



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

November 13, 2007

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NexTier Bank, National Association  
Charter Number: 8854

204 South Jackson Street  
Evans City, PA 16033

Office of the Comptroller of the Currency

Western Pennsylvania (Pittsburgh)  
4075 Monroeville Boulevard Building 2, Suite 300  
Monroeville, PA 15146

**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 Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

- NBNA's record of originating loans is more than reasonable as evidenced by its loan-to-deposit ratio of its custom peer group.
- NBNA originated a majority of its residential real estate and small business loans within its combined assessment areas (AAs).
- NBNA's record of originating residential real estate and small business loans reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes.
- NBNA's record of originating residential real estate and small business loans reflects an excellent dispersion among AA geographies.
- NBNA's record of originating community development (CD) loans reflects responsiveness to the needs of its AAs.
- NBNA's record of funding CD investments and donations reflects responsiveness to the needs of its AAs.
- NBNA representative's participation in CD services reflects responsiveness to the needs of its AAs.

## **Scope of Examination**

We conducted an examination of NexTier Bank N.A. (NBNA) for the purpose of evaluating its performance relative to the Community Reinvestment Act (CRA). The scope of the CRA examination included a review of NBNA's record of originating its primary loan products and NBNA's record of funding community development (CD) loans, investments and services.

NBNA's primary loan products consist of residential mortgage and small business loans. NBNA's record of originating residential mortgage and small business loans was evaluated over the period between January 1, 2005 and October 31, 2007. The evaluation period relative to NBNA's lending performance represents current year to date and two years prior. Residential mortgage lending includes home purchase, home improvement and home mortgage refinance loans.

In order to evaluate NBNA's record of originating residential mortgage loans, we analyzed loan data NBNA collected and reported in accordance with Home Mortgage Disclosure Act (HMDA) requirements. In order to ensure the reliability of HMDA loan data, we performed a data integrity examination beginning on June 11, 2007.

In conjunction with the data integrity examination, we evaluated processes employed by NBNA to ensure the accuracy of collected HMDA data and tested a sample of NBNA's reported HMDA loans. Specifically, we tested the accuracy of NBNA's HMDA loan data by comparing it against NBNA's loan file documentation. The data integrity examination revealed that NBNA's publicly available HMDA loan data could be relied upon for the purposes of this CRA evaluation. In order to evaluate NBNA's record of originating small business loans, we collected data from a random sample of small business loans originated by NBNA during the evaluation period described above.

NBNA's record of community development (CD) performance was evaluated over the period between March 10, 2004 and November 13, 2007. The evaluation period relative to NBNA's CD performance represents the time period between the start of NBNA's last CRA exam and the start of its current CRA exam. CD related activities included CD loans, investments and services.

## **Selection of Areas for Full Scope Review**

NBNA operates branch offices within four counties within two MSAs in the state of Pennsylvania. The two interstate MSAs in which NextTier Bank operates branch offices are the Pittsburgh MSA and the Philadelphia MSA. The three counties the bank operates retail branch offices in the Pittsburgh MSA are Butler, Armstrong and Allegheny Counties. The bank operates one single purpose wealth management branch office in Radnor Township, Delaware County which is located within the Philadelphia MSA. Within the Pittsburgh MSA, NBNA operates three retail branch offices in Allegheny County, one retail branch office in Armstrong County, and eleven retail branch offices in Butler County. Although the bank operates retail branch offices in three counties within the Pittsburgh MSA, the total population of the four county assessment area (AA) within the Pittsburgh MSA is 289,870. The single purpose branch office in Radnor Township was licensed to accept deposits as of March 2006, during the latter half of the evaluation period, and the population of the Radnor Township AA is 30,878 residents. No residential or small business loans were originated within the Radnor Township AA, and, as a result we did not evaluate the performance in Delaware County for the purposes of assigning a rating. Rather, substantially more weight was placed on the Butler County Area AA.

NBNA's branch offices and ATMs are located within its AAs. NBNA's AAs meet regulatory requirements and do not arbitrarily exclude any low or moderate income geographies.

In arriving at the overall conclusions for NBNA's performance in each of its AAs, substantially more weight was placed on NBNA's performance in its Butler County Area AA than its Radnor Township AA. More weight was placed on NBNA's performance in its Butler County Area AA since this is the AA in which NBNA operates the majority of its retail branch offices, derives the majority of its deposits and originates the majority of its loans.

## Description of Institution

NexTier Bank N.A. (NBNA) is an independently owned intrastate community bank. NBNA's headquarters and main office are located in Evans City, Pennsylvania. NBNA is a wholly owned subsidiary of NexTier, Inc. NexTier Inc. is headquartered in Butler, Pennsylvania. Both Evans City and the City of Butler are situated in Butler County in Western Pennsylvania. Butler County is located approximately 25 miles north of Pittsburgh, Pennsylvania.

As of June 30, 2007, NBNA's assets totaled \$477.5 million, deposits totaled \$392.6 million and Tier One Capital totaled \$52.3 million. Net loans and leases totaled \$360.3 million, representing 75.4% of total assets. Assets included investments of \$63.4 million, real estate loans of \$281.8 million, commercial loans of \$73.5 million, and individual loans of \$8.3 million. The remainder of NBNA's asset mix consisted of agricultural loans. Residential (1-4 family) mortgage loans, commercial mortgages and commercial and industrial loans represented 20.77%, 54.36%, and 18.52%, respectively of NBNA's loan portfolio. Since residential mortgages and small business loans comprise the majority of NBNA's loan portfolio, they are considered to be NBNA's primary loan products. NBNA's strategy is to continue to originate residential mortgage and business loans in its market area.

NBNA operates its retail branch office network within Allegheny, Butler and Armstrong counties which are situated in western Pennsylvania. A majority of the banks retail branches are located in Butler County. NBNA operates fifteen full service retail branch offices. NBNA did not open or close any retail branch offices within these three counties during the evaluation period. NBNA operates automated teller machines (ATMs) in conjunction with thirteen of these retail branches.

In addition to the full service retail branches, NBNA began operating a single purpose wealth management office during the evaluation period. The office is located in Radnor Township which is situated in Delaware County in southeastern Pennsylvania. NBNA operates the Radnor office for the purpose of serving the banks private wealth management clients. The office is not available for use by the general public and the hours are by appointment only. The single purpose office location was licensed to accept deposits as of March 2006, which was during the latter half of the evaluation period. NBNA did not originate any residential mortgage or small business loans within its Radnor Township AA during the evaluation period.

There are no factors, legal or otherwise, that would hinder NBNA's ability to help meet the credit needs of its AAs. NBNA's most recent Public Evaluation (PE) was dated March 10, 2004 for which a "Satisfactory" CRA rating was assigned.

## Description of Assessment Area(s)

NBNA has designated two assessment areas (AAs). NBNA's AAs are comprised of sixty-nine (69) geographies consisting of a whole county, select contiguous geographies adjacent to the county and an entire township. The geographies are located within

Butler, Allegheny, Beaver and Armstrong Counties and Radnor Township. Butler, Beaver, Allegheny and Armstrong Counties are located within the Pittsburgh MSA. Radnor Township is located in Delaware County which is within the Philadelphia MSA.

The Butler County Area AA is the AA in which NBNA has historically operated and has a significant presence. The Butler County Area AA is the AA in which the bank operates the vast majority of its offices, derives the majority of its deposits and originates the majority of its loans. Additionally, NBNA's Radnor Township AA was designated in response to the opening of NBNA's wealth management office. NBNA operates one office in its Radnor Township AA which was licensed for to take deposits during the latter half of the evaluation period. NBNA's AAs meet regulatory requirements and do not arbitrarily exclude any low or moderate income geographies.

In arriving at the overall conclusions for NBNA's performance in each of its AAs, substantially more weight was placed on NBNA's performance in its Butler County Area AA than its Radnor Township AA.

### **Butler County Area AA Description**

NBNA's Butler County Area AA is predominately rural in nature. The Butler County Area AA includes Butler County in its entirety, in addition to selected geographies in northern Allegheny County, eastern Beaver County, and western Armstrong County. NBNA's Butler County Area AA includes 63 geographies in Allegheny, Armstrong, Beaver and Butler Counties. The entire AA is located within the Pittsburgh Metropolitan Statistical Area (MSA). NBNA's AA encompasses all 39 tracts in Butler County, 19 geographies in northern Allegheny County, four geographies in Beaver County and a single geography in Armstrong County. AA geographies are contiguous and consistent with CRA regulatory requirements. Low and moderate income geographies are not arbitrarily excluded from the AA.

Of the 63 geographies which comprise NBNA's Butler County Area AA, six, thirty and twenty-seven are classified as moderate, middle and upper income respectively. None of the AA geographies are classified as low income. Of the six moderate income AA geographies, five are located in Butler County in the City of Butler and one is located in Armstrong County. Of the total AA population, 9.52% percent resides in moderate income AA geographies. And of total owner-occupied AA housing, just 4.85% percent is located within the six moderate income AA geographies.

NBNA's physical presence in its Butler County Area AA, consists of a branch network comprised of 15 retail branch office locations. As of June 30, 2007, according to FDIC market share reports for the combined counties of Allegheny, Armstrong, Beaver and Butler in their entirety, NBNA ranked fourteenth for deposit market share among financial institutions taking deposits from within the four counties combined. Within the four combined counties, NBNA has garnered 0.72% of the total dollar amount of deposits. For Butler County, however, FDIC market share reports show that NBNA ranks fourth for deposit market share among financial institutions taking deposits from

within Butler County. Within Butler County alone, NBNA has garnered 10.70% of total deposits.

The 2000 census data for the Butler County Area AA reports a total population of 289,870, total households of 108,120 and total families of 79,804. HUD data updated for 2007 reports the Butler County Area AA median family income to be \$57,400. Demographic information, derived from annually updated HUD data, also reports that of total AA families, 13%, 15%, 21%, and 51% are of low, moderate, middle and upper income respectively.

For NBNA's Butler County Area AA, the majority of households (78%) were supported by wage or salaried jobs. Based on the 2000 census data, of Butler County Area AA households, 14% report persons over sixty-five, 26% derive income from social security and 8% are below poverty level. The 2000 census data shows that of total Butler County Area AA housing units, 77% were owner occupied and the median housing value equaled \$121,357. Housing stock primarily consists of older homes with the median year built of 1969. These AA demographic factors impact loan demand for residential mortgage loans. Particularly affected is residential mortgage demand from low and moderate-income borrowers impacted by issues concerning housing availability and affordability.

According to the 2007 business demographic data, 18,657 businesses operate within NBNA's Butler County Area AA, of which 712 are farms. Small businesses in Butler County Area AA, which report revenues of less than or equal to \$1 million total, represent 68.4% of total Butler County Area AA businesses. Approximately 61.1% of Butler County Area AA businesses reported having less than four employees. Of Butler County Area AA businesses, 10.9% are not classified establishments and 37.7% are classified as service businesses. Additional Butler County Area AA businesses are classified as follows: retail trade (14.7%), construction (10.5%), finance, insurance and real estate (7.4%), wholesale trade (5.2%), manufacturing (4.9%), agriculture, forestry and fishing (3.8%), transportation, communication (3.5%), public administration (1.26%), and mining (0.21%).

NBNA encounters strong AA competition. Within its Butler County Area, competition emanates from multi-billion dollar banks headquartered in nearby Pittsburgh and Cleveland Ohio, which have a strong presence in western Pennsylvania. Although competition emanating from the larger multi-state banks and other regional and local financial institutions is strong, NBNA benefits from its long time historical presence in the AA.

Examiners initiated contact with one community based organization within NBNA's Butler County Area AA. Specifically, examiners contacted the executive director of the County Housing Authority serving low and moderate income residents of the Butler County. The community contact described the area as growing in population in the southern part of the county and little to no population growth in the northern part of the county, primarily the City of Butler. The community contact indicated there is a need for work force rental housing and affordable housing preservation for Butler City residents. There is such a demand for affordable housing that there is a waiting list for affordable

housing programs in the area. The community contact further commented that affordable loans for residents have not been adequately provided by area financial institutions. The organization is currently seeking funds for various projects for neighborhood revitalization and affordable housing development. Banks have been involved in various projects taken on by the authority including line of credit financing, land and building acquisition, construction and development financing. Banks are active in conducting outreach to the housing authority clients, partnering with the organization to provide credit restoration and first time home buyer education.

## **Radnor Township AA Description**

NBNA's Radnor Township AA is predominately suburban in nature. The Radnor Township AA includes Radnor Township in its entirety. Radnor Township is comprised of six geographies in Delaware County, Pennsylvania. Delaware County is situated within the Philadelphia MSA. None of the geographies in the Radnor Township AA are classified as low or moderate income.

NBNA's physical presence in its Radnor Township AA consists of a single purpose wealth management office. NBNA operates the Radnor office for the purpose of serving the NBNA's private wealth management clients. The office is not available for use by the general public and the hours are by appointment only. The single purpose office location was licensed to accept deposits as of March 2006, which was during the latter half of the evaluation period.

For NBNA's Radnor Township AA, 2000 census data reports a total population of 30,878, total households of 10,383 and total families of 6,417. HUD data updated for 2007 reports the Radnor Township AA median family income to be \$69,800. Demographic information derived from annually updated HUD data, also reports that of total AA families, 8%, 9%, 12% and 71% are of low, moderate, middle and upper income respectively. However, all families reside in upper income geographies.

For NBNA's Radnor Township AA, the majority of the households (77%) were supported by wage or salaried jobs. For the same period, of Radnor Township AA households, 13% report persons over sixty-five, 26% derive income from social security and 8% are below poverty level. The 2000 census data reports that for 2007, of total Radnor Township AA housing units, 61% are owner occupied and the median housing value equaled \$297,953. Housing stock consists primarily of older homes with the median year built of 1958. These AA demographic factors impact loan demand for residential mortgages loans. Particularly affected is residential mortgage demand from low and moderate income borrowers impacted by issues concerning housing affordability.

According to the 2007 business demographic data, 2,718 businesses operate within NBNA's Radnor Township AA, of which 37 are farms. Of this total, 1,959 or 72% of these businesses report revenues less than or equal to \$1 million. Approximately 62% reported having less than four employees. Service businesses represent 46.9% of the total and 13.9% of total businesses are classified as finance, insurance & real estate.

Additional Radnor Township AA businesses are classified as follows: retail trade (13.1%), non classified establishments (11.1%), construction (5.0%), manufacturing (3.3%), wholesale trade (3.0%), transportation, communication (1.9%), agriculture, forestry and fishing (1.4%), public administration (.3%), and mining (.2%).

Competition was not considered in this assessment area because of the banks limited presence, time in this AA and its single purpose wealth management office nature. Therefore, for the purposes of this evaluation and performance context considerations, competition was not considered.

## **Conclusions with Respect to Performance Tests**

To conclude on NBNA's performance in each of its AAs, substantially more weight was placed on NBNA's performance in its Butler County Area AA than its Radnor Township AA. The Butler County Area AA is the AA in which NBNA has historically operated and has a significant presence. The Butler County Area AA is the AA in which the bank operates the vast majority of its offices, derives the majority of its deposits and originates the majority of its loans. Additionally, NBNA's Radnor Township AA was designated in response to the opening of NBNA's wealth management office. NBNA operates one office in its Radnor Township AA which was licensed for to take deposits during the latter half of the evaluation period.

In arriving at the lending test conclusions, more weight was placed on NBNA's record of originating small business loans than its record of originating residential mortgage loans since business lending represents a more significant portion of NBNA's lending.

## **LENDING TEST**

### **Loan-to-Deposit Ratio**

NBNA's loan-to-deposit ratio, as compared to the average loan to deposit (LTD) ratio exhibited by peer banks over the same period, is more than reasonable.

The analysis of NBNA's record of lending, demonstrated by its ratio of loans to deposits, was performed at the bank level. NBNA's average LTD ratio over the evaluation period was compared to the average LTD ratio demonstrated by a peer group of similarly situated financial institutions over the same period. Similarly situated financial institutions included banks with assets between \$250MM and \$750MM operating within NBNA's Butler County Area AA.

Lending activity over the evaluation period was measured by comparing the fifteen quarter average LTDs reported by NextTier Bank, N.A. and its local peer group. The fifteen quarter average LTD was calculated using financial data reported since the previous evaluation. Specifically, the calculation included quarter end financial data reported for each of the fifteen quarters from 3/31/04 through 9/30/07.



NBNA's average LTD ratio exceeds the average LTD ratio of its local peer group. Specifically, NBNA reported a fifteen quarter average LTD ratio of 85%. Comparatively, NBNA's local peer group reported a fifteen quarter average LTD ratio of 70%.

### **Lending in Assessment Area**

NBNA originated a majority of its residential mortgage loans and small business loans inside its combined AAs.

In order to evaluate NBNA's lending in its AA over the evaluation period, we measured and analyzed NBNA's record of originating loans inside versus outside of its combined AAs. Specifically, we measured and analyzed NBNA's record of originating residential mortgage and small business loans within its combined AAs, since these loans constitute NBNA's primary loan products.

We measured and analyzed residential real estate and small business loans originated by NBNA during 2005, 2006 and the first three quarters of 2007. NBNA's residential real estate loan originations included loans for purposes of home purchase, home improvement and home refinance. We also analyzed small loans to businesses by collecting data from a random sample of loans originated by NBNA.

The analysis of NBNA's residential real estate loans originated in 2005, 2006 and the first three quarters of 2007 shows that 73% of the number of home mortgage loans were originated within the combined AAs. Similarly, an analysis of small business loans originated in the same time period revealed that 76% of the number of small business loans was originated within the combined AAs.

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

NBNA's record of originating residential real estate and small business loans reflects a reasonable penetration among Butler County Area AA borrowers of different income levels and businesses of different sizes.

### **Residential Real Estate Lending**

#### ***Butler County Area AA***

Data collected and reported by NBNA in accordance with HMDA requirements was analyzed. The analysis was performed to assess NBNA's record of distributing its residential real estate loan originations among Butler County Area AA borrowers of different income levels.

Demographic data compiled during the 2000 census for NBNA’s Butler County Area AA, reports income levels of AA families as follows:

- 13.34% of Butler County Area AA families are low-income families
- 15.02% of Butler County Area AA families are moderate-income families
- 20.98% of Butler County Area AA families are middle-income families
- 50.66% of Butler County Area AA families are upper-income families

Low income Butler County Area AA families by definition are families with annual incomes below \$28,700. Moderate income Butler County Area AA families by definition are families with annual incomes between \$28,700 and \$45,920.

The following table details the distribution of residential real estate loans originated by NBNA during the evaluation period in its Butler County Area AA among borrowers of different income levels.

Butler County Area AA Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	13.34%	11.63%	15.02%	15.12%	20.98%	29.07%	50.66%	44.19%
Home Improvement	13.34%	12.42%	15.02%	18.95%	20.98%	26.80%	50.66%	41.83%
Home Mortgage Refinance	13.34%	11.71%	15.02%	17.12%	20.98%	29.28%	50.66%	41.89%

NBNA’s record of originating residential mortgages to low-income AA borrowers is near to the percentage of Butler County Area AA families that are classified as low-income. NBNA’s record of originating residential mortgage loans to moderate-income AA borrowers exceeds the percentage of AA families that are classified as moderate-income.

Opportunities to originate residential real estate loans within the Butler County Area AA may be impacted by demographics, including the extent to which the Butler County Area AA population is age 65 or older, retired, eligible for social security and/or at or below poverty level.

**Radnor Township AA**

Over the evaluation period, NBNA did not originate any residential mortgage loans within its Radnor Township AA.

## **Small Business Lending**

### ***Butler County Area AA***

Data collected from a sample of NBNA's small business loans originated in its Butler County Area AA was analyzed. The analysis was performed to assess NBNA's record of distributing its small business loan originations among Butler County Area AA businesses of different sizes. Specifically, we collected and analyzed data from 22 small business loans that NBNA originated to Butler County Area AA businesses.

Business demographic data compiled from NBNA's Butler County Area AA 2000 census shows the following revenue results:

- 67.84% report annual revenues < or = \$1 million
- 6.83% report annual revenues > than \$1 million
- 25.33% did not report annual revenues

Within the Butler County Area AA, 64% of businesses are classified as small businesses. Small business loans are defined as those loans made to business enterprises whose annual, gross revenues are \$1 million or less. Comparatively, 68% of NBNA's business loans were originated to small business within the Butler County Area AA.

NBNA has demonstrated responsiveness to the needs of Butler County Area AA small businesses. The vast majority of business purpose loans originated by NBNA to AA businesses represent the smaller dollar amounts needed by small AA businesses. For example, of analyzed AA business purpose loans, 59% were originated for dollar amounts of \$100,000 or less.

### ***Radnor Township AA***

Over the evaluation period, NBNA did not originate any small business loans within its Radnor Township AA.

## **Geographic Distribution of Loans**

NBNA's record of originating residential mortgage and small business loans among Butler County Area AA geographies reflects an excellent dispersion among AA geographies.

## **Residential Real Estate Lending**

### ***Butler County Area AA***

Data collected and reported by NBNA in accordance with HMDA requirements was analyzed. The analysis was performed to assess NBNA's record of distributing its residential real estate loan originations among Butler County AA geographies of different income levels.

Demographic data compiled during the 2000 U.S. census for NBNA’s Butler County Area AA indicates that owner-occupied AA housing is geographically disbursed as follows:

- 4.85% are located in moderate-income geographies.
- 46.98% are located in middle-income geographies.
- 48.17% are located in upper-income geographies.

Butler County Area AA demographic information derived from 2000 census data reports that less than 5% of owner-occupied housing is in moderate-income geographies. The vast majority is located in middle and upper-income geographies.

The following table details the distribution of residential real estate loans originated by NBNA during the evaluation period in its Butler County Area AA geographies of different income levels.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00%	0.00%	4.85%	6.19%	46.98%	64.95%	48.17%	28.87%
Home Improvement	0.00%	0.00%	4.85%	11.39%	46.98%	69.92%	48.17%	18.99%
Home Refinance	0.00%	0.00%	4.85%	9.91%	46.98%	65.95%	48.17%	24.14%

*Source: Data reported under HMDA; U.S. Census data.*

NBNA’s record of originating home purchase, home improvement loans and home mortgage refinance loans within moderate-income AA geographies exceeds the percentage of owner-occupied housing available within moderate-income AA geographies.

**Radnor Township AA**

Over the evaluation period, NBNA did not originate any residential mortgage loans within its Radnor Township AA.

**Small Business Lending**

**Butler County Area AA**

Data collected from a sample of NBNA’s small business loan originations in its Butler County Area AA was analyzed. The analysis was performed to assess NBNA’s record of distributing small business loan originations among Butler County Area AA geographies of different income levels. Specifically, during the evaluation period, we

sampled 22 small business loans that NBNA originated to Butler County Area AA businesses.

Demographic data compiled during the 2000 U.S. census for NBNA's Butler County Area AA indicates that businesses are geographically dispersed as follows:

- 6.88% are located in moderate-income geographies
- 41.37% are located in middle-income geographies
- 51.75% are located in upper-income geographies

NBNA's record shows that 27.3% of small business purpose loans originated over the evaluation period were originated within moderate-income AA geographies. Comparatively, of AA businesses, just 6.9% are located within moderate-income Butler County Area AA geographies.

NBNA's record of originating small business loans in Butler County Area AA moderate-income geographies significantly exceeds the percentage of businesses located within moderate-income AA geographies.

### ***Radnor Township AA***

Over the evaluation period, NBNA did not originate any small business loans within its Radnor Township AA.

### **Responses to Complaints**

No complaints have been received since the previous examination.

## **COMMUNITY DEVELOPMENT TEST**

### **Number and Amount of Community Development Loans**

Limited opportunities exist for originating community development (CD) loans within NBNA's AAs. Competition from both large regional and other area community financial institutions for originating CD loans is considered to be very strong. NBNA, over the evaluation period, originated seven CD loans totaling \$3,058,002. The CD loans were responsive to AA community needs.

### ***Butler County Area AA***

Limited opportunities for CD lending exist within NBNA's Butler County Area AA. Competition from both large regional and other area community financial institutions for originating CD loans is considered to be very strong. The local county and city non-profit organizations, including the housing and redevelopment authorities, increasingly use tax credit and bond issues to finance larger CD projects. Consequently, the housing and redevelopment authorities seek to meet funding needs for smaller dollar

amount projects through bank loans. Despite limited area CD opportunities, NBNA took the initiative in pursuing opportunities to originate CD loans.

NBNA, over the evaluation period, originated seven CD loans for \$3,058,002 within its Butler County Area AA. The CD loans were responsive to identified Butler County Area AA community credit needs. The CD loans originated by NBNA that would not otherwise be identified as a small loan to a business are described below.

In September 2007 NBNA originated a \$1,500,000 loan to a local non-profit organization. The organization operates an arm of another local non-profit organization. The arm operates a core program through which it provides social, rehabilitation and medical services to low-income AA senior citizens. The purpose of the loan was to finance the purchase and renovation of a facility to house and provide services for low-income, elderly Butler County residents.

In January 2006 NBNA originated a \$1,000,000 line of credit to a local housing authority. The purpose of the loan was to provide working capital financing. The local housing authority provides housing for low and moderate-income AA seniors, families and individuals with disabilities. Low and moderate-income, family community and senior housing units, totaling 667 units, are located throughout Butler County. The loan proceeds contribute to providing affordable housing for low and moderate-income AA residents.

In December 2005 NBNA originated two annually renewable letters of credit to a local non-profit organization totaling \$64,000 and \$63,826 respectively. The local non-profit organization provides services which benefit low and moderate-income AA residents. Services include affordable subsidized child care, housing and assisted living for low-income AA residents and families. The purpose of the letters of credit was to provide, in conjunction with a local housing authority, construction phase financing for affordable housing. Permanent financing for the project was provided through tax credits. The loan proceeds contribute to providing affordable housing for low and moderate income residents.

In November 2004 NBNA originated a \$162,676 annually renewable letter of credit to the Housing Authority of Butler County. The organization was established to provide affordable housing for low-income families. The purpose of the letter of credit was to provide construction phase financing for an affordable multi-level housing project for low-income elderly residents. Permanent financing for the project was provided through tax credits. All of the housing facility's units are designated for low and moderate-income AA residents. The loan proceeds support providing affordable housing for low and moderate-income AA residents.

In August 2004 NBNA originated two lines of credit in the amounts of \$250,000 and \$17,500 to a local non-profit association. The association provides services for low and moderate-income AA residents with developmental disabilities. Services include early intervention health care, independent living skills training, employment preparation and job placement. The purpose of the loan was to finance working capital. The loan proceeds contribute to providing services for low and moderate income AA residents.

Since the last Public Evaluation, NBNA also originated a significant number of small loans to businesses within its Butler County Area AA which had primary purposes consistent with community development. These small loans to businesses were responsive in meeting community credit needs and positively impacting NBNA's Butler County Area AA. These small loans to businesses contributed to meeting area needs for commercial and residential real estate development, as identified through our contact with a local community organization. NBNA originated, over the evaluation period in its Butler County Area AA, the following small loans to businesses with a purpose consistent with CD.

In October 2007 NBNA originated a \$250,000 loan to a local non-profit organization. The stated mission of the organization is to provide a community-based residential treatment facility for homeless veterans needing rehabilitation and support. The purpose of the loan was to purchase a building to house the organization's operations. NBNA also originated a \$3,581.50 loan to finance the purchase of a van. The loan proceeds contribute to providing housing and services to low-income AA residents.

In August 2007 NBNA purchased a \$250,000 participation in a loan to the local redevelopment authority for the purpose of financing improvements to an existing baseball team stadium located in a moderate-income AA geography. The baseball stadium improvements are part of a redevelopment zone project for the City of Butler. The loan proceeds contribute to the revitalization and stabilization of a moderate-income AA geography, targeted for redevelopment by a local government authority.

In May 2007 NBNA originated a \$143,925 loan to a local non-profit association. The association provides services for low and moderate-income AA residents with development disabilities. Services include intervention health care, independent living skills training, employment preparation and job placement. The purpose of the loan was to purchase a building to house program residents. The loan proceeds contribute to providing housing for low and moderate-income AA residents.

In January and August 2007 NBNA originated loans in the amounts of \$100,000 and \$20,000 respectively, to a local non-profit organization. The stated mission of the organization is to provide housing for low-income elderly. The organization operates an arm of another local non-profit organization that provides services to benefit low and moderate-income AA residents. The services include affordable subsidized child care, housing and assisted living for low-income AA residents and families. The purpose of the loan was to finance capital improvements for a multi-level elderly housing facility. The loan proceeds contribute to supporting affordable housing for low-income AA residents.

In November and December 2005 NBNA originated lines of credit totaling \$200,000 and \$2,959, respectively, to the local non-profit organization that provides services for low and moderate-income AA residents. Services include affordable subsidized child care, housing and assisted living for low-income AA residents and families. The purpose of the lines of credit was to provide working capital financing.

In April 2005 NBNA originated an \$84,276 loan to a local redevelopment authority. The organization was formed to eliminate blighted areas through economically and socially sound redevelopment in conformity with the municipalities' comprehensive general plans. The organization assists the Butler County community with economic development, community revitalization, affordable housing and home ownership opportunities. The purpose of the loan was to refinance a loan which originally financed construction of affordable residential housing. The loan proceeds contributed to providing affordable housing within a moderate-income AA geography.

In April 2004 NBNA originated an annually renewable \$200,000 line of credit to a local non-profit organization. The organization provides free, confidential services to chronically homeless, AA victims of domestic violence, substance abuse or mental health issues. Services include transitional housing, rental assistance, job readiness preparation and counseling. Over 90% of individuals served have income levels below federal poverty guidelines. The purpose of the loan is to provide working capital financing. The loan proceeds contribute to providing housing and services to low-income AA residents.

### ***Radnor Township AA***

Over the evaluation period NBNA did not originate any community development loans which specifically benefited its Radnor Township AA.

### **Number and Amount of Qualified Investments**

Limited opportunities for purchasing CD investments exist within NBNA's AAs. Competition from both large regional and other area community financial institutions for purchasing CD investments is considered to be very strong. NBNA, over the evaluation period, disbursed \$186,815 to purchase two Single Family Mortgage Revenue Bonds and extend fourteen grants and donations. The CD investments, grants and donations are responsive to AA community needs.

### ***Statewide/Regional Investments***

The CD investments purchased by NBNA, during and prior to the evaluation period, were statewide and regional in nature and benefited a broader statewide area that included NBNA's AA geographies. CD investments purchased by NBNA are described below.

NBNA, during the evaluation period, invested \$125,000 in a CRA qualified Pennsylvania Housing Finance Agency (PHFA) Single Family Mortgage Revenue Bond. The proceeds of the bond financed single family mortgages for low and moderate-income Pennsylvania borrowers. The bond had the potential to benefit mortgage borrowers residing in NBNA's moderate-income AA geographies.

NBNA, during the prior evaluation period, invested \$35,000 in a CRA qualified, PHFA Single Mortgage Revenue Bond. The proceeds of the bond issue financed single family residential mortgages within targeted Pennsylvania geographies. The Pennsylvania



geographies targeted are those for which at least 70% of census tract families report annual income of 80% or less of the statewide median income. PHFA maintained the bond throughout the current evaluation period.

***Butler County Area AA***

Over the evaluation period NBNA purchased the statewide investment described above that had the potential to benefit NBNA's Butler County Area AA.

Additionally, over the evaluation period, NBNA extended fourteen qualified grants and donations totaling \$26,815, which benefited its Butler County Area AA. These grants and donations supported various local non-profit organizations. These local non-profit organizations focus on various community development initiatives, which include serving the needs of low and moderate-income AA residents.

***Radnor Township AA***

Over the evaluation period, NBNA did not extend any qualified grants which specifically benefited its Radnor Township AA.

**Extent to which the Bank Provides Community Development Services**

NBNA representatives, over the evaluation period, participated in various CD services which were responsive to its AA needs. CD services in which NBNA representatives participated are described below.

***Butler County Area AA***

NBNA's President is a member of the board of directors and treasurer for a local, county community development corporation (CDC). NBNA's President provides expertise to the CDC in its efforts to design programs to create jobs and improvement in moderate-income AA geographies. The CDC provides for small businesses financing and contributes job creation and retention in NBNA's moderate-income AA geographies.

One of NBNA's Vice Presidents and Loan Officers served on the Board of Trustees, in an oversight capacity for a personal care home that specializes in providing affordable housing and health care for elderly, low-income AA residents.

One of NBNA's Vice Presidents and Loan Officers served on the Board of Trustees in an oversight capacity for a local county YWCA. The YWCA offers a variety of services to benefit low and moderate-income AA residents. Services include providing affordable housing and health care to elderly low-income AA residents.

NBNA served as sponsor for a local county redevelopment authority, acting as a conduit in securing a \$150,000 grant from the Federal Home Loan Bank's (FHLB) Home Owner Rehabilitation Program. NBNA's CRA Officer served as an advisor to the process and provided financial expertise. NBNA facilitated the application process and assumed liability for project compliance with grant restrictions. The redevelopment authority used

the proceeds from the grant to provide funding to low income home owners to assist them in rehabilitating their homes.

NBNA participates with a local county housing authority in a homebuyer's fair. NBNA employees educate low and moderate-income, first-time homebuyers regarding the home buying process. The service benefits low and moderate-income AA residents.

### **Accessibility of Services**

NBNA provides service accessibility within its Butler County Area AA through its branch office and ATM network and through alternative delivery systems. In order to determine the accessibility of NBNA's delivery systems, population demographics, branches and ATM locations were considered.

NBNA operates all of its fifteen full service retail branch offices within its Butler County Area AA. NBNA did not open or close any Butler County Area AA branches during the evaluation period. Four of NBNA's branches (26.7%) are located within moderate-income AA geographies. In comparison, 9.52% of the Butler County AA population resides in moderate-income AA geographies. NBNA's branch locations over the evaluation period had a positive effect on the accessibility of delivery systems throughout its Butler County Area AA.

NBNA's ATM network offers an alternative delivery system for providing retail banking services. NBNA operates sixteen ATMs within its Butler County area AA. Thirteen of these ATMs are maintained in conjunction with branch locations and three are stand alone. Of the thirteen ATMs located with branches, two are situated in moderate-income AA geographies. Of the three stand alone ATMs, one is situated in a moderate-income geography. NBNA also maintains an internet website. The website provides customers with the ability to perform services electronically, such as account activity viewing, account transfers, and bill payments.

NBNA's hours of operation, products and services are comparable among AA branch offices regardless of the income levels of those geographies. NBNA's operating hours and services between Monday and Friday are supplemented by Saturday morning hours at all but four branch offices. In addition, eleven branches provide extended drive-through hours to provide additional customer convenience. NBNA's traditional line of banking products and services are offered at all branch offices.

NBNA offers a variety of checking account products. One of the products is a no minimum balance budget checking account in which the bank charges a nominal \$4.00 monthly service fee and includes up to eight (8) checks per month.

NBNA has developed a low cost mortgage program named, "The Affordable Mortgage Program." The program offers loan terms for up to thirty years on fixed rate home purchase loan products. The product has the following characteristics: (1) 3% seller contribution, (2) 1% of the purchase price or the appraised value, whichever is less (10% without private mortgage insurance), (3) flexible underwriting standards, (4) maximum household income of 100% of the HUD median income, and (5) borrower cannot own

any other property at the time of closing.

***Radnor Township AA***

NBNA did not participate in any CD services which specifically benefited its Radnor Township AA.

**Responsiveness to Community Development Needs**

NBNA's CD loans, investments and services are considered to be adequately responsive to the needs of its AAs.

**Fair Lending or Other Illegal Credit Practices Review**

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