



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

January 7, 2002

# **Community Reinvestment Act Performance Evaluation**

**The First National Bank of Palmerton  
Charter Number: 8930**

**4th Street and Lafayette Avenue  
Palmerton, PA 18071**

**Office of the Comptroller of the Currency**

**Northern Pennsylvania Field Office  
100 Hazle Street, Suite 202  
Wilkes-Barre, Pennsylvania 18702**

**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, and should not 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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# Overall CRA Rating

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

The following table indicates the performance level of **The First National Bank of Palmerton** with respect to the Lending, Investment, and Service Tests:

Performance Levels	The First National Bank of Palmerton Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- The institution's level of lending is good.
- A substantial majority of home mortgage loans and small loans to businesses are originated within the assessment areas (AAs).
- The geographic distribution of home mortgages and small loans to businesses is excellent.
- Distribution of home mortgage loans and small loans to businesses is good.
- The institution has a good level of community development investments.
- Retail services are readily accessible to geographies and individuals of different income levels in the AAs.
- The institution provides an adequate level of community development services in the AAs.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Block Numbering Area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also

include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home Mortgage Loans:** such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in-group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

The First National Bank of Palmerton (FNBP) is a community bank institution headquartered in Palmerton, Pennsylvania. As of September 30, 2001, its assets were \$345 million. FNBP is an intrastate bank with eight full service branches. Each branch has a drive-up and ATM facility.

FNBP's last Public Evaluation (PE) was dated November 23, 1998 and the overall CRA rating assigned was **Satisfactory**. Since the previous PE, FNBP has not opened or closed any branches. There are no financial or legal impediments to hinder FNBP's ability to help meet its community credit needs. FNBP has no operating subsidiaries.

FNBP is a wholly owned subsidiary of Palm Bancorp, Inc., a one-bank holding company also headquartered in Palmerton, Pennsylvania, with \$310 million in assets as of December 31, 2000. FNBP is a community bank with primary products that include residential mortgages, small business loans, and consumer installment loans. As of September 30, 2001, net loans and leases represent 61% of total assets. The loan portfolio is comprised of residential mortgages (60%), commercial loans (37%), and consumer loans (3%). Net Tier 1 Capital is \$47 million as of September 30, 2001. Competition in the area is very strong and includes local community banks, regional banks, national financial institutions, and mortgage companies.

# Scope of the Evaluation

## Evaluation Period/Products Evaluated

The evaluation period for the Lending Test for home mortgages reported under the Home Mortgage Disclosure Act (HMDA) is October 1, 1998 to September 30, 2001. On January 1, 2000, the bank's category for CRA evaluation purposes changed from small bank to large bank. For this reason, the evaluation periods for the other products evaluated are different from the evaluation period for HMDA loans. For loans to small businesses, the evaluation period is January 1, 2000 to September 30, 2001. For community development loans and the Investment and Service Test, the evaluation period is January 1, 2000 to January 8, 2002. FNBP did not originate any small farm loans during the evaluation period.

## Data Integrity

During April 2001, FNBP's publicly filed information and registers were examined by the OCC to verify the accuracy of the data. These registers contained loan data for home mortgages and small loans to businesses. We found the loan data to be accurate with the exception of geo-coding HMDA loans outside of FNBP's assessment areas. Bank personnel are now aware that geo-coding must be completed for all HMDA loans. Errors have been corrected for those reports submitted for official regulatory purposes.

Community development loans, investments, and services submitted by management were reviewed during this examination to ensure that they met the regulatory definition of community development.

## Selection of Areas for Full-Scope Review

We performed full scope reviews of the portions of the Allentown-Bethlehem-Easton, PA MSA (ABE MSA) that are in the bank's AA, and of the entire non-MSA that encompasses Monroe County. Please refer to the table in Appendix B for additional information regarding these areas.

## Ratings

The bank's overall rating is based on a full-scope review of its two AAs. Home mortgage products received more weight in evaluating the Lending Test than small loans to businesses. Home mortgages received more weight because more mortgages were originated by both number and dollar amount than loans to small business in both AAs. Home mortgage refinance loans received the greatest weight as they represent 52% percent of the mortgage products in the ABE MSA AA and 55% in the Monroe County Non-MSA AA.

## Other

During our examination, we contacted two community groups and reviewed information from a third community group. Our discussions were done via the telephone and provided us with information regarding the credit needs of the AAs as well as information regarding housing in general. During the discussions and from the information reviewed, we learned that housing is



the primary credit need in both AAs, followed by small loans to businesses. Both AAs suffer from a shortage of affordable housing and higher paying jobs. Both AAs have plenty of lower paying service jobs. Monroe County is suffering particularly from a lack of affordable rental properties and the events of September 11 have increased the shortage of affordable rental housing due to migration out of New York City.

## **Fair Lending Review**

An analysis of the bank's 1999 and 2000 public comments, consumer complaint information, and 1999 and 2000 HMDA and Small Business lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1998.

# Conclusions with Respect to Performance Tests

## LENDING TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "High Satisfactory." Based on full-scope reviews, the bank's performance in the ABE MSA AA and the Monroe County Non-MSA AA is good.

### Lending Activity

Refer to Table 1 in appendix C for the facts and data used to evaluate the bank's lending activity. Overall lending activity is good.

### ABE MSA AA

Lending activity in the ABE MSA AA is good. The bank's lending patterns are reflective of the credit needs of the community, which is primarily housing related. As a result, the bank's lending is centered in HMDA products, 74% for this AA. Purchase, home improvement, and refinance loans represent 19%, 29%, and 52%, respectively, of all mortgages originated in this AA. Multi-family loans represent an insignificant portion of the bank's lending with only three loans originated in this AA. Small loans to businesses are a secondary credit need of the AA and therefore are reflected in the small volume of lending, 26% for the AA. There is no community development lending in the AA due to high competition and the bank's limited presence in this MSA. There is no small farm lending based on credit demand at the bank.

FNBP has four branches and 44% of its deposits in this AA. Lending patterns relate to deposit patterns. FNBP's market share of deposits is 1.51% for the ABE MSA AA. Market share for home purchase, home improvement, and home refinance mortgage loans is 1.15%, 4.27%, and 2.73%, respectively. Market share of small loans to businesses is 1.55%.

### Monroe County Non-MSA AA

Lending activity in Monroe County is good. Again housing is the primary credit need of the AA, with HMDA loans representing 80% of loan originations and small loans to businesses approximating 20% of originations. Purchase, home improvement, and refinance loans represent 13%, 31%, and 55%, respectively, of all mortgages originated in this AA. Multi-family loans represent an insignificant portion of the bank's lending with only two loans originated in this AA. Small business credit is a secondary credit need of the AA and therefore is reflected in the small volume of lending, 20% for the AA. There is no community development lending in the AA due to limited opportunities. There is no small farm lending based on credit demand at the bank.

FNBP has four branches and 56% of its deposits in this AA. Lending patterns relate to deposit patterns. Market share of deposits is 11.69% for the Non-MSA AA. Market share for home purchase, home improvement, and home refinance mortgage loans is 0.87%, 10.53%, and 4.27%, respectively. Market share of small loans to businesses is 4.05%.

## **Distribution of Loans by Income Level of the Geography**

### ***Home Mortgage Loans***

The distribution of home mortgage loans by income level of geography is excellent.

Refer to Tables 2, 3, 4, and 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases. Geographic distribution of multifamily loans is not discussed due to the limited number of multifamily loans originated by FNBP.

### **ABE MSA AA**

Geographic distribution is excellent in the ABE MSA AA. This conclusion is based on the bank's lending in moderate-income tracts only, as there are no low-income tracts in this AA. Geographic distribution of home purchase loans, home improvement loans, and home refinance loans is excellent since the bank's percentage of originated loans significantly exceeds the percentage of owner-occupied units in the moderate-income tracts. Finally, the bank's market share for home purchase, home improvement and home refinance loans significantly exceeds the bank's overall market share for each of the products.

### **Monroe County Non-MSA AA**

A geographical analysis of HMDA loans is not meaningful, as there are no low- or moderate-income tracts in this assessment area.

### ***Small Loans to Businesses***

The distribution of small loans to businesses by income level of geography is excellent.

Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

### **ABE MSA AA**

The geographic distribution of small loans to businesses is excellent. This conclusion is based on the bank's lending in moderate-income tracts only, as there are no low-income tracts in this AA. The percentage of bank loans significantly exceeds the percentage of businesses in the moderate-income tracts and the bank's market share in the moderate-income tracts also exceeds the bank's overall market share.

### **Monroe County Non-MSA AA**

A geographical distribution of small loans to businesses is not meaningful, as there are no low- or moderate-income tracts in this assessment area.

## **Lending Gap Analysis**

Our review of the geographic distribution of loans did not detect any conspicuous or unexplained gaps in lending patterns.

### ***Inside/Outside Ratio***

An analysis of the bank's lending within its AAs was performed at the bank level as opposed to the individual AA levels. A substantial majority of the home mortgage loans and small loans to businesses were originated within the bank's AAs. For HMDA products, 90% of all originations, by number volume of loans, were within the AAs. For small loans to businesses, 100% by the number volume of loans originated were within the AAs. A high level of lending within its own AAs reflects favorably on the bank's overall geographic distribution of lending by income level of geography.

## **Distribution of Loans by Income Level of the Borrower**

### ***Home Mortgage Loans***

The distribution of loans by income level of borrower is good.

Refer to Tables 8, 9, and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loans originations and purchases.

### **ABE MSA AA**

The distribution of home loans by income level of borrower is good.

The average median housing cost for the area is \$103 thousand. A low-income person earns less than \$26 thousand a year based on the updated median family income in the AA, which is \$52 thousand. Based on a home cost of \$103 thousand, purchased through a first time home buyers program, with a 3% payment, no points, 7% interest and 30 year maturity, the payment would be \$665 per month plus real estate taxes and insurance. Debt ratio for a low-income person earning the maximum income of \$26,000 per year would be 31% without taxes, insurance or any other debt such as auto or revolving credit. Additionally, 6.2% of the households are below the poverty level. As a result, it is very difficult for a low-income person to afford a home in the AA.

Overall borrower distribution for home purchase loans is good. Borrower distribution of home purchase loans to low-income borrowers is adequate even though it is significantly below the percentage of low-income families living in the AA. Borrower distribution is considered adequate in light of the difficulties encountered by a low-income person in purchasing a home as noted previously. Market share data reveals that lending to low-income borrowers is also below the bank's overall market share for home purchase loans. Finally, our community contact indicated that there was a lack of affordable housing within the AA.

Borrower distribution of home purchase loans to moderate-income borrowers is excellent with the bank's percentage of originated loans exceeding the percentage of moderate-income

families residing in the AA. Finally, the bank's market's share shows that lending to moderate-income borrowers significantly exceeds the bank's overall market share.

Borrower distribution of home improvement loans is also good. Borrower distribution of home improvement loans to low-income borrowers is adequate. The bank's percentage of home improvement loan originations is significantly below the percentage of low-income families. Market share data also reveals that lending to low-income borrowers for home improvement loans is below the bank's overall market share. However, when considering the initial difficulties of purchasing a home for a low-income person, combined with the added financial responsibilities of purchasing home improvements, the high level of poverty, and lack of affordable housing, origination of home improvement loans to low-income borrowers is adequate.

Borrower distribution of home improvement loans to moderate-income borrowers is good and the percentage of bank loans is similar to the percentage of families in the AA. Market share data shows that lending to moderate-income borrowers exceeds the bank's overall market share.

Borrower distribution of home refinance loans is good. Borrower distribution of home refinance loans to low-income borrowers, again considering the difficulties a low-income person encounters when purchasing a home and the lack of affordable housing in the AA, is good. The bank's percentage of home refinance mortgages to low-income families is below the percentage of low-income families. Market share data also reveals that lending to low-income borrowers for home refinance loans is below the bank's overall market share.

Borrower distribution of home mortgage refinance to moderate-income borrowers is excellent. The level of bank loans to moderate-income borrowers exceeds the percentage of families and market share data for moderate-income borrowers also exceeds the bank's overall market share.

### **Monroe County Non-MSA AA**

The distribution of home loans by income level of borrower is good.

The average median housing cost for the area is \$116 thousand. A low-income person earns less than \$19,600 a year based on the updated median family income in the AA, which is \$39,200. Based on a home costing \$116 thousand, purchased through a first time homebuyers program, with a 3% down payment, no points, 7% interest, and 30 year maturity, the payment would be \$748 per month plus real estate taxes and insurance. Debt ratio for low-income person earning the maximum income for low-income, or \$19,600 per year, would be 46% without real estate taxes and insurance or any other debt such as auto or revolving credit card. Additionally, 7.6% of the households are below the poverty level. As a result, it is very difficult for a low-income person to afford a home.

Debt ratio for a moderate-income person earning the maximum income for moderate-income, or \$31,360 per year, would be 29% (using the scenario for a mortgage as described for a low-income borrower) without real estate taxes and insurance or any other debt. As a result, it is also difficult for a moderate-income person to purchase a home in this AA.

Our community contact also indicated that there was a lack of affordable housing in the AA.

Lending to low- and moderate-income borrowers is good based on the difficulties both low- and moderate-income borrowers have in purchasing a home as previously outlined. The borrower distribution of home purchase loans to low- and moderate-income borrowers is below the percentage of families in the AA. Market share data for 2000 shows that the bank had no lending to low-income borrowers in the year 2000 and that lending to moderate-income borrowers is similar to the bank's overall market share.

Lending to low-income and moderate-income borrowers for home improvements is good and excellent, respectively, especially in light of the difficulties faced by low- and moderate-income borrowers in acquiring a home. Lending to low-income borrowers is below the percentage of low-income families residing in the AA, while lending to moderate-income borrowers is similar to the percentage of moderate-income families. Market share data shows that lending to both low- and moderate-income borrowers significantly exceeds the bank's overall market share for home improvement loans.

Lending to low-income borrowers for home mortgage refinance is good. Refinanced loans to low-income borrowers are similar to the bank's percentage of home purchase loans (see Table 8). Lending to low-income borrowers is below the percentage of low-income families residing in the AA and market share data reveals that lending to low-income borrowers is also below the bank's overall market share. Lending to moderate-income borrowers is good with the percentage of bank loans generated being similar to the percentage of families within the AA. Market share to moderate-income borrowers significantly exceeds the bank's overall market share of home mortgage refinance loans.

### ***Small Loans to Businesses***

Distribution of small loans to businesses is good.

Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

### **ABE MSA AA**

Distribution of small loans to businesses is good. The percentage of small loans to businesses with revenues of \$1 million or less (small business) is slightly below the percentage of small businesses in the AA. The market share of loans to businesses with revenues of \$1 million or less is almost double that of the bank's market share for all loans to businesses. Competition for small loans to businesses is strong in the MSA with a total of 72 lenders competing. FNBP ranks fourteenth in market share with the largest market shareholders being primarily larger financial service organizations that issue credit cards.

### **Monroe County Non-MSA AA**

Distribution of small loans to businesses is excellent. The percentage of small loans to businesses with revenues of \$1 million or less is similar to the percentage of small businesses in the AA. The bank's market share of loans to businesses with revenues of \$1 million or less is twice the bank's share for all loans to businesses. Competition for small loans to businesses is strong with a total of 55 lenders competing. FNBP ranks seventh in market share with the

largest market shareholders primarily being larger financial organizations that issue credit cards.

## **Community Development Lending**

Community development lending had a neutral impact on the Lending Test. The bank has no community development loans. Competition for community development loans is strong in the ABE MSA AA, and the Monroe County Non-MSA AA is rural with little opportunity for community development lending.

Refer to Table 1 in appendix C for the facts and data used to evaluate the bank's level of community development (CD) lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

## **Product Innovation and Flexibility**

Product innovation and flexibility had a neutral impact on the Lending Test. Products discussed below are offered in both the ABE MSA AA and the Monroe County Non-MSA AA. The bank offers a first time homebuyers program with up to \$1 million set aside for disbursement for each of the years 2000 and 2001. Total funds disbursed for 2000 and 2001 were \$1,030 thousand and \$982 thousand, respectively. Terms for the program are as follows:

- ✓ zero points,
- ✓ 1/4% below current residential mortgage interest rates,
- ✓ borrower required to maintain checking or savings account with pre-authorized payment deductions,
- ✓ must be a first time home buyer,
- ✓ maximum gross yearly income is \$39,000,
- ✓ minimum of 5% down plus closing costs with Private Mortgage Insurance, and
- ✓ borrowers and property must meet all standard Freddie Mac guidelines and qualifying ratios.

The bank also participates in Carbon County Action Committee, which provides assistance to first time homebuyers who reside in Carbon County. Assistance is provided to those who meet income and other criteria and may qualify for up to \$5,000 in down payment and closing cost assistance.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the investment test is rated "High Satisfactory." Based on full-scope reviews, the bank's performance in the ABE MSA AA and in the Monroe County Non-MSA is good.



Refer to Table 14 in appendix C for the facts and data used to evaluate the bank's level of qualified investments.

**ABE MSA AA**

Investments in the AA are good. We determined through community contacts and our internal research that there are opportunities for qualified investments, but opportunities are limited for FNBP based on their total asset size, market share in the MSA, and strong competition for qualified investments in the AA. Investments for this rating period consisted solely of donations made to qualified charities and totaled **\$25,250**. The total consisted of two donations for educational scholarships for low-income children in the AA.

**Monroe County Non-MSA AA**

Investments in the Non-MSA are good. This AA is rural with many large resorts, and CD opportunities are limited. Again, investments for the rating period consisted solely of donations made to qualified charities and totaled **\$25,179**.

Total donations consisted of eight contributions for the following purposes:

In-kind contribution of property at a reduced rent for use by an agency serving LMI.....	\$19,995
Donations to make home improvement for LMI individuals .....	2,206
Donation to renovate local hospital emergency room in a moderate-income area .....	1,648
Three donations to food and clothing banks for LMI families.....	830
Donation to a local visiting nurse association serving LMI individuals .....	<u>500</u>
<b>TOTAL.....</b>	<b>\$25, 179</b>

In addition to the donation given in the bank's assessment areas, the bank also contributed **\$10, 384** to the September 11, 2001 Disaster Relief Fund. Currently donations to September 11 relief funds are considered Community Development contributions even if they do not directly serve the bank's assessment areas.

Total CRA qualified donations represent 0.007% of 2000 and 2001 combined net operating income.

**SERVICE TEST**

**Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test is rated "High Satisfactory." Based on full-scope reviews, the bank's performance in the ABE MSA AA and the Monroe County Non-MSA AA is good.

**Retail Banking Services**

Refer to Table 15 in appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

## **ABE MSA AA and Monroe County Non-MSA AA**

FNBP's delivery systems are readily accessible to geographies and individuals of different income levels within the AAs based upon population demographics and locations of the bank's branches and ATMs.

There have been no branch closings or openings. Banking hours and services are provided Monday through Friday with extended hours one to two evening per week and Saturday morning hours at all branches. The traditional line of banking products and services are offered at all branches. The bank offers low cost checking accounts to serve LMI individuals and special accounts for senior citizens. Additionally, the bank offers a reduced fee deposit account package to small businesses and non-profit organizations in its AAs.

Each branch maintains an ATM. There are no remote location ATMs. The bank also offers telephone banking, whereby customers have 24-hour access to their account information and can sign up to perform some transactional based banking. Since the bank could not provide specific data on how low- and moderate-income individuals and geographies are impacted by this service, significant weight was not place on this alternative delivery system. The bank has an information-only website available.

## **Community Development Services**

FNBP has four officers who provide technical and financial expertise to six CD organizations that benefit both AAs.

### **ABE MSA AA**

FNBP performance in providing CD services to the AA is adequate.

The following are the types of CD services provided by bank employees:

- ✓ Two officers serve on an economic development council, where the primary purpose is job creation and retention.
- ✓ One officer serves on another economic development committee, whose primary purpose is community development.

### **Monroe County Non-MSA AA**

- ✓ One officer services as treasurer for a community development fund that maintains and restores public areas in a moderate-income area and promotes social welfare and educational opportunities for LMI individuals.
- ✓ One officer services as the treasurer of the local Salvation Army that offers financial aid and vocation training to the LMI individuals.
- ✓ One officer services as the Vice-Chairman to the foundation that raises funds for capital improvements to the hospital located in a moderate-income tract.

- ✓ One officer services as Chairman for business expansion and community planning and development for a township located within the AA.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 10/01/1998 to 09/30/2001  Investment and Service Tests and CD Loans: 01/01/2000 to 01/08/2002	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank of Palmerton (FNBP) Palmerton, Pennsylvania	HMDA products, small loans to businesses, investments, and services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None.		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Allentown-Bethlehem-Easton #0240  Monroe County	Full scope  Full scope	None.

# Appendix B: Market Profiles for Full-Scope Areas

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## Table of Contents

### Market Profiles for Areas Receiving Full-Scope Reviews

<a href="#">ABE MSA AA</a> .....	2
<a href="#">Monroe County Non-MSA AA</a> .....	3

## ABE MSA AA

Demographic Information for Full-Scope Area: ABE MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	39	0.00	5.13	79.49	15.38	0.00
Population by Geography	187,087	0.00	6.04	79.05	14.90	0.00
Owner-Occupied Housing by Geography	55,531	0.00	5.37	79.41	15.22	0.00
Businesses by Geography	7893	0.00	6.46	74.12	19.42	0.00
Farms by Geography	406	0.00	1.72	83.00	15.27	0.00
Family Distribution by Income Level	53,341	15.10	18.90	27.91	38.09	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	18,140	0.00	9.48	83.55	6.97	0.00
Median Family Income HUD Adjusted Median Family Income for 2001 Households Below the Poverty Level	= \$37,523 = \$52,000 = 6.24%		Median Housing Value Unemployment Rate (10/01)		\$103,139 = 4.9%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 2001 HUD updated MFI.

FNBP's AA includes only portions of the ABE MSA, including parts of Carbon and Northampton Counties in eastern Pennsylvania. The area is often referred to as the Lehigh Valley. Within this MSA, FNBP is ranked 19<sup>th</sup> out of 28 banks and has 1.51% of the market share of deposits based on June 30, 2001 FDIC Summary of Deposits. FNBP operates four full service branches in this MSA, including its main office in Palmerton, Pennsylvania. All branches have drive up services, ATMs, extended weekday and Saturday hours. The bank also offers bank-by-phone and has a website for informational purposes only.

Banking competition is very heavy for both loans and deposits. Competition exists from national institutions, large regional institutions, and community banks. Major competitors are: First Union with 25.45% deposit share and 48 offices, Fleet National with 8.87% deposit share and 26 offices, and Lafayette Ambassador with 8.75% deposit share and 22 branches.

FNBP offers a traditional line of banking products for loans and deposits. The economy in the area is primarily stable. Major employers are: Lehigh University, school districts, hospitals, and state and local governments.

## Monroe County Non-MSA AA

Demographic Information for Full-Scope Area: Monroe County Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	14	0.00	0.00	35.71	64.29	0.00
Population by Geography	95,709	0.00	0.00	35.25	64.75	0.00
Owner-Occupied Housing by Geography	25,905	0.00	0.00	31.72	68.28	0.00
Businesses by Geography	5,726	0.00	0.00	37.39	62.61	0.00
Farms by Geography	172	0.00	0.00	25.58	74.42	0.00
Family Distribution by Income Level	26,174	11.08	14.25	21.13	53.54	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	6,630	0.00	0.00	41.89	58.11	0.00
Median Family Income = \$28,934 HUD Adjusted Median Family Income for 2001 = \$39,200 Households Below the Poverty Level = 7.64%						Median Housing Value = \$115,642 Unemployment Rate (10/01) = 5.30 %

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 2001 HUD updated MFI.

Monroe County Non-MSA AA includes the entire county and is the center of the Pocono Mountains resort area. Within the AA, FNBP is ranked 3<sup>rd</sup> for deposits and has 11.69% market share of deposits as of June 30, 2001. FNBP operates four full service branches in this AA, all with drive up facilities, ATMs, and extended weekday and Saturday hours.

Competition is very heavy for both loans and deposits. Competition exists from national institutions, large regional institutions, and community banks. Major competitors are: East Stroudsburg Savings Association with nearly 21% market share of deposits and ten branches, and Penn Security Bank and Trust Company with nearly 29% market share of deposits and nine branches.

The bank offers a traditional line of banking products for loans and deposits. The economy in the area is primarily stable, but due to the nature of the resort area, some employment is seasonal and much is lower paying service jobs. Major employers include the US government, school districts, hospitals, Roadway Express, Aventis Pasteur, and a variety of ski resorts and other vacation spots.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table



also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm.

Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

## Table 1. Lending Volume

LENDING VOLUME		Geography: FNB Palmerton Assessment Areas						Evaluation Period: October 1, 1998 to September 30, 2001				
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans **		Total Reported Loans		% of Rated Area Deposits in MA/AA ***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
ABE MSA AA	46.4%	624	32,297	220	17,430	0	0	0	0	844	49,727	44.0%
Monroe County Non-MSA AA	53.6%	776	33,732	199	12,494	0	0	0	0	100	46,226	56.0%

\* Loan Data as of October 1, 1998 to September 30, 2001. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is January 1, 2000 to January 8, 2002.

\*\*\* Deposit Data as of September 30, 2001. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

## Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: FNB Palmerton Assessment Areas								Evaluation Period: October 1, 1998 to September 30, 2001					
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
ABE MSA AA	116	52.73	0.00	0.00	5.37	16.38	79.41	79.31	15.22	4.31	1.15	0.00	6.82	1.15	0.00
Monroe County Non-MSA AA	104	47.27	0.00	0.00	0.00	0.00	31.72	37.50	62.28	62.50	0.87	0.00	0.00	0.72	0.99

\* Based on 2000 Peer Mortgage Data: Northeast Region.

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

### Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT		Geography: FNB Palmerton Assessment Areas <b>Evaluation Period:</b> October 1, 1998 to September 30, 2001													
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
ABE MSA AA	182	42.82	0.00	0.00	5.37	16.48	79.41	79.12	15.22	4.40	4.27	0.00	17.91	3.99	0.00
Monroe County Non-MSA AA	243	57.18	0.00	0.00	0.00	0.00	31.72	37.86	68.28	62.14	10.53	0.00	0.00	9.13	11.28

\* Based on 2000 Peer Mortgage Data: Northeast Region.

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

## Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: FNB Palmerton Assessment Areas								Evaluation Period: October 1, 1998 to September 30, 2001				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
ABE MSA AA	323	43.07	0.00	0.00	5.37	26.93	79.41	70.59	15.22	2.48	2.73	0.00	17.04	2.19	0.29
Monroe County Non-MSA AA	427	56.93	0.00	0.00	0.00	0.00	31.72	36.53	68.28	63.47	4.27	0.00	0.00	4.53	4.12

\* Based on [Year] Peer Mortgage Data: Northeast Region.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

## Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY		Geography: FNB Palmerton Assessment Areas										Evaluation Period: October 1, 1998 to September 30, 2001				
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography					
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
ABE MSA AA	3	60.0	0.00	0.00	12.00	33.33	78.27	66.67	9.73	0.00	7.69	0.00	100.00	0.00	0.00	
Monroe County Non-MSA AA	2	40.0	0.00	0.00	0.00	0.00	57.45	0.00	42.55	100.00	0.00	0.00	0.00	0.00	0.00	

\* Based on 2000 Peer Mortgage Data: Northeast Region.

\*\* Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

## Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES												Geography: FNB Palmerton Assessment Areas					Evaluation Period: October 1, 1998 to September 30, 2001				
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*										
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp				
<b>Full Review:</b>																					
ABE MSA AA	220	52.51	0.00	0.00	6.46	13.64	74.12	71.36	19.42	15.00	1.55	0.00	2.13	1.76	1.06						
Monroe County Non-MSA AA	199	47.49	0.00	0.00	0.00	0.00	37.39	39.20	62.61	60.80	4.05	0.00	0.00	5.18	4.25						

\* Based on 2000 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet 2000.



## Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE															Geography: FNB Palmerton Assessment Areas															Evaluation Period: October 1, 1998 to September 30, 2001														
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share																																	
	#	% of Total**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	Over all	Low	Mod	Mid	Upp																													
<b>Full Review:</b>																																												
ABE MSA AA	116	52.73	15.10	3.45	18.90	23.28	27.91	28.45	38.09	44.83	1.29	0.50	2.13	1.13	1.12																													
Monroe County Non-MSA AA	104	42.27	11.08	1.92	14.25	7.69	21.13	18.27	53.54	72.12	1.02	0.00	0.99	0.93	1.09																													

\* Based on 2000 Peer Mortgage Data: Northeast Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 0% of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

## Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT		Geography: FNB Palmerton Assessment Areas								Evaluation Period: October 1, 1998 to September 30, 2001					
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families**	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
ABE MSA AA	182	42.82	15.10	5.56	18.90	18.33	27.91	38.89	38.09	37.22	4.39	1.63	5.19	5.57	3.87
Monroe County Non-MSA AA	243	57.18	11.08	5.37	14.25	13.22	21.13	24.38	53.54	57.02	10.76	14.81	18.42	12.30	8.78

\* Based on 2000 Peer Mortgage Data: Northeast Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 0% of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

## Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography FNB Palmerton Assessment Areas										Evaluation Period: October 1, 1998 to September 30, 2001				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share					
	#	% of Total**	% Families**	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
ABE MSA AA	323	43.07	15.10	7.07	18.90	22.83	27.91	34.73	38.09	35.37	2.89	1.57	3.73	3.55	2.23	
Monroe County Non-MSA AA	427	56.93	11.08	1.88	14.25	11.53	21.13	26.12	53.54	60.47	5.12	2.04	8.33	7.05	4.15	

\* Based on 2000 Peer Mortgage Data: Northeast Region.

\*\* As a percentage of loans with borrower income information available. No information was available for zero percent of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

## Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES					Geography: FNB Palmerton Assessment Areas <b>Evaluation Period:</b> October 1, 1998 to September 30, 2001				
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*	
	#	% of Total**	% of Businesses***	% BANK****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
ABE MSA AA	220	52.51	86.38	78.64	85.45	8.18	6.36	1.55	2.93
Monroe County Non-MSA AA	199	47.49	87.18	87.18	87.94	86.93	8.04	5.03	4.05

\* Based on 2000 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2000).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0% of small loans to businesses originated and purchased by the Bank.

## Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: FNB Palmerton Assessment Areas <b>Evaluation Period:</b> October 1, 1998 to September 30, 2001							
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
ABE MSA AA	0	0	2	25	2	25	100	0	0
Monroe County Non-MSA AA	0	0	8	25	8	25	100	0	0
September 11, 2001 Disaster Relief Fund	0	0	3	10	3	10	100	0	0

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\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

## Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS      Geography: FNB Palmerton Assessment Areas <b>Evaluation Period:</b> October 1, 1998 to September 30, 2001																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
ABE MSA AA	44.0	4	50.0	0.0	25.0	75.0	0.0	0	0	0	0	0	0	0.0	6.04	79.05	14.90
Monroe County Non-MSA AA	56.0	4	50.0	0.0	0.0	25.0	75.0	0	0	0	0	0	0	0.0	0.0	35.25	64.75

