



Comptroller of the Currency
Administrator of National Banks

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

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

April 28, 1997

**Pioneer American Bank N.A.
Charter Number - 664
41 North Main Street
Carbondale, Pennsylvania 18407**

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Pioneer American Bank N.A.** 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 **April 28, 1997.** 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: Satisfactory record of meeting community credit needs.

Background Information

Pioneer American Bank, N. A. (PAB), the sole subsidiary of Pioneer American Holding Corporation, is a \$330 million community bank headquartered in Carbondale, Pennsylvania. Carbondale is in eastern Lackawanna County, approximately 16 miles northeast of Scranton. The bank operates twenty offices that serve all of Lackawanna and parts of Luzerne, Wayne, Monroe, and Wyoming counties. The bank is retail-oriented with stable deposits and a locally originated loan portfolio. The loan portfolio comprises 65% of total assets. Based on bank records, residential real estate loans represent 82% of the portfolio and the balance is divided as follows: 9% consumer loans, 7% commercial loans, and 2% municipal loans. PAB's primary competitors are NBO National Bank, First National Bank of Jermyn, LA Bank NA, and First National Community Bank of Dunmore. Other competitors are PNC Bank, Mellon Bank, Penn Security Bank and Trust Co., Grange National Bank, Franklin First Savings Bank, and Fidelity Deposit and Discount Bank.

The bank's trade area consists of 161 census tracts within the Scranton-Wilkes-Barre-Hazleton MSA 7560, including all of Lackawanna and contiguous portions of Luzerne and Wyoming counties. The trade area also includes 16 block numbering areas (BNAs) in non-MSA areas of Wayne and Monroe counties. The tracts within the assessment area are divided among the following income categories: 1% low, 11% moderate, 77% middle, and 11% upper. The total population of the area is 608,414 and the median family income is \$29,853. The local economy is generally stable although the local unemployment rate exceeds the state average.

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.

Bank officers ascertain the community's credit needs through active participation in community organizations. These organizations include Habitat for Humanity of Lackawanna County, Scranton Neighborhood Housing Authority, Housing Coalition of Lackawanna County, Downtown Carbondale Business Association, Scranton Industrial Development Corporation, and the Carbondale Lackawanna Industrial Development Corporation. Bank officers are also involved

in the chambers of commerce in Scranton, Wilkes-Barre, Carbondale, Hazleton, and Southern Wayne County. The bank regularly sponsors exhibits in trade shows within their community and have participated in nine since the beginning of 1996. Bank officers maintain routine contact with local governments and school districts.

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.

CRA is routinely considered in the Board of Directors' planning process. The Board provides resources to ensure technical compliance with the Act and for ongoing CRA training. Also, they annually review the CRA self-assessment and Home Mortgage Disclosure Act (HMDA) analysis, approve the CRA statement and appoint CRA officers. The Board also appoints local business leaders and professionals from various locations within the bank's market area to serve on their Business Development Advisory Boards. Their advisory boards help the directors become aware of specific credit needs within 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 bank's marketing program uses newspaper, radio, billboards, television, statement stuffers, grocery bag inserts, and the Internet to inform the community of available banking products and services. In the past two years, several products were developed in response to specific identified needs. These products include "Start Smart," a small business checking package; "Direct American," a corporate payroll package; "Direct Connect" telephone banking, and "Check Protect" overdraft protection. The bank implemented a loan payment deferment option in February of 1996 when severe flooding affected the assessment area. They directly notified consumer loan customers of the deferment.

In March of 1995, PAB developed a First Time Home Buyers Program to help meet an identified need for affordable housing to low- and moderate-income families. Through the end of 1996, 23 loans totaling \$1.353 million were granted through their program.

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.

PAB is an active lender in its community, especially in the housing market. The bank's average loan to deposit ratio since March 31, 1995, 67%, is lower than the peer average of 73% for two

reasons. Total deposits account for 90% of average assets and, in the past two years, residential mortgage sales have been high. In that time period, 256 mortgage loans were sold totaling over \$13 million.

PAB grants housing loans to borrowers of all income levels. The table below shows HMDA loan originations within MSA 7560 during 1995 and 1996. It shows that the volume of loans made to borrowers of different income levels is representative of the demographic composition of the MSA portion of PAB's assessment area.

HMDA Loan Originations by Family Income Level					
Family Income Level	1995 Originations		1996 Originations		MSA Family Income Distribution
	#	\$	#	\$	
Low-Moderate	52%	38%	29%	16%	36%
Middle	13%	17%	28%	22%	24%
Upper	35%	45%	43%	62%	40%
Total	100%	100%	100%	100%	100%

The bank began tracking the location and revenue levels of their small business loan customers in 1996. Their report shows that 465 loans totaling \$19,987 thousand were made in 1996. All were granted to small businesses, defined as those with less than \$1 million in annual revenues. The number of loans with original amounts less than \$100 thousand accounted for 91% of the 465 loans and 51% of original dollar amount.

Ninety-nine percent of the bank's loans originate within their assessment area. This conclusion is supported by bank reports of all loans made in the first quarter of 1997, 1995 and 1996 HMDA loans, and 1996 commercial loans.

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

The bank participates in First Time Home Buyer Programs with the Carbondale Housing Authority, the Scranton Office of Economic and Community Development, and the Scranton Neighborhood Housing Services. Since our last examination of March 31, 1995, 49 loans totaling \$425 thousand originated through these programs. They also participated with the Luzerne County Economic Development Council on a loan that originated at the end of 1995.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

PAB's delineated community is reasonable and does not arbitrarily exclude low- or moderate-income geographies. The bank's delineated assessment area meets the technical requirements of the regulation. The delineated community includes all of Lackawanna County, eastern Wyoming and Luzerne counties, southern Wayne County and central Monroe County.

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

The geographic distribution of the bank's credit extensions and denials is commensurate with the assessment area's demographic composition. The bank analyzes HMDA and small business loan originations according to the borrower's address or location of the secured property. The information on the table below was derived from the bank's reports on HMDA loans granted in 1995 and 1996 and small business loans granted in 1996.

GEOGRAPHIC DISTRIBUTION ANALYSIS					
Income Level of Census Tract	HMDA Loan Originations 1995 and 1996		Small Business Loan Originations - 1996		Distribution of Census Tracts Within Assessment Area
	\$	#	\$	#	
Low	1	1	1	2	1%
Moderate	9	9	2	3	11%
Middle	72	77	69	76	77%
Upper	18	13	28	19	11%
Total	100	100	100	100	100%

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

PAB maintains 20 offices that are accessible to all segments of their assessment area; fifteen are in middle-income areas, two are in moderate-income areas, and three are in upper-income areas. Four of the offices have drive-in facilities. Nine of the offices are located in supermarkets and are open seven days a week. The bank also operates 18 automatic teller machines and 15 cash

dispensing machines. Since our last examination, no branches were closed and six were opened; one each in moderate- and upper-income geographies and four in middle-income geographies.

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).

The bank has established practices specifically to help prevent bank employees from illegally discouraging credit applications. These practices include policies, procedures, training, and a review process.

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

We found satisfactory compliance with fair lending laws and regulations during our fair lending examination performed concurrently with this examination.

V. COMMUNITY DEVELOPMENT

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

PAB invested \$15 thousand in the Greater Scranton Chamber of Commerce's community development corporation, MetroAction, Inc, in February of 1997. MetroAction established a privately funded loan pool for funding start-up or expansion costs of small businesses. Their program mirrors the Small Business Administration's (SBA) Micro-Lending Pilot Program; SBA was unable to fund MetroAction's pool at this time.

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.

There are no known financial or legal impediments to prevent PAB from meeting 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.

Since our last examination, PAB was responsible for several improvements to the Carbondale community. These include developing two downtown shoppers' parking lots, donating another parcel to be developed into a park, and forgiving the mortgage on the Carbondale YMCA. The total cost of these projects exceeds \$750 thousand. The bank also regularly contributes to civic

and charitable organizations and makes low interest loans to local municipalities and non-profit organizations.