
Comptroller of the Currency
Administrator of National Banks

Northeastern District
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PUBLIC DISCLOSURE

November 25, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Minersville
Charter Number: 423**

**260 Sunbury Street
Minersville, Pennsylvania 17954**

**Office of the Comptroller of the Currency
Wilkes-Barre 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 Community Reinvestment Act (CRA) performance of **First National Bank of Minersville** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of November 25, 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 since the last CRA examination is 56%.
- The vast majority of loans reviewed during this examination originated within the assessment area.
- The bank exhibits a good record of lending to small businesses.
- The bank extends credit in all income level geographies and to all income level individuals.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank of Minersville</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

The First National Bank of Minersville (FNBM), the only subsidiary of the FNBM Financial Corporation, is a single office institution with assets totaling nearly \$51 million on September 30, 1996. The bank is located in the center of rural Schuylkill County in northeastern Pennsylvania. Services are retail oriented with a full range of credit products offered. The loan portfolio comprises 50% of total assets with residential mortgages accounting for 59% of gross loans. The remainder of the loan portfolio consists of 21% small commercial loans and 20% consumer loans. There are no known legal or financial impediments that prevent FNBM from meeting the credit needs of its community.

FNBM serves its community through its full service office in Minersville. This site also houses a proprietary automated teller machine that opened in August of 1995 and drive-in facilities. Telephone banking was introduced in July of 1996. According to bank management, FNBM's major banking competitors are Heritage National Bank, Minersville Safe Deposit Bank, Pennsylvania National Bank, and Community Banks, NA. Several credit unions also provide strong competition.

DESCRIPTION OF ASSESSMENT AREA

FNBM's assessment area meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The assessment area consists of 25 block numbering area (BNAs) within Schuylkill County, a non-MSA region of Pennsylvania. These BNAs comprise slightly more than half of the county's land area and include the southwestern portion. The income characteristics of the assessment area are as follows: one moderate-income BNA, nineteen middle-income BNAs, and five upper-income BNAs. The statewide non-metropolitan median family income for non-MSA portions of Pennsylvania is \$32,800. The total population of the assessment area is 95,317, according to 1990 census data.

The bank's assessment area is rural and economic conditions are stable. Management estimates that unemployment, at roughly 7%, is comparable to the statewide average. Manufacturing is the major industry within the assessment area. Major employers are Cressona Aluminum, Pennsylvania Power and Light, Bell Telephone, and Allied Chemical. Pottsville, on the eastern border of the assessment area, is the county seat which provides additional employment opportunities. Residents of the bank's community also travel to Harrisburg, Reading, and Allentown for employment. According to management, a large percentage of the bank's customer base is comprised of senior citizens. The aging population has contributed to generally weak loan demand because of their propensity to save and reluctance to borrow. Demographic information on the assessment area shows 39% of households receive Social Security Income. The median housing value is \$41,900 and 72% of housing is owner occupied.

In the past few years, the demand for high-end residential mortgages has increased because of several new exclusive housing developments. Other identified credit needs, according to bank management, are small business loans and home improvement loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

For purposes of discussion, the time period for our reviews noted below is January 1, 1995 to September 30, 1996.

Loan to Deposit Ratio

FNBM’s average loan-to-deposit ratio is 56%. This ratio shows a reasonable volume of lending although it is lower than the peer average of 62% because of the demographics of the assessment area. The older customers of the bank have a stronger propensity to save than to borrow.

Lending in Assessment Area

Most loans were originated within the bank’s assessment area. The table below includes the results of our loan file review of residential mortgages and the majority, in dollar volume, of commercial loans originated. The sample consisted of 101 residential mortgage loans totaling \$7.8 million and seven commercial relationships totaling \$1.2 million.

LENDING IN ASSESSMENT AREA				
Sampled Loan Originations				
Loan Type	Number of Loans	%	Dollar Amount of Loans (000's)	%
Residential Mortgages	97	97	\$7,503	96
Commercial Loans	6	86	880	72

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

Our analysis of lending to borrowers of different incomes is based on the bank's residential real estate lending activity and lending to small businesses. We reviewed 100% of residential mortgages originated in 1995 and 1996. The following table shows the distribution of these loans made within the assessment area according to the family's income level. This analysis indicates that FNBM extends credit to borrowers at all income levels. There are two reasons that FNBM's volume of this type of lending is not completely representative of the demographic composition of the assessment area. A large percentage of the low- and moderate-income families are senior citizens and they have little desire or need for residential mortgages. Also, the largest growth in the local housing market is for construction of large houses in new upscale housing developments. This type loan product is most attractive to middle- and upper-income families.

LENDING TO BORROWERS OF DIFFERENT INCOMES			
	Residential Mortgage Originations		Families Within Assessment Area
Income Level of Borrower	Dollar Amount of Loans	Number of Loans	
Low	1%	2%	16%
Moderate	6%	8%	18%
Middle	16%	19%	25%
Upper	77%	71%	41%
Total	100%	100%	100%

Substantially all commercial loans originated since our last CRA examination were to small businesses. This conclusion is based on our file review of the largest new commercial relationships since our examination in June of 1994. All of these loans were made to businesses with revenues of less than \$1 million and had original amount of less than \$400 thousand. The June 30, 1996 Call Report shows all commercial loans outstanding on that date had original amounts less than \$1 million.

Geographic Distribution of Loans

The geographic distribution of residential mortgages made in the past two years is reflective of the demographics of the geographies which comprise the assessment area. Only one BNA (4%) of the 25 BNAs comprising the assessment area is characterized as

a moderate-income tract. Our residential mortgage file review of 97 loans totaling \$7.5 million that were made within the assessment area included three loans for \$302 thousand that originated in this moderate income tract.

Compliance with Antidiscrimination Laws

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