

PUBLIC DISCLOSURE

December 9, 1996

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

The Farmers National Bank
6728

114 North Main Street
Mullica Hill, New Jersey 08062

Office of the Comptroller of the Currency

Philadelphia Duty Station
Four Greenwood Square
3325 Street Road, Suite 120
Bensalem, PA 19020-2025

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 Farmers National Bank prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of December 9, 1996. 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 bank's rating is supported by the following facts:

The bank's loan-to-deposit ratio is reasonable at 54% .

In total, 78% of the number and 84% of the dollar amount of new loans were originated within the bank's assessment area for the period under review.

Lending activity reflects reasonable distribution to borrowers of different income levels within the assessment area.

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

SMALL
INSTITUTION
ASSESSMENT
CRITERIA
FARMERS NATIONAL BANK
PERFORMANCE LEVELS

Exceeds
Standards
for
Satisfactory
Performance

Meets
Standards
for
Satisfactory
Performance
Does not
meet
Standards
for
Satisfactory
Performance

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

Not
meaningful

Response to
Complaints

No
since
complaints prior

received
examination

DESCRIPTION OF INSTITUTION

The Farmers National Bank is located in Gloucester County, New Jersey. As of September 30, 1996, total assets are \$88 million consisting of \$41 million in loans and \$42 million in investments. Deposits are \$77 million. The loan portfolio is comprised of 57% real estate related loans, 14% commercial and industrial loans and 24% consumer loans. Competition within Farmers National Bank's assessment area consists of several local financial institutions.

Farmers National Bank consists of the main office and one (1) branch office located in Gloucester County. Both locations offer a full range of banking services, automated teller machines and extended hours.

Farmers National Bank does not have any impediments, legal or otherwise, hindering its efforts in helping to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is comprised of twenty-one (21) townships within Gloucester County. Gloucester County is located in southeastern New Jersey approximately 18 miles from Philadelphia, Pennsylvania within the Metropolitan Statistical Area (MSA) 6160. The population of the twenty-one (21) townships of Gloucester County is 193,236. The fifty census tracts within the assessment area consist of fourteen upper income, thirty-three middle income and three moderate income and no low income. The median family income of the MSA is \$41,980. Housing is primarily owner occupied. Credit needs include real estate mortgages, consumer credit, home improvement loans, and small business loans. Farmers' assessment area complies with the requirements of the regulation and does not arbitrarily exclude low or moderate income areas.

The bank's assessment area is rural and the economic conditions are stable. Gloucester County is a growing bedroom community, with the majority of the population employed in the South Jersey - Philadelphia area. Within the county, employment is primarily provided by small businesses and retail business chains. The unemployment rate for Gloucester County is 5%.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Analysis

Farmers National Bank's average loan-to-deposit ratio for the eight quarters ending September 30, 1996 is 54%. This is reasonable compared to their local peer's average of 60% for the same period.

Credit Extended Inside the Assessment Area

A substantial majority of Farmers National Bank's lending activity is within its assessment area. The bank's lending activities are concentrated in the real estate loan portfolio. Mortgage related loan originations were 26, 18 and 38 for 1994, 1995 and nine months of 1996, respectively. Our analysis of the bank's Home Mortgage Disclosure Act (HMDA) reportable loans (residential mortgages, home improvements and home equity loans) for 1994 revealed loan originations within the assessment area were 96% of the total number and 96% of the total dollar amount. In 1995, loan originations represented 94% of the total number and 90% of the total dollar amount. 1995 data is reflected in the chart below.

A random sample of the commercial and consumer loans originated in 1995 were reviewed representing 20% and 6% of the portfolios respectively. All lending appears to be reasonably dispersed throughout the assessment area based on the sample reviewed. The following chart illustrates the level of the bank's lending activity within its assessment area by loan type.

Loan Originations - 1995

Inside Assessment Area
Outside Assessment Area

Loan Type

Lns

%
\$
Amount
(000s)

%

Lns

%
\$
Amount
(000s)

%

HMDA reportable

loans

17

94%

1,170

90%

1

6%

125
10%

Commercial loans

sampled

11
92%
190
90%
1
8%
20
10%

Consumer loans

sampled*

14
58%
459
70%
10
42%
198
30%

TOTAL

42
78%
1,819
84%
12
22%
343
16%

*includes sampled Home Equity Line of Credit.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA: (continued)

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Farmers' lending activity is reasonable among individuals of different income levels and businesses of different sizes, given the demographics of the assessment area. The bank's assessment area is comprised of diverse census tract types with the majority being middle income census tracts.

The Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) for 1995 and nine months of 1996 showed that of the fifty-two loan originations with the assessment area, thirty were to upper income, twelve were to middle income, six were to moderate and four were to low income borrowers. Total originations within the assessment area amounted to \$2.3 million, comprised of \$1.7 million to upper income, \$294 thousand to middle income, \$168 thousand to moderate income, and \$52 thousand to low income borrowers.

Our analysis of lending to borrowers of different incomes is based on the Home Mortgage Disclosure Act-Loan Application Register and consumer lending. We reviewed 100% of the bank's residential lending activity and randomly sampled consumer loans originated in 1995. Of the 416 consumer loans originated in 1995, our sample encompassed twenty loans. The following chart illustrates lending to borrowers of different income levels within the assessment area.

Distribution of Loans to Borrowers of Different Income levels

HMDA Reportable Loans
Consumer Loans

Borrower Income
Level

Lns

%
\$
Amount
(000s)

%

Lns

%
\$
Amount
(000s)

%

Upper
11
65%
1,116
95%
4
40%
195
70%

Middle
3
18%
22
2%
2
20%
37
14%

Moderate

2
12%
27
2%
3
30%
40
15%

Low
1
5%
5
1%
1
10%
2
1%

TOTAL
17
100%
1,170
100%
10
100%
274
100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA: (continued)

Commercial lending activity for 1994 and 1995 resulted in the origination of 97 loans. Small business lending, defined as businesses with gross annual revenue below \$1 million, accounts for the majority of the commercial loan portfolio.

A random sample of commercial loans originated in 1994 and 1995 were reviewed representing 25% and 20% of the portfolio respectively. Our review revealed that 76% of the number of loans were less than \$50,000. Furthermore, a substantial majority, 95% of the sample, were made within the assessment area.

As stated earlier, there are no low and only three moderate income census tracts within the bank's assessment area. Therefore, an analysis of the geographic distribution of loans is not meaningful.

A Fair Lending examination was conducted concurrently with this performance evaluation of the Community Reinvestment Act. No violations of Fair Lending laws or regulations were detected.