



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**January 8, 2009**

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

The Union National Bank of Mount Carmel  
Charter Number 8393

1 North Oak Street  
Mount Carmel, PA 17851

Office of the Comptroller of the Currency

NORTHERN PENNSYLVANIA FIELD OFFICE  
60 Public Square Suite 602  
Wilkes-Barre, PA 18701

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

The major factors supporting the institution's rating include:

- The bank's quarterly average net loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance;
- A substantial majority of bank's loans were originated in the bank's assessment area;
- The distribution of loans reflects reasonable penetration among borrowers of different incomes; and
- The bank has had no consumer complaints regarding its community reinvestment performance.

**SCOPE OF EXAMINATION**

The Union National Bank of Mount Carmel (UNB) was evaluated under the Small Bank Community Reinvestment Act (CRA) examination procedures. Our review covered the bank's performance from January 1, 2006 through September 30, 2008, as this is representative of its lending strategy since the last CRA examination. Residential mortgage loans were determined to be the bank's primary loan product and were reviewed as part of this examination. In order to assess the bank's lending activity, we sampled 20 home mortgage loans originated from January 1, 2006 through September 30, 2008.

**DESCRIPTION OF INSTITUTION**

UNB is a full-service intrastate bank headquartered in Mount Carmel, Pennsylvania. Originally founded as the Mount Carmel Banking Company in 1894, the institution became The Union National Bank in 1906. As of September 30, 2008, UNB had total assets of \$117 million. UNB is wholly owned by UNB Corporation, a single-bank holding company. This holding company has no other operating subsidiaries. The bank's main office is located in Mount Carmel, Pennsylvania, within Northumberland County. UNB has two full-service branches. The main office and an additional branch located in Numidia, Pennsylvania, within Columbia County.

The bank offers normal business hours during the week with extended Friday and Saturday hours. UNB branches have Automated Teller Machines (ATMs), and offer drive-thru services. In addition to the drive-thru attached to the aforementioned branches, UNB has a stand alone remote drive-thru. UNB also has a remote ATM located at the Surplus Outlet, LLC. Since their last evaluation, UNB has not opened or closed any branches. There were no mergers or acquisitions during the evaluation period.

UNB offers a variety of deposit and loan products to meet consumer and commercial banking needs. The bank's Internet website provides detailed information on products and services for both consumers and businesses. Banking services are standard with the addition of online credit card account access. UNB also offers 24-hour telephone banking.

As of September 30, 2008, UNB reported \$77 million in net loans and \$106 million in total deposits. Net loans represented 66% of total assets. The bank's loan portfolio consists of residential real estate loans (68%), commercial and commercial real estate loans (21%), and consumer loans (11%). Net Tier 1 Capital was \$10 million as of that same date.

There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its AA. At the prior CRA examination, dated March 29, 2004, UNB was rated "Satisfactory".

### DESCRIPTION OF ASSESSMENT AREA(S)

UNB's assessment area (AA) is a combination of Northumberland and Columbia Counties. The AA is comprised of twenty-three (23) census tracts (CTs), sixteen (16) in Northumberland and seven (7) CTs in Columbia County. The bank did not include all CTs in both counties due to geographical barriers. Since both counties are homogenous and located in non-metropolitan statistical areas (non-MSAs)m, they were combined for analysis purposes. This AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income geographies. The following information describes the AA:

Demographic Information for Full Scope Area: Mount Carmel AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	23	0.00	13.04	82.61	4.35	0.00
Population by Geography	87,367	0.00	12.74	83.77	3.49	0.00
Owner-Occupied Housing by Geography	26,255	0.00	10.92	85.03	4.05	0.00
Business by Geography	4,342	0.00	11.68	85.72	2.60	0.00
Farms by Geography	215	0.00	3.26	86.98	9.77	0.00
Family Distribution by Income Level	22,673	18.25	19.69	25.30	36.76	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	8,602	0.00	15.60	81.89	2.51	0.00
Median Family Income		41,475	Median Housing Value		67,955	
HUD Adjusted Median Family Income for 2008		49,800	Unemployment Rate (2000 US Census)		2.82%	
Households Below Poverty Level		14%				

(\* ) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 US Census and 2008 HUD updated MFI

The AA is comprised of 3 moderate-income geographies (13%), 19 middle-income

geographies (83%), and 1 upper-income geography (4%). There are no low-income geographies in the AA. Total population for the AA is 87,367 consisting of 22,673 families and 34,593 households. Of these families, 18% are low-income, 20% moderate-income, 25% middle-income and 37% upper-income. There are 38,684 housing units in the AA, of which 67.87% are owner-occupied, 21.38% are renter-occupied, and 10.75% are vacant. Approximately 13.76% of the households are below the poverty level. The median housing value in the AA is \$67,955.

Northumberland County is primarily a rural area located near the Susquehanna River. According to the Bureau of Labor Statistics, the November 2008 unemployment rate for the county was 7.5%, higher than the state unemployment rate of 5.9%. As of March 30, 2008, the top five employers in the county were: Northumberland County, Conagra Packaged Foods, Pennsylvania Department of Corrections, Fleetwood Motor Homes of Pennsylvania, Inc., and Shamokin Area Community. Key industries driving the economy are manufacturing, health care and social assistance, local government, retail trade, and transportation and warehousing.

Columbia County is primarily a rural area. According to the Bureau of Labor Statistics, the November 2008 unemployment rate for the county was 6.2%, slightly higher than the state unemployment rate of 5.9%. As of March 30, 2008, the top five employers in the county were: the State System of Higher Education, Wise Foods, Inc., Del Monte Corporation, Magee Reiter Automotive Systems, and Kawneer Company, Inc. Key industries driving the economy are manufacturing, retail trade, health care and social assistance, local government, and accommodation and food services.

Banking competition in the AA is strong. According to the June 30, 2008 FDIC Summary of Deposit Market Share Report, UNB was ranked fourth out of eighteen institution in Northumberland County with 6.98% of deposits. Competitors in this market include Susquehanna Bank of Pennsylvania, ranked first with 23.08% of deposits and Northumberland National Bank, ranked second with 16.63% of deposits. Within Columbia County, UNB was ranked seventh out of seven institutions with 1.45% of deposits. Competitors in this market include First Keystone National Bank, ranked first with 29.62% of deposits and First Columbia Bank & Trust Company, ranked second with 26.02% of deposits.

During the examination, we contacted a local organization that serves central Pennsylvania, which includes the AA. Its goals are to promote a strong local economy, serve as an advocate for local businesses, educate the government about local business needs, and provide programs that help businesses grow. The contact stated the area contains a Keystone Opportunity Zone that is designated for redevelopment. The community is currently trying to attract new businesses. The contact stated local banks are responsive to community needs and participate as members of the organization.

We also reviewed a recent community contact with a local housing organization. The contact focuses on providing affordable housing to low- and moderate-income residents of Columbia County. The contact identified a need for home mortgage lending and community development projects. The contact stated that local banks are involved in

the community, provide customers with needed services, and are actively involved in the First Time Home Buyer's Program.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

UNB's performance under the lending test is "Satisfactory". UNB's loan-to-deposit ratio is reasonable. A substantial majority of UNB's primary loan products were originated within the bank's AA. UNB's record of lending to borrowers of different incomes is reasonable and meets the standard for satisfactory performance for satisfactory performance. Overall, the geographic distribution of loans in the AA reflects reasonable dispersion throughout census tracts of different income levels. All criteria of the lending test are documented below:

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

UNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs, and it meets the standard for satisfactory performance. The bank's quarterly average net loan-to-deposit ratio was 70% over the last 19 quarters since the prior CRA examination. This ratio ranged from 63% to 78%.

The bank's net loan-to-deposit ratio is near to those similarly sized financial institutions in the state of Pennsylvania. The quarterly average net loan-to-deposit ratio for the similarly sized financial institutions was 73% over the same 19 quarter period, and the ratio ranged from 45% to 99%.

### **Lending in Assessment Area**

A substantial majority of UNB's home mortgage loans were made within the bank's AA, and UNB exceeds the standard for satisfactory performance. Based on our sample of 20 home mortgage loans, 18 or 90% were originated inside the AA.

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

UNB's record of lending to borrowers of different incomes is reasonable and meets the standard for satisfactory performance.

In our analysis, we took into consideration how affordable it was for low-income families to purchase a home. The average median housing value for the AA was \$67,955, and a low-income individual or family earned less than \$24,900. Furthermore, the availability of housing is scarce with approximately 90% of the housing being occupied. Additionally, 13.76% of the families in this AA are below the poverty level and considered very low-income. This lack of affordability and availability limits the opportunities for home mortgage lending to low-income individuals or families, therefore, we place more consideration on the moderate-income performance.

There were no loans made to low-income families in the AA. The percentage of home

mortgage loans made to moderate-income families meets the percentage of moderate-income families in the AA.

The following, Table 2, shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2006 through September 30, 2008 as compared to the percent of families in each income category.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Mortgage Loans	18.25	0.00	19.69	20.00	25.30	15.00	36.76	65.00

Source: Loan Sample & 2000 U.S. Census data

**Geographic Distribution of Loans**

The geographic distribution of loans in the AA reflects reasonable dispersion. We did not identify any unexplained conspicuous gaps. UNB’s record of lending to borrowers in different geographies meets the standard for satisfactory performance.

There are no low-income geographies in the AA, and there are three moderate-income geographies in the AA. Based on our loan sample, there were no loans made in the three moderate-income geographies. This performance is acceptable considering the strong competition from significantly larger institutions and the limited opportunities for lending in moderate-income geographies. During the evaluation period, home mortgage lending opportunities were limited given that only 10.75% (2,867 units out of 26,255 units) of owner-occupied units were located in moderate-income geographies. Furthermore, according to the 2007 Peer Mortgage Data, there were a total of 252 loans made in moderate-income geographies by 64 lenders, and the top ten lenders accounted for 58% of the loans made in moderate-income geographies. The majority of these lenders were large national banks, national mortgage companies and large regional banks.

The following, Table 3, details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level for the period of January 1, 2006 through September 30, 2008.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Loan type								

Mortgage Loans	0.00	0.00	10.92	0.00	85.03	100.00	4.05	0.00
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Source: Loan Sample & 2000 U.S. Census

### **Responses to Complaints**

UNB did not receive any complaints about its performance in helping to meet credit needs in the assessment area during this evaluation period.

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

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