

Small Bank

Public Disclosure

May 14, 1998

Community Reinvestment Act Performance Evaluation

Manor National Bank
Charter Number 6456

P.O. Box 627
Manor, Pennsylvania 15665

The 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 CRA performance of **Manor National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 14, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution ≈ CRA Rating: This institution is rated **Needs To Improve**

Manor National Bank is responsive to the credit needs of the community. However, the bank's rating is based on the overall low level of lending as evidenced by the 27% loan to deposit ratio. While other rating elements were either met or exceeded the satisfactory performance level, the overall weaknesses in lending was the overriding factor in determining the bank's CRA rating. However, several positive factors are noted:

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

SMALL INSTITUTION ASSESSMENT CRITERIA	MANOR NATIONAL BANK 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 Businesses of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received since the last examination		

DESCRIPTION OF INSTITUTION

Manor National Bank (Manor) is headquartered in Manor, Pennsylvania, in Westmoreland County. Manor National Bank is not a subsidiary of a bank holding company. As of 12/31/97, Manor has assets which total \$16 million. Net loans represent 25% of total assets. Manor has \$3.9 million in loans and \$12.6 million in deposits. The bank offers traditional loan and deposit products including residential mortgages, consumer instalment loans, checking, passbook savings, NOW accounts and certificates of deposit. Manor's focuses on the consumer market. The vast majority of the loan

portfolio consists of individual consumer instalment loans (16%) and residential mortgages (76%). The remainder of the loan portfolio (8%) is comprised of non-farm non-residential loans secured by real estate.

Manor continues to operate a single office at the same location where the headquarters and administrative offices are housed. Office hours are 9:00am to 3:00pm weekdays with 6:00pm to 8:00pm hours on Friday but no Saturday hours.. Manor, Pennsylvania is geographically isolated by surrounding terrain. Since the last CRA examination, the bank has installed an automatic teller machine (ATM). The bank has no financial or legal impediments hindering its ability to meet community credit needs.

Banking competition within Manor's trade area is considered to be strong. Competition consists of financial institutions which are substantially larger, more sophisticated and more visible than Manor. The larger, more sophisticated profile of the competition allows them to offer a greater variety of products and services. Competition includes regional banks such as National City and Pittsburgh based PNC and Mellon which display a strong presence. Competition also includes more locally based credit unions, thrifts, and commercial banks such as Irwin Bank and Trust, Southwest National Bank and First National Bank of Herminie.

DESCRIPTION OF THE ASSESSMENT AREA

Manor's assessment area (AA) is completely confined within Westmoreland County Pennsylvania. The assessment area consists of fifteen contiguous census tracts surrounding its branch/headquarters. These census tracts are all located within the Pittsburgh Metropolitan Statistical Area (MSA). Eleven of the census tracts are designated as middle income, three as moderate income, none as low income, and one as high income. Manor, the census tract in which the bank's branch/headquarters is located, is designated as a middle income geography. It is within this middle income census tract that the bank does the vast majority of its lending. The assessment area does not arbitrarily exclude low and moderate income geographies.

The U.S. Department of Housing and Urban Development estimated the MSA median family income within the Pittsburgh MSA as \$40,900. The weighted average of median value of housing is \$57,586. The population of the assessment area is approximately 74,814 while total households equal 28,135. Of total households, 9% are dependent on public assistance while 22% are identified as retired and 73% receive wages or salary. Unemployment in the bank's trade area is comparable to the national average of 3%. Employment is diversified. Many residents of Manor commute to Pittsburgh and its nearby suburbs in Allegheny County. Large nearby employers include Hamnill Nuclear and Pittsburgh Brass Company. One of the area's most significant employers, Westinghouse was recently purchased by CBS. Westmoreland County has mirrored

Pittsburgh as its economy has stabilized since experiencing significant problems during the early and mid 1980's. The local economy has demonstrated modest growth during the 1990's.

A review of Community Contacts conducted within the assessment area revealed that local banks are effectively meeting the banking and credit needs of the community. Community contact revealed a local need for convenient banking services as well as consumer needs for residential mortgage, home equity and home improvement lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

Manor National Bank's loan to deposit ratio (LTD) of 26.8% is substantially lower than that of peer banks. The bank's LTD ratio is calculated as an average of each of the eight quarters since the last CRA examination. The LTD ratio of 26.8% is a function of the bank's size and financial condition, as well as the economic condition and credit needs within the bank's assessment area. In relationship to other national banks in Pennsylvania with assets of \$30 million and less, Manor's 12/97 LTD ratio is 70% of the peer group ratio of 45.1%. The loan to deposit ratio suffered as result of 94% growth in deposits over the last seven years. However, Manor's LTD ratio has exhibited a positive trend, steadily increasing since 3/30/97, climbing from 24.7% to 31.5%. This increase in the loan to deposit ratio has resulted from growth in the loan portfolio of 19% since 12/31/97 and 41% since 12/31/94. Therefore, Manor's LTD ratio has steadily increased and is approaching that of their peers.

Manor has achieved steady loan growth despite the fact that a substantial portion of loan requests are for relatively nominal amounts. For example, of residential mortgages granted during 1997, 84% were for \$75,000 or less, 47% were for \$60,000 or less, and 37% were for \$50,000 or less. Similarly, of instalment loans granted during 1997, 85% were \$10,000 or less, 60% were \$5,000 or less and 38% were \$2,500 or less. Manor continues to promote loan products through local print advertisements. The bank has also added an electronic sign to identify the location of the bank. Manor has modified its loan products to best suit the needs of its community. The bank now offers mortgage loans with no points and two points, expanded terms from 15 and 20 year previously offered, to 25 and 30 year options, and incorporated the private mortgage insurance program for borrowers with less than a 20% down payment. Manor continues to pursue lending opportunities through modification and promotion of their loan products and a willingness to underwrite the smaller residential mortgage and consumer instalment loans requested by borrowers in their community.

Lending in the Assessment Area

The majority of Manor's loans are within the bank's assessment area. Our analysis shows that of 112 consumer instalment loans, 93 loans or 83%, are located within the bank's assessment area. We also found that, of 100 residential mortgage loans, 72 or 72%, are located within the bank's assessment area. Therefore, instalment and residential mortgage loans combined totaled 212, of which 121, or a 78% majority, are located within the bank's assessment area. The following chart summarizes these facts.

LOAN TYPE	LOANS IN ASSESSMENT AREA	
	NUMBER	PERCENT
CONSUMER INSTALMENT	93	83%
RESIDENTIAL REAL ESTATE	72	72%
TOTAL	165	78%

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

The distribution of loans to borrowers of different incomes and businesses of different sizes reflects good penetration among families of different income levels, including low and moderate income levels. Moderate income is defined as 51% to 80% of the weighted average of MSA median family income. Low income is defined as 50% or less of the weighted average of MSA median family income. We tested all consumer instalment loans originated during the third and fourth quarters of 1997 and found that 50% of consumer instalment loans were extended to low income borrowers and 39% were extended to moderate income borrowers. Therefore, 89% of consumer instalment loans originated from 6/30/97 through 12/31/97 were extended to low and moderate income borrowers.

We also tested all residential mortgage loans originated from November 1996 through December 1997 and found that 11% of residential mortgages were extended to low income borrowers while 39% were extended to moderate income borrowers. The level of lending to low and moderate income borrowers combined represents 50% of all residential mortgages originated during that time period. To summarize, 70% of loans were extended to low and moderate income borrowers which constitute only 19% of households within the assessment area. Non-farm, non-residential, loans secured by real

estate comprise 8% of the loan portfolio. However, 8% represents slightly more than \$300,000 and therefore, is considered to be negligible. These statistics are presented below.

4

The bank does not focus on commercial or small business lending. The census tract is virtually all residential with limited commercial businesses within the assessment area.

	LOW INCOME	MODERATE INCOME	MIDDLE INCOME	UPPER INCOME
ASSESSMENT AREA FAMILIES	0%	19%	66%	14%
RESIDENTIAL MORTGAGES 1/1/97-12/31/97	11%	39%	22%	28%
CONSUMER INSTALMENT 7/1/97-12/31/97	50%	39%	0%	11%
TOTAL RESIDENTIAL MORTGAGE & CONSUMER INSTALMENT LOANS TESTED	31%	39%	11%	19%

Geographic Distribution of Loans

The geographic distribution to census tracts of different median income levels is reasonable. Manor National Bank originates the vast majority of its loans in the middle income census tract in which it is housed. For example, of 212 consumer instalment and residential mortgage loans, 88 or 42% are originated within the only census tract in which the bank is located. The bank has only one location, therefore, no branches or ATM are present in any of the three moderate income census tracts within the assessment area.

In addition, all three of the moderate income geographies located within Manor's assessment area are situated in close proximity to Manor's competitors. One moderate income census tract is located within close proximity to First National Bank of Herminie. Two of the moderate income census tracts are located within close proximity to Southwest National Bank. Nevertheless, total consumer instalment lending to moderate income geographies within the assessment area equals 6% and total mortgage lending to moderate income geographies within the assessment area equals 15%. Therefore, 10% of all loans are originated within moderate income geographies in the assessment area. This

level of loan distribution to geographies of different median income levels is reasonable considering the bank's competition, location, and assessment area. The following chart summarizes these findings.

5

	LOW INCOME	MODERATE INCOME	MIDDLE INCOME	UPPER INCOME
ASSESSMENT AREA CENSUS TRACTS	0	20%	73%	7%
RESIDENTIAL MORTGAGES	0	15%	83%	2%
CONSUMER INSTALMENT	0	6%	88%	6%
TOTAL	0	10%	85%	5%

Response to Complaints

No complaints have been received since the prior CRA exam completed in 1995.

Fair Lending Analysis

We performed a fair lending analysis concurrent with this examination. Manor is in satisfactory compliance with the provisions of anti-discrimination laws and regulations. Practices and procedures used by the lending staff in daily activity are adequate.

