



## **PUBLIC DISCLOSURE**

May 06, 2013

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

Milton Savings Bank  
Charter Number 702007

80 Broadway Street  
Milton, PA 17847-1114

Office of the Comptroller of the Currency

1150 Northbrook Drive, Suite 303  
Trevose, PA 19053

**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 Outstanding**

- The loan-to deposit (LTD) ratio exceeds the standards for satisfactory performance.
- A substantial majority of the bank's loans are originated in its assessment area (AA).
- The bank's record of lending to borrowers of different incomes exceeds the standard for satisfactory performance.
- The bank has had no consumer complaints regarding its community reinvestment performance.
- The geographic distribution of loans in the AA reflects a reasonable dispersion and meets the standards for satisfactory performance.

**SCOPE OF EXAMINATION**

The current evaluation period covered lending activity for home mortgages from January 1, 2009 through December 31, 2011. These loans were the only products reviewed due to the business focus of the bank, and the large concentration of home mortgage loans in the loan portfolio. Milton Savings Bank's (MSB) primary loan product is home mortgage loans. MSB is not required to report data under the requirements of the Home Mortgage Disclosure Act (HMDA). For this reason, we selected a sample of home mortgage loans originated during the evaluation period to perform our review.

The last CRA Performance Evaluation for Milton Savings Bank (MSB) was dated July 2, 2007 and the bank received an overall rating of "outstanding."

**DESCRIPTION OF INSTITUTION**

Milton Savings Bank (MSB) is a \$68 million intrastate community bank founded in 1920, with its main office and headquarters in Milton, Pennsylvania. Milton is located in Northumberland County in central Pennsylvania, south of the Williamsport-Lock Haven metropolitan area.

The bank operates a full service office from its one location in Milton, Pennsylvania. The bank has one ATM and a drive-up facility located at this site. This office is located in a middle-income geography. The bank's website offers information on branch hours of service and bank products. MSB does not have any legal or financial restrictions that would impede their ability to help meet the credit needs of the community.

As of December 31, 2011, MSB reported \$53.4 million in net loans and \$56.2 million in total deposits. Net loans represented 78% of total assets. The bank's loan portfolio consists of mortgage loans (98.4%) and consumer loans (1.6%). The primary lending product is residential mortgage loans, which is the main business focus of the bank. Net Tier 1 Capital was \$11.6 million as of that same date.

MSB's last Public Evaluation (PE) was dated July 2, 2007. Since the previous PE, MSB has not closed or opened any branch offices.

## DESCRIPTION OF ASSESSMENT AREA(S)

MSB has identified 26 census tracts (CTs) in four separate counties as its AA. Four of the census tracts are in Montour County, 12 are located in Northumberland County, where the bank is headquartered, three are located in Snyder County, and seven are located in Union County. The AA includes all of Montour and Union Counties, the northern portion of Northumberland County, and the northeastern portion of Snyder County. This AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies. The closest MSA is the Williamsport-Lock Haven MSA. Williamsport is located approximately 20 miles north of Milton. The state capital of Harrisburg is located approximately 60 miles south of Milton.

Table 2 illustrates the AA demographic data, based on 2000 census data.

Table 2- Demographic Data of the Assessment Area	
Demographic Data	2000 Census
Population	132,317
Total Families	33,939
1-4 Family Units	49,483
Multi-Family Units	3,543
% Owner-Occupied Units	67%
% Rental-Occupied Units	25%
% Vacant Housing Units	8%
Median Housing Cost	\$90,787

Source: 2000 U.S. Census Data

Of the 26 CTs in the AA, two are moderate-income census tracts (eight percent), 18 are middle-income census tracts (69 percent), and six are upper-income (23 percent) census tracts. There are no low-income tracts in the AA. The total population in the AA was 132,317 according to the 2000 U.S. Census. The unemployment rate in Northumberland County, where the bank is located was 8.6 percent as of December 2011. This rate is higher than the 7.7 percent unemployment rate for the state of Pennsylvania during the same time period.

The weighted average median cost of housing in the AA is \$90,787. The updated median family income for 2011 is \$54,900. The percentage of households below the poverty level is 9.58 percent. The AA's population is comprised of 33,939 families. The family income distribution details that 14.31 percent are low-income, 18.29 percent are moderate-income, 24.50 percent are middle-income, and 42.90 percent are upper-income.

According to the FDIC Summary of Deposits Market Share, Milton Savings Bank is ranked 12<sup>th</sup> out of 22 institutions in its assessment area with a deposit market share with 1.98 percent of total deposits. The Northumberland National Bank (six branches) is ranked first with 14.49 percent of total deposits. Other institutions include Susquehanna Bank (12 branches) ranked second with 13.24 percent of total deposits and Manufacturers and Traders Trust Company (11 branches) with 11.13 percent of total deposits.

Competition in the AA is strong, with 212 lenders originating loans in the AA, during 2011, according to Peer Mortgage Data. Wells Fargo Bank, N.A., ranked first with a market share of 10.69 percent; Susquehanna Bank ranked second with a market share of 5.12 percent; and Mifflinburg Bank and Trust Co. ranked third with a market share of 5.02 percent. Other competitors consisted of large national banks and mortgage companies, large regional banks, local community banks, and mortgage brokers with nationwide sources of funding. MSB was not ranked in the AA, as they are not a HMDA reporter.

Community contact was conducted with a local community group. The contact stated, “the biggest need in the community was more low- and moderate-income housing” and that, “there are plenty of opportunities for banks to become involved in the local community, especially with non-profit organizations.” Overall, the contact indicated that the local financial institutions are extremely involved in supporting the local community. Several local bankers are on the board of directors for non-profits and local economic development agencies.

Please refer to the table below for a detailed breakdown of the AA Census tracts.

Table 3- Distribution of Geographies, Families and Housing Units in the Assessment Area						
Geography Income Level	AA Census Tracts		Total Area Families		1-4 Family Dwellings	
	#	%	#	%	#	%
Low	0	0.0%	4,857	14.31%	0	0.0%
Moderate	2	7.69%	6,207	18.29%	2,939	5.94%
Middle	18	69.23%	8,315	24.50%	35,737	72.22%
Upper	6	23.08%	14,560	42.90%	10,802	21.83%
N/A	0	0.0%	0	0.0%	0	0.0%
Total	26	100.0%	33,939	100.0%	49,478	100.0%

Source: 2000 Census

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

MSB's LTD ratio is more than reasonable and exceeds the standard for satisfactory performance. The bank's average LTD ratio for the prior 12 quarters was 97.2 percent, with a range of 90.63 percent to 102.88 percent. This ratio exceeds the average quarterly ratios of six similarly situated financial institutions of a custom peer group of financial institutions of similar asset size operating in the state of Pennsylvania. The custom peer average was 67.47 percent, with average ratios during the period ranging from 56.88 percent to 94.87 percent.

### Lending in Assessment Area

A substantial majority of the home mortgage loans originated during the evaluation period were within the bank’s AA. MSB exceeds the standard for satisfactory performance for lending in the

AA. An analysis of the HMDA data disclosed all (100 percent) of the home mortgage loans reviewed during the evaluation period were originated within the bank’s AA.

The following table is an analysis of the distribution of home mortgage loans.

<b>HOME MORTGAGE LOANS ORIGINATED DURING EVALUATION PERIOD JANUARY 1, 2009 THROUGH DECEMBER 31, 2011</b>				
	<b>INSIDE ASSESSMENT AREA</b>		<b>OUTSIDE ASSESSMENT AREA</b>	
	# Loans		# Loans	
Home Purchase Loans	11		0	
Home Refinance Loans	8		0	
Home Improvement Loans	1		0	
Multi-family	0		0	
Total Loans	20		0	
Percentage	100.0%		0.0%	

Source: 2009-2011 Milton LAR

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

MSB's record of lending to borrowers of different income levels exceeds the standard for satisfactory performance. The level of home mortgage loans originated to low-income borrowers exceeds the percentage of low-income families in the AA. MSB’s performance also significantly exceeds the percentage of aggregate peer loans made to low-income families within this AA. When considering the affordability of housing in the AA, this performance is excellent. The median cost of housing in the AA is \$90,787 based on 2000 U.S. Census Data. The Housing and Urban Development (HUD) updated median family income for 2011 is \$54,900. This means that a low-income person earns less than \$27,450. Based on these statistics, it would be difficult for a low-income individual to purchase housing in the AA.

The percentage of loans made to moderate-income borrowers significantly exceeds the percentage of moderate-income families in the AA. MSB’s performance also significantly exceeds the percentage of aggregate peer loans made to moderate-income families within this AA. Considering the affordability of housing in the AA, this performance is excellent. The median cost of housing in the AA is \$90,787 based on 2000 Census Data. The HUD updated median family income for 2011 is \$54,900. This means that a moderate-income person earns less than \$43,920. Based on these statistics, it would be difficult for a moderate-income individual to purchase housing in the AA.

Please refer to the following table for borrower income distribution of home mortgage loans in the AA.

<b>Borrower Income Distribution of Home Mortgage Loans in the AA                      Milton Savings Bank                      2009-2011</b>				
<b>Income Level</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>% of Families</b>	<b>% Aggregate Peer Loans</b>
Low	3	15.0%	14.31%	7.48%
Moderate	8	40.0%	18.29%	16.21%
Middle	3	15.0%	24.50%	24.02%
Upper	6	30.0%	42.90%	42.42%
N/A	0	0	0	9.87%
<b>Total</b>	<b>20</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: 2009-2011 MSB LAR/2000 Census Data

### **Geographic Distribution of Loans**

The geographic distribution of loans in the AA reflects a reasonable dispersion and meets the standards for satisfactory performance. Based on the 2000 Census Data, there are no low-income census tracts in the AA. Therefore, an analysis of these tracts would not be meaningful and will not be completed. There are two moderate-income census tracts, 18 middle-income census tracts, and six upper-income census tracts. During the evaluation period, the bank extended no loans in the two moderate-income level tracts.

Both moderate-income tracts are located in Northumberland County and consist of the city of Northumberland with a total population of 6,623 (based on 2000 U.S. Census), and had total of 3,253 housing units available (1,321 are owner-occupied). The poverty level for both CTs exceeds 19.0 percent. The weighted average of median housing in both CTs is greater than \$64,000. Also, competition in these income tracts is high. There are 146 other institutions in the Northumberland County AA with a share of the mortgage market. Wells Fargo Bank, NA has 10.36 percent of the market share, Susquehanna Bank has 6.91 percent of the market share, and Bank of America, NA has 5.27 percent of the market share. The moderate CTs are located in the central portion of the county with the branches of these other financial institutions in more convenient locations than MSB's sole branch. Therefore, lending opportunities for MSB in these geographies are very limited.

Please refer to the following table for geographic distribution of home mortgage loans in the AA.

<b>Geographic Distribution of Home Mortgage Loans in the AA</b>				
<b>Milton Savings Bank</b>				
<b>2009-2011</b>				
<b>Census Tract</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>% of Owner-Occupied Units</b>	<b>% Aggregate Peer Loans</b>
Low	0	0%	0%	0%
Moderate	0	0%	3.73%	3.46%
Middle	18	90.0%	73.29%	67.90%
Upper	2	10.0%	22.97%	28.64%
Total	20	100%	100%	100%

Source: 2009-2011 MSB LAR/2000 Census Data

### **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**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.