

Small Bank

PUBLIC DISCLOSURE

January 11, 1999

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Citizens National Bank
Charter Number: 5833**

**135 Center Avenue
Meyersdale, Pennsylvania 15552**

**Comptroller of the Currency
Western Pennsylvania Duty Station
4075 Monroeville Boulevard, Suite 300
Monroeville, PA 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 **Citizens National Bank** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of **January 11, 1999**. 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**.

Citizens National Bank, (CNB) is responsive to the credit needs of the community, including low-and moderate-income individuals. This satisfactory performance is supported by the following:

- ♀ CNB's loan to deposit ratio is reasonable at 53%.
- ♀ CNB's lending within the assessment area is high at an average of 98% over the past three years for residential mortgage loans and 100% of the consumer installment loans sampled.
- ♀ The distribution of loans among borrowers of diverse income levels reflects the characteristics of the bank's assessment area.

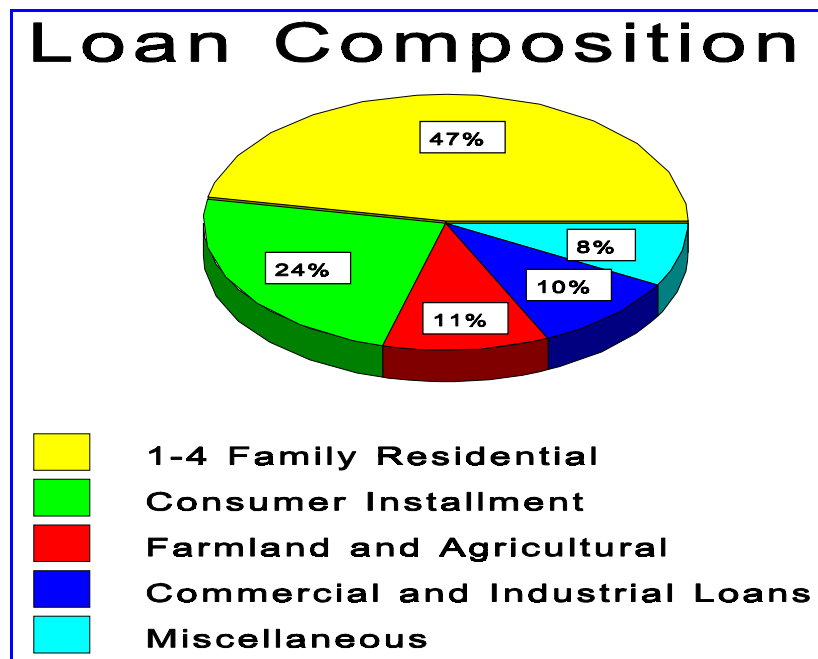
The following table indicates the performance level of **Citizens National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Citizens 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	This analysis was not meaningful due to a lack of low- and moderate-income geographies.		
Response to Complaints	No Complaints were received since the last examination.		

DESCRIPTION OF INSTITUTION

Citizens National Bank (CNB) is a \$45 million community bank located in Meyersdale, Pennsylvania. CNB has one main office and no branches. The bank offers one drive up facility and one ATM located next to the main office in Meyersdale. CNB offers a variety of consumer and commercial loan and deposit products. The primary focus of lending activities is in residential real estate and consumer installment lending. There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs of its community. CNB is the smallest financial institution within its assessment area. Five other financial institutions compete within this area. These institutions range in size from \$220 million to greater than \$1 billion in total assets.

The chart below reflects CNB's loan composition as a percentage of dollar amount of outstanding loans as of September 31, 1998.



DESCRIPTION OF ASSESSMENT AREA

CNB's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low or moderate income geographies. CNB's assessment area is comprised of 11 census tracts located in Somerset County which is within the Johnstown Metropolitan Statistical Area (MSA). All 11 tracts are identified middle income per the 1990 Census Bureau. These tracts

comprise the following townships: Allegheny, Brothersvalley, Black, Elk Lick, Fairhope, Greenville, Larimer, Milford, Northampton, Somerset, Southhampton, Stonycreek, and Summit.

The 1990 population of Somerset County is 78,218 according to the U.S. Census Bureau. Somerset County's population has declined slightly since 1980 but appears to be increasing slowly again. The median age for the county at 35.3 years is above the median for the Commonwealth of Pennsylvania at 34 years. Pennsylvania's population is made up of 15.4% senior citizens. The borough of Meyersdale is substantially higher at 23.7%.

The local economy is considered stable. The major employers of Somerset County, as of the 1990 Employment Index from the US Census Bureau, are retail trade (19.9%), health care (16.75%), educational services (10.6%), transportation (8.18%), fire (8%) and business, personal and recreational services (5.4%). Current unemployment rates for the assessment area were not readily available, however, historically, Somerset County unemployment rates have been higher than both state and national levels. In 1996, the unemployment rate for Somerset County was 6.8% as compared to the state at 5.1% and national level at 5.3%.

The 1998 Johnstown MSA median family income is \$30,200. The median housing value for the bank's assessment area is \$49,275 with 65% being owner occupied, 23% being occupied rental units and 12% vacant units.

Examiners contacted a member of the Meyersdale Borough Council. Per our conversation with this member it was conveyed that the primary credit needs of the community are being met by local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

CNB's loan to deposit ratio is reasonable and meets the standards for satisfactory performance. The bank's average loan to deposit ratio increased slightly to 53% from 52% at the previous CRA examination as of December 1995. There are no similarly sized institutions within CNB's assessment area with which to compare loan volume. Therefore, we compared the bank's loan to deposit ratio to a similarly situated bank within the assessment area. The similarly situated bank does not actively participate in the secondary loan market and is a full-service bank with the same lending focus as CNB. This institution's loan to deposit ratio averaged 56% over the same time period. We also evaluated financial institutions in counties adjacent to Somerset. Two bank's in adjacent counties have comparable loan deposit ratios of 37% and 49% for the same time frame.

Lending in Assessment Area

A substantial majority of loan originations are within the assessment area. Our analysis of CNB's 1996, 1997 and year to date 1998 Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR) indicates that an average of 98% of originations were made to borrowers within the assessment area. Our review of 22 consumer installment loans indicates that 100% of these loans were originated within the assessment area.

Income Distribution within the Assessment Area

The distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels and small businesses. CNB's lending distribution approximates that of the family income characteristics of the assessment area. In addition, the bank's lending patterns to individuals of different income levels is in line with all other lenders within the assessment area.

The distribution of the conventional home-purchase loans, refinances of 1-4 family home loans, home improvement loans and non-occupant home related loans as collected for 1998 and 1997 HMDA-LAR are outlined in the table below.

Borrower Income Level by Census MSA Med Income	Average 1997 and 1998 HMDA Originations		Demographic Characteristics of Assessment Area	Distribution of loans originated with the Assessment Area by CNB (1997 HMDA data)	
	#	%		#	%
Low	8	7%	17.64%	50	4.8%
Moderate	13	11%	18.31%	153	14.6%
Middle	39	33%	25.27%	267	25.5%
Upper	59	49%	38.78%	526	50.2%
Income not available	0	0	0	51	4.9%
TOTAL	119	100%	100%	1,047	100%

The following table reflects the distribution of our sample of 22 consumer installment loans originated in 1998. Our results indicate a good penetration of loans to low income individuals. CNB continues to offer small dollar installment loans. In 1998, the bank originated 107 loans totaling \$72,000 for loan amounts under \$1,000. The average size of these small loans was \$675.

Consumer Installment Originations

Income Levels	1998 Originations		Demographics of Assessment Area
	#	%	
Low Income	15	68%	17.64%
Moderate Income	2	9%	18.31%
Middle Income	5	23%	25.27%
Upper Income	0	0%	38.78%
TOTAL	22	100%	100%

CNB extends loans of different sizes to small businesses and small farms within the assessment area. We sampled all business and farm loans originated in 1997 and 1998. The table below outlines the number and dollar amounts of these loans.

Business and Farm Loan Originations

Loan Amount	1998 Originations				1997 Originations			
	#	%	\$(000)	%	#	%	\$(000)	%
\$49,999 and less	25	64%	\$667	28%	26	62%	\$574	23%
\$50,000 - \$100,000	9	23%	\$664	27%	12	29%	\$878	34%
\$100,001 - \$250,000	3	8%	\$465	19%	3	7%	\$604	24%
+ \$250,000	2	5%	\$625	26%	1	2%	\$482	19%
TOTAL	39	100%	\$2,421	100%	42	100%	\$2,538	100%

Geographic Distribution of Loans

An analysis of the geographic distribution of the bank's loans among the 11 census tracts within the assessment area was not completed. This type of analysis would not be meaningful since all census tracts are designated middle income.

Response to Complaints

No complaints have been received since the last examination.

Record of Compliance with Antidiscrimination Laws

Examiners performed a fair lending analysis concurrent with this examination. CNB is in compliance with provisions of Antidiscrimination laws and regulations. No substantive violations of fair lending legislation was found.

