



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**January 06, 2009**

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

The Turbotville National Bank  
Charter Number 9803

Route 54, P.O. Box 37  
Turbotville, PA 17772

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 loan-to-deposit ratio is reasonable given the bank's size, financial condition, assessment area (AA) credit needs, and relevant competitive factors;
- A majority of loans are originated in the bank's AA;
- The record of lending reflects reasonable penetration among borrowers of different incomes; and
- The bank has not received any CRA-related consumer complaints since the last CRA examination.

**SCOPE OF EXAMINATION**

This performance evaluation assesses the performance of The Turbotville National Bank (TNB). The evaluation period under the Lending Test covers 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 mortgages were determined to be the bank's primary loan product and were reviewed as part of this examination. To evaluate the bank's residential mortgage lending performance, we selected a sample of 20 home mortgage loans originated from January 1, 2006 through September 30, 2008.

**DESCRIPTION OF INSTITUTION**

TNB is a \$97 million intrastate community bank headquartered in Turbotville, Pennsylvania. It is a wholly-owned subsidiary of Turbotville National Bancorp, Inc., a one-bank holding company located at the same address as TNB. The holding company has no other operating subsidiaries. As such, the total assets of the bank and the holding company are virtually identical.

TNB is a full service community bank offering a wide variety of loan and deposit services. The bank operates one full-service office and one automated teller machine in Turbotville, Pennsylvania. The bank did not open or close any branches during the evaluation period.

As of September 30, 2008 TNB reports net loans of \$52 million, total deposits of \$81 million, and tier one capital of \$13 million. Net loans represent 53% of total assets. The bank's primary loan product is residential real estate. The bank's loan portfolio consists of residential real estate loans (49%), agricultural loans (26%), and commercial loans (16%), consumer loans (6%), and municipal loans (3%).

Competition is strong, and it is primarily from larger local institutions. TNB's competitors

include: Susquehanna Bank, Northumberland National Bank, Manufacturers and Traders Trust Co. and Union National Bank of Mount Carmel.

There are no legal, financial, or other factors impeding TNB’s ability to help meet the credit needs in its AA. TNB received a “Satisfactory” rating on its last performance evaluation, dated December 9, 2003.

**DESCRIPTION OF ASSESSMENT AREA(S)**

TNB has identified all four census tracts (CT) in Montour County and four of the twenty-four CTs in Northumberland County as its AA. This AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

Demographic Information for the Montour-Northumberland AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	8	0.00	0.00	75.00	25.00
Population by Geography	39,523	0.00	0.00	75.88	24.12
Owner-Occupied Housing by Geography	11,274	0.00	0.00	74.83	25.17
Businesses by Geography	2,241	0.00	0.00	79.38	20.62
Farms by Geography	151	0.00	0.00	80.79	19.21
Family Distribution by Income Level	10,801	14.84	19.05	25.78	40.33
Household Distribution by Income Level	3,661	0.00	0.00	82.00	18.00
Census Median Family Income (MFI)		41,475	Median Housing Value		87,216
HUD-Adjusted MFI: 2008		49,800	Unemployment Rate-2000		2.83%
Families Below the Poverty Level		9%			

Source: 2000 US Census and 2008 HUD updated MFI

All geographies within the AA are middle- or upper-income. Six CTs are middle-income and two are upper-income. The 2000 U.S. Census reported the total population of the AA at 39,523. The 2000 median family income was \$41,475, and the 2008 HUD updated median family income is \$49,800. Within the AA, there are 10,801 families. Fifteen percent of the families residing in the AA are low-income, nineteen percent are moderate-income, twenty-six percent are middle-income, and forty percent are upper-income. Approximately 9% of families are below the poverty level. Sixty-seven percent of the housing in the AA is owner-occupied, and the median housing value is \$87,216.

The economy is characterized as worsening, but no more than that of the national economy. According to the Bureau of Labor Statistics, the unemployment rate for Northumberland County was 5.5%, the unemployment rate for Montour County was 4.6%, the state unemployment rate was 5.2%, and the national unemployment rate was 6.2%. The major employers in Northumberland County are Weis Markets, county government, and ConAgra Foods. The primary employment opportunity in Montour County comes from the presence of the Geisinger Health System and related support

businesses. Other major employers in the county include the Danville Area School District, Strick Corporation, and the Pennsylvania Power and Light Company. By industry type, the largest sector of employment is agriculture, specifically dairy farming. The local agricultural community includes a large Amish population.

Competition is strong, and it is primarily from larger local institutions. According to the June 30, 2008 FDIC Summary of Deposits Market Share Report, TNB ranked fifth out of eighteen institutions in Northumberland County with a 6.72% deposit market share. Susquehanna Bank ranks first with a 23.08% deposit market share, Northumberland National Bank ranks second with 16.63% deposit market share, Manufacturers and Traders Trust Co. ranked third with a 13.34% deposit market share, and Union National Bank of Mount Carmel ranked fourth with a 6.98% deposit market share. All of the bank's deposits are within Northumberland County.

We reviewed a recent community contact with a local non-profit organization whose primary purpose is to provide affordable housing. The contact indicated there was a need for more affordable housing for low- and moderate-income individuals and families. The major need in the area is affordable housing due to the number of low- and moderate-income elderly unable to afford the utility costs of their homes. The identified community development services include: credit education and credit counseling, first time home buyer programs, and closing cost assistance for low- and moderate-income individuals. The contact stated that while banks may be offering first time home buyer programs, they are generally not advertised. Finally, the contact indicated there are ample opportunities for community development loans, donations, and services.

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

TNB's performance is "Satisfactory". TNB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. A majority of loans were made within the AA. The distribution of loans reflects reasonable penetration among borrowers of different income levels.

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

TNB'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. We reviewed the quarterly average net loan-to-deposit ratio for the 20 quarters since the last CRA examination. The bank's quarterly average net loan-to-deposit ratio during this twenty quarter period was 69%, and the ratio ranged from a quarterly low of 64% to a quarterly high of 72%. The quarterly average net loan-to-deposit ratio for a custom peer group of similarly sized institutions in Pennsylvania was 69%, and the ratio ranged from a low of 34% to a high of 92% during the same 20 quarter timeframe. TNB's ratio ranked tenth among the 15 bank peer group.

### **Lending in Assessment Area**

The bank’s lending in their AA is satisfactory. A majority of the bank’s primary loan products were originated within the bank’s AA, meeting the standard for satisfactory performance. During the evaluation period, 68% of the total home mortgage loans were originated within the bank’s AA.

**Lending to Borrowers of Different Incomes**

The distribution of loans reflects reasonable penetration among borrowers of different incomes, meeting the standard for satisfactory performance. The percentage of home mortgage loans made to low-income borrowers is significantly lower than the percentage of low-income families in the AA. However, when considering the affordability of housing in the AA, this performance is satisfactory. Based on the 2000 U.S. Census data, the median cost of housing in the AA is \$87,216. The 2008 HUD updated median family income is \$49,800. This means that a low-income person earns less than \$24,900. Based on these statistics, it would be difficult for a low-income individual to purchase housing in the AA.

The percentage of loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. This performance is excellent.

Table 2 - Borrower Distribution of Home Mortgage Loans in the AA								
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
Home Mortgages	14.84	4.76	19.05	28.57	25.78	33.33	40.33	33.33

Source: 2006-2008 Home Mortgage Loan Sample

**Geographic Distribution of Loans**

The bank’s AA consists of six middle-income and two upper-income areas for the 2008 census, therefore a geographical analysis is not meaningful.

**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 discriminatory or other legal credit practices inconsistent with helping to meet community credit needs.