



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

July 10, 1996

First National Trust Bank
Charter Number - 1237
400 Market Street
Sunbury, Pennsylvania 17801

<p>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.</p>
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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of First National Trust Bank, hereafter referred to as FNTB, prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of July 10, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low-and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: **OUTSTANDING**

Background Information

First National Trust Bank (FNTB) is a \$258 million community bank headquartered in Sunbury, Pennsylvania. The bank is one of five banking subsidiaries, three savings and loans, and two non-banking subsidiaries owned by Susquehanna Bancshares, a \$3.04 billion dollar holding company located in Lititz, Pennsylvania. FNTB operates nine full service and one limited service offices throughout its trade area which includes the counties of Northumberland, Montour, Snyder, Union, and portions of Columbia county.

Columbia County is designated as Metropolitan Statistical Area (MSA) 7560. The bank operates one centrally located branch in this county and 15 census tracts have been included in the bank's assessment area. The remaining counties are defined as non-metropolitan statistical areas. Six tracts located in Northumberland County fit the definition of moderate-income tracts with the remaining population in the bank's trade area predominately living in middle- to upper-income tracts. There are no low-income census tracts within the bank's trade area. The median family income for FNTB's trade area, based on 1990 census data, is \$29,637.

FNTB's business philosophy is retail oriented and focuses on consumer and small business lending. Consumer loan products offered include residential mortgages, home equity lines, home improvement loans, auto loans, secured and unsecured personal loans, and student loans. Commercial credit products include a variety of small business and small farm loans. Competition is strong from several community banks and branches of regional banks positioned throughout the trade area.

The economic profile of the region is diverse with employment influenced by coal and light industries. Employment has been stable with two universities, a medical center, and several manufacturing operations providing the greatest employment opportunities.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

FNTB ascertains the credit needs of its delineated community through ongoing, meaningful contacts with a full range of community groups, public officials, and housing related organizations and programs. FNTB developed several programs to accomplish this goal. The most notable include a regional housing advisory council, two regional advisory boards, and a loan officer call program:

Northumberland/Snyder Counties Housing Advisory Council: This council meets quarterly to promote the flow of information between FNTB and its communities for the purpose of meeting credit needs. The council is comprised of bank officers and board members, community group members, county government agencies, and organizations involved in housing projects. Meetings focus on addressing low- and moderate-income housing needs and small business credit.

Eastern and Western Regional Boards: These boards were developed by the bank and meet regularly to discuss the credit and banking needs of the communities serviced by FNTB's branch network. The boards are comprised of bank loan officers and officials, community representatives, and area business persons and professionals. The meetings act as conduits to promote the flow of information between the bank and its communities in an effort to improve service and community relations.

Loan Officer Call Program: Loan officers regularly call upon area businesses, realtors, and home builders to determine their respective community's credit needs. The results of their meetings are reported to FNTB's CRA Officer, who then communicates this information to the Board. As a result of this process, FNTB developed several new credit products during 1995 to meet identified credit needs.

Participation in Various Community Groups: Credit needs are also determined through officer and employee participation in wide ranges of groups representing civic, religious, neighborhood, minority, and small business organizations. Some of these organizations include People for Progress, local Chambers of Commerce, Sunbury Revitalization, Inc., SCORE, SEDA-COG, Shamokin Consortia, Consumer Credit Counseling Service, Bucknell Small Business Center, and various other community minded groups.

The Board and senior management also regularly collect and analyze demographic data to determine the economic profiles of the communities served by the bank. Through these activities, FNTB has developed credit and deposit products to meet financial needs within the bounds of safe and sound banking practices.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

The Board has acknowledged CRA as an important component of its planning process. A CRA program defining objectives and methods for assessing effectiveness is in place. CRA activities are reported to the Board quarterly and during monthly meetings of the bank's Eastern and Western regional boards. Annually, the Board performs a CRA self-assessment, develops a CRA program for the coming year, and reviews the current CRA statement. The statement was expanded to include the special credit related programs offered by the bank. An ongoing analysis of the disposition of loan applications is made and results are incorporated in the product planning process. The Board provides adequate support of CRA training, and review procedures have been established to ensure that the technical regulatory requirements of the Act are met. Additionally, members assume leadership roles in numerous organizations whose activities are aimed at improving the local community.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

The Board has implemented a sound marketing program to promote the bank's credit products. Advertising is widely circulated through media that includes newspapers, direct mail campaigns, billboards and message boards, lobby displays, statement stuffers, seminars, radio, and word of mouth. Marketing strategies are effective in stimulating awareness of credit services throughout the bank's communities. Special credit programs developed in response to market needs are directed at specific segments that would benefit most from these products. Additionally, loan officers routinely provide assistance to individuals and groups in understanding and applying for credit.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

FNTB makes significant efforts to address a substantial portion of the credit needs it has identified within its community. Through its assessment attempts, management has determined that credit needs are strongest in the consumer segment of their market. In response, FNTB has committed to become a leader in satisfying the consumer credit needs of its community. This is evidenced by the increase in volume of consumer loans originated since the last examination dated March 31, 1994. The dollar volume of total consumer loans

originated increased by fifty percent over this time frame. The following chart depicts FNTB's loan originations during 1994 and 1995 (\$ are in thousands). Of these figures, 80% of the dollar volume has been originated within the bank's delineated community.

Loan Originations								
	1995				1994			
	#	%	\$	%	#	%	\$	%
Consumer	4,764	94	50,721	57	3,459	90	33,752	44
Mortgage	143	3	11,306	12	172	5	11,150	14
Commercial	183	3	27,798	31	207	5	31,927	42
Total Originations	5,090	100	89,825	100	3,838	100	76,829	100

A substantial segment of the increase in consumer loans was the result of FNTB's efforts to help its community recover from harsh weather conditions. The winter of 1995-96 was severe in FNTB's community, resulting in extensive snow and flood damage. In response, the bank assumed a leadership role by being the first to develop and promote special credit programs to help the community recover. These programs included:

- reduced rate unsecured loans for the purpose of storm and flood damage repair,
- reduced rate home equity loans with no appraisal costs, and
- a one month extension on existing loans at no additional cost to the borrower.

Additionally, late charges on all mortgage and installment loans were waived for the months of January and February. FNTB's loan volume doubled over this period in response to these offers and 125 existing borrowers took advantage of the one month payment extension.

FNTB also takes a leadership role in providing affordable credit to satisfy the housing needs of low- and moderate-income families living in its community. During 1994, the bank developed a Low Cost Mortgage Program to help residents of the coal region obtain housing. FNTB is the only bank in the community to offer such a program. The program provides for more affordable credit by not charging an application fee, requiring zero points, and reducing the cost of title insurance. In 1995, this program generated \$1.6 million in loans representing 12% of the total residential loans originated during the year.

FNTB also provides affordable credit to low- and moderate-income families through its Secondary Mortgage Program. This program makes it possible for FNTB to provide low cost, longer term mortgages through its association with a non-local affiliate bank. FNTB originates these loans and subsequently sells them to its affiliate, effectively providing an

affordable loan product not carried by the bank. During 1995, FNTB originated 27 residential mortgages totaling \$2.3 million in this program.

Additionally, of the 183 commercial loans totaling \$28 million originated in 1995, 103 loans totaling \$10 million were extended to small businesses with annual sales under one million dollars.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

FNTB actively participates in governmentally insured, guaranteed, or subsidized loan programs that benefit consumer housing, small businesses, and small farms. During 1995, the bank became an approved lender for the Small Business Administration (SBA), Farmers Home Administration (FHA), Farm Service Agency (FSA), and the Veterans Administration (VA) loan programs. The bank also accepts student loan applications for processing through the Pennsylvania Higher Education Assistance Agency (PHEAA).

It is FNTB's goal to become a preferred SBA lender offering the full menu of SBA loan products to its community. Several new SBA programs now offered and promoted by the bank include: Revolving Lines of Credit, LowDoc Loan Program, and Women's Prequalification Pilot Loan Program. During 1995, six SBA loans totaling \$390M and five FSA loans totaling \$331M were extended. The volume of government guaranteed loans originated during the examination period has not been substantial due to FNTB's ability to satisfy small business and small farm credit needs through its own loan products developed in-house. For the coming year, FNTB set a goal of extending \$5 million in SBA loans through their various programs.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

FNTB's delineated community is reasonable and does not arbitrarily exclude low- and moderate-income neighborhoods. The bank operates out of ten offices located in Northumberland, Snyder, Union, and Columbia counties. The definition of the bank's local community is based on an effective lending territory, the local area around each office, and all areas equally distant from each office. Of the 57 census tracts located within the bank's delineation, there are no low-income tracts, 7 moderate-income tracts, 43 middle-income tracts, and 7 upper-income tracts. Of the total population that reside in FNTB's delineated area, 13% live in the moderate-income tracts.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

Management performs an annual review of their geographic distribution of credit applications, extensions, and denials. The result of their review indicates a reasonable penetration of credit extensions in all segments of their community, including the moderate-income census tracts. There are no low-income census tracts within the bank's trade area. The table below shows the geographic distribution of all of the bank's outstanding loans within its delineated community as of December 31, 1994 and 1995 by census tract.

Loans	Outstanding within the Delineated Community				12/31/95				12/31/94				
	Tract	#	%	\$	%	#	%	\$	%	#	%	\$	%
Moderate	1,890	19	20,339	15	1,991	21	20,366	17					
Middle	6,782	69	92,602	67	6,030	64	71,310	60					
Upper	1,147	12	25,422	18	1,362	15	27,727	23					
Total	9,819	100	138,362	100	9,383	100	119,403	100					

Management determined that 13% of the population residing in the bank's delineation lives in moderate-income census tracts. The table reveals that the total percentage of loans made within these moderate-income census tracts is more than reasonably proportionate to the population distribution residing within these communities.

Assessment Factor G - Institution's record of opening and closing offices and providing services at offices.

FNTB's office locations and business hours provide ready access to the bank's services. The bank operates nine full service offices, eight automatic teller machines (ATM), and one automatic loan machine (ALM). Additionally, seven drive-in locations provide extended service hours. Customer activity is tracked on quarter hour increments to ensure that business hours are tailored to the banking needs and convenience of the respective communities. During 1995, FNTB expanded its branch network by opening new offices in Bloomsburg, Lewisburg, and Selingsgrove. The Bloomsburg and Lewisburg locations reside within Weis Supermarkets, providing 24 hour transaction service through ATMs. The Bloomsburg location also provides 24 hour loan service through the use of its ALM.

FNTB is the first bank to provide 24 hour automated loan services to this market. This location was selected by the bank to make credit available to all applicants, particularly low-to moderate-income families living in the community. The machine provides on the spot

unsecured credit of up to \$5000 to qualifying individuals. Credit decisions are made solely on an applicant's current employment status and credit history. It is FNTB's belief that this process allows applicants to be judged by their performance, reducing the potential for discrimination or loan officer bias. Since its inception in the later part of 1995, eight loans totaling \$28,000 were originated through this process.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

No instances of prescreening or discriminating practices were detected during our review. Credit applications are accepted from all segments of the bank's community. Policies, procedures, reviews, and training are in place to assure FNTB does not illegally discourage applicants from obtaining credit.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES-Cont

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

A Fair Lending examination was performed in conjunction with this CRA review. No evidence of discriminatory treatment was detected.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

FNTB takes a leadership role in actively participating in community development and redevelopment programs. FNTB routinely helps to initiate and organize community redevelopment programs; members of the bank often hold management positions in these organizations. Ongoing efforts to satisfy community credit needs are accomplished through participation in the following organizations and programs:

Shamokin Chamber of Commerce: FNTB participates with four other Shamokin banks in providing low interest funds for the redevelopment of the downtown area. Through this redevelopment program, funds are made available to help developing small businesses meet their credit needs. During the year, FNTB committed to lending \$100,000 in a pool of \$500,000. Individual loans ranging from \$20,000 to \$50,000 are made available to

downtown small businesses at an interest rate of 90% of prime. At present, FNTB's commitment has not been utilized.

Sunbury Redevelopment Authority: An agency of the City of Sunbury, the Authority provides low-income housing through the redevelopment of existing structures. Over the examination period, FNTB provided construction financing to the Authority for the rehabilitation of four rowhouses. FNTB's participation made housing possible for the low-income families who benefitted from the program.

Mt. Carmel Revitalization Corporation: This organization provides funds for low- to moderate-income homeowner's renovating their properties in the Mt. Carmel area. FNTB has committed \$100,000 to this program. To date, two loans of modest amount have been extended to the group.

Sunbury-Northumberland Foundation Trust: This trust was established by FNTB to help provide funds for a variety of community needs that benefit low-to-moderate income families. FNTB provides resources through its own trust department to collect donations and administer the funds collected. Donations received through 1995 totaled \$250,000.

Northumberland County Housing Authority's 5 (H) First Time Home Ownership Program: This organization acquired 25 residential properties for renovation and subsequent sale to low- and moderate-income families. The funding for acquisition and renovation is provided by HUD, with permanent purchase mortgage financing made available through a consortium of several banks. FNTB has committed to providing \$500M to the program. To date, one permanent loan was extended by FNTB to a low/moderate income family, as the program is just getting underway.

SEDA-COG Housing Corporation: This corporation renovates and upgrades housing units for low-income residents of the Mt. Carmel area. FNTB donated a house located at 117 South Chestnut Street to the organization. In addition, FNTB provided \$22,000 in financing to assist in the renovation of the property.

Northumberland County Industrial Development Authority (NCIDA): The NCIDA provides direct financing to developing small businesses in Northumberland County. Funds managed by the Authority include grants received from the Pennsylvania Department of Commerce, Pennsylvania Industrial Development Authority, Pennsylvania Department of Vocational Rehabilitation, and Community Block Grants. NCIDA solicits funds from area banks to assist in financing the projects. FNTB regularly participates in NCIDA programs and, since the last examination dated March 31, 1994, has extended \$215,000 to the benefit of several area small businesses.

Sunbury New Enterprise & Expansion Drive, Inc. (SNEED): SNEED was created by the Central Susquehanna Valley Chamber of Commerce to function as a development corporation

to provide funding for local small and developing businesses. SNEED provides loan packaging and linkage to the Pennsylvania Industrial Development Authority programs and area banks. Over the examination period, FNTB provided financing in the amount of \$811,000 to this program.

FNTB regularly extends credit to local health and community oriented organizations that provide services to low- and moderate-income families. During 1995, the bank extended credit to Sunbury Community Hospital in the amount of \$1 million to participate in their \$5 million outpatient renovation project. The hospital is located in the Sunbury vicinity and regularly provides health services that benefit low-to-moderate income families. In addition, FNTB routinely invests in state and municipal bonds that further community development and public housing construction projects. As of the second quarter of 1996, \$255,000 has been invested in obligations that directly support public housing projects for low- and moderate-income individuals.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

FNTB's size and financial condition support its ability to help fund community credit needs. The bank is financially sound and considered well capitalized by regulatory standards. At the present time, there are no apparent impediments that would affect the bank's ability to help fund the credit needs of its community.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

FNTB is engaged in other meaningful activities which help to meet community credit needs. During the year, the bank was instrumental in providing support to People for Progress's Home Ownership Training Program. This program was developed with the help of FNTB to assist first time home buyers and low- and moderate-income individuals with applying for housing credit. Employees of the bank instructed participants of the program in managing their financial affairs, applying for credit, and identifying the costs of owning a home. The bank provided each program participant with certificates for a free checking account and a reduction of \$100 from their mortgage closing costs. Training materials for the course were also provided by the bank.

The bank supports the efforts of several community oriented groups that provide assistance to low- and moderate-income families by serving as a collection point for their many fund drives. For example, over the past several years, \$400,000 has been collected for the local chapter of the Salvation Army.

FNTB's management and employees are also very active in holding leadership roles in various community activities and service organizations. The bank often provides office space as meeting sites for representatives of these organizations. Assistance in understanding financial products and applying for credit is routinely provided to individuals by FNTB's staff. Recently, FNTB hired two bilingual employees who will be available to translate for the bank's Spanish speaking customers.