



Comptroller of the Currency
Administrator of National Banks

Small Bank

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

May 30, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The New Tripoli National Bank
Charter Number 9656**

**6748 Madison Street
New Tripoli, Pennsylvania 18066**

**Office of the Comptroller of the Currency
Northern Pennsylvania Field Office
100 Hazle Street, Suite 202
Wilkes-Barre, Pennsylvania 18702**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The New Tripoli National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 30, 2000**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

The factors supporting the bank's overall rating include:

- an excellent loan to deposit ratio;
- a majority of loans extended in the bank's assessment areas;
- a good distribution of originations to borrowers of different income levels; and
- a reasonable geographic distribution of home purchase and refinance loans.

DEFINITIONS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

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.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations. A census tract has defined boundaries per ten year census and an average population of 4,000.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity. The report includes such data as the race, gender and the income of the applicants, the amount of the loan requested, and its disposition (e.g., approved, denied, withdrawn).

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. 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.

Low-Income - Income levels that are less than 50% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Upper-Income - Income levels that are 120% or more of the MFI.

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank may be required to collect and report certain monitoring data under the CRA regulation.

DESCRIPTION OF INSTITUTION

The New Tripoli National Bank (NTNB) is a \$155 million independent banking institution. It was founded in 1910 and is headquartered in New Tripoli in eastern Pennsylvania. NTNB is a wholly owned subsidiary of New Tripoli Bancorp, Inc. This holding company has no other operating subsidiaries.

NTNB is a full-service retail bank with two offices. The main office is located in New Tripoli, and the branch office is located in Orefield; both are in Lehigh County. The Orefield office opened in November of 1999. Both offices have full-service automated teller machines (ATMs) and drive-through windows. The offices offer extended business hours, which include early morning hours on weekdays and evening hours on Thursdays and Fridays. The bank maintains two remote ATMs, one cash dispensing machine located in Lehigh County, and one full-service machine located in Schuylkill County*****The way this is written you can't tell if there are four ATMs or two, but I think it's two.*****. The bank also offers a telephone banking system 24 hours a day, 7 days a week, and a "Bank by Mail" program. A variety of loan and deposit products are available to consumers and businesses.

HMDA loans are the focus of the bank's lending. Primary loan products include purchase money mortgages and refinance mortgages. The loan portfolio represents 58% of total assets. A breakdown of the portfolio as of March 31, 2000 is as follows: 64% residential mortgages, 30% commercial and commercial real estate loans, and 6% consumer installment loans. Agricultural lending is minimal.

Major competitors in the area include Neffs National Bank, Citizens National Bank of Lansford, East Penn Bank, American Bank, First Union, and several other regional and small community banks. As of June 30, 1999, NTNB's market share of all deposits held by FDIC-insured institutions operating in Lehigh County was 2.82%.

There are no legal or financial impediments which would hinder the bank's ability to meet the credit needs of its community. At the last CRA examination, dated April 18, 1996, the institution was rated "satisfactory."

DESCRIPTION OF ASSESSMENT AREAS

NTNB is located in a rural area just west of the urban Lehigh Valley. The bank has two defined assessment areas (AAs). Both AAs meet regulatory guidelines and neither arbitrarily exclude low- and moderate-income (LMI) geographies. The following paragraphs describe each of the AAs and provide demographic data.

The first AA consists of 23 CTs in the Allentown-Bethlehem-Easton MSA. Five of these CTs are in Carbon County, 15 are in Lehigh County, and three are in Northampton County. The population of the AAs is 112,133. The income designations for the area's CTs are as follows:

ASSESSMENT AREA DEMOGRAPHICS		
Designation	# Census Tracts	% of Total Tracts
Low	0	0
Moderate	2	9
Middle	17	74
Upper	4	17
Total	23	100

Both of the moderate-income tracts are located in Carbon County. The 1990 U.S. Census Median Family Income for the AA is \$37,523. The Updated Median Family Income is \$49,400. A family would be considered low-income with an annual income of \$24,700 or less. Additionally, 6% of the households in the AA have incomes below the poverty level, 30% of the households receive social security benefits and 4% are on public assistance. (There may be some overlap in these percentages, since someone who received social security benefits may also be on public assistance.)

Eighty-three percent of the housing in the AA is one-to-four family units; 6% are multifamily units; 10% are mobile homes; and 1% are condominiums. Of the total housing units in the AA, 78% are owner-occupied, 18% are renter-occupied, and 4% are vacant. The average cost of housing in the AA is \$104,937, with the average year built of 1963. Considering the average cost of housing, it is financially difficult for low-income families to afford average homes in the area.

As of April 2000, the unemployment rate for this MSA was 3.3%. In Carbon County the unemployment rate was 5.1%, with Lehigh County at 3.0% and Northampton County at 3.2%. The state's unemployment rate for the month was 3.6%.

According to the 1998 business demographics for this AA, there are 4,841 businesses, of which 259 are farms. Small businesses (those with revenues less than \$1 million) represent 89% of the 3,528 businesses reporting revenues. Approximately 79% of the businesses reported having less than ten employees. The primary industries in this AA are services at 35%, retail trade at 21%, and construction at 12% of all businesses. The largest employers in the area are Lucent Technologies, Air Products and Chemicals, Lehigh Valley Hospital Center, Northampton County, and John and Joseph Kovatch.

The second AA consists of one block numbering area (BNA) in southern Schuylkill County in a non-MSA. The population of this AA is 4,477. This BNA is designated as a middle-income area. The 1990 U.S. Census Median Family Income for the AA is \$28,934. The Updated Median Family Income is \$36,700. A family would be considered low-income with an annual income of \$18,350 or less. Additionally, 6% of the households in the AA have incomes below the poverty level, 35% of the households receive social security benefits, and 4% are on public

assistance. (There may be some overlap in these percentages, since someone who received social security benefits may also be on public assistance.)

Eighty-four percent of the housing in the AA is one-to-four family units; 2% are multifamily units; and 14% are mobile homes. Of the total housing units in the AA, 74% are owner-occupied, 16% are renter-occupied, and 10% are vacant. The average cost of housing in the AA is \$80,800, with the average year built of 1961. Considering the average cost of housing, it is financially difficult for low-income families to afford average homes in the area.

As of April 2000, the unemployment rate for Schuylkill County was 6.2%, the fifth highest out of Pennsylvania's 67 counties.

According to the 1998 business demographics for this AA, there are 178 businesses, of which 36 are farms. Small businesses (those with revenues less than \$1 million) represent 92% of the businesses reporting revenues. Approximately 92% of the businesses reported having less than ten employees. The primary industries in this AA are services at 27%, agriculture, forestry and fishing at 20%, and retail trade at 17% of all businesses. The largest employers in the county are the state government, Alcoa Extrusions, J.E. Morgan Knitting Mills, and two regional hospitals.

Determination of Community Credit Needs

Community Contacts

Credit needs in the local area were determined by contacting a local township supervisor who stated that the current economic conditions are very good, with some large housing development projects underway. He could not identify any unmet credit or general banking needs in the community. It was noted that NTNBS has been very involved in community projects in the recent past, including being a major supporter of a local park project and a school and stadium project.

We also reviewed a community contact, which was made by our agency in the past year, from an economic development group in the Lehigh Valley. This group's goal is to attract new businesses to the area. They noted that the smaller financial institutions have a difficult time competing with the large regional banks in the area that aggressively seek commercial loan business. The group also could not identify any unmet banking needs due to the many financial institutions in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

SCOPE OF EXAMINATION

This examination covers the period January 1, 1997 to May 30, 2000. The analysis of HMDA reportable loan products covers the period of January 1, 1997 to December 31, 1999. Home purchase and refinance loans were selected as primary loan products because of the bank's origination volume of these products. During the period covered by the examination, 53% of the number of all HMDA reportable loan originations were refinances, 39% were purchase money mortgages, and 8% were home improvement loans.

Please note that the data represented is from the MSA only. During the period evaluated, the bank did not originate any loans in the non-MSA, where the bank only maintains an ATM.

All dollar amounts in the tables within this report are in thousands (000s), unless otherwise indicated.

Loan to Deposit Analysis

NTNB's loan to deposit ratio exceeds the standards for satisfactory performance. It is excellent given the bank's size, financial condition, and credit needs of the AA. The bank's loan to deposit ratio, averaged over the previous twelve quarters since the last CRA review, is 83%. This exceeds both the national peer (67%) and the local peer (76%). The national peer group consisted of financial institutions with similar asset sizes when compared to NTNB. The local peers were financial institutions in the area with similar asset sizes and similar balance sheet compositions when compared to NTNB.

Lending in Assessment Area

The bank's lending in the AAs meets the standards for satisfactory performance. A majority of loans and other lending-related activities are in the AAs. The penetration of primary product loans, purchases and refinances, in the AAs is illustrated in the following chart.

HMDA Purchase and Refinance Loan Originations						
	1997		1998		1999	
	#/%	\$/%	#/%	\$/%	#/%	\$/%
Inside AAs	76 / 69	6,970 / 72	108 / 67	8,336 / 63	90 / 70	8,297 / 78
Outside AAs	34 / 31	2,672 / 28	53 / 33	4,988 / 37	39 / 30	2,324 / 22
Total	110 / 100	9,642 / 100	161 / 100	13,324 / 100	129 / 100	10,621 / 100

Lending to Borrowers of Different Incomes

Lending to borrowers of different incomes for purchase money mortgage loans meets the standards for satisfactory performance. The following chart reflects some disparity in the low-income category, especially in 1997. However, it was noted earlier in this report that a low-income family in the MSA has earnings of \$24,700 or less, and therefore it is difficult to acquire a home in the area with housing costs averaging \$104,937. Additionally, of the 61 financial institutions that accepted applications for purchase money mortgage loans from low-income individuals in the MSA, NTNB was the 4th largest originator, according to the 1998 Peer HMDA Data. For moderate-income individuals, NTNB has a very good lending record. The bank ranked 16th out of 109 financial institutions in purchase money mortgage loan originations, also according to the 1998 data.

Purchase Loan Originations by Level of Borrower Income in MSA 240							
Income Category	1997		1998		1999		% of Families Within AA
	#/%	\$/%	#/%	\$/%	#/%	\$/%	
Low	0 / 0	0 / 0	4 / 13	151 / 6	4 / 13	196 / 6	15
Moderate	12 / 29	721 / 19	7 / 23	460 / 18	7 / 23	568 / 17	18
Middle	14 / 33	1,112 / 29	14 / 45	1,194 / 46	10 / 32	999 / 30	28
Upper	16 / 38	2,002 / 52	6 / 19	790 / 30	10 / 32	1,539 / 47	39
Total	42 / 100	3,835 / 100	31 / 100	2,595 / 100	31 / 100	3,302 / 100	100

For refinance loans, disparity in the low-income category is again noted. Low-income individuals, however, tend to have smaller outstanding mortgage balances due to their income limitations. Homeowners with lower balances are less likely to be interest rate sensitive when interest rates fall, the primary reason for individuals to refinance their existing mortgage debt in past few years. NTN management believes that the recent lower interest rate environment is the reason that refinances have been one of their primary HMDA products.

Of the 89 financial institutions that accepted applications for refinance loans from low-income individuals in the MSA, NTN was the 26th largest originator, according to the 1998 Peer HMDA Data. For moderate-income individuals, NTN also has a very good lending record. The bank ranked fifth out of 140 financial institutions in refinance originations, also according to the 1998 data.

Refinance Loan Originations by Level of Borrower Income in MSA 240							
Income Category	1997		1998		1999		% of Families Within AA
	#/%	\$/%	#/%	\$/%	#/%	\$/%	
Low	3 / 9	146 / 5	2 / 3	62 / 1	5 / 8	237 / 5	15
Moderate	6 / 18	466 / 15	22 / 29	1,174 / 21	16 / 27	966 / 19	18
Middle	14 / 41	1,246 / 40	27 / 34	1,841 / 32	14 / 24	909 / 18	28
Upper	11 / 32	1,277 / 40	26 / 34	2,664 / 46	24 / 41	2,883 / 58	39
Total	34 / 100	3,135 / 100	77 / 100	5,741 / 100	59 / 100	4,995 / 100	100

Geographic Distribution of Loans

The geographic distribution of purchase money mortgage loans meets the standards for satisfactory performance. As was previously mentioned, there are no low-income CTs in the AA, and only two CTs in the entire AA are considered moderate-income. These moderate-income CTs have a population of 11,308 persons and have 4,723 housing units. Forty-one percent of these households receive some type of social security benefits, eight percent receive some form of public assistance and twelve percent of the households have incomes below the poverty level. (There may be some overlap in these percentages, since someone who received social security benefits may also be on public assistance.)

In 1998, of the 200 financial institutions actively seeking applications for purchase money mortgage loans, 70 lenders were taking applications from individuals residing in the moderate-income CTs. Due to the demographics, number of competitors, and the lack of a branch office location near these CTs, the bank's ability to generate loans in the moderate-income area is limited. These factors mitigate the bank's poor performance in relation to the percentage of owner-occupied households in the moderate-income CTs.

The following table depicts the distribution of purchase money mortgage loan originations in the entire MSA.

Geographic Distribution of Purchase Loan Originations by Census Tract Characteristic in MSA 240							
Income Category	1997		1998		1999		% of Owner- Occupied Households
	#/%	\$/%	#/%	\$/%	#/%	\$/%	
Low	0 / 0	0 / 0	0 / 0	0 / 0	0 / 0	0 / 0	0
Moderate	1 / 2	65 / 2	0 / 0	0 / 0	1 / 3	52 / 2	9
Middle	38 / 91	3,461 / 90	30 / 97	2,558 / 99	30 / 97	3,250 / 98	75
Upper	3 / 7	309 / 8	1 / 3	37 / 1	0 / 0	0 / 0	16
Total	42 / 100	3,835 / 100	31 / 100	2,595 / 100	31 / 100	3,302 / 100	100

The geographic distribution of refinance loans meets the standards for satisfactory performance. The 1998 Peer HMDA Data reveals that, while 236 lenders were taking applications for refinance loans in the MSA, 93 financial institutions took applications from individuals residing in the moderate-income CTs. Of the 93 financial institutions, NTN Bank ranked 17th in institutions which originated refinance loans. Again, there appears to be some disparity in the moderate-income CTs but due to the same mitigating factors cited above, the bank's ability to generate loans is limited.

The following chart is the record of the bank's performance in the MSA for refinance loans.

**Geographic Distribution of Refinance Loan Originations
by Census Tract Characteristic in MSA 240**

Income Category	1997		1998		1999		% of Owner Occupied Households
	#/%	\$/%	#/%	\$/%	#/%	\$/%	
Low	0 / 0	0 / 0	0 / 0	0 / 0	0 / 0	0 / 0	0
Moderate	1 / 3	99 / 3	3 / 4	251 / 4	3 / 5	198 / 4	9
Middle	32 / 94	2,988 / 95	73 / 95	5,449 / 95	56 / 95	4,797 / 96	75
Upper	1 / 3	48 / 2	1 / 1	41 / 1	0 / 0	0 / 0	16
Total	34 / 100	3,135 / 100	77 / 100	5,741 / 100	59 / 100	4,995 / 100	100

Response to Complaints

During the evaluation period, NTN B did not receive any complaints about its performance in meeting the credit needs of the AAs.

Record of Compliance with Antidiscrimination Laws

The concurrent Fair Lending examination did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations. In addition, no evidence was found of discriminatory or other illegal practices. Our Fair Lending examination focused on a comparison of the loan terms for originated refinance real estate loans for individual male and female borrowers.