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Comptroller of the Currency  
Administrator of National Banks

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

## **PUBLIC DISCLOSURE**

January 10, 1997

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

**First National Bank of Liverpool  
Charter Number: 8326  
104 North Front Street  
Liverpool, Pennsylvania 17045**

**Northeastern Pennsylvania Duty Station  
100 Hazle Street, Suite 202  
Wilkes Barre PA 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 First National Bank of Liverpool** prepared by **the Comptroller of the Currency**, the institution's supervisory agency, as of January 10, 1997. 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.

This overall rating is supported by the following information:

- The bank's loan to deposit ratio is above the national peer percentage.
- During the examination period, 93% of Home Mortgage Disclosure Act (HMDA) loans and 100% of the business loans originations we sampled were made within the assessment area.
- The volume of HMDA loans originated to individuals of different income levels was reasonable.
- A substantial majority of the bank's business loan originations were to small businesses.

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

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b><u>First National Bank of Liverpool</u> PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Analysis was not meaningful.		
Response to Complaints	No complaints received since the last examination.		

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Liverpool (FNBL) is a \$19 million independent institution located 30 miles north of Harrisburg, Pennsylvania (the state capital). FNBL's sole office is located in Liverpool in Perry County. An automated teller machine was installed in 1994. The loan portfolio is comprised of 81% one-to-four family mortgages, 2% multifamily mortgages, 6% commercial credits, and 11% instalment loans. Loans currently equal 67% of total assets. There are no known legal or financial impediments to prevent FNBL from meeting the credit needs of its community. Management's main business focus is residential real estate lending. Opportunities for commercial lending are limited due to FNBL's rural location. Management stated that instalment lending has not been a major source of new loan originations over the past few years. Strong competition for loans and deposits is provided by several neighboring community banks.

## **DESCRIPTION OF ASSESSMENT AREA**

FNBL's assessment area consists of ten middle-income and one upper-income census tracts (CTs) or block numbering areas (BNAs). There are no low- or moderate-income tracts. The population of the assessment area totals 53,387. The percentage of low-, moderate-, middle-, and upper-income families living within the assessment area equals 17.04%, 21.43%, 27.12%, and 34.42%, respectively.

Pennsylvania non-MSA portions of the bank's assessment area include two middle-income BNAs in Juniata County and four middle-income BNAs and one upper-income BNA in Snyder County. The statewide non-metropolitan median family income is \$32,800. Population in the non-MSA portion of the assessment area totals 32,470. The median housing value is \$52,900. Owner occupied and rental housing accounts for 71% and 21%, respectively, of the total housing units.

The bank also operates in the Harrisburg-Lebanon-Carlisle MSA 3240 in four middle-income tracts in Perry County. The MSA median family income is \$43,400. Population in this section of the assessment area equals 20,917. The median housing value is \$59,950. Owner occupied and rental housing accounts for 69% and 21%, respectively, of the total housing units.

The local economy is stable with the majority of job opportunities provided by the greater Harrisburg area. Major employers include the State of Pennsylvania, a rubber plant, and the modular home industry. Unemployment is at or below state average for the majority of the assessment area.

Management stated that the primary credit needs of the community are for home improvement and home equity loans. We conducted one public contact with a local government representative. This representative provided demographic data and general information on services provided by local banks. The contact stated that local banks provide excellent technical assistance and are adequately meeting the credit needs of the area.

However, this contact felt that extended banking hours are needed. FNBL has extended hours on Fridays to better serve consumers and management is discussing implementation of Saturday hours.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :**

Please note that for the purposes of this analysis, the examination period covers loan activity from January 1, 1994 to November 30, 1996.

**Loan to Deposit Ratio**

FNBL’s average loan to deposit ratio for the last eight quarters was 73%. This ratio compares favorably to the national peer average of 61%. FNBL’s level of lending performance is also quite reasonable when compared to the 64% ratio achieved by similar-sized banks in Pennsylvania.

**Lending in Assessment Area**

Residential mortgage loans constitute the majority of the bank’s loan originations. We reviewed the bank’s HMDA loan application register (LAR) to determine the location of these originations. A substantial majority of FNBL’s HMDA loans are originated within the assessment area, as indicated in the table below.

<b>LENDING WITHIN THE ASSESSMENT AREA (AA)</b>						
<b>HMDA Loan Originations during 1994, 1995 and Year to Date 1996</b>						
<b>Year</b>	<b># of Loans</b>		<b>% in AA</b>	<b>\$ Amount of Loans (000's)</b>		<b>% in AA</b>
	<i>In AA</i>	<i>Out of AA</i>		<i>In AA</i>	<i>Out of AA</i>	
1994	48	2	96%	1,504	83	95%
1995	32	4	89%	1,325	185	88%
1996	42	3	93%	1,909	73	96%
<b>TOTAL</b>	122	9	93%	4,738	341	93%

We also sampled eight commercial loans originated during 1994, 1995, and 1996. All of the loans sampled were within the bank’s assessment area. This fact supports that the bank is primarily lending funds to businesses within its community. Our sample represented 31% of the bank’s total number of business loans.

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

Analysis of lending to borrowers of different income levels was performed using all HMDA loans originated within the examination period and is presented in the table which follows. Our review of HMDA loans revealed reasonable lending patterns for all years reviewed. The percent of lending to moderate-income individuals, in particular, compared very favorably to the family income levels of the assessment area.

<b>LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS</b>							
<b>HMDA LOANS -1994, 1995 and Year to Date 1996</b>							
<b>Income level of Borrower</b>	<b>\$ Amount of Loans - 1994</b>	<b># of Loans</b>	<b>\$ Amount of Loans - 1995</b>	<b># of Loans</b>	<b>\$ Amount of Loans - 1996</b>	<b># of Loans</b>	<b>Family Income levels in AA</b>
<b>Low</b>	7%	13%	11%	14%	6%	7%	17%
<b>Moderate</b>	19%	27%	24%	31%	26%	40%	22%
<b>Middle</b>	36%	33%	31%	25%	29%	22%	27%
<b>Upper</b>	38%	27%	34%	30%	39%	31%	34%
<b>Total</b>	100%	100%	100%	100%	100%	100%	100%

Small businesses are defined as those with less than \$1,000,000 in gross annual revenues. Our sample of eight commercial loans revealed that seven loans, or 88%, of originations were to small businesses. In dollar terms, small business loans accounted for 70% of the loans sampled.

**Geographic Distribution of Loans**

Analysis of the geographic distribution of the bank’s loan originations would not be meaningful as there are no low- or moderate-income tracts in the bank’s assessment area. Therefore, an evaluation of the geographic distribution of the bank’s loan originations was not prepared.

**Fair Lending Examination Results**

A concurrent fair lending examination was performed. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN MSA  
(METROPOLITAN STATISTICAL AREAS) AND NON MSA AREAS**

**CONCLUSIONS FOR HARRISBURG-LEBANON-CARLISLE MSA - 3240**

FNBL operates one full service office and one ATM in Perry County in this MSA. Overall performance in the MSA area is comparable to the bank's overall performance. Our analysis of HMDA originations to borrowers of different incomes in the MSA area is presented in the table below. FNBL's record of lending to borrowers of different income levels is comparable to the demographic composition of the area.

<b>LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS</b>							
<b>HMDA LOANS -1994, 1995 and Year to Date 1996</b>							
<b>Income level of Borrower</b>	<b>\$ Amount of Loans - 1994</b>	<b># of Loans</b>	<b>\$ Amount of Loans - 1995</b>	<b># of Loans</b>	<b>\$ Amount of Loans - 1996</b>	<b># of Loans</b>	<b>Family Income levels in AA</b>
<b>Low</b>	10%	21%	6%	20%	7%	7%	20%
<b>Moderate</b>	18%	29%	41%	47%	19%	39%	25%
<b>Middle</b>	38%	29%	35%	20%	40%	29%	29%
<b>Upper</b>	34%	21%	18%	13%	34%	25%	26%
<b>Total</b>	100%	100%	100%	100%	100%	100%	100%

Our commercial loan sample included three loans originated in the MSA; 100% of these credits were to small businesses.

**CONCLUSIONS FOR NON-MSA AREA**

FNBL does not operate any offices in this section of their assessment area. Performance in the non-MSA portion of the assessment area is also satisfactory. Our analysis of FNBL's HMDA lending to borrowers of different income levels is presented in the table which follows. Again, FNBL's overall record of originating HMDA loans to borrowers of different income levels was good.

<b>LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS</b>							
<b>HMDA LOANS -1994, 1995 and Year to Date 1996</b>							
<b>Income level of Borrower</b>	<b>\$ Amount of Loans - 1994</b>	<b># of Loans</b>	<b>\$ Amount of Loans - 1995</b>	<b># of Loans</b>	<b>\$ Amount of Loans - 1996</b>	<b># of Loans</b>	<b>Family Income levels in AA</b>
<b>Low</b>	3%	4%	15%	9%	6%	6%	15%
<b>Moderate</b>	20%	25%	13%	19%	38%	41%	19%
<b>Middle</b>	33%	38%	27%	29%	9%	12%	26%
<b>Upper</b>	44%	33%	45%	43%	47%	41%	40%
<b>Total</b>	100%	100%	100%	100%	100%	100%	100%

Our business loan sample included five loans in the non-MSA portion of the assessment area. Four of these credits, or 80%, were to small businesses.