37 million or 89% of total commercial loans outstanding.

Geographic Distribution of Loans

LAB's assessment area is comprised of diverse census tract characteristics with the majority being middle-income census tracts. The geographic distribution of LAB's loans throughout these tracts is reasonable. Table 4 indicates that 11% by number and 10% by dollar amount of all HMDA loans originated during the examination period were within low- and moderate-income census tracts. This is reasonably proportionate to the number of low- and moderate-income census tracts within LAB's assessment area. The table also reveals that LAB's loan originations within middle- and upper-income census tracts are proportionate to the demographic profile of these areas.

Census Tract Characteristic	# of Loans	%	\$ Amount	%	Census Tracts within Assessment Area	
Low	17	2	913	1	2	3%
Moderate	102	9	7,185	9	10	13%
Middle	871	77	58,378	75	59	75%
Upper	139	12	11,388	15	7	9%
Total	1,129	100	77,864	100	78	100%

Compliance with Antidiscrimination Laws

A fair lending review was performed concurrently with this CRA examination. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. We noted no practices intended to discourage or impede potential borrowers from applying for credit.

CONCLUSIONS WITH RESPECT TO PERFORMANCE IN METROPOLITAN
STATISTICAL AREAS (MSA) AND NON-METROPOLITAN
STATISTICAL AREAS (NON-MSA)

LAB’s assessment area includes two MSAs and one non-MSA. A summary of the bank’s performance in each of these areas is provided below.

I. CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN
Scranton- -Wilkes-Barre- -Hazleton (MSA-7560)

LAB defines its assessment area within the Scranton--Wilkes-Barre--Hazleton MSA as all of Lackawanna County. The bank operates six full service branches and seven ATM machines throughout this county.

LAB’s lending performance in this county exceeds its lending performance throughout the remaining assessment area. This performance is exemplified by the volume of HMDA loans originated in Lackawanna County during the examination period (51%) compared to the total HMDA loans originated by the bank.

Our review of the HMDA-LAR covering the examination period disclosed that lending to borrowers residing in different census tracts of Lackawanna County is reasonable. Table 5 identifies the distribution of HMDA loans originated in Lackawanna County by census tract characteristic. LAB’s lending performance is commensurate with the census tract characteristics of this county.

Table 5 HMDA Reportable Loan Originations within Lackawanna County by Census Tract Characteristic (\$000s)					
Census Tract Characteristic	# of Loans	%	\$ Amount	%	Census Tracts within Lackawanna Cty.
Low	17	4	913	3	3%
Moderate	35	7	1,749	6	10%
Middle	349	72	20,136	66	75%
Upper	82	17	7,653	25	12%
Total	483	100	30,451	100	100%

II. CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN
Newburgh, NY (MSA 5660)

LAB defines its assessment area within the Newburgh, NY MSA as the entire geography of Pike County, Pennsylvania. The bank operates two full service branches and two ATM machines in the towns of Milford and Lords Valley.

LAB’s lending performance in Pike County is reasonable and compares favorably to the population residing within the bank’s total assessment area. Over the examination period 17% of the total HMDA loans originated were within Pike County. The population residing in Pike County is 10% of the total assessment area’s population.

Our review of the HMDA-LAR covering the examination period disclosed that lending is predominant with borrowers residing in moderate- and middle-income census tracts. Table 6 identifies the distribution of HMDA loans originated in Pike County by census tract characteristic. The bank’s lending performance is commensurate with the census tract characteristics of this county.

Table 6 HMDA Reportable Loan Originations within Pike County by Census Tract Characteristic (\$000s)					
Census Tract Characteristic	# of Loans	%	\$ Amount	%	Census Tracts within Pike County
Low	0	0	0	0	0%
Moderate	67	31	5,436	29	44%
Middle	147	69	13,289	71	56%
Upper	0	0	0	0	0%
Total	214	100	18,725	100	100%

III. CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN
Wayne County (Non-MSA)

LAB includes nine block numbering areas of Wayne County (Non-MSA), Pennsylvania, in its assessment area. The bank operates three full service branches and three ATM machines within this county in the towns of Lake Ariel, Newfoundland, and Hamlin.

LAB’s lending performance in Wayne County is reasonable and compares favorably to the population residing within the bank’s total assessment area. Over the examination period, 22% of the total HMDA loans originated by the bank were in southern Wayne County. The population residing in southern Wayne County represents 10% of the total population residing in LAB’s assessment area.

LAB’s lending performance is commensurate with the census tract characteristics of southern Wayne County. Our review of the HMDA-LAR covering the examination period disclosed that all of the lending within Wayne County has been in moderate-income BNAs. Table 7 identifies the distribution of HMDA loans originated in this county by BNA.

<p style="text-align: center;">Table 7 HMDA Reportable Loan Originations within Southern Wayne County by BNA Characteristic (\$000s)</p>					
BNA Characteristic	# of Loans	%	\$ Amount	%	BNAs within Southern Wayne County
Low	0	0	0	0	0
Moderate	0	0	0	0	0
Middle	271	100	17,798	100	100%
Upper	0	0	0	0	0
Total	271	100	17,798	100	100%