



Comptroller of the Currency
Administrator of National Banks

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

PUBLIC DISCLOSURE

December 8, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Northumberland National Bank
Charter Number: 7005
Post Office Box 271
245 Front Street
Northumberland Pennsylvania 17857**

**Office of the Comptroller of the Currency
Northern Pennsylvania Field Office
100 Hazle Street, Suite 202
Wilkes-Barre, Pennsylvania 18702**

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 **Northumberland National Bank** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of December 8, 1997. 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 satisfactory.

This overall rating is supported by the following factors:

- The bank's average loan to deposit ratio since the last CRA examination is 83%.
- The vast majority of loans granted during this evaluation period originated within the assessment area.
- The bank exhibits a good record of lending to individuals of different income levels and businesses of different sizes.

The following table indicates the performance level of Northumberland National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Northumberland National Bank</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	x		
Lending in Assessment Area	x		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		x	
Geographic Distribution of Loans	Not a meaningful analysis		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The Northumberland National Bank had assets totaling nearly \$69 million on September 30, 1997. The bank is headquartered in Northumberland which is located in north-central Pennsylvania approximately 50 miles north of Harrisburg, the state capital. There are no nearby metropolitan areas. Services are retail oriented with a wide variety of credit products offered. The loan portfolio was approximately 66% of total assets, with residential mortgages accounting for 84% of gross loans. The remainder of the loan portfolio consisted of 13% small business loans and 3% other consumer loans. There are no known legal or financial impediments that prevent Northumberland National Bank from meeting the credit needs of its community.

The bank has one full service office and a stand alone drive-up facility located in the borough of Northumberland, a middle-income area. Automated teller machines are located at both facilities. The bank's major competitors are nearby branches of Snyder County Bank of Selinsgrove, First National Trust Bank of Sunbury, Swineford National Bank in Hummels Wharf and Northern Central Bank of Williamsport.

DESCRIPTION OF ASSESSMENT AREA

Northumberland National Bank's assessment area meets regulatory requirements and does not arbitrarily exclude low or moderate income geographies. It consists of small cities, townships and boroughs in Northumberland, Snyder, Union, and Montour counties. The assessment area includes 22 block numbering areas (BNAs) in a non-MSA region of Pennsylvania. All BNAs but one are designated as middle- and upper-income geographies; the other is a moderate-income area, located in the city of Sunbury. The statewide nonmetropolitan median family income for Pennsylvania is \$34,500. The total population of the assessment area is 106,988, according to 1990 census data. The median housing value is \$60,056.

Economic conditions are stable in the bank's assessment area. Major employers are Weis Markets, Inc. and Geisinger Medical Center. Other significant employers are Bucknell University, Susquehanna University, local school districts, and county governments. The housing authority we contacted supports management's conclusion that the primary credit needs of the assessment area are housing related.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

Northumberland National Bank's average loan to deposit ratio since our last CRA examination is 83%. This ratio exceeds the 70% average ratio for similarly sized Pennsylvania banks.

Lending in Assessment Area

According to bank management, over 90% of all loan originations in the past two years were made within the assessment area. Our sample of the distribution of loans originated by the bank supports this conclusion. Our sample included 51 residential mortgage loans originated during 1997, totaling more than \$3.3 million.

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

The bank has a good record of lending to borrowers of different incomes. The table below shows our loan sample (described above) according to the borrowers' income level. The table shows that the income levels of the borrowers in our file sample are generally representative of the demographic composition of the assessment area.

Income Distribution of Mortgage Loans Sampled					
Income Level of Borrower	Number of Loans Originated	%	Dollar Amount of Loans (000s)	%	Percentage of Families in the Assessment Area %
Low	1	2	\$ 30	1	0
Moderate	17	33	855	25	5
Middle	13	26	688	21	68
Upper	20	39	1,778	53	27
Total	51	100	\$3,351	100	100

The chart below illustrates the distribution of small business and farm loans as listed in the June 30, 1997 call report. A small business loan is defined as a loan with an original amount of less than \$1 million. A small farm loan is defined as a loan with an original amount of less than \$500 thousand. The bank has an excellent record of lending to small businesses and small farms. As indicated below, the vast majority of these credits had original balances of \$250 thousand or less. By using loan size as a proxy for the size of the business, we concluded that most of the bank's commercial borrowers are small businesses.

Small Business Loans and Farm Loans at June 30, 1997						
Original Amount of Loan (000s)	Secured by Commercial Real Estate		Commercial		Secured by Farmland	
	\$	#	\$	#	\$	#
\$100 OR LESS	468	13	518	45	90	1
>\$100 TO \$250	867	8	176	5	252	2
>\$250 TO \$500	553	2	196	3	276	1
> \$500	0	0	0	0	0	0
Total	1,888	23	890	53	618	4

Geographic Distribution of Loans

A geographic distribution of loans was not performed because nearly the entire assessment area consists of middle- or upper-income geographies. Our limited file sample included one loan that originated in the only moderate-income geography.

Compliance with Antidiscrimination Laws

A fair lending review performed in conjunction with this CRA examination revealed satisfactory compliance with fair lending regulations. We did not identify any practices that would discourage or impede individuals from applying for credit.