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Comptroller of the Currency  
Administrator of National Banks

Small  
Bank

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## **PUBLIC DISCLOSURE**

**June 15, 1998**

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

**Pioneer Trust Bank, N.A.  
Charter Number 21060**

**109 Commercial Street NE  
Salem, Oregon 97301**

**Comptroller of the Currency  
1501 Fourth Avenue, Suite 1190  
Seattle, WA 98101**

<b>NOTE:</b> 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.
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## 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 **Pioneer Trust Bank, N.A.**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 15, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

**Institution's CRA Rating:** This institution is rated **"Satisfactory"**.

Pioneer Trust Bank, N.A., (PTB) demonstrates satisfactory performance in meeting the credit needs within its community. The bank originated the majority of its loans within its identified assessment area. Overall, lending represents reasonable geographic distribution and borrower dispersion. PTB's loan-to-deposit ratio is considerably less than similarly situated banks. PTB has not received any written consumer complaints regarding their CRA performance since the prior OCC examination.

### DESCRIPTION OF THE INSTITUTION

Pioneer Trust Bank, N.A., (PTB) is a \$158 million community bank that was incorporated in 1924 as a trust bank. PTB is locally owned and serves Salem through its two offices.

PTB is in sound financial condition with total assets of \$158 million as of March 31, 1998. Gross loans total \$64 million which represents 41% of the bank's total assets. Local branches of fifteen banks including US Bank, Wells Fargo, and Washington Mutual provide competition to the bank. PTB offers two automated teller machines (ATM's) and a full service trust department.

For this evaluation, examiners weighted the bank's performance in business lending more heavily than its performance in home mortgage lending. The bank's primary business focus is business lending. The composition of the loan portfolio based on the dollar amount of loans consists of 16% commercial, 77% real estate secured, and 3% consumer loans. During 1996 through the first quarter of 1998, the bank originated \$61 million in business and farm loans which comprise 65% of the total loan originations.

The bank offers a full range of business lending products which includes accounts receivable loans, term equipment loans and revolving lines of credit. PTB offers primarily short-term, fixed rate mortgage loans to better manage their interest rate risk. The bank does not sell its mortgage loans on the secondary market. Mortgage loans are mostly made as an accommodation to bank customers who are primarily business owners and business professionals.

### DESCRIPTION OF PIONEER TRUST BANK'S ASSESSMENT AREA

PTB's delineated community consists of the thirty-one census tracts surrounding its two offices in Salem, the Capitol city of Oregon. The assessment area is within the Salem Metropolitan Statistical Area (MSA) which comprises Marion and Polk counties. The bank's assessment area consists of whole geographies and does not arbitrarily exclude any low- or moderate- income census tracts. The assessment area includes 8 moderate-income census tracts, no low-income tracts, 13 middle-income tracts, and 10 upper-income tracts.

Based on 1990 United States Census data the assessment area has a population of 180,240 people. Eighty-six percent of the population resides in the middle- and upper-income census tracts. The U.S. Department of Housing and Urban Development estimated the median family income for the Salem MSA at \$37,800 in 1996, \$40,000 in 1997, and \$42,200 for 1998. Based on an activity report by the Salem Multiple Listing Service, the median home price in Salem is \$127,000 as of March 31, 1998. Table 1 shows the census tract population by income level.

Table 1

Pioneer Trust Bank Salem Census Tracts															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
Census Tracts		Families		Census Tracts		Families		Census Tracts		Families		Census Tracts		Families	
0	0%	0	0%	8	16%	6,407	14%	13	54%	25,532	55%	10	30%	14,797	31%

Source: Demographic Data - 1990 U.S. Census

Oregon Employment Department (OED) data for April 1998 shows major employers in the area include state government offices, retail, and service businesses. In aggregate, these employers comprise 70% of the nonfarm payroll employment for Salem. OED also reports that the local economy is robust with continued growth in the job market. The Salem area unemployment rate of 5.3 percent for April 1998 is its second lowest since 1958.

Our community contacts in the local area included a non-profit community action group and an economic development organization. They did not provide any information that would indicate that any significant changes occurred in Salem and the surrounding communities since our last examination. They confirmed that the local economy is stable with ample providers of banking services.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

- **Loan-to-Deposit Ratio**

Pioneer Trust Bank's loan-to-deposit ratio is considerably lower than similarly situated banks. The bank's loan-to-deposit ratio average is 48% for the previous eight quarters ending March 31, 1998. The bank's loan-to-deposit ratio has been slowly growing and ended December 31, 1997 at 50%. Included in the deposit totals are approximately \$15 million in trust department deposits. With the exclusion of those trust deposits, the loan-to-deposit ratio is 53%. We identified two similarly situated banks for comparative purposes. Each was financially sound and offered similar loan products. Loan-to-deposit ratios for the previous eight quarters ending March 31, 1998 were 88% and 74%. In comparison, PTB has a high level of stable, core deposits. Its loan portfolio is dominated by real estate and business loans with short amortizations. As a result, its loan-to-deposit ratio is lower.

- **Lending in the Assessment Area**

PTB originated the majority (88%) of its loans in its assessment area. Consistent with the bank's business focus, we weighted its business lending performance more heavily than HMDA lending. The bank originated 741 business/farm and HMDA loans during 1996 through first quarter 1998. Of the total loans originated, 90% of the business/farm loans and 82% of the HMDA loans were made within the bank's assessment area.

Examiners reviewed a sample of 87 business and farm loans to validate the accuracy of the bank's loan analysis. The examiners determined that the data was accurate and relied on the bank's analysis for evaluating business and farm lending performance. Examiners relied on the HMDA data to evaluate the bank's performance in mortgage lending.

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

Overall, business/farm loan distribution shows good penetration among businesses of different sizes. The distribution of business/farm loans compares favorably to the business demographics for the bank's assessment area. The distribution of home mortgage loans to borrowers of different incomes is consistent with the bank's business focus and practice of making loans as an accommodation to its business owner and business professional clients. These clients generally have higher income levels.

Lending to Businesses of Different Sizes:

The bank originated a total of 584 businesses/farm loans. Five Hundred Twenty Three (90%) of the loans were originated within the bank's assessment area. Of the 87 loans that examiners reviewed, 79% of the borrowers had gross annual revenues of \$1 million or less. Ninety-one percent of the businesses and farms in the bank's assessment area have gross annual revenues of \$1 million or less. Table 2 demonstrates the bank's performance in lending to businesses of different sizes.

Table 2

Distribution of Small Business and Farm Loan Originations in 1996, 1997, First Quarter 1998				
	Businesses/Farms In Assessment Area		Loan sample	
	#	%	#	%
< \$1 million	6,415	91%	69	79%
> \$1 million	614	9%	18	21%

Source: Dunn & Bradstreet

## Lending to Borrowers of Different Incomes:

The bank originates the majority of its HMDA loans to existing borrowers as an accommodation. Many of the bank's customers are business owners and business professionals with higher incomes. The bank's performance shows a high percentage of its loans to middle and upper-income customers. We placed more emphasis on the bank's performance in providing business loans during this examination because business lending is the bank's primary focus with 65% of the loans originated to businesses and farms. Table 3 shows PTB's performance in lending to borrowers with different income levels.

Table 3

<b>1996, 1997, First Quarter 1998 Home Mortgage Loan Originations Within the Assessment Area by Income Level of the Borrower</b>										
	<b>All Borrowers</b>		<b>Low-Income</b>		<b>Moderate - Income</b>		<b>Middle Income</b>		<b>Upper-Income</b>	
<b>Loan Product</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Home Purchase/Refi	90	73%	0	0%	6	7%	15	17%	69	77%
Home Improvement	34	27%	2	6%	1	3%	7	17%	24	71%
<b>Total Loans</b>	<b>124</b>	<b>100%</b>	<b>2</b>	<b>2%</b>	<b>7</b>	<b>6%</b>	<b>22</b>	<b>17%</b>	<b>93</b>	<b>75%</b>
<b>% of Families by Income Level</b>	<b>100%</b>		<b>17%</b>		<b>19%</b>		<b>24%</b>		<b>41%</b>	

Source: HMDA

- **Geographic Distribution of Loans**

Geographic distribution of business and farm loans to moderate-income census tracts is good. Thirty percent of the businesses in the assessment area are located in the moderate-income census tracts. PTB originated forty-four percent of its business/farm loans to the moderate-income census tracts. The geographic distribution of HMDA mortgage loans was primarily concentrated in the middle- and upper-income census tracts. Table 4 shows that the distribution of business and farm loans. Table 5 shows the HMDA loan distribution.

Table 4

<b>Distribution of Small Business and Farm Loan Originations in 1996, 1997 and First Quarter 1998 Within the Assessment Area By Income Level of the Census Tract</b>										
<b>Assessment Area Data</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>		<b>Total</b>	
# of Census Tracts	0		8		13		10		31	
Percent of Businesses	0%		30%		49%		21%		100%	
<b>Loan Product</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
1996	0	0%	104	41%	73	29%	75	30%	252	100%
1997	0	0%	109	49%	60	27%	53	24%	222	100%
1998	0	0%	17	35%	16	33%	16	33%	49	100%
<b>Total Business and Farm Loans</b>			230	<b>44%</b>	149	<b>28%</b>	144	<b>28%</b>	523	<b>100%</b>

Source: Business Demographic Data and bank prepared Small Business and Farm Loan Data Collection Register

Table 5

<b>Distribution of Home Mortgage Loan Originations in 1996, 1997 and First Quarter 1998 Within the Assessment Area By Income Level of the Census Tract</b>									
<b>Assessment Area Data</b>	<b>Low-Income</b>		<b>Mod-Income</b>		<b>Middle-Income</b>		<b>Upper-Income</b>		
<b>Owner Occupied Units</b>	0%		10%		55%		35%		
<b>Population (Families)</b>	0%		13%		55%		32%		
<b>Loan Product</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	
Home Purchase/Refi	0		2		14		27		
Home Improvement	0		3		4		9		
<b>Total loans 1996- 59</b>	0		5	8%	18	31%	36	61%	
Home Purchase/Refi	0		4		10		23		
Home Improvement	0		2		5		10		
<b>Total loans 1997- 54</b>	0		6	11%	15	28%	33	61%	
Home Purchase/Refi	0		1		3		10		
Home Improvement	0		0		1		0		
<b>Total loans 1998- 15</b>	0		1	7%	4	27%	10	66%	
<b>Grand Total - 128 loans</b>	<b>0</b>		<b>12</b>	<b>10%</b>	<b>37</b>	<b>29%</b>	<b>79</b>	<b>61%</b>	

Source: HMDA

- **Record of Complying with Antidiscrimination Laws**

Our examination did not identify any violations of the substantive provisions of Antidiscrimination laws and regulations. PTB has policies, procedures and training programs in place to prevent discriminatory or other illegal credit practices.

- **Response to Complaints**

Pioneer Trust Bank has not received any consumer complaints regarding its CRA performance since the prior OCC examination dated February 23, 1995.

- **Community Development Services**

PTB is responsive to community needs. Bank management provides technical support to community groups which provide community services and affordable housing within the bank's assessment area. Following is a partial list of services the bank provides.

The Consortium of Salem Area Lenders (CONSALL) is a consortium of Salem area lenders which provide financing for long-term affordable housing. Pioneer Trust Bank's officers provide leadership through participation on committees. One officer chairs the loan committee. Another officer chaired the steering committee.

PTB sponsored the Polk County Community Development Corporation and obtained a \$20,000 grant from the Federal Home Loan Bank. This grant provided a rent subsidy for four housing units for homeless families within the bank's assessment area.