



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**November 03, 2003**

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

**The Marion Center National Bank  
Charter Number 7819**

**201 East Main Street  
Marion Center, PA 15759**

**Comptroller of the Currency  
Western Pennsylvania Field Office  
4075 Monroeville Boulevard Building 2, Suite 300  
Monroeville, PA 15146**

**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 primary factors supporting the bank's overall rating include:

The distribution of sampled residential mortgage and business purpose loan originations among Assessment Area (AA) borrowers of different income levels meets the standard for satisfactory performance.

The distribution of sampled residential mortgage and business purpose loan originations among AA geographies of different income levels exceeds the standard for satisfactory performance.

The average loan to deposit ratio meets the standard for satisfactory performance since it is comparable to its peer group.

The level of lending inside that AA meets the standard for satisfactory performance, since a majority of sampled loans were originated within the AA.

## **DESCRIPTION OF INSTITUTION**

Marion Center National Bank (MCNB) is a \$175 million, intrastate community bank, with branches located in Armstrong, Indiana and Jefferson Counties Pennsylvania. MCNB is a wholly owned subsidiary of Community Banker's Corporation, a one-bank holding company. MCNB is headquartered in the town of Marion Center, in Indiana County, Pennsylvania. Indiana County is situated in west central Pennsylvania. Marion Center itself is located approximately 75 miles north east of Pittsburgh, Pennsylvania. MCNB is a full service community bank offering a range of deposit and loan products. Loan products include residential real estate mortgages, commercial, consumer and farm loans. MCNB received a satisfactory rating as a result of the previous Community Reinvestment Act (CRA) evaluation, which was conducted as of February 17, 1999.

As of June 30, 2003 net loans represented 62% of MCNB's assets. MCNB's loan portfolio by dollar volume consists of: 45% residential real estate, 37% commercial real estate and commercial loans, 11% consumer loans and the remainder in other loan types including multifamily real estate secured, construction, farm and home equity loans. There are no financial or legal impediments that would preclude MCNB from lending.

## **DESCRIPTION OF MARION CENTER'S AA**

MCNB's AA includes northern Indiana County and parts of Armstrong, Clearfield and Southern Jefferson Counties. The AA is in a non-metropolitan statistical area (Non-MSA), and includes 25 Census Tracts (CTs). According to the 1990 U.S. Census Bureau, three CTs were designated as upper-income, eighteen CTs were designated as middle-income, and four CTs were designated as moderate-income. U.S. Census Bureau population for the entire AA is approximately 102,000. The bank's primary trade area is rural northern Indiana County with a

population of approximately 50,000. MCNB's AA meets legal requirements and does not arbitrarily exclude low and moderate-income geographies.

MCNB operates six full service branch offices in Armstrong, Indiana and Jefferson Counties. MCNB's headquarters and two other branches, Clymer and Willow Springs, are located in Indiana County. Branch locations in Jefferson County include Punxsutawney and Big Run, with the remaining branch being located in Dayton, Armstrong County. MCNB's newest branch is Punxsutawney, which was opened in 1999. MCNB did not close any branch offices during the evaluation period. MCNB operates automatic teller machines (ATM's) at all of its branch locations. Additionally, all branch locations, with the exception of the Big Run Office, are equipped with a drive-through window.

Demographic information derived from the 1990 Census Data and annually updated Housing and Urban Development (HUD) median family income data was used to analyze the bank's lending distribution among borrowers of different income levels. HUD data updated for 2002 reports the median family income for the bank's AA to be \$41,100. Of AA families 22% are low-, 21% moderate-, 24% middle- and 33% upper-income. Demographic data collected during the 1990 census is used to analyze the bank's lending distribution among AA geographies.

Of AA households, the majority (69%) of AA households are supported by wage or salaried jobs and 32% derive income from social security. Eighteen percent report retired residents. 1990 census data also reports that within the bank's AA, owner occupied housing represents 66% of housing, the median housing value equals \$48,205 and for AA housing, the median year built is 1955.

Upper Indiana County is predominantly rural with a stagnant to declining economic base. The portions of Jefferson, Armstrong, and Clearfield Counties in MCNB's AA have a similar make-up. Major employers in the bank's AA include coal and gas operations, timber and dairy farming operations, and local government facilities. A state university (Indiana University of Pennsylvania) and a hospital are also located in nearby Indiana, PA. The area has been impacted by deterioration in the coal and gas industry and has historically represented one of the highest unemployment rates in Pennsylvania. As of September 30, 2003 the state unemployment rate for Pennsylvania was 5.3%. The bank's AA counties show slightly higher unemployment rates. Armstrong, Clearfield, Jefferson, and Indiana have unemployment rates of 7.4%, 8.5%, 6.8%, and 7.0%, respectively.

Banking competition within MCNB's trade area is significant. Competition consists of financial institutions, including banks and credit unions, both similarly situated community banks and branches of larger financial institutions.

Economic development and housing needs in the AA include residential mortgage loans, small business and small farm loans, and consumer loans. A community contact was made with the local Chamber of Commerce. Discussions with the executive director at the Chamber mirrored the aforementioned credit needs.

#### Sampling Analysis

MCNB loan data was collected through a random sample consisting of a total of 54 loans. We

sampled 20 each of residential mortgage (refinance) and business purpose loans originated to borrowers located inside and outside of the bank's AA over the evaluation period. Residential mortgage loans and business purpose loans were selected for sampling since these loans represent 32% and 36% respectively of the loans originated during the assessment period. These are considered to be the MCNB's primary loan products for the period. The loan sample was used to analyze the bank's record of originating loans inside its AA. The loan sample was expanded to facilitate an analysis of the bank's record of distributing loans among AA borrowers of different income levels and businesses of different sizes.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

MCNB's loan to deposit ratio meets the standard for satisfactory performance. The average loan to deposit ratio exhibited by MCNB is in line with peer banks over the same period.

To assess MCNB's lending activity, we collected and analyzed loan to deposit data for the evaluation period for MCNB and a peer group of banks with similar asset sizes. One hundred three banks were included in the peer group.

Levels of lending activity were measured by comparing the eighteen-quarter average loan-to-deposit ratio achieved by MCNB and its peer group. The eighteen-quarter average loan-to-deposit ratio was calculated using quarter-end financial data from March 31, 1999 through June 30, 2003. MCNB's level of lending over the period compares favorably to lending by its peer group of banks. Specifically, MCNB achieved an eighteen-quarter average loan to deposit ratio of 69% over the eighteen-quarter period. In comparison, the peer group achieved an eighteen-quarter average loan to deposit ratio of 70%. MCNB's average loan to deposit ratio is in line with the peer average.

### **Lending in Assessment Area**

Lending in the AA meets the standard for satisfactory performance.

MCNB originated a majority of its mortgage (refinance) and business loans within its AA.

An analysis of mortgage purpose loans originated by MCNB over the evaluation period revealed that of the sampled residential mortgage purpose loan volume and dollars, 85% and 80% respectively, were originated within MCNB's AA. An analysis of business purpose loans originated by MCNB over the evaluation period revealed that of the sampled business purpose loan volume and dollars, 80% and 88% respectively, were originated within MCNB's AA.

<b>Table 1 - Lending in Marion Center Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
Refinance Mortg.	17	85%	3	15%	20	782,472	80%	196,000	20%	978,472
Comm. Loans	16	80%	4	20%	20	3,350,769	88%	470,679	12%	3,821,448
Totals	33	83%	7	17%	40	4,133,241	86%	666,679	14%	4,799,920

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

### *Income Distribution of Residential Mortgage Lending*

MCNB's record of lending to borrowers of different income levels meets the standard for satisfactory performance. The percentage of refinance mortgage loans made to moderate-income borrowers is near to the percentage of moderate-income families. The percentage of refinance mortgage loans made to low-income borrowers is below the percentage of low-income families.

Demographic data compiled during the 1990 census for the bank's AA categorizes income levels of AA families as follows:

- 22% of AA families are low-income families
- 21% of AA families are moderate-income families
- 24% of AA families are middle-income families
- 33% of AA families are upper-income families

A sample of AA residential mortgage loans originated by MCNB over the evaluation period were reviewed to assess the bank's record of lending to low- and moderate-income AA borrowers. Data from sampled residential mortgage loans originated in the AA over the evaluation period was collected and analyzed. The analysis was performed to assess the distribution among AA borrowers of different income levels compared to the income levels of AA families.

Based on AA demographic information, 22% of families living in the AA were reported as low-income and 21% of the families living in the AA were reported as moderate-income. Low-income AA families by definition are families with annual incomes below \$20,550. Moderate-income AA families by definition are families with annual incomes between \$20,550 and \$32,880.

As indicated below, data derived from the sample of AA residential mortgage loans originated by MCNB over the evaluation period revealed that loans originated to low- and moderate-income AA borrowers represented 10% and 15% of loan volume and 3% and 6% of loan dollars, respectively. This level of residential mortgage lending to borrowers of different income levels is reasonable considering the demographic context in which MCNB operates.

MCNB's ability to extend residential refinance mortgage loans to low-income borrowers is hampered by AA demographics. Specifically, of households in the bank's AA, 14% of the AA population is age 65 or older and 18% of the AA households are comprised of retired residents. In addition, 32% of area households derive income from social security, 7% receive public assistance and 18% are considered to be at or below the poverty level.

Limited residential mortgage loan demand from low-income families may be attributed to many low-income families consisting of more senior, long time residents who already own and occupy residences in the area for many years. For this segment of the population, often housing needs tend to shift from owner occupied housing to apartment living. The need for refinancing in the segment is limited. Therefore, the bank's opportunity to originate these types of loans to the senior population is limited.

Additionally, 1990 census data also reports that within the bank's AA, owner occupied housing represents 66% of housing, the median housing value equals \$48,205 and the median year built is 1955. These AA demographic factors restrict loan demand for residential mortgages due to the levels of owner occupied housing and the limited amounts of new construction.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Marion Center AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Refinance Mortg.	22%	10%	21%	15%	24%	45%	33%	30%

*Income Distribution of Business Purpose Lending*

MCNB's record of lending to AA businesses of different sizes is reasonable considering AA demographics. Borrower distribution of business purpose loans is near to the percentage of small businesses.

Demographic data compiled during the 1990 census for the AA indicates that of AA businesses, which reported annual revenues (3,782), revenue was recorded as follows:

- 3,540 or 94% of AA business report annual revenues < or = \$1 million
- 242 or 6% of AA business report annual revenues > than \$1 million

MCNB's record of business lending among AA businesses of different sizes is reasonable considering AA demographics. A sample of AA business purpose loans, originated by MCNB over the evaluation period, were reviewed to assess the bank's record of lending to AA small businesses. Loans to small businesses are defined as those loans made to business enterprises whose annual, gross revenues are \$1 million or less. AA small businesses, according to Dunn and Bradstreet, represent 71% of total AA businesses. Of business purpose loans originated by

MCNB to businesses between February 17, 1999 and June 30, 2003, 75% of business loan volume was originated to small businesses. This level of business purpose lending to businesses of different sizes is reasonable considering the demographic context in which MCNB operates.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Marion Center AA</b>		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	94%	6%
% of Bank Loans in AA by #	75%	25%
% of Bank Loans in AA by \$	79%	21%

\* Includes only businesses reporting revenue data.

### **Geographic Distribution of Loans**

#### *Geographic Distribution of Residential Mortgage Lending*

MCNB's distribution of sampled AA residential mortgage (refinance) purpose loans among AA geographies exceeds the standard for satisfactory performance. Geographic distribution of refinance mortgage loans in moderate-income geographies exceeds the percentage of owner occupied units.

Demographic data compiled during the 1990 U.S. census for the MCNB's AA indicates that available owner occupied housing is dispersed throughout the AA as follows:

- 14% of AA owner occupied housing is in moderate-income geographies
- 77% of AA owner occupied housing is in middle-income geographies
- 9% of AA owner occupied housing is in upper-income geographies

A sample of 20 AA residential mortgages (refinance) totaling \$842,811, originated by MCNB over the evaluation period, was reviewed. Of the sampled AA mortgage loans originated during the evaluation period, 70% of mortgage loan volume and 75% of mortgage loan dollars were originated in moderate-income geographies. Thirty percent of the sample by volume and 25% by loan dollars were originated in middle-income geographies. The high-income geographies accounted for 0% of the sample by volume and 0% by loan dollars. MCNB's geographic distribution of mortgage loans demonstrates a reasonable dispersion throughout AA geographies.

<b>Table 3 – Geographic Distribution of Residential Real Estate Loans in Marion Center AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
Res. Mortg.	N/A	N/A	14%	70%	77%	30%	9%	0%

### *Geographic Distribution of Business Lending*

MCNB's distribution of sampled AA business purpose loans among AA geographies exceeds the standard for satisfactory performance. Geographic distribution of business loans in moderate-income geographies exceeds the percentage of reported small businesses.

2002 demographic data compiled through Dun and Bradstreet for the bank's AA indicates that 5,233 businesses and farms are distributed throughout AA geographies as follows:

- 359 or 7% businesses and farms are located in moderate-income geographies
- 4,874 or 93% businesses and farms are located in middle-income geographies or upper-income geographies

A sample of 20 AA business purpose loans totaling \$3.6 million, originated by MCNB over the evaluation period to AA businesses, were reviewed. Of the sampled AA business loans originated during the evaluation period, 25% of business loan volume and 12% of business loan dollars were originated in moderate-income geographies. 55% of the sample by volume was originated in middle-income geographies. MCNB's geographic distribution of business purpose loans demonstrates a reasonable dispersion throughout AA geographies.

<b>Table 3A - Geographic Distribution of Loans to Businesses Marion Center AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	N/A	N/A	7%	25%	67%	55%	26%	20%

### **Responses to Complaints**

No complaints have been received since the last examination.

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

We found no evidence of illegal discrimination or other illegal credit practices. The bank has appropriate policies, procedures and training programs in place to prevent discriminatory or other illegal credit practices.