

Small Bank

PUBLIC DISCLOSURE

October 13, 1998

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

First American National Bank
of
Pennsylvania
Charter Number 6220

140 East Main Street
Everett, Pennsylvania 15537

Office of the Comptroller of the Currency
4075 Monroeville Boulevard, Suite 300
Monroeville, Pennsylvania 15146

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 American National Bank of Pennsylvania prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of October 13, 1998. 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.

Lending volumes are reasonable and show a reasonable penetration among low- and moderate-income individuals as well as small businesses. A substantial majority of lending is within the CRA assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First American National Bank of Pennsylvania</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 Received		

DESCRIPTION OF INSTITUTION

First American National Bank of Pennsylvania (FANB) is a \$134 million bank headquartered in Everett, Pennsylvania, a non-metropolitan statistical area (non-MSA).

The bank has three additional branches in the non-MSA area. These branches are in the communities of Bedford, Breezewood, and Woodbury Pennsylvania. A fifth branch was opened in November 1995 in Duncansville, Pennsylvania which is located in the southernmost area of an adjacent metropolitan statistical area (MSA), Altoona, Pennsylvania. Each branch provides a full service automated teller machine (ATM).

FANB's credit products focus on small businesses, residential real estate, and consumer lending. It has 41% of its loan portfolio *dollar volume* in commercial loans, 26% in residential real estate loans, 20% in consumer loans, and 13% in agricultural and municipal loans.

FANB is owned by Cardinal Bancorp, Inc., a one bank holding company, and is a full service financial institution. The bank's financial condition, asset size, and product offerings do not limit its ability to meet the community's credit needs. Individuals can refer to the bank's CRA Public File for a specific list of available products and services.

DESCRIPTION OF BANK'S ASSESSMENT AREA

Non-MSA Area

FANB's non-MSA geographic area includes all of Bedford County and contiguous townships of Fulton and Huntingdon Counties. The town of Bedford is the county seat.

This area consists of 14 block numbering areas (BNAs). Twelve of these are middle income as defined by the 1990 US Census Bureau. The two remaining BNAs are considered moderate income. The area had a 1990 census population of 59,000 which has remained stable.

The 1997 Pennsylvania statewide nonmetropolitan median *family* income is \$35,200. Major employment centers include light and heavy industrial, manufacturing facilities, healthcare, and government. The unemployment rate for Bedford County is approximately 5.6%. Within the non-MSA area the largest employers include metal works companies, the local hospital, and county government services. While downtown Everett and Breezewood retail trade remains static, additional opportunities are available in larger nearby communities of Bedford and Woodbury. Competition consists primarily of local community banks and branches of larger commercial institutions.

MSA Area

FANB's MSA geographic area is comprised primarily of the southern portion of Blair County. The MSA includes Allegheny Township and the county seat of Altoona-Hollidaysburg. This area consists of 31 census tracts (CT's). Twenty one of these are middle income as defined by the 1990 US Census Bureau. The remaining CT's are designated as follows: Five are upper income; four are moderate income; and one low income. The MSA had a 1990 census population of 109,000 which is increasing modestly.

The 1997 Altoona MSA median *family* income is \$35,400. Major employment centers also include light and heavy industrial, manufacturing facilities, healthcare, and government. The unemployment rate for Blair County is approximately 4.7%. Within the MSA area the largest employers include rail manufacturing, county government, two primary hospital facilities, and a variety of service companies. Economic development and housing needs in the downtown area include small and large business loans, home purchase and rehabilitation loans, and consumer loans. The suburban areas of Altoona, including Duncansville, reflect typical suburban growth and higher income population centers.

FANB's Duncansville branch is situated in the southernmost portion of the MSA within an area of middle income CT's. Low and moderate income CT's are located primarily within the downtown Altoona area. Banking facilities are available throughout the market area with approximately 15 financial institutions serving the downtown area.

FANB's primary market area is situated within the non-MSA area and reflects the location of the majority of its branching facilities. The bank's assessment area (AA) meets legal requirements and does not arbitrarily exclude low- and moderate income geographies.

Examiners contacted administrators of the Altoona Planning and Community Development Department's home improvement program. The Home Improvement Loan Program of Altoona works with state, local, and federal agencies to provide low interest home improvement loans for low and moderate income homeowners in downtown Altoona. The Development Department believes that primary credit needs of the community are being met, but additional credit access to low- and moderate homeowners could be generated with enhanced communications between banks and local development offices

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Sampling Characteristics

Examiners sampled approximately 700 loans totaling \$15 million originated since September 1995. This represents 10% of total originations by dollar and volume. Types of loans reviewed included: residential real estate; consumer; and commercial.

Loan to Deposit Analysis

The bank's overall lending is reasonable and reflects a satisfactory response to the assessment area credit needs. Its June 30, 1998 loan to deposit ratio was 70%. This is comparable to nine similarly situated banks in Bedford and Blair counties, having an average loan to deposit ratio of 77%. FANB's ratio has been increasing the June 30, 1995 CRA examination which reflected a loan to deposit ratio of 55%.

Geographic Distribution of Loans

Loans originated within the combined AA reflect a reasonable distribution among BNAs and CT's. Since the 1995 CRA examination, FANB originated loans within all BNA's in the non-MSA area and most of the CT's which surround its branch in the MSA.

Using the sample discussed above, examiners noted that within the combined non-MSA and MSA area:

♀ 7% by volume and 11% by dollar of loans were originated in low- and moderate income BNAs and CT's.

The following compares MSA and non-MSA characteristics with the volume of lending originations among designated income tracts.

	Demographics			Originations		
	Non-MSA	MSA	Total	Non-MSA	MSA	Total
Low Income	None	3.20%	2.22%	0.00%	1.17%	.30%
Moderate Income	14.29%	12.90%	13.33%	9.11%	.58%	6.70%
Middle Income	85.71%	67.74%	73.33%	90.89%	92.98%	91.63%
Upper Income	None	16.13%	11.11%	0.00%	5.26%	1.37%

The shaded area denotes FANB's primary market area which represents 80% of its

branching network.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank's lending shows a reasonable penetration among low- and moderate-income individuals and small businesses. Lending patterns demonstrate a reasonable reflection of FANB's AA demographics.

The following represents US Census Data for 1990 regarding the number of low- and moderate families within FANB's assessment area.

	Low Income Families	Moderate Income Families	Total
Non-MSA	21%	23%	44%
MSA	19%	18%	37%
Combined	20%	20%	40%

Examiners noted that within the combined non-MSA and MSA area:

♀ 54% by volume and 38% by dollar of 1-4 Family and consumer loans were to low- and moderate income families.

The following table details residential real estate and consumer loan originations within the sample:

	<u>Dollar</u>		<u>Volume</u>	
	Low	Moderate	Low	Moderate
1-4 Family*	4.42%	14.75%	9.52%	19.23%
Consumer	18.26%	32.63%	28.00%	27.69%
Combined	38%		54%	

* 1-4 Family includes originations, second mortgages, and home equity loans.

Housing and Urban Development (HUD) prepared information indicates the volume of reporting businesses with gross annual revenues less than \$1 million is 86% and 87% within the non-MSA and MSA, respectively.

Examiners noted that within the combined non-MSA and MSA area:

♀ 84% by volume and 36% by dollar of commercial loans were to businesses with gross annual revenues less than \$1 million.

Lending in Assessment Area

A substantial majority of the bank's loan originations are to borrowers within its assessment area. This includes a large volume of small dollar consumer loans and contributes to the high volume of originations in relation to the bank's total asset size. Since the 1995 CRA examination, FANB has originated 94% by volume and 95% by dollar of total loans within the AA.

Response to Complaints

No complaints have been received since the last examination.

Record of Compliance with Antidiscrimination Laws

Examiners found no substantive violations of the antidiscrimination laws and regulations. The bank has appropriate policies, procedures and training programs in place to prevent discriminatory or other illegal credit practices.