



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**July 19, 2004**

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

**The First National Bank of Canton  
Charter Number 2505**

**5 W. Main Street  
Canton, PA 17724**

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

## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

**The overall rating is based on the following factors:**

- A good level of the home purchase mortgages and a substantial majority of the home refinance mortgages were originated within the bank's assessment area;
- The average loan-to-deposit ratio of 79% exceeds the standards for satisfactory performance;
- The bank's record of lending to low-income borrowers meets the standards for satisfactory performance, and its lending record exceeds the standards for satisfactory performance for lending to moderate-income borrowers.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Canton (FNB) is a \$57 million intrastate bank located in northern central Pennsylvania. It is a subsidiary of Canton Bancorp, Inc. FNB has no operating subsidiaries. The bank operates two full service offices that have extended business hours one night per week and Saturday morning hours. In September 2004, FNB will open a third full service office in Towanda, PA. All offices have drive-up facilities and ATMs.

At March 31, 2004, FNB reported net loans of \$42 million and total deposits of \$50 million. Major loan products include fixed rate residential mortgages, small business loans, and consumer installment loans. Net loans represented 74% of total assets. The breakdown of the loan portfolio at March 31, 2004 was as follows: residential real estate - 61%, commercial loans - 30%, and installment loans - 9%. The bank maintains a website which offers information on branch hours of service and bank products.

The bank is not subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA) because it does not have a branch office in an MSA. Therefore, the data evaluated for the bank's lending activity is based on a sample taken from the bank's Loan Activity Report. After discussions with bank management and a review of financial data, we determined that home purchase and home refinance mortgages were FNB's primary lending product. For our sample, we reviewed the bank's monthly Home Loan Activity reports for loan originations from October 1, 1998 through December 31, 2002. The lending test focused on the bank's primary lending products.

The evaluation period for this examination is from October 1, 1998 through December 31, 2002. The bank's last CRA rating of Satisfactory was as of November 9, 1998.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate-income geographies. The bank's AA includes nine block-numbering areas (BNAs) located in portions of Bradford, Sullivan, and Tioga Counties. There are four BNAs in Bradford County, one BNA in Sullivan County and four BNAs in Tioga County. According to the 1990 Census data, all nine geographies are middle-income BNAs. The population of the AA is 35,047. Twenty-four percent of the families residing in the AA are low-income, seventeen percent are moderate-income, twenty-one percent are middle-income and thirty-eight percent are upper-income families. The 2002-updated non-MSA median family income for the assessment area is \$41,100.

The local area is very rural and known for dairy and veal farming. Major employers in Bradford County are Robert Packer Hospital, Taylor Packing Company, Osram Sylvania Products, and the Guthrie Clinic. Major employers in Sullivan County are the county school district, Management and Training, and the Highlands Care Center. The unemployment rates in Bradford, Sullivan and Tioga counties, according to the Pennsylvania Bureau of Labor and Statistics as of May 2004, were 4.5%, 5.4% and 4.5%, respectively, compared to the state unemployment rate of 5.1%.

According to the June 30, 2003 FDIC/OTS Summary of Deposits Market Share Report, FNB with only two offices ranked fifth out of seven institutions in Bradford County with 6.28% of the deposits. Citizens & Northern Bank ranked first with seven offices in the county and 42% of the deposits, and First Citizens National Bank ranked second with 7 offices in the county and 21% of the deposits.

FNB did not originate any community development loans during the assessment period.

## **COMMUNITY CONTACT**

Credits needs of the AA were determined during this examination by contacting the Canton Borough Administrator who also serves as president of the local Chamber of Commerce. The contact indicated that there is a large volume of retirees and welfare recipients residing in the area. The housing needs for these individuals are, for the most part, met. The area has two housing units, the Cedar Ridge Apartments and McCallum Manor, for low- and moderate-income senior citizens and one low-and moderate-income housing development called the Canton Townhouses. The contact stated that there are no identifiable credit needs in the area that are unmet at this time.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The evaluation period covered lending activity for home mortgages (purchase money and refinance home mortgage loans) reported under the Home Mortgage Disclosure Act (HMDA) sampled from the period of January 1, 1999 through December 31, 2002.

## **Loan-to-Deposit Ratio**

An analysis of FNBC's quarterly loan-to-deposit ratios from fourth quarter 1998 through the fourth quarter 2002 reveals that the bank exceeds the standards for satisfactory performance. The bank's average LTD ratio for these 18 quarters was 79.22%, ranging from a low of 71.93% to a high of 85.24%. The custom peer average was 72.58%, with average ratios during the period ranging from 70.68% to 77.84%. The local peer consisted of Pennsylvania banks with total assets between \$50 million and \$100 million.

## **Lending in Assessment Area**

FNB meets the standards for satisfactory performance for lending in the AA. A majority of the home purchase and refinance loans originated during the evaluation period were within the AA. An analysis of the sample data disclosed that, by number of loans originated, 83% of home purchase mortgages and 100% of refinanced mortgages, by number of loans originated, are in the AA.

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

FNB's record of lending to borrowers of different incomes meets the standards for satisfactory performance. The bank's performance related to home purchase mortgages and home refinance mortgages was compared to the demographics of its AA.

The level of home purchase mortgage loans is near the percentage of low-income families in the AA. This performance is excellent considering the high level of households with income below the poverty level (13%).

The level of home refinance mortgage loans originated to low-income borrowers in the AA is below the percentage of low-income families in the AA. Management stated that the demand for home refinance mortgages was not brisk during the assessment period. In addition, when considering the affordability of housing in the AA and the number of households with incomes below the poverty level, this performance is good. Home ownership is difficult for low-income individuals because the median cost of housing in the AA is \$44,909.

As indicated in the following charts, the level of home purchase and refinance home mortgage loans originated to moderate-income borrowers exceeded the percentage of moderate-income families in the AA.

<b>1990 Borrower Distribution of Home Purchase Mortgages</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>	5	21%	\$137	12%	24%
<b>Moderate</b>	6	25%	\$266	23%	17%
<b>Middle</b>	8	33%	\$391	34%	21%
<b>Upper</b>	5	21%	\$353	31%	38%
<b>Total</b>	24	100%	1,147	100%	100%

<b>1990 Borrower Distribution of Home Refinance Mortgages</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>	2	10%	61	5%	24%
<b>Moderate</b>	4	20%	\$213	18%	17%
<b>Middle</b>	11	55%	\$622	54%	21%
<b>Upper</b>	3	15%	\$262	23%	38%
<b>Total</b>	20	100%	\$1,158	100%	100%

### **Geographic Distribution of Loans**

According to the 1990 census, the bank's AA consists of nine middle-income areas; therefore a geographic analysis is not meaningful.

### **Responses to Complaints**

The bank has not received any CRA-related consumer complaints since the last CRA examination.

### **Fair Lending or Other Illegal Credit Practices Review**

An analysis of the most recent available public comments and consumer complaint information was performed according to the Office of the Comptroller of the Currency's risk-based fair lending approach.