



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**March 8, 2004**

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

**The First National Bank of Minersville  
Charter Number 423**

**260 Sunbury Street  
Minersville, PA 17954**

**Comptroller of the Currency  
Northern Pennsylvania Field Office  
100 Hazle Street, Suite 202  
Wilkes-Barre, Pennsylvania 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 primary factors supporting the bank's overall rating include:

- A substantial majority of the home purchase and home refinance mortgages were originated within the bank's assessment area.
- The average loan to deposit ratio is 60% and is reasonable, given the above average deposit growth and stable loan growth during the assessment period.
- The geographic distribution of home purchase and home refinance loans meets the standards for a satisfactory dispersion throughout the assessment area when performance context issues are considered.
- Lending to borrowers of different incomes meets the standards for satisfactory distribution when performance context issues are considered.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Minersville (FNBM) is an \$83 million financial institution located in Northeastern Pennsylvania in the borough of Minersville. It is a subsidiary of FNBM Financial Corporation, a one-bank holding company. The bank has no operating subsidiaries. The bank operates one full service office and one automated teller machine in Schuylkill County.

At December 31, 2003 FNBM reported net loans of \$33 million and total deposits of \$71 million. Major loan products include fixed rate residential mortgages, small business loans, and consumer installment loans. The loan portfolio represents 41% of total assets. The breakdown of the loan portfolio at December 31, 2003 was as follows: residential real estate 64%, commercial loans 22%, and installment loans 14%.

FNBM's lending philosophy is conservative. The bank is very community-oriented. The bank maintains paper-based Fair Housing Home Loan Data System (FHHLDS) records to track home mortgage applications for purchase, construction, and refinanced mortgages. Review of the FHHLDS reports since the previous CRA examination noted a low turndown/withdrawal rate for mortgage-related loans.

FNBM operates only in a non-MSA and therefore the bank is not subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA). After discussions with bank personnel and a review of financial information, we determined that home mortgages were FNBM's primary lending product. For sampling purposes, we reviewed the bank's monthly Home Loan Activity reports for loan originations from July 1, 1999 through December 31, 2003. The lending test focused on the bank's primary lending products. A review of originated loans determined that the bank originates primarily home purchase and home refinanced mortgages. Our sample was more heavily weighted in the years 2001, 2002, and 2003 in accordance with the OCC's guidance for preparing Public Evaluations for small banks. Sampling guidelines require a minimum of at least 20 originations per primary product within the AA. Our sample consisted of 29 refinanced and 20 home purchased mortgages.

The evaluation period for this examination is from July 1, 1999 through December 31, 2003. The bank's last CRA rating of Satisfactory was as of June 30, 1999.

## **DESCRIPTION OF ASSESSMENT AREA**

FNBM'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 all of the block-numbering areas (BNAs) in Schuylkill County. There are no low-income BNAs in the AA. The population of the AA is 150,336. The median housing value in the area is \$64,163 according to the 2000 Census data, an increase since 1990 when the median housing cost was \$41,887. The updated non-MSA median family income for the assessment area is \$47,400 for Census 2000 and \$41,100 for Census 1990.

As of December 2003, the unemployment rate for Schuylkill County is 6.4%. This is above the state average of 5.6%. The major employers in Schuylkill County are the state government, JE Morgan Knitting Mills, Alcoa Extrusions Inc., Good Samaritan Hospital, and Pottsville Hospital. Major banking competitors in the area include Minersville Safe Deposit Bank, which is a similarly sized local community bank, and branches of Union Bank, Sovereign Bank, Wachovia Bank, N.A., and M&T Bank.

According to the June 30, 2003 FDIC Summary of Deposits Market Share Report, FNBM ranked seventh out of eighteen institutions in Schuylkill County, with a 3.94% market share of deposits. Wachovia Bank N.A. ranked first with twelve offices and a 19.85% market share. It should be noted that the FNBM shows no out-of-market deposits.

The bank is not subject to the reporting requirements of the HMDA. However, market share data for all institutions in the AA that report HMDA data shows that, for 2001, there were a total of 117 lenders competing for home purchase loans, with market shares ranging from 0.01% to 11.23%. For the same year, market share data shows a total of 147 lenders competing for home refinance loans, with market shares ranging from 0.01% to 13.85%. Comparing FNBM loan originations in 2001 to these lenders, FNBM would have ranked 19 (out of 117) for home purchase loans in the AA and ranked 24 (out of 148) for home refinances in the AA.

FNBM has not originated any community development loans during the assessment period.

## **Community Contact**

Credit needs of the community were determined during this examination by contacting the Housing Authority for Schuylkill County, a division of the agency for Housing and Urban Development (HUD). The contact is responsible for assisting low- and moderate-income individuals with obtaining rental housing and/or rent subsidies. HUD provides all financing for the Housing Authority. The contact indicated that the primary concern within the community is the high unemployment rate. No identifiable credit needs in the community are going unmet.

Currently, there is a sufficient supply of housing for low- and moderate-income individuals. In addition to the Housing Authority, two additional developments (Heritage Hills and Heritage Heights) provide housing for elderly and low-income individuals in the Minersville area. Both are privately-owned and -operated.

The contact indicated that the prospects for additional employment opportunities in the area are strong. A distribution center for Wegmans and Wal-Mart is being constructed on I-81, which is expected to provide a significant number of hourly, unskilled positions.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

The loan-to-deposit (LTD) ratio meets the standard for satisfactory performance. FNBM's average LTD ratio since the previous Community Reinvestment Act evaluation is 60%, compared to the national peer average of 70%. FNBM's LTD ratio has declined since the last CRA examination. During the assessment period the bank's LTD ratio ranged from 67% to a low of 47% at December 31, 2003.

The reason for the downward trend in the LTD ratio is extraordinary growth in deposits while the volume of loans remained relatively stable. During the assessment period deposits increased 53%, while the loan volume only increased 5%. The deposit growth was due to local customers seeking refuge from the plummeting stock market. As individuals exited the market they looked for a safe haven to deposit the proceeds. Thus, the bank's deposit base grew at an inordinate pace and the volume of loans only increased modestly.

### **Lending in Assessment Area**

FNBM exceeds the standard for satisfactory performance for lending in the AA. A majority of the home purchase and refinancing loans originated during the evaluation period were within the AA. An analysis of the sample data disclosed that 97% of home purchase mortgages by number of loans originated and 100% of refinanced mortgages by number of loans originated are in the AA.

### **Lending to Borrowers of Different Incomes**

FNBM's lending to borrowers of different incomes meets the standards for satisfactory performance. The bank's performance relates to home purchase and home refinance mortgages as compared to the demographics of the AA for 1990 and 2000 Census data.

For both home purchase and home refinance mortgages, loans sampled from July 1, 1999 through December 31, 2002 were compared to 1990 Census data, and loans sampled from January 1, 2003 through December 31, 2003 were compared to 2000 Census data. Comparisons of data were performed in accordance with the OCC's Census 2000 transitional guidance. Please refer to the charts below that summarize the data.

### **1990 U.S. Census Data – Sample data 7/1/1999 through 12/31/2002**

The sample, when compared to the 1990 Census data, indicated that the level of home purchase mortgage loans and home refinanced mortgage loans originated to low-income borrowers in the AA is below the percentage of low-income families for the AA.

Home ownership is difficult for low-income individuals because of the high level of poverty; 12% of the households are below poverty level according to 1990 Census data.

The level of lending to moderate-income borrowers for home purchase mortgages is similar to the level of moderate-income families for the AA. The level of lending to moderate-income borrowers for home refinanced mortgages exceeds the level of moderate-income families for the AA.

### **2000 U.S. Census Data – Sample data 1/1/2003 through 12/31/2003**

The sample, when compared to the 2000 Census data, indicated that the level of home purchase mortgage loans and home refinance mortgage loans originated to low-income borrowers in the AA is below the percentage of low-income families for the AA. Home ownership is difficult for low-income individuals because of the high poverty level; 10% of the households are below poverty level, according to 2000 Census data.

Homeownership became increasingly difficult with the passage of time. The 1990 Census data reveals a median housing cost of \$41,887 while the 2000 Census data reveals a median housing cost of \$64,163, an increase of 53%. For the 1990 Census a low-income individual earned a maximum of \$20,550, while for the 2000 Census a low-income person earned a maximum of \$24,700, an increase of only 20%. Therefore, while the overall poverty rate declined, median housing costs increased rapidly, putting housing further out of reach for a low-income individual.

The level of lending to moderate-income borrowers for home purchase mortgages exceeds the level of moderate-income families for the AA. The level of lending to moderate-income borrowers for home refinance mortgages is below the level of moderate-income families for the AA.

## Borrower Distribution Charts

1990 Borrower Distribution of Home Refinanced Mortgages					
Income Level	# of Loans	% of Loans	\$ (000) of Loans	% of \$ of Loans	Income level of Families in AA
Low	0	0%	\$0	0%	18%
Moderate	3	38%	\$157	18%	19%
Middle	2	25%	\$96	11%	25%
Upper	3	37%	\$635	71%	38%
<b>Total</b>	<b>8</b>	<b>100%</b>	<b>\$888</b>	<b>100%</b>	<b>100%</b>

1990 Borrower Distribution of Home Purchased Mortgages					
Income Level	# of Loans	% of Loans	\$ (000) of Loans	% of \$ of Loans	Income level of Families in AA
Low	2	12%	\$66	8%	18%
Moderate	3	17%	\$82	9%	19%
Middle	4	24%	\$123	14%	25%
Upper	7	41%	\$528	60%	38%
NA	1	6%	\$77	9%	0%
<b>Total</b>	<b>17</b>	<b>100%</b>	<b>\$876</b>	<b>100%</b>	<b>100%</b>

2000 Borrower Distribution of Home Refinance Mortgages					
Income Level	# of Loans	% of Loans	\$ (000) of Loans	% of \$ of Loans	Income level of Families in AA
Low	1	5%	\$24	1%	17%
Moderate	0	0%	\$0	0%	20%
Middle	5	24%	\$397	20%	24%
Upper	15	71%	\$1,521	79%	39%
<b>Total</b>	<b>21</b>	<b>100%</b>	<b>\$1,942</b>	<b>100%</b>	<b>100%</b>

2000 Borrower Distribution of Home Purchased Mortgages					
Income Level	# of Loans	% of Loans	\$ (000) of Loans	% of \$ of Loans	Income level of Families in AA
Low	0	0%	\$0	0%	17%
Moderate	5	39%	\$249	31%	20%
Middle	4	31%	\$113	14%	24%
Upper	4	30%	\$429	55%	39%
<b>Total</b>	<b>13</b>	<b>100%</b>	<b>\$791</b>	<b>100%</b>	<b>100%</b>

## **Geographic Distribution of Loans**

FNB's geographic distribution of loans meets the standards for satisfactory performance. The bank's performance relates to home purchase and home refinance mortgages compared to the demographics of its AA. The breakdown by income level of the BNAs in the AA as designated during the 1990 US Census is as follows: three moderate-income, thirty-one middle-income and five upper-income, and one BNA which is not income-classified. There were no low-income BNAs in the AA.

The breakdown by income level of the BNAs as designated during the 2000 US Census are as follows: five moderate-income BNAs, thirty middle-income BNAs, and four upper-income BNAs. There were no low-income BNAs in the AA. Our sample did not include any loans originated in the moderate-income BNAs and reasons for this include:

- FNB of Minersville has only one office and it is not located near any of the moderate-income BNAs.
- Driving to FNB of Minersville from any of the moderate-income BNAs would not be a convenient choice.
- All of the moderate-income areas are adequately served by other community banks and offices of regional banks located in those communities.

In conclusion, the geographic distribution of loans meets the standards for satisfactory performance because there are no low-income geographies and the limited opportunities to lend within moderate-income areas because of the extended distance between the bank and the moderate-income tracts.

## **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**

We found no evidence of illegal discrimination or other illegal credit practices.