



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Public Disclosure

June 30, 1998

Community Reinvestment Act Performance Evaluation

Turbotville National Bank
Charter #9803

Post Office Box 37
Turbotville, Pennsylvania 17772

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Northern Pennsylvania Field Office
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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 Turbotville National Bank prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 30, 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'S CRA RATING: This institution is rated Satisfactory.

The primary factors supporting the bank's overall rating include:

- The average loan to deposit ratio is more than reasonable at 77%;
- A majority of mortgage loans, commercial loans, and farm loans originated during the examination period are in the bank's assessment area;
- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Turbotville 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	Distribution of geographies is not sufficient for a meaningful analysis.		
Response to Complaints	No complaints received since the prior examination.		

DESCRIPTION OF INSTITUTION

Turbotville National Bank (TNB) is a \$59 million institution situated in central Pennsylvania. It is a wholly owned subsidiary of Turbotville National Bancorp, Inc., a one bank holding company. The bank operates one full service office and one automated teller machine located in Turbotville in northern Northumberland County. Primary competition is from other similarly sized local community banks including West Milton State Bank, Milton Savings and Loan, and Muncy Bank and Trust Co.

Primary loan products include residential mortgages, small business and agricultural loans, and consumer installment loans. The loan portfolio represents 65% of total assets. A breakdown of the portfolio as of March 31, 1998 is as follows: 55% residential mortgages, 22% agricultural loans, 13% commercial credits, and 10% consumer installment loans. There is an identified concentration of credit in agriculture production lending which constitutes 107% of the bank's capital as of March 31, 1998. There are no legal or financial impediments which would hinder the bank's ability to help meet the credit needs of its community.

DESCRIPTION OF ASSESSMENT AREA

TNB's assessment area includes one block numbering area (BNA) in northern Northumberland County and one BNA in western Montour County. The population of the assessment area is approximately 8,000. Fifteen percent of the families residing in the assessment area are low-income, nineteen percent are moderate-income, twenty-five percent are middle-income, and forty-one percent are upper-income families. Seventy-eight percent of the housing units in the assessment area are owner occupied.

Northumberland and Montour counties are non-metropolitan statistical areas (Non-MSA). Both of the BNAs in the assessment area are middle-income areas. The statewide non-metropolitan median family income of \$35,200 is applicable to this area.

Employment in this area is centered in agriculture, specifically dairy farming. The local agricultural community includes a large Amish population. Clarks Ag Center provides industrial employment in the immediate area. However, most residents travel outside the area to Danville and Williamsport for work opportunities.

Credit needs of the community were determined during this examination by contacting a local chamber of commerce. This contact indicated that the primary need of the local community is small loans to businesses and cash flow funding for businesses. TNB does not have a minimum loan amount and routinely provides small loans to businesses. The bank addresses housing needs in the local community by participating in the Susquehanna Valley Bankers Housing Consortium First Time Home Buyers Program which is subsidized by the Federal Home Loan Bank. TNB also has telephone and PC banking to meet the service needs of its customers. These services allow a customer to check deposit transactions and verify loan balances.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Please note that for purposes of this report the examination period covers lending activity from September 1, 1995 through June 30, 1998.

Loan to Deposit Ratio

The average loan to deposit ratio of 77%, which has been maintained since the last CRA examination, is more than reasonable. This ratio has remained stable and exceeds the national peer banks' average of 64%.

Lending in Assessment Area

We analyzed the bank's record of lending in their assessment area using a sample of mortgage loans, commercial loans, and agricultural credits originated during the evaluation period. Monthly new loan reports were used to determine the level of activity during this time. The mortgage loan sample included 10% of the originations during each year of the evaluation period. The commercial and agricultural sample consisted of 10% of the originations for 1996 through 1998. Information was not readily available for 1995 in order to review a sample of these loans. The following tables demonstrate that a majority of TNB's loans are made in their assessment area.

Mortgage Loan Originations During the Examination Period								
	Inside AA				Outside AA			
	#	%	\$ (000)	%	#	%	\$ (000)	%
1995	1	25	92	55	3	75	76	45
1996	11	79	643	78	3	21	177	22
1997	5	42	274	50	7	58	278	50
1998	5	100	172	100	0	0	0	0

Commercial and Agricultural Loan Originations 1996-1998								
	Inside AA				Outside AA			
	#	%	\$ (000)	%	#	%	\$ (000)	%
1996	12	71	915	77	5	29	273	23
1997	11	65	381	39	6	35	601	61
1998	10	100	144	100	0	0	0	0

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank's record of lending to borrowers of different income levels was evaluated using the same mortgage sample described above. The sample revealed that there is not a high volume of lending to low and moderate income borrowers. However, this is because a majority of the population in the assessment area are middle- and upper-income families. The demographic composition of the area is as follows: 15% of the families residing in the assessment area are low-income, 19% are moderate-income, 25% are middle-income, and 41% are upper-income families. TNB's record of lending reflects a reasonable penetration of lending to borrowers of different income levels.

Mortgage Loan Originations by Level of Borrower Income								
Income Category	1998		1997		1996		1995	
	#	%	#	%	#	%	#	%
Low	0	0	2	17	1	7	1	25
Moderate	0	0	5	41	0	0	0	0
Middle	2	40	3	25	6	43	2	50
Upper	3	60	2	17	7	50	1	25
Total	5	100	12	100	14	100	4	100

TNB is very responsive to the credit needs of small businesses and small farms in its community. We used the same commercial and agricultural loan sample that was used to evaluate lending in the assessment area. Our sample showed that substantially all of the bank's commercial and agricultural lending is to small businesses and small farms. A small business is defined as a business with less than \$1 million in gross annual revenues. A small farm is defined as a farm with less than \$500 thousand in gross annual revenues. Demographic information indicates that over 70% of the businesses and farms in the area have revenues of less than \$1 million. Also, 90% of the businesses employ less than 20 employees.

Geographic Distribution of Loans

Both of the BNAs in the assessment area are middle-income. Therefore, an analysis of the geographic distribution of loans would not be meaningful.

Compliance with Antidiscrimination Laws

No violations of antidiscrimination laws and regulations were noted during the concurrent fair lending examination.