
Comptroller of the Currency
Administrator of National Banks

Small Bank

Northeastern District
1114 Avenue of the Americas, Suite 300
New York, New York 10036

PUBLIC DISCLOSURE

OCTOBER 23, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Mars National Bank

**Charter Number 5599
145 Grand Ave
Mars, PA 16046**

**Office of the Comptroller of the Currency
4075 Monroeville Boulevard, Suite 300
Monroeville, Pennsylvania 15146**

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 Community Reinvestment Act (CRA) performance of Mars National Bank prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of October 23, 2000. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTIONS CRA RATING: This institution is rated **SATISFACTORY.**

The primary factors supporting the bank's overall rating include:

- The geographic distribution of loan originations meets the standard for satisfactory performance since it is reasonable with regard to area demographics.
- The distribution of loan originations to borrowers of various income levels and businesses of different sizes meets the standard for satisfactory performance since it is reasonable with regard to area demographics.
- The level of lending inside the assessment area (AA) exceeds the standard for satisfactory performance since the majority of loans originated during the examination period are within the AA.
- The average loan to deposit ratio meets the standard for satisfactory performance since it is consistent with peer group loan to deposit averages.

DESCRIPTION OF INSTITUTION

The Mars National Bank (MNB) is a \$226 million, independently owned community bank located in Butler County, Pennsylvania. The bank is headquartered approximately 20 miles north of Pittsburgh, Pennsylvania in the township of Mars. MNB is a full service bank offering a range of deposit and loan products. Loan products include residential real estate mortgages, commercial and consumer loans. Historically the bank's primary business focus has been on residential mortgage lending. However, the bank has been increasing its focus on commercial lending. MNB received a satisfactory rating as a result of the previous CRA evaluation, which was conducted as of September 17, 1996.

Net loans represent 61% of MNB's assets. MNB's loan portfolio is broken down by dollar volume as follows: 56% residential real estate, 33% commercial and commercial real estate loans, 10% consumer loans and the remainder is in other loan types including agricultural, municipal, and construction loans. There are no financial or legal impediments that would preclude MNB from lending.

DESCRIPTION OF ASSESSMENT AREA

MNB has identified 70 whole contiguous census tracts (CTs) or geographies as its assessment area (AA). All of the AA census tracts are located within three adjacent counties in Pennsylvania. Specifically, the AA includes the northwestern portion of Allegheny County, the southern portion of Butler County, and the eastern edge of Beaver County. The majority of the census tracts are located in Allegheny and Butler Counties, which contain 33 and 29 census tracts respectively. The remaining AA census tracts, which are located in Beaver County, total 8.

The AA is comprised primarily of upper- and middle-income census tracts which total 33 and 31, or 47% and 44% respectively. The remaining census tracts, which are moderate, total 6, or 9%. The bank's AA contains no low-income census tracts. MNB's entire AA is located within the Pittsburgh Metropolitan Statistical Area (MSA.) The bank operates its headquarters and four branch offices in Butler County and one branch office in Allegheny County. Automated Teller Machines (ATMs) are located at each branch office location. The AA complies with all regulatory requirements and does not arbitrarily exclude low- or moderate-income areas.

Demographic information derived from annually updated HUD data is employed to analyze the bank's lending distribution among borrowers of different income levels. HUD data updated for 2000 reports the median family income for the bank's AA to be \$44,600. Demographic data collected during the 1990 census is

employed to analyze the bank's lending distribution among AA geographies. The 1990 census reports the population of MNB's AA to be 298,000. Census data also reports that within the bank's AA, owner occupied housing represents 76% of housing and the median housing value equals \$76,651. The majority (77%) of households are supported by wage or salaried jobs. However, 7% of households are considered to be at or below poverty level.

The AA has experienced significant growth over the previous decade. The development of Route 79 has improved access to downtown Pittsburgh. As a result, southern Butler and northern Allegheny County have benefited from an influx of new residents. Corresponding home building and support businesses (landscaping, furniture sales) have contributed to area economic development. Economic growth is also reflected in commercial real estate development. Economic growth has been stronger in northern Allegheny County and the Cranberry area of southern Butler County than in the city of Butler, which suffered the closing of industrial businesses in the 1980s.

Employment within the AA is diversified. Employment opportunities are available in the service industries, retail trade, manufacturing, and government. Diverse local employers include retail establishments, small heavy metal shops, and school districts. Current unemployment is low reflecting national employment rates with Butler County typically lagging slightly behind Allegheny and Beaver. Management advised that economic conditions in the AA are generally favorable, especially in northern Allegheny, southern Butler, and eastern Beaver Counties.

Competition is strong. The northern Allegheny County market in particular is heavily banked, housing branches of larger financial institutions, savings institutions, and community banks with which MNB competes. Discussion with bank management confirmed that within the AA, credit needs continue to be concentrated primarily in residential mortgage, consumer (auto / debt consolidation) and small business lending.

Examiners contacted the president of the local Chamber of Commerce. The local organization primarily serves the Cranberry and Warrendale areas, although its reach also extends throughout southern Butler and northern Allegheny County. The purpose of the organization is to assist member businesses to grow and promote the community as a whole. The contact described current economic conditions as favorable. The contact also described the performance of local financial institutions in meeting the credit needs of the community as "excellent."

Examiners also contacted the president of the local chapter of Habitat for Humanity, a local organization dedicated to assisting lower income individuals obtain affordable housing. The local chapter serves the city of Butler and nearby

townships. The contact mentioned a community credit need for low dollar consumer loans. The contact also specifically mentioned MNB as a local financial institution that has been “very helpful to Habitat” in granting interest free loans.

SAMPLING

Loan data was collected from the bank through a sample of primary loan product types originated over the evaluation period based on identified community credit needs. The sample was employed to analyze the bank’s records of lending inside its assessment area as well as lending distribution among borrowers of different income levels, businesses of different sizes and assessment area geographies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Analysis

- The loan to deposit ratio meets the standard for satisfactory performance, since it is consistent with the average loan to deposit ratio exhibited by local peer banks over the same period.

MNB’s current loan to deposit ratio is 69.2%. Similarly, MNB’s loan to deposit ratio over the previous 13 quarters averaged 68.9%. This level of lending compares favorably to the level of lending achieved by the bank’s local peer group, which averaged 68.2% over the same 13 quarters. Peer banks included local Pennsylvania banks with asset sizes between \$125 and \$325 million, operating within the same three counties as MNB.

Lending in Assessment Area

- Lending in the AA exceeds the standard for satisfactory performance, since the substantial majority of sampled residential mortgage, consumer and business loans were originated within the bank’s AA.

To assess MNB’s level of lending in its AA we sampled a total of 75 residential purchase mortgage, consumer and business loans originated between 10/1/96 and 10/1/00. Our sample revealed that 91% of the sampled loan volume and 61% of the sampled loan dollars were originated within MNB’s AA.

The following table details the bank's record of originating sampled residential purchase mortgage, consumer and business loans over the evaluation period, inside and outside of its AA.

LENDING INSIDE VS OUTSIDE THE ASSESSMENT AREA

	Inside Assessment Area		Outside Assessment Area		Totals	
	####	\$000	####	\$000	####	\$000
Residential Mortgage Loans	24	\$1,702	1	\$35	25	\$1,737
	96%	98%	4%	2%	100%	100%
Consumer Loans	23	\$494	2	\$187	25	\$681
	92%	73%	8%	27%	100%	100%
Business Loans	21	\$2,464	4	\$2,721	25	\$5,185
	84%	48%	16%	52%	100%	100%
TOTAL LOANS	68	\$4,660	7	\$2,943	75	\$7,603
	91%	61%	9%	39%	100%	100%

Lending to Borrowers of Different Incomes & Businesses of Different Sizes

y MNB's lending to borrowers of different income levels and businesses of different sizes meets the standard for satisfactory performance.

Residential Mortgage and Consumer Lending to Borrowers of Different Income Levels

MNB's record of residential purchase mortgage and consumer lending to borrowers of different income levels is reasonable considering AA demographics. A sample of 50 residential mortgage and consumer loan originations was reviewed to assess the bank's record of lending to low- and moderate-income borrowers.

As indicated in the table below, a sample of residential purchase mortgages originated between 10/1/96 and 10/1/00 reflected 4% and 29% of loan volume

and 13% and 9% of loan dollars, to low- and moderate-income borrowers respectively. Also indicated below, a sample of consumer loans originated between 10/1/96 and 10/1/00 to low- and moderate-income borrowers represented 26% and 26% of loan volume and 11% and 16% of loan dollars, respectively.

The bank's ability to extend residential purchase mortgage loans to low- and moderate-income borrowers, is hampered somewhat by the demographics of the assessment area in which it operates. Approximately 7% of households in the bank's assessment area are considered to be at or below poverty level. Additionally, 20% of the assessment area households are comprised of retired residents and 33% of area households derive income from social security.

Limited residential purchase mortgage demand from low- and moderate-income families may be attributable to many low-income families consisting of more senior, long-time residents who have already owned and occupied residences in the AA for many years. For this segment of the population, often housing needs tend to shift from owner-occupied housing to apartment living. Therefore the bank's opportunity to originate residential purchase mortgage loans to low- and moderate-income borrowers may be limited.

Conversely, the bank experiences much greater consumer loan demand from low- and moderate-income borrowers. The bank meets the community's credit need for consumer loans by originating consumer loans in often relatively small dollar amounts for purposes such as automobile purchases (new and used), repairs, tax expense and debt consolidations. MNB regularly originates consumer loans in dollar amounts of less than \$1,000. Low dollar consumer loans meet an identified community credit need experienced by low- and moderate-income borrowers.

The following table details the distribution of sampled residential purchase

mortgage and consumer loans originated by MNB over the evaluation period, among low- and moderate-income borrowers as compared to the percentage of low- and moderate-income families residing in the bank's AA.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS

	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Totals	
AA Families	32%		26%		21%		21%		100%	
	####	\$000	####	\$000	####	\$000	####	\$000	####	\$000
Purchase Mortgage Loans	1	\$143	7	\$95	6	\$390	10	\$440	24	\$1,068
	4%	13%	29%	9%	25%	37%	42%	41%	100%	100%
Consumer Loans	6	\$54	6	\$79	6	\$152	5	\$209	23	\$494
	26%	11%	26%	16%	26%	31%	22%	42%	100%	100%
TOTAL	7	\$197	13	\$174	12	\$542	15	\$649	47	\$1,562
	15%	13%	28%	11%	25%	35%	32%	41%	100%	100%

Lending to Businesses of Different Sizes

MNB's record of lending to businesses of different sizes is reasonable considering AA demographics. Small business loans are defined as those loans made to enterprises whose annual gross revenues are \$1 million or less.

Demographic data compiled during the 1990 census and Dunn & Bradstreet for the bank's AA indicates that of reporting AA businesses annual revenues were recorded as follows:

- 1,156 or 10% of AA business report annual revenues > than \$1 million
- 10,646 or 90% of AA business report annual revenues < or = \$1 million

A sample of 25 business purpose loans originated over the evaluation period were reviewed to assess the bank's record of lending to small businesses. Of all sampled loans originated by MNB to businesses between 10/1/96 and 10/1/00, 67% of business loan volume and 64% of business loan dollars were originated to small businesses. The volume of sampled business loans originated to local

small businesses is reasonable considering the volume of reporting small businesses in the AA.

The bank's ability to extend commercial loans to small businesses is hampered by the demographics of the AA in which it operates. Of small businesses in the bank's AA, the majority (57%) are located in Allegheny and Beaver Counties where the bank operates only one branch. A limited business market with corresponding restricted commercial lending opportunities exists in Butler County where the bank operates the majority (4) of its branches.

Nevertheless, the majority of sampled business loans extended to AA businesses represent the smaller dollar amounts needed by AA small businesses. For example, of sampled AA business loans 86% were originated for dollar amounts less than or equal to \$100,000, 76% were for originated dollar amounts less than or equal to \$75,000 and 38% were for originated dollar amounts less than or equal to \$25,000.

Geographic Distribution of Loans

- MNB's distribution of sampled residential mortgage and consumer loans among various geographies meets the standard for satisfactory performance.

Demographic data compiled during the 1990 census for the bank's AA indicates that the AA includes 70 geographies designated as follows:

- 0 low income geographies
- 6 moderate income geographies
- 31 middle income geographies
- 33 upper income geographies

Residential Mortgage Lending Geographic Distribution

Overall, the bank's geographic distribution of residential mortgage loans demonstrates a good dispersion throughout AA geographies. A sample of 25 residential purchase mortgage loans originated over the evaluation period to AA borrowers was reviewed to assess the bank's geographic distribution of residential purchase mortgages compared to the dispersion of the AA's owner-occupied housing available throughout AA geographies. Only 5% of all owner-occupied housing available within the AA are located within the AA's moderate income geographies. As indicated below, of sampled residential mortgages originated in the AA during the evaluation period, 17% and 15% of the volume and dollars respectively, were originated within these moderate-income geographies.

The bank's record of originating residential mortgage loans within moderate-income geographies is good considering the limited availability of owner-

occupied housing within moderate-income geographies. In addition, opportunities for originating residential purchase mortgage loans in moderate-income geographies is hampered since half of the AA's moderate -income geographies are located in Beaver County, where the bank operates no branches. No unexplained or conspicuous gaps in geographic lending distribution were noted. The bank's record of originating purchase mortgage loans within moderate-income geographies is reasonable considering the distribution of the population throughout the AA.

The following table details the geographic distribution of sampled residential mortgage loans originated by MNB over the evaluation period as compared to the representation of owner-occupied housing available within these geographies.

GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL MORTGAGE LOANS

	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Totals	
Owner Occupied Housing	0%		5%		46%		49%		100%	
	####	\$000	####	\$000	####	\$000	####	\$000	####	\$000
Residential Mortgage Loans	0	\$0	4	\$158	11	\$505	8	\$405	23	\$1,068
	0%	0%	17%	15%	48%	47%	35%	38%	100%	100%

Consumer Loan Geographic Distribution

Overall, the bank's geographic distribution of consumer loans demonstrates a reasonable dispersion throughout AA geographies. A sample of 25 consumer loans originated over the evaluation period to AA borrowers was reviewed. Of the entire AA population, 7% of residents are located within the AA's moderate-income geographies. As indicated below, of sampled consumer loans originated in the AA during the evaluation period, 4% and 1% of the volume and dollars respectively, were originated within these moderate-income geographies.

The bank's opportunities for originating consumer loans in moderate-income geographies is hampered since half of the AA's moderate -income geographies are located in Beaver County where the bank operates no branches. The bank's record of originating consumer loans within moderate-income geographies is reasonable considering the distribution of the population throughout the AA.

The following table details the geographic distribution of sampled consumer loans originated by MNB over the evaluation period as compared to the distribution of the population within AA geographies.

GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS

	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Totals	
Population	0%		7%		45%		48%		100%	
Consumer Loans	####	\$000	####	\$000	####	\$000	####	\$000	####	\$000
	0	\$0	1	\$4	15	\$398	7	\$93	23	\$495
	0%	0%	4%	1%	65%	80%	31%	19%	100%	100%

Business Lending Geographical Distribution

MNB's AA contains no low-income geographies and the AA's moderate-income geographies house less than 1% of AA businesses. Of all sampled loans originated by MNB to businesses between 10/1/96 and 10/1/00, none of the business loans were originated within the moderate-income geographies. The geographic distribution of business lending is reasonable considering limited opportunities for business lending in moderate-income geographies based on the low percentage of businesses located in those geographies.

Response to Complaints

No complaints have been received since the last examination.

Record of Compliance with Anti-Discrimination Laws

A fair lending examination was performed during the first quarter of 2000. A file review was performed comparing loan terms granted to female vs. male borrowers. Examiners found no violations of antidiscrimination laws and regulations. The bank has appropriate policies, procedures, and training programs in place to prevent discriminatory or other illegal practices.

