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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**

February 24, 1997

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

**Swineford National Bank  
Charter Number: 7003  
227 East Main Street  
Middleburg, Pennsylvania 17842**

**Office of the Comptroller of the Currency  
Northeastern Pennsylvania Duty Station  
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 CRA performance of **Swineford National Bank** prepared by **The Office of the Comptroller of the Currency** the institution's supervisory agency, as of **February 24, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. 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 primary factors supporting the bank's overall rating include:

- lending levels reflect an excellent responsiveness to credit needs within the assessment area;
- a substantial majority of mortgage loans, small business loans, and small farm loans were originated within the assessment area during 1996;
- the geographic distribution of loans reflects an adequate penetration throughout the assessment area;
- a good distribution of loans among borrowers of different income levels and businesses of different sizes;
- a reasonable level of community development lending activity;
- an adequate level of qualified investments; and
- a high level of community development services are available to all segments of the assessment area.

The following table indicates the performance level of **Swineford National Bank** with respect to the lending, investment, and service tests.

Performance Levels	Name of Financial Institution Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

\* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

## Description of Institution

Swineford National Bank (SNB) is a \$217 million institution situated in central Pennsylvania. It is a subsidiary of Fulton Financial Corporation, a multi-bank holding company with \$4 billion in total assets. The bank operates six full service offices and six automatic teller machines located in Snyder, Union, and Northumberland counties. One branch in Sunbury was closed in June 1996. Major competitors include several local community banks.

Primary loan products include fixed rate and adjustable rate residential mortgages, small business and agricultural loans, and consumer installment loans. The loan portfolio represents 77% of total assets. A breakdown of the portfolio as of December 31, 1996 is as follows: 65% residential mortgages, 18% commercial loans, 14% consumer installment loans, and 3% agricultural credits. There are no legal or financial impediments which would hinder the bank's ability to help meet the credit needs of its community.

## Description of Assessment Area

SNB's assessment area includes all of Snyder, Union, and Northumberland counties, which encompasses 39 block numbering areas (BNAs). The population of the assessment area is approximately 170,000. Seventeen percent of the families residing

in the assessment area are low-income, twenty percent are moderate-income, twenty-five percent are middle-income, and thirty-eight percent are upper-income families.

The bank's assessment area is in a non-metropolitan statistical area (non-MSA). The income levels of the thirty-nine BNAs in this area include six moderate (15%), twenty-eight middle (72%), four upper (10%), and one BNA (3%) where income information is not applicable. The statewide non-metropolitan median family income of \$34,500 applies to this area. Opportunities to participate in local qualified investments in the assessment area are very limited.

The unemployment rates in the assessment area are usually at or above the state level. Recent statistics show that Snyder, Union, and Northumberland counties have unemployment rates of 4.6%, 4.4%, and 6.6%, respectively. A large portion of the assessment area is rural and agriculture is a primary source of employment. There is also a concentration in manufacturing employment, with a large percentage centered in manufactured housing, finished wood products, and apparel. Employment opportunities in the educational field are available, with Bucknell University and Susquehanna University both located in the assessment area.

Credit needs of the community were determined by contacting a local housing authority and a non-profit organization. Both indicated that the primary need of the local community is home mortgage loans with reduced or no closing costs. This need was also identified by management. As a result, the bank is involved in several mortgage programs in which closing costs are reduced or paid through a government grant. The bank also offers no point mortgages and loans with a lower down payment requirement when private mortgage insurance is obtained.

## **Conclusions with Respect to Performance Tests**

### **Scope of Review:**

This review covered the time period from January 1, 1996 to December 31, 1996. All mortgage loans, small business loans, small farm credits, and community development loans originated during the review period were evaluated. Also, investments and services purchased, matured, and initiated over the time period were reviewed.

## **LENDING TEST**

### **Lending Activity**

SNB's loan-to-deposit (LTD) ratio as of December 31, 1996 was 89.28%. This is well above the national peer average of 70.89% and the local peer average of 79.06%. In addition, SNB originated 361 mortgage loans, 111 small business loans, and 16

small farm loans during the review period. These lending levels reflect an excellent responsiveness to the credit needs of the assessment area.

### **Lending in Assessment Area**

We analyzed the bank’s record of lending in their assessment area using all mortgage loan originations during the examination period and the data collected in accordance with the regulation for small business and small farm lending. Since this bank is not subject to the Home Mortgage Disclosure Act (HMDA) reporting requirements, a bank generated report was used to evaluate SNB’s mortgage lending. The accuracy of the internal lending report was verified during the examination. This report did not include original loan amounts, therefore, we could not analyze the dollar volume of lending in the assessment area. The following table demonstrates SNB’s excellent record of lending in their assessment area. Originations average 96% and 97% in the bank’s assessment area for number of loans and dollar amount of loans to small businesses and small farms, respectively.

<b>Lending in the Assessment Area</b>				
<b>Loan Type</b>	<b># of loans</b>	<b>%</b>	<b>\$ Amount of Loans (000)</b>	<b>%</b>
<b>Residential Mortgage</b>	<b>346</b>	<b>96</b>	<b>Not Available</b>	
<b>Small Business Loans</b>	<b>107</b>	<b>96</b>	<b>8,575</b>	<b>97</b>
<b>Small Farm Loans</b>	<b>15</b>	<b>94</b>	<b>923</b>	<b>94</b>
<b>Total</b>	<b>468</b>	<b>96</b>	<b>9,498</b>	<b>97</b>

### **Geographic Distribution of Loans**

We reviewed the geographic distribution of the bank’s lending using the same loan information used to evaluate lending in the assessment area. The following table shows that SNB has an adequate distribution of loans in geographies with various income characteristics. Management explained that there are two reasons that lending in moderate income areas is below expected levels. First, five of the six moderate-income BNAs are located along the eastern edge of the assessment area. This portion of Northumberland County is not close to any SNB branch and is serviced by SNB’s affiliate bank and other financial institutions. In fact, loan applications received from this location are directed to the affiliate bank. The remaining moderate-income BNA is located in Sunbury near a SNB branch which was acquired through a merger two years ago. This branch has had historically low lending volumes, which management is working to increase. In Sunbury, SNB competes against a predominate mortgage originator. SNB originated only 22 mortgages totalling \$1.2 million for the entire Sunbury branch. Sunbury’s consumer

lending volume is better than mortgage lending, with SNB originating 98 loans totalling \$1.1 million.

<b>Loan Originations by BNA Income Characteristic</b>								
<b>Income Level</b>	<b>Mortgages</b>		<b>Small Business</b>		<b>Small Farm</b>		<b># of BNAs in Assessment Area</b>	
	<b># of Loans</b>	<b>%</b>	<b># of Loans</b>	<b>%</b>	<b># of Loans</b>	<b>%</b>	<b># of BNAs</b>	<b>%</b>
<b>Low</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
<b>Moderate</b>	<b>6</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>15%</b>
<b>Middle</b>	<b>324</b>	<b>93</b>	<b>94</b>	<b>88</b>	<b>15</b>	<b>100</b>	<b>28</b>	<b>72%</b>
<b>Upper</b>	<b>16</b>	<b>5</b>	<b>8</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>10%</b>
<b>NA</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>3%</b>
<b>Total</b>	<b>346*</b>	<b>100</b>	<b>107</b>	<b>100</b>	<b>15</b>	<b>100</b>	<b>39</b>	<b>100</b>

\* Total loans originated within the assessment area.

When the geographic distribution of small business and small farm lending was reviewed using the dollar amount of loan originations, we found that the distribution is also adequate. For small business lending, 11% of the originations were in moderate-income areas, 84% were in middle-income areas, and 5% were in upper-income areas. For small farm lending, all loan originations were in middle-income areas.

## **Borrowers' Profile**

Home Mortgage Loans

The following table shows that lending to low-, moderate-, middle-, and upper-income borrowers is reasonable based on the demographics of the area.

<b>Mortgage Loan Originations by Level of Borrower Income</b>			
	<b># of Originations</b>	<b>%</b>	<b>% of Families within the Assessment Area</b>
<b>Low</b>	<b>11</b>	<b>3</b>	<b>17</b>
<b>Moderate</b>	<b>76</b>	<b>21</b>	<b>20</b>
<b>Middle</b>	<b>110</b>	<b>30</b>	<b>25</b>
<b>Upper</b>	<b>151</b>	<b>42</b>	<b>38</b>
<b>Not Available</b>	<b>13</b>	<b>4</b>	
<b>Total</b>	<b>361*</b>	<b>100</b>	<b>100</b>

\* Total mortgage originations, i.e. in and out of the assessment area.

### Small Business Loans

The small business and small farm loan data required to be collected by the regulation was used to evaluate SNB's record of lending to businesses of different sizes. A small business loan is defined as a loan that is \$1 million or less to a business. As shown in the following tables, a majority of the bank's commercial lending during 1996 was to small businesses and small farms. Also, a large majority, 78% of commercial loans and 88% of the agricultural loans, originated for amounts of less than \$100 thousand. This information indicates that SNB has an excellent record of lending to small businesses.

<b>Commercial and Agricultural Loan Originations By Size of Business</b>								
<b>Business Size</b>	<b>Commercial</b>				<b>Agricultural</b>			
	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>\$1MM or &lt;</b>	<b>74</b>	<b>67</b>	<b>5,426</b>	<b>61</b>	<b>15</b>	<b>94</b>	<b>937</b>	<b>96</b>
<b>&gt; \$1MM</b>	<b>37</b>	<b>33</b>	<b>3,397</b>	<b>39</b>	<b>1</b>	<b>6</b>	<b>43</b>	<b>4</b>
<b>Total</b>	<b>111</b>	<b>100</b>	<b>8,823</b>	<b>100</b>	<b>16</b>	<b>100</b>	<b>980</b>	<b>100</b>

<b>Commercial and Agricultural Loan Originations By Size of Loan</b>								
<b>Loan Amount</b>	<b>Commercial</b>				<b>Agricultural</b>			
	<b># of Loans</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b># of Loans</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
<b>&lt; 100M</b>	<b>87</b>	<b>78</b>	<b>3,354</b>	<b>38</b>	<b>14</b>	<b>88</b>	<b>684</b>	<b>70</b>
<b>101-250M</b>	<b>18</b>	<b>16</b>	<b>2,969</b>	<b>34</b>	<b>2</b>	<b>12</b>	<b>296</b>	<b>30</b>
<b>251-1MM</b>	<b>6</b>	<b>6</b>	<b>2,500</b>	<b>28</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>111</b>	<b>100</b>	<b>8,823</b>	<b>100</b>	<b>16</b>	<b>100</b>	<b>980</b>	<b>100</b>

### **Community Development Lending**

SNB originates an adequate level of community development loans given the size of institution and the make-up of the local area. Community development loans are those that do not meet the definition of home mortgage, small business, or small farm loans but do meet the definition of community development contained in the CRA regulation (12 CFR 25.12(h)). Based on bank generated reports, SNB originated three loans during 1996 amounting to \$1.85 million. The purposes of these loans included the purchase of land for a low-to-moderate income housing development, improvements to a local hospital bordering a moderate-income area, and a loan to a

business which will promote economic development in that area by providing additional employment. All of the identified loans are \$1 million or less, benefit low- and moderate-income individuals, and provide employment to the assessment area.

### **Innovative or Flexible Lending Practices**

SNB makes regular use of innovative and flexible lending practices in order to serve the credit needs of the assessment area. All of their special programs are offered to the general public. They are involved in two first time home buyers programs. The first time home buyers program through the Pennsylvania Housing Finance Authority offers loans with a 5% down payment and low interest rates. During 1996, SNB has originated 25 loans totaling \$1.4 million under this program. The bank is also involved with the First Time Home Buyers Program of Sunbury, implemented during 1996. This program offers down payment assistance through government grants. However, as of yet, no loans have been extended. Again, mortgage competition is stiff in Sunbury.

Loans guaranteed by the Small Business Administration (SBA) are also offered. During 1996, two loans amounting to \$150 thousand were originated. A no point, no closing cost refinance mortgage was offered during 1996. Under this program, thirty loans were originated totaling \$1.9 million. SNB routinely offers a no point mortgage and two hundred and twenty no point mortgages were extended during 1996 totaling \$13.8 million. Combined, no closing cost refinancing and no point mortgages represent 70% of total mortgage originations for 1996. SNB also offers a mortgage loan with 5% down payment when private mortgage insurance is obtained.

### **INVESTMENT TEST**

As mentioned in the description of the assessment area, opportunities to invest in qualified investments are very limited in SNB's assessment area, which is very rural. A qualified investment is defined as an investment, deposit, or grant in which community development is its primary purpose. However, it was evident through the community organizations contacted that SNB regularly makes an effort to identify any potential opportunities. For example, SNB approached an assisted-living senior center with an offer to help with financial needs, but the senior center did not require the bank's help. As an additional note, SNB's LTD ratio is nearly 90%, limiting the bank's capacity to invest.

Since local investments are minimal, SNB has taken the initiative to look outside their assessment area for qualified investments. SNB has invested \$300 thousand in the Community Action Commission, Inc. It will be used to provide permanent financing for the purchase and renovation of the McFarland and Penn Harris Taxi Buildings, located in Harrisburg. The renovated buildings will provide housing for low- and moderate-income families and serve as a community center.

## **SERVICE TEST**

### **Retail Services**

Retail services are readily accessible to all portions of the assessment area. SNB operates six full service offices, all in middle- and upper-income BNAs. However, the Sunbury branch is located in close proximity to a moderate-income BNA. All portions of the assessment area are served through the use of alternative delivery systems. The Sunbury mini-office, which was located in the Weis Supermarket, was consolidated into SNB's other Sunbury office in June 1996. These offices were located within a few blocks of each other. This closing did not adversely affect services offered to customers in that area.

SNB operates six automatic teller machines, each located at a branch. All offices are also equipped with drive-up facilities. Branch hours are reasonable and are convenient to SNB customers. All offices have extended hours during the week and on Saturday. One branch also accepts appointments for new accounts or loans in the evening one night a week. Other alternative delivery systems include bank by phone and bank by mail.

### **Community Development Services**

SNB provides a high level of community development services. Members of bank management offer their banking expertise to the following organizations:

- Union County Housing Forum
- Central Susquehanna Valley Chamber of Commerce
- Home Ownership Training Program
- Habitat for Humanity

A description of each program is provided below.

#### **Union County Housing Forum**

SNB regularly attends meetings of this organization which operates through the Union County Housing Authority. Through this Forum, local banks, realtors, and developers locate affordable housing for low-to-moderate income individuals. SNB management provides education on their affordable housing loan programs which are available to low-and moderate-income individuals.

#### **Central Susquehanna Valley Chamber of Commerce**

A member of senior management is very involved in this organization. He is instrumental in negotiating community development projects and promoting economic development in the assessment area.

### **Home Ownership Training Program**

This program is offered by the Sunbury Redevelopment Authority. It is a four week course offered to low- and moderate-income individuals who are interested in purchasing a first home. When this training is successfully completed, the First Time Home Buyers of Sunbury will pay all reasonable closing costs associated with the purchase of a single family home. It can also pay half of a down payment up to a maximum of 10% of the purchase price. This program works in conjunction with the First Time Home Buyers Program of Sunbury. A member of bank management provides part of the training for this program which covers lending sources and special programs.

### **Habitat for Humanity**

A SNB employee is involved in this organization which finds homes or properties for low- and moderate-income individuals. This employee is chairman of the organization and is instrumental in linking individuals with bank personnel to provide financial counseling.

### **FAIR LENDING REVIEW**

A concurrent fair lending review did not identify any violations of antidiscrimination laws and regulations. SNB's fair lending internal controls, reviews, and training programs are effective.