



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

## **PUBLIC DISCLOSURE**

**March 28, 2002**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Jim Thorpe National Bank  
Charter Number 6534**

**12 Broadway  
Jim Thorpe, PA 18229**

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

## TABLE OF CONTENTS

|  |   |
|--|---|
| <u>INSTITUTION'S CRA RATING</u> .....                      | 2 |
| <u>DESCRIPTION OF INSTITUTION</u> .....                    | 2 |
| <u>DESCRIPTION OF ALLENTOWN-BETHLEHEM-EASTON MSA</u> ..... | 3 |
| <u>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</u> .....        | 4 |

## **INSTITUTION'S CRA RATING**

**This institution is rated Outstanding.**

The overall rating is based on the following factors:

- The loan-to-deposit ratio exceeds the standards 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 is good;
- The geographic distribution of loans in the AA is good;
- The level of qualified community development investments is excellent;
- Retail services are accessible to geographies and individuals of different income levels in the AA; and
- The bank provides an excellent level of community development services in the AA.

## **DESCRIPTION OF INSTITUTION**

The Jim Thorpe National Bank (JTNB) is a \$99 million intrastate community bank with its main office and headquarters in Jim Thorpe, Pennsylvania. Jim Thorpe is the county seat of Carbon County in eastern Pennsylvania. JTNB is a wholly owned subsidiary of JTNB Bancorp, Inc. This holding company has no other operating subsidiaries.

In addition to the main office, the bank has three branch offices, all located in Carbon County, which is the bank's AA. The bank also has four ATMs, three located at branch office sites, and one ATM that does not take deposits at a remote location. Two of the offices have drive-up facilities. The new Leighton office, which opened in early March 2002, is located in a moderate-income geography. The other three offices are located in middle-income geographies. JTNB 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, JTNB reported \$54 million in net loans and \$78 million in total deposits. Net loans represented 54% of total assets. The bank's loan portfolio consists of residential real estate loans (77%), consumer loans (6%) and commercial loans (17%). The primary lending product is residential mortgage loans, which is the bank's primary business focus. Net Tier 1 Capital is \$9 million as of that same date.

According to the June 30, 2001 FDIC/OTS Summary of Deposits Market Share Report, JTNB was ranked 23<sup>rd</sup> out of 28 institutions in the Allentown-Bethlehem-Easton MSA with 0.89% of deposits. First Union National Bank is ranked first with 48 offices in the MSA and 25.45% of the deposits. Other financial institutions include Keystone Savings Bank with 16 offices and 9.23% of the deposits, and Fleet National Bank with 26 offices and 8.87% of the deposits.

In the bank's AA of Carbon County, JTNB was ranked fifth out of eleven institutions with 8.93% of the deposits. Competitors in this market include Citizens National Bank, ranked first with four offices in the county and 21.32% of the deposits, Mauch Chunk Trust Company, ranked second with four offices and 15.89% of the deposits, and Fleet National Bank, ranked third with four offices and 12.94% of the deposits.

The evaluation period for the Lending Test for home mortgages reported under the Home Mortgage Disclosure Act (HMDA) is from January 1, 1997 through December 31, 2001. For community development loans and the Investment and Service Tests, the evaluation period is May 29, 1997 through March 28, 2002.

JTNB's last Public Evaluation (PE) was dated May 29, 1997 and the overall CRA rating assigned was **Satisfactory**. Since the previous PE, JTNB has not closed any branches and has opened one new branch in early March of 2002.

## **DESCRIPTION OF THE ALLENTOWN-BETHLEHEM-EASTON, PA MSA**

JTNB has identified Carbon County as its AA. This AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. Carbon County is primarily a rural area in the western Pocono Mountains. It is part of the Allentown-Bethlehem-Easton, PA MSA 0240 (ABE MSA). The urbanized Lehigh Valley is approximately 35 miles south of Jim Thorpe, and Carbon County has become the home of many commuters who work in the Allentown and Bethlehem areas.

There are ten census tracts (CTs) in Carbon County. Five CTs are moderate-income (50%), four are middle-income (40%) and one is not classified due to the lack of population in the tract (10%). There are no low-income or upper-income tracts in the AA. The total population in the AA was 56,846 as of the 1990 U.S. Census. The unemployment rate as of February 28, 2002 in Carbon County was 8.3%. This rate is higher than the MSA rate of 6.3% and the state rate of 6.2%. Major employers in the AA include John and Joseph Kovatch (fire engine manufacturers and automobile dealers), Vacation Charters Ltd., the Carbon County government, and local hospitals.

The median cost of housing in the AA is \$67,619. The Updated Median Family Income for 2001 is \$52,000. The percentage of households below the poverty level is 10.39%. The AA's population is comprised of 16,070 families with the following family income distribution: 24% are low-income, 26% are moderate-income, 27% are middle-income, and 23% are upper-income.

In 2000, 201 lenders originated HMDA loans in the AA, according to the HMDA Peer Mortgage Data. JTNB was ranked second in the AA with a market share of 5.96%. The Mauch Chunk Trust Company was ranked first with a market share of 7.11%. Other competitors consisted of large national banks and mortgage companies, large regional banks, local community banks, and mortgage brokers with nationwide sources of funding.

A community contact was made with the director of the county's redevelopment authority. The need for the development of infrastructure surrounding the established towns in Carbon County was identified since new businesses, new industries, and new affordable housing owner-occupied and rental units would be dependent on it. Without well-planned expansion around the older, established towns, the encouragement of economic growth will be restricted. The contact could not identify unmet credit needs, as financial institutions were perceived as 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 Lehigh Valley area.

## **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**

JTNB's loan-to-deposit ratio exceeds the standard for satisfactory performance. The bank's average loan-to-deposit ratio for the prior thirteen quarters is 76% (data prior to the fourth quarter of 1998 was not available). This ratio exceeds the average quarterly ratios of similarly situated banks in a customized peer group of banks with similar asset sizes in its AA. That custom peer average was 73%, with average ratios during the period ranging from 67% to 78%.

### **Lending in Assessment Area**

A substantial majority of the home mortgage loans originated during the evaluation period were within the AA. JTNB exceeds the standard for satisfactory performance for lending in the AA. An analysis of the HMDA data disclosed that 91% of these loans were originated in the AA. The following table is an analysis of the distribution of home mortgage loans.

| <b>HOME MORTGAGE LOANS ORIGINATED DURING EVALUATION PERIOD</b> |                               |                |                                |                |
|--|-------------------------------|----------------|--------------------------------|----------------|
|  | <b>INSIDE ASSESSMENT AREA</b> |                | <b>OUTSIDE ASSESSMENT AREA</b> |                |
|  | <b># Loans</b>                | <b>\$(000)</b> | <b># Loans</b>                 | <b>\$(000)</b> |
| <b>Home Purchase Loans</b>                                     | 254                           | 17,518         | 31                             | 3,006          |
| <b>Home Refinance Loans</b>                                    | 193                           | 10,970         | 19                             | 1,771          |
| <b>Home Improvement Loans</b>                                  | 234                           | 3,901          | 16                             | 392            |
| <b>Total Loans</b>   | 681                           | 32,389         | 66                             | 5,169          |
| <b>Percentage</b>  | <b>91%</b>                    | <b>86%</b>     | <b>9%</b>                      | <b>14%</b>     |

Source: 1997-2001 HMDA-LAR

### **Lending to Borrowers of Different Incomes**

JTNB'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 good. The median cost of housing in the MSA is \$68 thousand, based on 1990 census data. The HUD updated median family income for 2001 is \$52 thousand. This means that a low-income person earns less than \$26,000. Based on these statistics, it would be difficult for a low-income individual to purchase housing in the AA. Also, in 2000, of the 69 lenders to low-income individuals in the AA, JTNB was ranked third, with a market share of 8.65%.

The percentage of loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the MSA. This performance is excellent.

| <b>Borrower Distribution of Home Mortgage Loans</b> |                   |                   |                         |                         |                                       |
|---|-------------------|-------------------|-------------------------|-------------------------|---------------------------------------|
| <b>Income Level</b>                                 | <b># of Loans</b> | <b>% of Loans</b> | <b>\$(000) of Loans</b> | <b>% of \$ of Loans</b> | <b>Income Level of Families in AA</b> |
| <b>Low</b>  | 104               | 15.27%            | 2,665                   | 8.23%                   | 23.75%                                |
| <b>Moderate</b>                                     | 191               | 28.05%            | 7,443                   | 22.98%                  | 25.72%                                |
| <b>Middle</b>                                       | 198               | 29.07%            | 9,907                   | 30.59%                  | 27.36%                                |
| <b>Upper</b>  | 188               | 27.61%            | 12,374                  | 38.20%                  | 23.17%                                |
| <b>Total</b>  | <b>681</b>        | <b>100.00%</b>    | <b>32,389</b>           | <b>100.00%</b>          | <b>100.00%</b>                        |

Source: 1997-2001 HMDA-LAR

### **Geographic Distribution of Loans**

The geographic distribution of loans in the AA is good. There are no low-income geographies in the AA. There are four moderate-income geographies in the AA. Due to the demographics, the number of competitors, and the lack of branch office locations near all but one of these geographies, the bank's ability to generate loans in the moderate-income area is very limited.

In 2000, of the 112 lenders originating HMDA loans to individuals in the AA's moderate-income geographies, JTNB was ranked sixth with a market share of 4.57%.

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 all nine populated census tracts.

| <b>Geographic Distribution of Home Mortgage Loans</b> |                   |                         |                                |                               |                                  |
|---|-------------------|-------------------------|--------------------------------|-------------------------------|----------------------------------|
| <b>Census Tract</b>                                   | <b># of Loans</b> | <b>% of Total Loans</b> | <b>\$ (000) of Total Loans</b> | <b>% of \$ of Total Loans</b> | <b>% of Owner-Occupied Units</b> |
| Low   | 0                 | 0%                      | 0                              | 0                             | 0%                               |
| Moderate  | 174               | 25.70%                  | 7,978                          | 24.63%                        | 50.79%                           |
| Middle  | 506               | 74.30%                  | 24,411                         | 75.37%                        | 49.21%                           |
| Upper   | 0                 | 0%                      | 0                              | 0                             | 0%                               |
| N/A   | 0                 | 0%                      | 0                              | 0                             | 0%                               |
| <b>Total</b>  | <b>681</b>        | <b>100.00%</b>          | <b>32,389</b>                  | <b>100.00%</b>                | <b>100.00%</b>                   |

Source: 1997-2001 HMDA-LAR

### **Community Development Lending**

JTNB's level of community development lending is excellent, especially when considering the size of the bank and the limited opportunities available within the AA. During the evaluation period, the bank originated twelve qualified community development loans to businesses and non-profit organizations totaling \$2 million.

Five of the loans were originated through the Carbon County Economic Development Corporation. Two loans were to the county's economic development corporation for the construction of a large multi-tenant building to attract new businesses to the industrial park. One loan was to a religious institution to construct an addition to their facility for a food pantry for low-income individuals in the region. Another loan was to a local housing authority for the construction of low-income housing units.

The bank participates in the Carbon County Community Bank Loan Pool program, which funds loans for small businesses. JTNB is also a participant in the Carbon County Action Committee for Human Services. This committee provides first-time homebuyer with purchase money mortgages at below-market interest rates through the County's Homeownership Assistance Program. JTNB also works with the Carbon County Redevelopment Authority in its community redevelopment loan program. The county originates and funds these loans and the bank services the loans for the county.

## **Qualified Investments and CD Services**

During the evaluation period, JTNB made one new investment totaling \$168,000 in a moderate-income tract in their AA. We determined through our community contact and our internal research that there are limited opportunities for qualified investments and that very strong competition exists for those few opportunities.

JTNB's investment was accomplished through the formation of a limited partnership with two other financial institutions for the purpose of constructing thirty new housing units for low-income elderly individuals. JTNB received tax credits for this innovative limited partnership investment.

The bank also made an additional 22 qualified donations and grants totaling \$28,000 in their AA during this evaluation period.

The bank's traditional line of banking products and services are offered at all branches. Extended evening hours are offered on Fridays, with the three branch offices also offering Saturday hours. The bank also maintains a twenty-four hour telephone banking system.

The bank provides a high level of CD services and its CD services are responsive to the needs of the AA. Two officers serve on the Carbon County Economic Development Board, one as the Vice Chairman. This officer also serves on the marketing committee responsible for attracting new businesses to the area. This same officer also serves as the Treasurer and is on the Board of Directors of the Pocono Northeast Development Fund, which serves the development needs of a seven county area.

An officer also serves on the board of the Carbon County Community Bank Loan Program, which is a program to assist small businesses. Another officer serves as the treasurer for an area Chamber of Commerce that is operating in a moderate-income geography.

## **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 1997, 1998, 1999, 2000, and 2001 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 1997. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.