



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**May 23, 2005**

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

**The First National Bank of Marysville  
Charter Number 7353**

**101 Lincoln Street  
Marysville, PA 17053**

**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 OUTSTANDING.**

The overall rating is based on the following factors:

- **The loan-to-deposit ratio meets the standards for satisfactory performance;**
- **A substantial majority of the bank's loans are originated in its assessment area (AA);**
- **The bank's record of lending to borrowers of different income levels exceeds the standards for satisfactory performance;**
- **The geographic distribution of loans in the Metropolitan Statistical Area (MSA) AA meets the standards for satisfactory performance; and**
- **The bank has had no consumer complaints regarding its community reinvestment performance.**

## **DESCRIPTION OF INSTITUTION**

First National Bank (FNB) is a \$110 million institution situated in central Pennsylvania, just outside the state capital of Harrisburg. It is a subsidiary of First Perry Bancorp, Inc., a one bank holding company that was formed in February 1999. The bank has no operating subsidiaries. In December 2003, the bank expanded its operations and opened a third branch in Duncannon. As a result, the bank now operates three full service offices and three automated teller machines in southeastern Perry County. The branches located in Duncannon and Ridgeview both have drive-up facilities.

This bank is primarily a residential mortgage lender. As of December 31, 2004 the loan portfolio represents 54% of total assets at \$59 million. A breakdown of the loan portfolio is as follows.

- 84% total real estate loans are comprised of:
  - 65% 1-4 family residential mortgage loans
  - 4% construction & development loans
  - 1% home equity loans
  - 1% secured by farmland
  - 1% multifamily mortgages, and
  - 12% non-farm non-residential loans

FNB offers telephone banking for account inquiries, loan payments, and transfers. In addition, the bank also has an informational website that describes branch locations and hours of

operation.

There are no legal or financial impediments that would restrict the bank's ability to help meet the credit needs of its community.

The evaluation period for this examination is from January 1, 2002 thru December 31, 2004. FNB received a satisfactory rating at their previous CRA performance evaluation dated July 6, 1999.

## **DESCRIPTION OF ASSESSMENT AREA (Harrisburg, Carlisle MSA (25420))**

FNB's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude low- or moderate- income geographies. The AA includes all 9 census tracts (CTs) in Perry County and 18 CTs in the northern portion of Cumberland County.

The Census 2000 and changes to MSA boundaries in 2004, requires regulators to evaluate loans originated in the years 2002, 2003, and 2004 under separate demographic comparators.

<b>Year of Loan Activity</b>	<b>Census Demographics</b>	<b>MSA Boundaries</b>
2002 and prior	1990	Old Boundaries
2003	2000	Old Boundaries
2004	2000	New Boundaries

The AA is part of the Harrisburg-Carlisle Metropolitan Statistical Area (MSA 25420). The AA was modified during 2003 from the Harrisburg-Lebanon-Carlisle Metropolitan Statistical Area (MSA 3240). The 2003 HUD updated median family income of \$59,600 is applicable to this area. The 2000 Census median family income for this MSA (3240) was \$51,892. The 2002 HUD updated median family income of \$55,400 is applicable to this area. The 2002 Census median family income for this MSA was \$37,389.

Because of the close proximity to the state capital of Harrisburg, employment opportunities are primarily centered in state government. In the immediate Marysville area, the H.E. Rohrer Bus Service and the local school district are the largest employers. As of December 2004, the unemployment rate for the Harrisburg-Carlisle MSA was 3.9 %. This is below the state average for the same period of 5.5%.

Based on the 2003 HMDA Peer Mortgage Data, 360 lenders originated HMDA loans in the Harrisburg-Carlisle MSA AA. FNB ranked 40th in the MSA AA with a market share of 0.54%. Members 1<sup>st</sup> Federal Credit Union ranked 1st with a market share of 4.93%. ABN Amro Mortgage Group Inc. ranked 2nd with a market share of 3.93%. During 2004, 51% of the mortgage loans originated by FNB were to low- and moderate- income applicants.

## **Community Contact**

Credit needs of the community were determined by contacting both a local government official, and a local realtor. The local government contact indicated that the close proximity of the AA to the state capital is both a strength and weakness in that the location provides employment to a large number of residents, but requires residents to commute outside of the AA to the adjacent county for these jobs. The contact also believes that as a result of the availability of state employment there has been an increase in local housing costs, which makes it harder for the low-to-moderate income individuals to purchase homes. The local realtor also believes that a substantial increase in the price of local housing is a result of increased market demands. Both contacts could not specifically identify unmet credit needs, as financial institutions are perceived as being able to meet the various needs in the community.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

This evaluation period covered lending activity for home mortgage loans (purchase money, refinance, and home improvement loans) reported under the Home Mortgage Disclosure Act (HMDA) from January 1, 2002 through December 31, 2004. These loans were the only products reviewed due to them being the business focus of the bank during this evaluation period.

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

An analysis of FNB's loan-to-deposit ratio from the first quarter of 2002 through the fourth quarter of 2004 reveals the bank meets the standards for satisfactory performance. The bank's average loan-to-deposit ratio for these twelve quarters was 61.17%, ranging from 54.94% to 69.59%. This ratio is below the average quarterly ratios of similarly situated banks in Pennsylvania with similar asset size. Peer bank average was 71.25% with average ratios during the period ranging from 68.49% to 74.93%. The peer consisted of Pennsylvania banks with total asset between \$75 million and \$150 million.

The ratio is reasonable given the bank's size, financial condition, and AA's credit needs. FNB is competing with 359 mortgage and commercial lenders in the AA.

### **Lending in Assessment Area**

A substantial majority of the home mortgage loans originated during the evaluation period were within the AA. FNB exceeds the standards for satisfactory performance for lending in their AA. An analysis of the HMDA data disclosed that 84% of the loans originated in 2002 were in the AA, and combined for 2003 and 2004, 93% of the loans were originated in the AA.

The following tables present the distribution of home mortgages both inside and outside of the bank's AA.

<b>HOME MORTGAGE LOANS ORIGINATED DURING EVALUATION PERIOD 01/01/02 THROUGH 12/31/02</b>				
	<b>INSIDE ASSESSMENT AREA</b>		<b>OUTSIDE ASSESSMENT AREA</b>	
	<b># Loans</b>	<b>\$(000)</b>	<b># Loans</b>	<b>\$(000)</b>
<b>Home Purchase Loans</b>	15	1,889	6	511
<b>Home Refinance Loans</b>	29	2,988	3	341
<b>Home Improvement Loans</b>	9	510	1	197
<b>Multifamily</b>	0	0	0	0
<b>Total Loans</b>	53	5,387	10	1049
<b>Percentage</b>	<b>84%</b>	<b>84%</b>	<b>16%</b>	<b>16%</b>

Source: 2002 FNB Marysville HMDA-LAR

<b>HOME MORTGAGE LOANS ORIGINATED DURING EVALUATION PERIOD 01/01/03 THROUGH 12/31/2004</b>				
	<b>INSIDE ASSESSMENT AREA</b>		<b>OUTSIDE ASSESSMENT AREA</b>	
	<b># Loans</b>	<b>\$(000)</b>	<b># Loans</b>	<b>\$(000)</b>
<b>Home Purchase Loans</b>	45	6,418	9	1,273
<b>Home Refinance Loans</b>	86	8,152	3	219
<b>Home Improvement Loans</b>	34	1,505	0	0
<b>Manufactured</b>	0	0	0	0
<b>Multifamily</b>	0	0	0	0
<b>Total Loans</b>	165	16,075	12	1,492
<b>Percentage</b>	<b>93%</b>	<b>92%</b>	<b>7%</b>	<b>8%</b>

Source: 2002 FNB Marysville HMDA-LAR

### **Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes**

FNB's record of lending to borrowers of different income levels exceeds the standard for satisfactory performance.

Based on the 1990 Census Data, the volume of home mortgage loans originated to low-income borrowers in the MSA AA equals the percentage of low-income families residing in the MSA AA. The number of home mortgage loans originated to moderate-income borrowers in the MSA AA is substantially above the percentage of moderate-income families living in the AA. When considering the affordability of housing in the MSA AA, this performance is excellent. The median cost of housing in the MSA AA is \$80,374 based on 1990 U.S. Census data. The HUD updated median family income for 2002 is \$55,400. By definition, a low-income family earns

less than half of the median family income, or \$27,700.

Based on 2000 Census Data, the level of home mortgage loans originated to low-income borrowers in the MSA AA has improved and is substantially above the percentage of low-income families residing in the MSA AA during 2003 and 2004. The level of home mortgage loans originated during 2003 and 2004 to moderate-income borrowers living in the MSA AA also exceeds the percentage of total moderate-income families. Considering the affordability of housing in the MSA AA, this performance is excellent. The median cost of housing increased thirty-nine percent in the MSA AA to \$112,080 based on 2000 U.S. Census data. The HUD updated median family income for 2004 is \$61,400. A low-income family earns less than half of the median family income, or \$30,700. Based on these statistics, it would be difficult for a low-income family to purchase housing in the MSA AA due to the relatively high cost of housing.

The following tables present the distribution of home mortgage loans by borrower income level.

<b>Borrower Distribution of Home Mortgage Loans</b>					
<b>FNB Marysville MSA AA</b>					
<b>01/01/02 THROUGH 12/31/02</b>					
<b>Income Level</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>\$ (000) of Loans</b>	<b>% of \$ of Loans</b>	<b>Income Level of Families in AA</b>
<b>Low</b>	7	13%	348	6%	13%
<b>Moderate</b>	17	32%	956	18%	19%
<b>Middle</b>	14	27%	1,795	33%	28%
<b>Upper</b>	15	28%	2,288	43%	40%
<b>Total</b>	<b>53</b>	<b>100%</b>	<b>5,387</b>	<b>100%</b>	<b>100%</b>

Source: 2002 FNB Marysville HMDA-LAR/1990 Census Data

<b>Borrower Distribution of Home Mortgage Loans</b>					
<b>FNB Marysville MSA AA</b>					
<b>01/01/03 THROUGH 12/31/03</b>					
<b>Income Level</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>\$ (000) of Loans</b>	<b>% of \$ of Loans</b>	<b>Income Level of Families in AA</b>
<b>Low</b>	21	22%	1,060	11%	13%
<b>Moderate</b>	26	27%	2,238	23%	19%
<b>Middle</b>	26	27%	2,632	27%	25%
<b>Upper</b>	23	24%	3,852	39%	43%
<b>Total</b>	<b>96</b>	<b>100%</b>	<b>9,782</b>	<b>100%</b>	<b>100%</b>

Source: 2003 FNB Marysville HMDA-LAR/2000 Census Data

<b>Borrower Distribution of Home Mortgage Loans</b> <b>FNB Marysville MSA AA</b> <b>01/01/04 THROUGH 12/31/04</b>					
<b>Income Level</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>\$ (000) of Loans</b>	<b>% of \$ of Loans</b>	<b>Income Level of Families in AA</b>
<b>Low</b>	14	20%	742	12%	14%
<b>Moderate</b>	21	31%	1,475	23%	19%
<b>Middle</b>	20	29%	1,461	23%	25%
<b>Upper</b>	14	20%	2,615	42%	42%
<b>Total</b>	<b>69</b>	<b>100%</b>	<b>6,293</b>	<b>100%</b>	<b>100%</b>

Source: 2004 FNB Marysville HMDA-LAR/2000 Census Data

### Geographic Distribution of Loans

The geographic distribution of loans in the MSA AA reflects reasonable dispersion throughout the AA and meets the standards for satisfactory performance.

Based on 1990 Census Data, there were zero low-income and only one moderate-income tract in the MSA AA. From 1/1/02 to 12/31/02, FNB did not extend any loans in this tract. Therefore, any analysis of the geographic distribution during this time period would not be meaningful.

Based upon the 2000 Census Data, there were zero low-income census tracts in the MSA AA. From 1/1/03 to 12/31/03 there were two moderate-income census tracts, eighteen middle-income census tracts, and seven upper-income tracts. During this time period, the bank extended five loans in moderate-income level tracts, seventy loans in the middle-income tracts and twenty-one loans in the upper-income tracts. From 1/1/04 through 12/31/04, the Harrisburg, Carlisle, Lebanon MSA (3240) was changed to the Harrisburg, Carlisle MSA (25420). As a result of the change, there were still no low-income census tracts, there were two moderate-income census tracts, nineteen middle-income census tracts and six upper-income tracts. During this time period, the bank extended two loans in the moderate-income tracts, sixty-four loans in the middle-income tracts and three loans in the upper-income tracts.

Overall, based upon the 2000 census, twenty-five of the twenty-seven census tracts in the MSA AA are middle or upper income tracts. There are only two moderate-income tracts and no low-income tracts. One of the two moderate-income tracts is located in the westernmost portion of Perry County, which is the geography farthest away from any of FNB's offices. The other moderate-income tract is in the eastern portion of Cumberland County, which is delineated by a mountain that provides a natural barrier to the nearest FNB branch office. Lending opportunities for FNB in these moderate-income tracts is also very competitive, with 359 other mortgage lenders competing in the MSA AA.

The following table presents FNB's geographic distribution of home mortgage loans in MSA AA.

<b>Geographic Distribution of Home Mortgage Loans</b>					
<b>FNB Marysville MSA AA</b>					
<b>01/01/03 THROUGH 12/31/03</b>					
<b>Census Tract</b>	<b># of Loans</b>	<b>% of Total Loans</b>	<b>\$ (000) of Total Loans</b>	<b>% of \$ of Total Loans</b>	<b>% of Owner-Occupied Units</b>
Low	0	0	0	0	0%
Moderate	5	5%	392	4%	5%
Middle	70	73%	7,083	72%	65%
Upper	21	22%	2,307	24%	30%
<b>Total</b>	<b>96</b>	<b>100%</b>	<b>9,782</b>	<b>100%</b>	<b>100%</b>

Source: 2003 FNB Marysville HMDA-LAR/2000 Census Data

<b>Geographic Distribution of Home Mortgage Loans</b>					
<b>FNB Marysville MSA AA</b>					
<b>01/01/04 THROUGH 12/31/04</b>					
<b>Census Tract</b>	<b># of Loans</b>	<b>% of Total Loans</b>	<b>\$ (000) of Total Loans</b>	<b>% of \$ of Total Loans</b>	<b>% of Owner-Occupied Units</b>
Low	0	0	0	0	0
Moderate	2	3%	282	4%	5%
Middle	64	93%	5,205	83%	69%
Upper	3	4%	806	13%	26%
<b>Total</b>	<b>69</b>	<b>100%</b>	<b>6,293</b>	<b>100%</b>	<b>100%</b>

Source: 2004 FNB Marysville HMDA-LAR/2000 Census Data

### **Responses to Complaints**

The bank has not received any CRA-related consumer complaints since the last CRA examination.

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

We found no evidence of illegal discrimination or other illegal credit practices.