



Comptroller of the Currency
Administrator of National Banks

LARGE BANK

Public Disclosure

March 8, 1999

Community Reinvestment Act Performance Evaluation

Williamsport National Bank
Charter Number: 1464

329 Pine Street
Williamsport, Pennsylvania 17701

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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 CRA performance of **Williamsport National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 8, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. 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 **Outstanding**.

Factors supporting the bank's overall rating include:

- An excellent percentage of HMDA, small business and small farm loans granted within the assessment area.
- Excellent geographic distribution of HMDA loans within the assessment area.
- Excellent distribution of loans among borrowers of different income levels and to businesses of different sizes.
- A relatively high level of community development loan activity that is responsive to the credit needs in the assessment area.
- An excellent response to community credit needs, including flexible and innovative products.
- A significant level of qualified community development investments, that include low- and moderate-income (LMI) housing projects, and qualified grants.
- Service delivery systems are accessible to geographies and individuals of different income levels in the assessment area.
- A good level of community development services.

The following table indicates the performance level of **Williamsport National Bank** with respect to the lending, investment, and service tests.

Performance Levels	Williamsport National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory		X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

Williamsport National Bank (WNB) is a full service intrastate bank headquartered in Williamsport, Pennsylvania. Total assets were \$249 million on December 31, 1998. The loan portfolio accounted for 67% of total assets on the same date. The bank's business philosophy is retail-oriented and focuses on consumer and small business lending. Marketing efforts emphasize quality service and products provided by the **Ahometown@** bank. The loan portfolio is divided among the following loan types: 63% residential real estate loans; 27% commercial loans; and 10% consumer loans, including credit cards. WNB operates six full service branches, all with drive-up facilities and automated teller machines (ATMs). WNB has no subsidiaries.

WNB is a subsidiary of Susquehanna Bancshares, Inc. (SBI), a multi-bank holding and financial services company headquartered in Lititz, Pennsylvania. SBI operates ten banking subsidiaries located throughout Pennsylvania, Maryland, and New Jersey; a leasing company; and several support facilities. The banking subsidiaries are: Citizens National Bank of Southern Pennsylvania; Farmers First Bank; Farmers & Merchants Bank and Trust; First National Trust Bank; Founders=Bank; Equity National Bank; Susquehanna Bank; First American National Bank of Pennsylvania; First Capitol Bank; and WNB. SBI's assets totaled \$4 billion at year-end 1998. Additional information regarding SBI may be obtained through their Internet website at www.susqbanc.com. This is strictly informational and no transactions may be processed at this website.

There are no financial or legal impediments to prevent the institution from helping to meet the credit needs of the assessment area.

Description of Assessment Area (AA)

WNB's assessment area is the Lycoming County MSA # 9140. The AA meets regulatory guidelines and does not arbitrarily exclude any low- and moderate-income (LMI) areas. The AA contains twenty-nine census tracts (CTs). The demographics of the assessment area's census tracts are included in the following table.

ASSESSMENT AREA DEMOGRAPHICS			
Designation	# Census Tracts	% of Total Tracts	% of Families in the Tracts
Low	0	0	0
Moderate	4	14	7
Middle	22	76	81
Upper	3	10	12
Total	29	100	100

The AA's total population is 119,000. The average median housing cost is \$53,000 and the average year built is 1954. The MSA's updated median family income is \$36,500. WNB's market share of deposits within Lycoming County for all FDIC-insured institutions is 18%, as of June 30, 1998. Banking competition in Lycoming County is very strong. The bank's main competitors are Northern Central Bank and Jersey Shore State Bank, and branches of Sovereign, PNC, and Mellon banks.

Housing stock in the area is divided as follows: 63% owner occupied, 28% rental occupied, and 9% vacant. One-to-four family units comprise 81% of housing units in the county. The majority of total businesses in the area have annual sales equal to or less than \$1 million. Of the 3,488 nonfarm businesses, 2,587 (74%) fall into that category.

Service-producing industries comprise 70% of non-agricultural employment in the county, with the largest segments being services, trade, and government. Manufacturing continues to account for 25% of employment despite a significant decrease in the past decade. Major employers in Lycoming County are Susquehanna Health System, Brodart Company, Williamsport Area school district, Pennsylvania College of Technology, Spring Window Fashions, Andritz Sprout-Bauer, and the federal and state governments. The seasonally adjusted unemployment rate for Lycoming County as of January 1999 is 4.8%, slightly higher than the state average of 4.3%. This is a positive development from a year ago when the local unemployment rate exceeded the state average by 1.5%.

Determination of Community Credit Needs

Community Contacts

During the examination, we contacted a local housing authority to help determine the credit needs of Lycoming County. This organization serves low- and moderate-income families. Their mission is to provide safe, decent, and affordable housing to residents of Lycoming County. This contact believes that, while the overall stock of affordable housing units is generally adequate, there remains a need for a better variety of units. Specifically needed are larger apartments with yards, such as townhouses, for the elderly and transitional housing for those that do not yet meet the criteria for public housing. The contact felt that WNB's long-time presence in the community, tenure of the lending staff, and flexible underwriting practices allow the bank to meet the credit needs of the authority's low- to moderate-income families. The contact felt that the general banking and credit needs of the AA are being met.

Management, through its involvement with various community groups, has determined that affordable housing and small business lending are the AA's primary credit needs.

Conclusions with Respect to Performance Tests

Scope of Review

Lending tests are based on Home Mortgage Disclosure Act (HMDA), small business, and small farm loans originated from January 1, 1997 to December 31, 1998 and community development loans from January 1, 1997 through February 28, 1999. The bank's performance in granting home purchase and small business loans received the most weight during this review because those are the needs assessed by bank management. Investments and services were reviewed from March 15, 1996 through March 5, 1999. WNB was rated outstanding during their last CRA examination on March 15, 1996. All dollar amounts within the tables in this report are in thousands, unless otherwise indicated.

LENDING TEST

Lending Activity

Lending levels indicate a good responsiveness to the credit needs of the community. Management's lending focus is residential real estate loans (HMDA reportable loans), small business loans, and loans to individuals (consumer loans). **Refer to Table 1 in the Appendix.** WNB is the leader for HMDA loans in Lycoming County within moderate-income geographies with 28% market share. They are also the number one small business lender in Lycoming County with 23% market share. They rank second in overall HMDA loans within Lycoming County with 12% market share, behind a local competitor with 19% market share. The market share leader actively sells mortgages on the secondary market and WNB holds all mortgage loans originated in their own portfolio. The paragraphs and tables that follow more fully describe the bank's performance and activities within the defined AA.

Assessment Area Concentration

A substantial majority of WNB's HMDA, small business, and small farm lending is within their AA. The following table illustrates this.

LENDING IN ASSESSMENT AREA				
HMDA LOANS				
Location	# of Loans	%	\$ Amount	%
Inside AA	918	94	33,165	94
Outside AA	55	6	2,292	6
Total	973	100	35,457	100
SMALL BUSINESS LOANS				
Inside AA	512	96	32,378	93
Outside AA	19	4	2,261	7
Total	531	100	34,639	100
SMALL FARM LOANS				
Inside AA	11	100	588	100
Outside AA	0	0	0	0
Total	11	100	588	100

Geographic Distribution

WNB's level of lending within moderate-income tracts is excellent and there are no conspicuous gaps in the bank's lending activities. The 1997 HMDA market share data reveals that WNB is the number one lender in moderate-income tracts within its defined AA, with 28% market share, compared to their market share of 12% for all areas. Their strong HMDA performance in moderate-income areas is largely attributed to home improvement loans, where they hold 52% of market share. **See Table 3 in the Appendix. Table 2 in the Appendix** shows that 15% of the bank's home purchase loans originated in moderate-income CTs while those areas contain only 5% of owner occupied housing units. **Tables 3 and 4 in the Appendix** show that the percentage of home improvement and refinances originated by WNB in moderate-income tracts also exceeds the percentage of owner occupied housing units in those areas.

Table 5 in the Appendix details the geographic distribution of WNB's small business lending. It shows that 16% of the number of these loans were granted in moderate-income tracts while 25% of businesses in those CTs are considered small businesses. Although the

percentage of originations is less than the presence of those businesses in those areas, WNB is ranked number one in small business lending in moderate-income CTs. Their performance is best in small business loans granted to businesses with annual revenues of \$1 million or less. They have 34% market share in moderate-income CTs for these loans compared to their market share in all areas of 37%. **Table 6 in the Appendix** shows the geographic distribution of the bank's small farm loans. All of the loans, totaling 11 loans, originated in middle-income tracts, although 5% of small farms in the AA are located in moderate-income CTs.

Borrower Characteristics

WNB's level of lending to LMI individuals is very good for HMDA loans. The level of HMDA loan originations within each income category is commensurate with the demographics in the AA. **Tables 7-9 in the Appendix** summarize WNB's HMDA loan activity according to the families' income level. WNB's market share to low- and moderate-income families exceeds their overall market share for all product types, and exceeds by a greater degree for home improvement loans. For home improvement loans, the percentage of WNB's loans granted to low- and moderate-income families also is reflective of the percentage of these families in the AA. However, the percentage of loans granted to low-income families is less than the percentage of those families residing in the AA for home purchase and home mortgage refinance loans. This is attributed to the fact that the older homes in the AA are the most affordable for low- and moderate-income families and the maintenance of these homes creates a need for home improvement loans.

WNB's lending to small businesses is excellent and its lending to small farms is good. See **Tables 10 and 11 in the Appendix**. Table 10 shows that, during this evaluation period, 93% of reported small business loans granted during this evaluation were to small businesses, i.e. those with revenues \$1 million or less. This compares favorably to the percentage of small businesses and market loans in the assessment area, at 74% and 57%, respectively. WNB's market share of loans to small businesses also exceeds their overall market share for small business loans. The table also shows that 84% of small business loans were granted in amounts of \$100,000 or less.

Table 11 in the Appendix shows that 82% of the bank's loans were to small farms, which is commensurate with the percentage of market loans in the AA (86%) and somewhat less than the percentage of small farms located in the AA. Eighty-two percent of these loans had original amounts of \$100,000 or less.

Community Development Lending

WNB has a relatively high level of community development loan activity, which is very responsive to the credit needs in the assessment area. On February 25, 1999, the bank formally committed to provide \$1.5 million in interim financing for the construction of a 24-unit elderly housing project, all to benefit low- and moderate-income residents, in the city of Williamsport. The bank is financing this project in conjunction with the Federal Home Loan Bank's Affordable Housing program.

Innovative or Flexible Lending Practices

According to a community contact, WNB is known throughout the area for their flexible underwriting practices. No mortgages are sold in the secondary market, which allows the bank increased underwriting flexibility, including a minimum 10% down payment requirement without private mortgage insurance. During the first quarter of 1999, WNB developed a flexible loan program to help the residents of a local housing project purchase units from the Lycoming Housing Authority. During the first quarter of 1999, WNB set aside \$250,000 for an innovative program that will provide low interest loans to persons that require home renovations due to a physical disability. In order to provide their customers with more options on housing loans, WNB facilitates mortgage loans within their market area for submission to their affiliate, Farmers First Bank, for origination.

During 1998, 79 mortgage loans totaling \$6.6 million were provided to customers at interest rates lower than WNB was charging. In 1996, the bank devoted \$1 million to a First-Time Home Buyers Loan program. These loans were available to families with a maximum annual income of \$43,000 for the purchase of 1-2 unit properties in Lycoming County. A total of 20 loans totaling \$991,000 were booked from August through December of 1996.

INVESTMENT TEST

WNB has a significant level of qualified investments and grants that are responsive to the needs in the assessment area. **Refer to Table 12 in the Appendix.**

In February of 1999, WNB committed to invest \$1.5 million as a limited partner in a 24-unit elderly apartment complex that will benefit low-and moderate-income residents. An initial capital contribution of \$5,000 is required upon execution of the partnership agreement, with the balance due 24 months after completion of the construction.

Approximately, \$81,000 in CRA qualified donations were made during this evaluation period. These donations serve the need of low- and moderate-income families.

The bank had committed to an equity contribution of up to \$268,000 in February of 1998 for the construction of another 21-24 unit elderly apartment complex, for the benefit of low-and moderate-income individuals. Bank management devoted considerable time, from February until September of 1998, in the development of this project. However, the project was abandoned because the zoning variance was denied. This housing project was identified as a need in the assessment area.

SERVICE TEST

WNB's service delivery systems are accessible to geographies and individuals of different income levels within the bank's AA. Their six branches are located throughout the

assessment area as indicated in **Table 13 in the Appendix**. The table shows that 17% of branches and ATM facilities are located in moderate-income tracts while only 10% of the AA's population reside in those tracts. All offices but the main office have drive-up and ATM facilities. A stand-alone ATM and drive-up are located near the main office, all located in a moderate-income CT. The Loyalsock office, located in an upper-income CT, provides services to a nearby low- and moderate-income public housing project that accounts for 10% of Loyalsock Township's population. No branches were opened or closed during this evaluation period.

WNB offers extended hours, including Saturday hours, at all offices except one. Extended hours are not provided at the main office because of the nature of the surrounding business district. This downtown area is mostly a service center of government offices and banks with the same hours as WNB. All branches offer full banking services. Services include a wide range of loan and deposit products, as well as trust services. Utility payments are accepted at all branches for customer convenience. The bank also offers 24-hour telephone banking for account inquiries and transfers. Bank by mail is also offered. No significant weight was placed on these alternative delivery systems because bank management could not provide data to show that low-to-moderate income individuals or geographies benefited from these services.

Community Development Services

WNB provides a good level of community development services. The bank provides community development services and access to financial services that benefit low- and moderate-income individuals. Additionally, WNB's president and officers provide financial expertise to a variety of community service and development organizations through board and committee memberships. The community development services provided are responsive to the needs of the AA.

WNB issued food stamps during the evaluation period at three branch offices (50%) which included the branch located in the moderate-income census tract, and the Loyalsock branch located in an upper-income census tract. The state of Pennsylvania stopped issuing food stamps in November of 1998 and instead now issues access cards that can be used for food purchase and access to public assistance funds. WNB waives all ATM fees for access card transactions.

The bank's president is president and acting executive director of the Lycoming Housing Development Corporation (LHDC). Another bank officer serves as treasurer of LHDC. LHDC acquires substandard single family homes, supervises their repair, and sells them to LMI families. They are currently working on two houses.

A bank vice president sits on the board of the Lycoming Housing Finance Corporation (LHFC). LHFC is an affiliate of the Lycoming Housing Authority (LHA). Its purpose is to provide LHA added flexibility in meeting the housing needs of LMI families.

FAIR LENDING REVIEW

A fair lending review, in conjunction with this CRA examination, was performed by comparing mortgage refinancings granted to single males to those denied to single females. We did not identify any substantive violations of antidiscrimination laws and regulations.

Scope of Examination

Time Period Reviewed	March 15, 1996 to March 5, 1999		
Financial institution Williamsport National Bank	Products reviewed HMDA, Small business/Small farm, and Community Development Loans Investments and Services		
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
Pennsylvania - MSA 9140 - Lycoming County	on-site	One	Not Applicable

APPENDIX
TABLES OF PERFORMANCE DATA

Table 10. Borrower Distribution of Small Business Loan Originations

Borrower Distribution: SMALL BUSINESS State: PA Evaluation Period: January 1, 1997 TO December 31, 1998											
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
MSA 9140 - Lycoming County	74%	93%	57%	84.18%	11.33%	4.49%	23%	37%	512	100%	63
Limited-Scope:											

(*) As a percentage of businesses with known revenues.
 (**) As a percentage of loans with revenue information available. No information was available for 0% of loans originated by BANK.
 (***) The market consists of all other Small Business reporters in BANK's assessment area and is based on 1997 Aggregate Small Business Data only.
 (****) Based on 1997 Aggregate Small Business Data only.

Table 11. Borrower Distribution of Small Farm Loan Originations

Borrower Distribution: SMALL FARM State: PA Evaluation Period: January 1, 1997 TO December 31, 1998											
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans		
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
MSA 9140 - Lycoming County	95%	82%	86%	82%	18%	0%	38%	33%	11	100%	53
Limited-Scope:											

(*) As a percentage of farms with known revenues.
 (**) As a percentage of loans with revenue information available. No information was available for 0% of loans originated by BANK.
 (***) The market consists of all other Small Farm reporters in BANK's assessment area and is based on 1997 Aggregate Small Farm Data only.
 (****) Based on 1997 Aggregate Small Farm Data only.

