



Comptroller of the Currency
Administrator of National Banks

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

PUBLIC DISCLOSURE

May 29, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Jim Thorpe National Bank
Charter Number: 6534
12 Broadway
Jim Thorpe, Pennsylvania 18229**

**Office of the Comptroller of the Currency
Northern 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 Community Reinvestment Act (CRA) performance of **Jim Thorpe National Bank** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of May 29, 1997. 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 73%.
- 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 to individuals at all income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Jim Thorpe National Bank 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

Jim Thorpe National Bank's (JTNB) assets totaled nearly \$58 million on March 31, 1997. The bank's primary loan products are mortgage and home equity loans. The loan portfolio currently accounts for 67% of total assets. It consists of 70% 1-4 family residential loans, 22% commercial loans, and 8% consumer loans. The bank is the sole subsidiary of JTNB Bancorp, Inc. There are no known legal or financial impediments to prevent JTNB from meeting the credit needs of its community. Bank management is currently trying to increase their volume of small business loans. JTNB's primary competitor is Mauch Chunk Trust Company, also headquartered in Jim Thorpe.

JTNB operates three offices including the main office. The main office and one branch are located in the borough of Jim Thorpe and the other branch is located in Penn Forest Township. Both branches have drive-in facilities and the main office and Penn Forest branch have automated teller machines. All offices are in the same middle-income census tract.

DESCRIPTION OF ASSESSMENT AREA

JTNB's assessment area meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The assessment area includes all of Carbon County. The county is in the northern portion of the Allentown-Bethlehem-Easton MSA #240. It contains ten census tracts: five moderate-income tracts and five middle-income tracts. The total population of the assessment area is 56,846, according to 1990 census data. The MSA median family income is \$43,800 and the median housing value is \$59,900. Carbon County's economic conditions are generally weaker than those of the MSA.

According to bank management, the local economy has been unsettled and is beginning to worsen. Local unemployment is higher than the overall MSA. The largest local employer is the county government, located in Jim Thorpe. Other significant local employers are Kovatch Industries, a vehicle dealership and manufacturer, and local hospitals. A large percentage of the assessment area's population commutes to the Lehigh Valley for employment. According to community contacts, the main credit needs in Carbon County are affordable housing and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

JTNB's average loan to deposit ratio since our prior CRA examination in April of 1995 is 73%. This ratio compares favorably to the national peer average of 69%.

Lending in Assessment Area

Our analysis of this performance criteria is based on the bank's report of all loan originations in 1996 and HMDA reportable loan originations in 1995 and 1996. According to the bank's report, 88% of the number and 80% of the dollar volume of all loans granted in 1996 were within the assessment area. The accuracy of this report was verified through testing. The table below shows that a higher percentage of HMDA loans were made within the assessment area (AA).

1995 and 1996 HMDA LOAN ORIGINATIONS				
	Number of Loans	%	Dollar Amount (\$000s)	%
Inside AA	147	93	\$8,328	90
Outside AA	11	7	877	10
Total	158	100	\$9,205	100

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 their assessment area. These loans were chosen because they comprise over 70% of the outstanding loan portfolio and income information was readily available. The table below shows 1995 and 1996 HMDA loan originations.

HMDA LOAN ORIGINATIONS					
	1995 Originations		1996 Originations		Demographic Composition of Assessment Area
Income Level of Borrower	Dollar Amount of Loans	Number of Loans	Dollar Amount of Loans	Number of Loans	
Low	12%	20%	4%	7%	24%
Moderate	15%	22%	20%	26%	26%
Middle	33%	29%	37%	41%	27%
Upper	40%	29%	39%	26%	23%
Total	100%	100%	100%	100%	100%

We concluded that JTNB's volume of lending in the Carbon County assessment area is representative of the area's demographic composition, despite the drop in the volume of loans to

low-income families. It is harder for low-income families to afford housing in the area. Bank management is addressing this need through the Carbon County Home Ownership Assistance Program (CCHAP). During this evaluation period, JTNB and four other Carbon County community banks formed CCHAP to enhance credit availability for affordable housing within Carbon County. As a result, a first time home buyers mortgage program for low- and moderate-income families, administered by the Carbon County Action Committee for Human Services, was implemented during the last quarter of 1996. CCHAP provides both financing and funding for down payment 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.

JTNB has a good record of meeting the credit needs of small businesses within its community. The table below is based on call report data from June 30, 1996. It shows nearly all outstanding commercial loans on that date were to small businesses.

SMALL BUSINESS LOANS OUTSTANDING JUNE 30, 1996				
	Loans Secured by Commercial Real Estate		Commercial and Industrial Loans	
Original Amount of Loan (000's)	Amount of Loans (000's)	Number of Loans	Amount of Loans (000's)	Number of Loans
≤ \$100	\$1,837	44	\$ 790	39
\$100 ≤ \$250	1,896	17	1,086	8
\$250 ≤ \$1000	699	2	475	1
> \$1000	0	0	74	1
Total	\$4,432	63	\$2,425	49

Recently, JTNB began granting loans through the Carbon County Community Banks Revolving Loan Fund. This fund was established by the county's community banks in conjunction with the Economic Development Corporation to help meet the credit needs of new and existing small businesses.

Geographic Distribution of Loans

The geographic distribution of loans granted in Carbon County was analyzed using a bank-prepared report of all loan originations in 1996. The table below shows the bank's volume of lending in moderate-income geographies is low compared to the percentage of those tracts in the county.

ALL 1996 LOAN ORIGINATIONS					
Income Level of Geography	% of Geographies in Carbon County	Number of Loans	%	Dollar Amount of Loans (\$000's)	%
Low	0	0	0	0	0
Moderate	50%	75	20	2,007	22
Middle	50%	292	80	7,234	78
Upper	0	0	0	0	0
Total	100%	367	100	9,241	100

We found that the geographic distribution of the bank's loan originations is reasonable because the majority of loans originate in middle-income census tracts which is where all the bank's branches are located. There are no low- or upper-income geographies within the assessment area. HMDA loan originations from 1995 and 1996 were also evaluated. Those results were the same as those reflected in the table above. For HMDA loans originated in those two years, 80% of the number and 78% of the dollar volume were made in middle-income census tracts.

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.