



Comptroller of the Currency
Administrator of National Banks

Large Bank

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Pittsburgh Field Office
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PUBLIC DISCLOSURE

June 7, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Omega Bank, N.A.
Charter Number 10506
117 South Allen Street
State College, Pennsylvania 16801**

**Office of the Comptroller of the Currency
Northeastern District
Pittsburgh Field Office
4075 Monroeville Boulevard, Suite 300
Monroeville, PA 15146**

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.

Table of Contents

General Information	3
Abbreviations and Acronyms	4
Description of Institution	5
Description of Assessment Areas	6
Conclusions with Respect to Performance Criteria	
Scope of Review	6
Lending Test	6
Investment Test	11
Service Test	12
Fair Lending Review	13
Conclusions for Areas Receiving Full Scope Reviews	
State College MSA 8050 Assessment Area	14
Lending Test	15
Investment Test	17
Service Test	17
Non-MSA Assessment Area	18
Lending Test	19
Investment Test	21
Service Test	22
Appendices	
Appendix A - Scope of Examination	23
Appendix B - Standard Tables	24

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 Community Reinvestment Act (CRA) performance of **Omega Bank, N.A.** prepared by **The Office of the Comptroller of the Currency** the institution's supervisory agency, as of June 7, 1999. 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.

Primary factors supporting the bank's overall rating include:

- A high percentage of loans were originated within the assessment areas;
- The geographic distribution of loans throughout the assessment areas is good;
- A good distribution of loans among borrowers of different income levels;
- An excellent distribution of loans among small businesses and small farms of different sizes;
- An adequate level of community development investments have been made;
- Service delivery systems are accessible to geographies and individuals of different income levels in the assessment areas;
- A good level of community development services.

Abbreviations and Acronyms

The following is a list of abbreviations and/or acronyms used throughout this Performance Evaluation.

<u>Abbreviation or Acronym</u>	<u>Full Title, Name or Description</u>
AA	Assessment Area
ATM	Automated Teller Machine
BNA	Block Numbering Area
CRA	Community Reinvestment Act
CT	Census Tract
HMDA	Home Mortgage Disclosure Act
KOZ	Keystone Opportunity Zone
LTD	Loan-to-deposit
MSA	Metropolitan Statistical Area
OCC	Office of the Comptroller of the Currency
PE	Performance Evaluation
PHFA	Pennsylvania Housing Finance Agency
SBA	Small Business Administration

The following table indicates the performance levels of Omega Bank, N.A. with respect to the lending, investment, and service tests.

Performance Levels	Omega Bank, N.A.		
	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

Omega Bank, N.A. (“Omega”) is a wholly-owned subsidiary of Omega Financial Corporation, a \$1 billion bank holding company headquartered in State College, Pennsylvania. Omega had total assets of \$583 million as of March 31, 1999. There are five active subsidiaries in the holding company - three banks and two non-banks. The two other banking subsidiaries are Hollidaysburg Trust Company and Penn Central National Bank. The other subsidiaries are Central Pennsylvania Investment Company and Central Pennsylvania Life Insurance Company. These affiliates of Omega have no impact on its ability to meet the credit needs of its community. The bank does not have any subsidiaries. Omega is a full service, intrastate bank offering a wide variety of products and services. The bank operates 24 branches and 22 proprietary automatic teller machines (ATMs) in Centre, Clinton, Juniata, Mifflin, Montour, and Northumberland counties.

The bank is primarily a consumer and commercial real estate lender. As of March 31, 1999, gross loans totaled \$446 million or 75% of total assets. The loan-to-deposit (LTD) ratio of 89% compares favorably with the 78% LTD ratio for national peer group banks. Tier I capital totals \$76 million. The bank’s loan portfolio includes a significant volume of real estate loans - both residential and commercial. The loan portfolio is comprised of 50% residential real estate loans, 20% commercial real estate loans, 12% consumer loans, 10% commercial loans, and 8% all other types of loans. The bank does not code any loans as home improvement loans. Omega is a Small Business Administration (SBA) lender under the Low-Doc, SBA 7(a), SBA 504, and Small Business First programs. There are no financial or legal impediments which would hinder the bank’s ability to meet the credit needs of its assessment area. Bank affiliates do not contribute to Omega’s CRA performance.

Description of Assessment Areas (AAs)

Omega's two AAs are located in central Pennsylvania. The AAs are comprised of the entire counties of Juniata and Mifflin and selected census tracts (CTs) in Centre County and block numbering areas (BNAs) in Clinton, Montour, and Northumberland counties. The 1990 census estimated the total population as 213,460. Owner-occupied housing units account for 61% of the total housing units in the AAs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Scope of Review

The review of Omega's performance under the lending test covered the period of time from January 1, 1997 through December 31, 1998. Emphasis was placed on originations of home purchase loans, mortgage refinancings, and small business loans. These products comprise the basis of Omega's retail and business lending focus. Performance conclusions for both the investment test and the service test covered the period of time from April 10, 1997 through June 7, 1999. The bank was rated "Satisfactory" at the prior CRA examination conducted as of April 10, 1997. A full-scope review was performed for the State College MSA 8050 and the non-MSA AA.

LENDING TEST

Lending Activity

Refer to *Tables 1, 2, 4, 5, and 6* in Appendix B for the data used in this analysis.

Omega has a good record of lending in its AAs. The bank's average quarterly loan-to-deposit (LTD) ratio from June 30, 1997 to March 31, 1999 is 87%. This compares favorably with peer banks that recorded an average LTD of 77% for the same period. The lending performance in the AAs resulted in favorable market shares of home purchase loans, home refinancing loans, small business loans, and small farm loans in both AAs. The bank recorded market shares of 6th (5.56% of market share) and 2nd (8.75% of market share), respectively, in home purchase and refinance originations. Omega ranked 2nd in overall market share for originating small business loans in the State College MSA AA. The bank ranked 2nd overall in 1997 among lenders in the AA in originating small business loans. The ranking represented an 18.29% market share. The bank has the largest market share (14.70%) of all lenders for home mortgage loans in the non-MSA AA. It ranked second in market share (12.21%) for originating home refinancing loans in the non-MSA AA. A significant level of loans reviewed was originated in the AAs. Refer to *Assessment Areas Concentration* below.

Assessment Areas Concentration

Lending within the AAs is good. A substantial majority of all loans reviewed were originated in the AAs. The chart below details the volume of HMDA-reportable loans, small business and small farm loan originations.

Loan Originations in Assessment Areas

Loan Type	Total		Total in AAs		%age in the AAs	
	#	\$ ('000)	#	\$ ('000)	#	\$ ('000)
Home Purchase	446	36,555	360	30,796	81%	84%
Refinances	523	47,021	469	42,445	90%	89%
Small Business	830	70,547	757	63,326	91%	90%
Small Farm	124	4,596	114	4,172	92%	91%
Total	1,923	158,719	1,700	140,739	88%	87%

Source: 1997 and 1998 HMDA-LAR and Small Business LAR

Geographic Distribution of Lending

See *Tables 2, 4, 5 and 6* in Appendix B for the data used in this analysis.

Omega's geographic distribution of loans throughout its AAs is good. It's overall record for originating loans in low- and moderate-income geographies is consistent with AAs demographics. Our review did not reveal any conspicuous gaps in lending.

Home Mortgage Loans

The geographic distribution of home mortgage loans is good. The bank's performance in low- and moderate-income geographies is consistent with the demographics of the areas and the performance level of competing financial institutions. In the State College MSA AA, less than 1% of the housing units in low-income CTs are owner-occupied. Five percent of the housing units in moderate-income CTs are owner-occupied. Omega originated 8% of its home purchase loans in moderate-income CTs. This resulted in the bank garnering 13% of the market share of home purchase loan originations in the moderate-income CTs. One percent of Omega's home mortgage refinance loan originations was in low-income CTs and 5% in moderate-income CTs.

The geographic distribution of housing-related lending in the low- and moderate-income BNAs in the non-MSA AA is consistent with the level of owner-occupied housing units. There are no low-income geographies in the non-MSA AA. Five percent of the housing units in the moderate-income BNAs are owner-occupied. Omega originated 7% of its home purchase loans in the AA in moderate-income BNAs. This resulted in the bank's having 48% of the market share of home purchase loan originations in moderate-income BNAs. It originated 2% of its home mortgage refinance loans in moderate-income BNAs.

Small Business Loans

Refer to *Table 5* in Appendix B for the data used in this analysis.

The bank's record of origination small business loans in low- and moderate-income geographies in the AAs is good. Fourteen percent of small businesses in the State College MSA AA are located in low-income CTs. Twelve percent of the bank's small business loans were originated in low-income CTs. Small business loan originations in low-income CTs represented 11% of the market share. Three percent of the small businesses are in moderate-income CTs. The bank originated 3% of its small business loans in moderate-income CTs. In the non-MSA AA, the bank originated 11% of its small business loans in moderate-income BNAs. This represented 13% of the market share in moderate-income BNAs. Thirteen percent of the small businesses in the non-MSA AA are domiciled in moderate-income BNAs. There are no low-income BNAs in the non-MSA AA.

Small Farm Loans

Refer to *Table 6* in Appendix B for data used in this analysis.

The bank has a good record of originating small farm loans. The percentage of farms located in low- and moderate-income geographies is small. All small farm loans were originated in middle -income geographies where the largest percentage of small farms is located. Only 1% of the small farms in the State College MSA AA is located in low-income CTs. There are no small farms located in moderate-income CTs. In the non-MSA AA, 1% of the small farms is located in moderate-income BNAs.

Borrowers' Profile

Refer to *Tables 7, 9, 10 and 11* in Appendix B for data used in this analysis.

Overall lending to borrowers of different incomes and businesses and farms of different sizes throughout the AAs is good. The bank has been very responsive to the needs of small businesses and small farms in the AAs. A large percentage of business and farm loans in the AAs were to entities with revenues of \$1 million or less. In addition, the majority of the small business and small farm loans originated in the AAs are for \$100,000 or less.

Home Mortgage Loans

Omega has a good record of originating home mortgage loans to borrowers of different incomes in the AAs. In the State College MSA AA, 16% and 20%, respectively, of the families are classified as low- and moderate-income. The bank originated 5% and 13%, respectively, of its home purchase loans to low- and moderate-income borrowers. Omega's market share of 7.14% to low-income borrowers exceeded the bank's overall market share of 5.56%. This is good performance when considering that affordable housing stock within the Borough of State College is being converted into multi-unit student housing. There is very limited housing stock available to low-and moderate-income borrowers.

In the non-MSA AA, 15% and 21%, respectively, of the families are classified as low- and moderate-income families. The bank originated 6% and 25%, respectively, of its home mortgage loans to low- and moderate-income borrowers. The bank market share of 15.62% to low income borrowers and 21.30% to moderate income borrowers exceeded the bank's overall market share of 14.70%.

The cost of housing limits the opportunities for a low-income person to purchase a home. The median cost of housing in the State College MSA assessment area is \$78,000. The median family income is \$40,900. The median cost of housing in the non-MSA assessment area is \$51,000. The median family income is \$35,200. A low-income person's income is less than 50% of the median family income.

Small Business Lending

Refer to *Table 10* in Appendix B for the data used in this analysis.

The bank has an excellent record of originating small business loans of different sizes. Eighty-nine percent of the small businesses in the State College MSA AA reported revenues of \$1 million or less. Eighty-one percent of the small business loans

originated in the AA were to businesses of this size. In addition, 77% of the small business loans originated in the AA were for amounts of \$100,000 or less. The bank's market share for small business loans originated to businesses with revenues of \$1 million or less is one and a half times its overall market share for small business loans. In the non-MSA AA, 91% of the businesses reported revenues of \$1 million or less. Seventy-seven percent of the small business loans originated in the AA were made to businesses of this size. Eighty-seven percent of the small business loans originated in the AA were for amounts of \$100,000 or less. The bank's market share for small business loans originated to businesses with revenues of \$1 million or less in the non-MSA AA is also one and a half times its overall market share for small business loans.

Small Farms

The bank has an excellent record of originating small farm loans to farms with revenues less than \$1 million. All small farm loan originations were made to farms within this revenue category. In both AAs, the bank's market share of loans originated to farms with revenues of \$1 million or less exceeds its overall market share. The average small farm loan size in the State College MSA AA and the non-MSA AA is \$45 thousand and \$34 thousand, respectively.

Community Development Lending

The bank did not originate any loans that qualified by definition as community development loans. While the bank has originated some loans with community development purposes, the sizes of the loans required them to be classified as small business loans. Opportunities to originate community development loans for \$1 million or more are reported to be limited.

Flexible Lending Practices

The bank does not sponsor any loan products with flexible underwriting standards to assist low- and moderate-income borrowers. It does, however, participate in state and local government-sponsored programs designed to assist low- and moderate-income borrowers obtain mortgages. The bank originated 127 mortgage loans totaling \$7.1 million under programs sponsored by the Pennsylvania Housing Finance Agency (PHFA). PHFA sponsors a number of programs that typically have a reduced interest rate and low down payment requirements to assist low- and moderate-income borrowers. The bank also participates in the Centre County First Time Homebuyers Program and the Borough of State College First Time Homebuyers Program. No loans have been originated under these programs during the evaluation period.

INVESTMENT TEST

Refer to *Table 12* in Appendix B for data used in this analysis.

The bank has an adequate level of qualified investments. Total qualifying investments that originated or received continuing funding during the evaluation period equaled \$673,000. The qualifying investment total includes a housing bond issued by the Pennsylvania Housing Finance Agency (PHFA). This bond was purchased in September 1997 in the original amount of \$200,000 and is secured by low- and moderate-income mortgages originated by PHFA. Approximately \$100,000 of the PHFA bonds benefited the State College MSA. This investment helps benefit a statewide area that includes the bank's AAs. Other qualifying investments and contributions are as follows:

- Sylvan View Estates is a low-income housing development in Centre County. Using Low Income Housing Tax Credits, Omega committed to invest \$716,044 over a ten-year period (1993 - 2003) at \$62,144 per year. The bank has a 19% equity investment in the development. The previous balance of \$281,000 represents funds invested since the inception of the bank's commitment and the additional \$187,000 represents the bank's contribution for years 1997, 1998, and 1999.
- Omega Bank provided approximately \$4,000 to community organizations that promote economic development and revitalization. Examples are low-income housing construction, downtown revitalization, and scholarships for students from low- and moderate-income families.

Investment opportunities for the bank are limited in the AAs. This conclusion is based on information provided by the community contacts during this evaluation and those conducted by other regulatory agencies. Management states that larger financial institutions purchase the majority of available low-income housing tax credit projects. Qualified municipal bond issues are limited.

SERVICE TEST

Service delivery systems are accessible to geographies and individuals of different income levels in the assessment areas. Its services and business hours do not vary in a way that inconveniences its AAs, particularly low- and moderate-income geographies and low- and moderate-income individuals. The bank has an extensive branching network in its AAs, including low- and moderate-income geographies. Customers may bank by phone or computer throughout the AAs.

The bank has 24 full-service branch offices within its AAs. The Danville Office in Montour County was sold on June 4, 1999 immediately prior to this evaluation. However, it is included in this assessment of the bank's CRA performance since the bank operated the facility during the evaluation period. The sale of this office, located in an upper-income census tract, did not adversely affect low- and moderate-income areas. No other offices have closed since the last examination. The primary alternative delivery system for delivering retail banking services is automatic teller machines (ATMs). Omega provides a good level of financial services that are accessible to all segments of its community. Community development services consist primarily of management's proactive involvement in community development organizations.

Community Development Services

Omega has a good level of community development services. The bank's staff participates in a variety of organizations that are targeted to low- and moderate-income individuals, small businesses, and economic development. Those activities include the following:

- The bank sponsored a workshop for Service Corps of Retired Executives (SCORE) in May 1999. The workshop provided educational assistance to small start-up businesses. In addition to providing funding and training materials, bank loan officers from the small business division provided instructions.
- A bank vice president serves as chairman of the State College Community Land Trust (Trust). The Trust provides affordable housing to low- and moderate-income individuals by purchasing the land and the buyer purchases the house. The vice president provides financial information and loan assistance to prospective homebuyers.
- Omega provides its financial expertise through its active participation in the Centre County Housing Authority. The bank's president serves as chairman of the Authority. The Authority builds, maintains, and operates low- and moderate-income housing in the county.
- The bank's president serves as president of the Downtown State College Partnership. The organization was formed to maintain the economic viability of downtown State College. The downtown area is located in a low-income CT. The Partnership is instrumental in retaining businesses in the downtown area.
- Omega's president serves as chairman of Brokerhoff Housing Corporation, a low-

and moderate-income housing facility primarily for elderly citizens. A bank vice president serves on the board of directors. Their roles involve overseeing the financial management of the Corporation.

- Omega is a member of the Southeast District Authority Council of Governments. The organization promotes economic development in Centre, Juniata, and Clinton counties by attempting to attract businesses into the AA. The bank's representative provides the entity with economic advice.

FAIR LENDING REVIEW

A concurrent fair lending review did not identify any substantive violations of the antidiscrimination laws and regulations. The fair lending review compared automobile loans originated to females with those originated to males for differences in terms and rates. Omega's lending policies, procedures, training, and internal assessment efforts are effective to ensure compliance with fair lending laws and regulations.

CONCLUSIONS FOR ASSESSMENT AREA RECEIVING FULL SCOPE REVIEWS

The conclusion for the area receiving a full scope is consistent with the bank's overall performance.

State College MSA 8050

Omega has identified 26 of 28 CTs in Centre County as its AA in the State College Metropolitan Statistical Area (MSA). Excluded are CTs number 0103.00 and 0104.00. The 2 CTs in Centre County are excluded from the AA because they are not within close proximity to any of the bank's branches. The AA meets regulatory guidelines and does not arbitrarily exclude any low- and moderate-income geographies. The Allegheny Front, a natural forest range, separates those two CTs from the branches. Of the 26 CTs, the income classifications are as follows: 2 low-income, 2 moderate-income, 12 middle-income, 9 upper-income, and 1 unclassified. The population as of the 1990 census is 116,878. State College is the population center and economic hub of Centre County. It is the home of The Pennsylvania State University ("Penn State"), the community's major employer. There are 88 farms and 3,367 businesses in the MSA (*Source: Dunn and Bradstreet*). Ninety-eight percent of the farms and 89% of the businesses (with known revenues) had gross sales less than \$1 million. The CT with no income classification is Penn State's campus. The 2 low-income CTs includes the downtown business district and off campus student housing. Fourteen percent of small businesses in the AA are located in the low-income CTs. Rental occupied units account for 38% of the total housing units. Fifty-five percent of total housing units is owner-occupied. The updated 1998 MSA median family income is \$40,900.

Economic conditions in Centre County are generally strong. As of April 30, 1999, the unemployment rate was second best in Pennsylvania at 2.3%. The State's unemployment rate was 4.1% for the same period. In addition to Penn State, major employers include: Coming Asahi Video Products Company, Murata Electronics of North America, the State College Area School District, and State government. A segment of Centre County has been designated by the State's Department of Community and Economic Development as part of the Central Pennsylvania Keystone Opportunity Zone (KOZ). KOZs are 12 economically distressed urban and rural communities identified to receive tax abatements to foster business and residential reinvestment. One community contact was performed. The community contact was made with a group representing businesses in Centre County. There were no credit needs identified from our discussion. Management states that there is a need for mortgage loans for residential properties which do not conform to standards for loans

readily sold on the secondary market due to property characteristics. The bank has a major banking presence in the MSA. Strong banking competition is received from multi-billion dollar financial institutions headquartered in Pittsburgh and a larger regional bank headquartered in Blair County.

LENDING TEST

Geographic Distribution of Lending

Lending activities demonstrated a good distribution of loans throughout CTs of different income classifications.

Home Mortgage Loans

Refer to *Table 2* in Appendix B for the data used in this analysis.

Omega's origination of home purchase loans throughout the AA is good. The bank's performance in low- and moderate-income CTs is consistent with the demographics of the areas and the performance level of competing financial institutions. Opportunities to originate home mortgage loans in low- and moderate CTs is limited. As noted in the description of the State College MSA, the 2 low-income CTs include the downtown business district and off campus student housing. Eighty-nine percent of the housing stock in low-income CTs is renter occupied. Less than 1% of the owner-occupied housing units in the AA is located in the low-income CTs. Only 5% of the owner-occupied housing units are located in the moderate-income CTs. The percentage of home purchase loan originations in both low- and moderate-income CTs exceeded the percentage of owner-occupied housing units in both geographic income categories. With regards to home mortgage refinance loans, the bank's performance exceeded or equaled the percentage of owner-occupied housing units in low- and moderate-income CTs, respectively.

Small Business Loans

Refer to *Table 5* in Appendix B for data used in this analysis.

The bank has a strong record of originating small business loans in CTs of different income levels. As noted in the description of the AA, 14% of small businesses in the AA are located in the low-income CTs. Twelve percent of the bank's small business loan originations were in low-income CTs. Among 29 lenders, Omega ranked 4th in low-income CTs with 11.04% market share and 5th in moderate-income CTs with 5.79% market share.

Small Farm Loans

Refer to *Table 6* in Appendix B for data used in this analysis.

Omega has a good record of originating small farm loans in the AA. All loans were originated in middle-income CTs where 63% of the small farms in the AA are located.

Borrowers' Profile

Home Mortgage Loans

See *Tables 7 and 9* in Appendix B for the data used in this analysis. Omega's record of originating home purchase loans to low- and moderate-income borrowers is good when considering that affordable housing stock within the Borough of State College is being converted into multi-unit student housing. This limits the housing stock available to low- and moderate-income borrowers. In the State College MSA AA, 16% and 20%, respectively, of the families are classified as low- and moderate-income. The bank originated 5% and 13%, respectively, of its home mortgage loans to low- and moderate-income borrowers. Omega's market share of 7.14% to low-income borrowers exceeded its overall market share of 5.56%. Additionally, the cost of housing compared to the median family income limits homeownership to low income borrowers.

Small Business Lending

Refer to *Table 10* in Appendix B for the data used in this analysis.

The bank has an excellent record of originating small business loans to businesses with revenues of \$1 million or less. Eighty-nine percent of the businesses in the AA have revenues of \$1 million or less. Eighty-one percent of small business loans originated in the AA during the evaluation period were to businesses within this revenue category. Omega ranked 1st in 1997 among all lenders with a market share of 30.87%.

Small Farm Loans

Refer to *Table 11* in Appendix B for the data used in this analysis.

All of the bank's small farm loans in the AA were to farms with revenues less than \$1 million.

Community Development Lending

The bank did not originate any loans that qualified by definition as community development loans. While the bank originated a few loans with community development purposes, the size of the loans required them to be classified as small business loans.

Flexible Lending Practices

Refer to the *Flexible Lending Practices* section above for a description. The bank originated 10 SBA loans totaling \$3.5 million in the AA during the evaluation period. There were 6 loans originated for \$399,430 under PHFA-sponsored loan programs. The overall conclusions are applicable to this AA.

INVESTMENT TEST

The bank's performance under the Investment Test for the State College MSA is consistent with its overall Investment Test performance. Please refer to page 11 for conclusions.

SERVICE TEST

Refer to *Table 13* in Appendix B for data used in this analysis.

Retail Services

The bank provides a good level of services through its branch and ATM network that are readily accessible to all segments of the community, including low- and moderate-income CTs. Omega has the most extensive branch system and ATM network in Centre County of any other financial institution in the area.

Omega Bank has 15 branch facilities, or 63% of its total branch offices, in the AA. Four of its branch offices (27%) are located in low-income CTs. The percentage distribution of branches serving these low-income CTs exceeds the percentage of the population (8%) of the area. One branch office is located in one of the moderate-income census tracts.

The bank has 17 or 74% of its proprietary ATMs also located in the AA. Seven or 41% of the ATMs are located in low-income CTs. This compares favorably to the percentage of population (8%) in these two tracts. One (6%) ATM is located in a moderate-income CT. Five (29%) are situated in middle-income areas. The bank

provides ATM access to its depositors without charge at seventeen affiliate bank office locations and ATMs located in area businesses. These facilities are located in neighboring towns, and like the bank's ATM systems, are members of the MAC Network. The bank also offers computer banking and telephone banking throughout the AA.

Banking hours are designed to serve the convenience and needs of its AA. Management reviews the hours on a continuing basis. During the week, hours are generally from 9:00 a.m. to 4:00p.m. and are extended to 6:00 p.m. on Fridays. All offices, with the exception of the Rebersburg Office located in a middle-income CT, provide banking hours on Saturdays. The hours are generally from 9:00 a.m. to 12:00 p.m. The bank is a member of the state's electronic benefits program. This affiliation allows persons receiving social service payments access to fund through Omega ATMs.

Community Development Services

Refer to the *Community Development Services* under the overall conclusions for the Service Test.

Non-MSA AA

The conclusion for this AA is consistent with the bank's overall performance.

Description of the Non-MSA AA

The AA is comprised of the following areas:

- Mifflin County - entire county
- Juniata County - entire county
- Clinton County - BNAs 9708.00 and 9709.00 only
- Montour County - BNAs 9502.00, 9503.00, and 9504.00 only
- Northumberland County - BNAs 9607.00 and 9608.00 only

The AA makes up 45% of the combined AAs population. It includes 48% of the AAs housing stock. The updated 1998 non-MSA median family income is \$35,200. This AA contains a total of 23 block numbering areas (BNAs). Of the 23 BNAs, 2 are classified as moderate-income, 17 as middle-income, and 4 as upper-income. The 2 moderate-income BNAs are located in Lewistown Borough, Mifflin County. The AA meets regulatory guidelines and does not arbitrarily exclude any low- and moderate-income geographies.

The population as of the 1990 census is 96,582. Owner-occupied housing units comprise 68% of the total housing units. There are 99 farms and 2,307 businesses in the AA (*Source: Dunn and Bradstreet*). Ninety-six percent of the farms and 91% of the businesses (with known revenues) had gross sales less than \$1 million. Mifflin County is the largest community with a population of 46,197. Manufacturing is the primary type of employment in the AA. The unemployment rate as of April 30, 1999 was 5.7%. Major employers include Freedom Forge Corporation, Lewistown Community Hospital, New Holland Corporation, and Overhead Door Corporation.

One community contact was performed. The community contact was made with the county's industrial development authority. State-sponsored loan programs were found to be the primary source of industrial-related loans due to their favorable interest rates.

The community contact identified the need for start-up capital for new businesses. Strong banking competition is received from a community bank based in Mifflin County. Juniata County has a population of 20,625. Unemployment is high at 6.9%. Forty of the 91 farms in the AA with revenues less than \$1 million are located in Juniata County. The remaining segment of the AA is small. It is comprised of 7 BNAs in Clinton, Montour, and Northumberland counties. Many residents commute to jobs in Mifflin County. KOZs are located in the AA.

LENDING TEST

Geographic Distribution of Lending

Lending activities demonstrated a good distribution of loans throughout BNAs of different income classifications.

Home Mortgage Loans

Refer to *Table 2 and 4* in Appendix B for the data used in this analysis.

Omega's origination of home purchase loans throughout the AA is adequate. It was the number one originator of home mortgages in moderate-income geographies with 47.62% of the market share in 1997. There are no low-income BNAs in the AA. Two percent of the home mortgage refinance loans were originated in moderate-income BNAs. Five percent of the housing units in moderate-income BNAs are owner-occupied.

Small Business Loans

Refer to *Table 5* in Appendix B for data used in this analysis.

The bank has a good record of originating small business loans in moderate-income geographies. Thirteen percent of the small businesses in the AA are located in moderate-income BNAs. The bank originated 11% of its small business loans in the moderate-income BNAs.

Small Farm Loans

Refer to *Table 6* in Appendix B for data used in this analysis. Omega was the number one ranked originator of small farm loans in 1997. All loans were originated in middle-income BNAs where 85% of the small farms in the AA are located.

Borrowers' Profile

Omega's record of originating loans to borrowers of different incomes and businesses and farms of different sizes is good.

Home Mortgage Loans

Refer to *Tables 7 and 9* in Appendix B for the data used in this analysis. The bank has a good record of originating home purchase loans to low- and moderate-income borrowers. In the AA, 15% and 21%, respectively, of the families are classified as low- and moderate-income families. The bank originated 6% and 25%, respectively, of its home purchase loans to low- and moderate-income borrowers in the Non-MSA assessment area. Omega exceeded its overall market share of 14.70% in lending to low- and moderate-income borrowers in this assessment area. The median cost of housing in the Non-MSA assessment area is \$51,000. The median family income is \$35,200. A low-income person's income is less than 50% of the median family income, limiting the opportunities of home ownership to a low-income person.

Small Business Loans

Refer to *Table 10* in Appendix B for the data used in this analysis. The bank has a good record of originating small business loans to businesses of various sizes. The bank originates the majority of its small business loans to businesses with revenues of \$1 million or less. In the AA, 91% of the businesses reported revenues of \$1 million or less. Seventy-seven percent of the small business loans originated in the AA were

made to businesses of this size. Eighty-seven percent of the small business loans originated in the AA were for amounts of \$100,000 or less. The bank has a market share of 15.41% for small business loans originated to businesses with revenues of \$1 million or less in the AA, compared to 9.35% of its overall market share for small business loans.

Small Farms Loans

Refer to *Table 11* in Appendix B for the data used in this analysis.

The bank has an excellent record of originating small farm loans. Ninety-six percent of the small farms in the AA have revenues of \$1 million or less. Ninety-nine percent of all small farm loans are to farms with revenues of \$1 million or less. The bank's market share of loans originated to farms with revenues of \$1 million or less exceeds its overall market share for all small farm loans. The average small farm loan size in the AA is \$34 thousand.

Community Development Lending

The bank has not originated any community development loans in the AA.

Flexible Lending Practices

Refer to the *Flexible Lending Practices* section above for a description. The overall conclusions are applicable to this AA.

INVESTMENT TEST

The level of qualified investments in the AA is adequate. Investment opportunities for the bank are limited in the AA. This conclusion is based on information provided by the community contacts during this evaluation and on community contacts conducted by other regulatory agencies. The bank purchased a housing bond for \$200,000 issued by PHFA. Approximately \$100,000 benefits this AA. Refer to the general conclusions for investments, which benefit both of Omega's AAs.

SERVICE TEST

The bank's performance under the Service Test for the AA is consistent with its overall Service Test performance.

Refer to *Table 13* in Appendix B for data used in this analysis.

Retail Services

The bank has a reasonable distribution of banking offices and ATMs throughout the AA considering the demographics of the area. There are no low-income BNAs and two moderate-income BNAs in the AA. There are no bank facilities in the moderate-income BNAs. Only 8% of the population reside in moderate-income BNAs. Banking hours are designed to serve the convenience and needs of the AA. Weekday hours are generally from 9:00 a.m. to 4:00 p.m. and are extended to 6:00 p.m. on Fridays. All offices provide banking hours on Saturdays from 9:00 a.m. to 12:00 p.m. Products are the same as those offered in the State College MSA AA..

Community Development Services

Refer to *Community Development Services* under the overall conclusions for the Service Test.

Appendix A

SCOPE OF EXAMINATION

Time Period Reviewed			
HMDA reportable loans, small business and small farm loan data	January 1, 1997 to December 31, 1998		
Community development investments	April 10, 1997 to June 7, 1999		
Financial Institution		Products Reviewed	
Omega Bank, N.A. State College, PA		Mortgage Loans, small business loans, small farm loans, and community development investments	
Affiliate(s)	Affiliate Relationship	Products Reviewed	
NONE	N.A.	N.A.	
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Examination	Branches Visited	Other Information
State College MSA 8050	On-Site	Main Office	None
Non-MSA-Clinton, Juniata, Mifflin, Montour, and Northumberland counties	Off-Site	None	None

Appendix B
Standard Tables

Charter Number: 10506

Table 1. Lending Volume

LENDING VOLUME State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998													
MSA /Assessment Area	% of Total bank Deposits in Rated Area		Home Mortgage		Small Business		Small Farms		Community Development		Total Reported Loans		% of Total reported Omega Loans in Rated Area
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full Scope:													
State College MSA 8050	62%	411	46,367	509	46,438	29	1,302	0	0	949	94,107	56%	
Non-MSA	38%	418	26,874	248	16,888	85	2,870	0	0	751	46,632	44%	

Table 2. Geographic Distribution of Home Purchase Loan Originations

Geographic Distribution: HOME PURCHASE State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Over all Market Rank*	Market Share by Geography*				Total Home Purchase Loans		
	% Owner Occ Units	% Omega Loans	% Owner Occ Units	% Omega Loans	% Owner Occ Units	% Omega Loans	% Owner Occ Units	% Omega Loans		Over all	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
State College MSA 8050	<1%	1%	5%	8%	59%	52%	36%	39%	6	5.56%	8.33%	13.46%	5.51%	4.98%	156	43%
Non-MSA	0%	0%	5%	7%	79%	84%	16%	9%	1	14.70%	0%	47.62%	15.33%	7.41%	204	57%

(*) Based on 1997 Aggregate HMDA Data only.

Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations

Geographic Distribution: HOME MORTGAGE REFINANCE State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*				Total Home Mortgage Refinance Loans		
	% Owner Occ Units	% Omega Loans	% Owner Occ Units	% Omega Loans	% Owner Occ Units	% Omega Loans	% Owner Occ Units	% Omega Loans		Over all	Low	Mod	Mid		Upper	#
Full Scope:																
State College MSA 8050	<1%	1%	5%	5%	59%	50%	36%	44%	2	8.75%	0%	13.51%	8.12%	9.28%	255	54%
Non-MSA	0%	0%	5%	2%	79%	90%	16%	8%	2	12.21%	0%	6.45%	14.08%	4.30%	214	46%

(*) Based on 1997 Aggregate HMDA Data only.

Table 5. Geographic Distribution of Small Business Loan Originations

Geographic Distribution: SMALL BUSINESS State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998																	
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Over all Market Rank*			Market Share by Geography*				Total Small Business Loans #	% of Total
	% of Businesses	% Omega Loans	% of Businesses	% Omega Loans	% of Businesses	% Omega Loans	% of Businesses	% Omega Loans	Over all	Low	Mod	Mid	Upper				
State																	
College MSA	14%	12%	3%	3%	44%	46%	39%	39%	2	18.29%	11.04%	5.79%	23.74%	19.75%	509	67%	
Non-MSA	0%	0%	13%	11%	72%	77%	15%	12%	4	9.75%	0%	12.54%	4.40%	34.45%	248	33%	

Full Scope:

(*) Based on 1997 Aggregate Small Business Data only.

Table 6. Geographic Distribution of Small Farm Loan Originations

Geographic Distribution: SMALL FARM State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*				Total Small Farm Loans		
	% of Farms	% Omega Loans	% of Farms	% Omega Loans	% of Farms	% Omega Loans	% of Farms	% Omega Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
State College MSA 8050	1%	0%	0%	0%	63%	100%	36%	0%	1	62.50%	0%	0%	74.07%	0%	29	25%
Non-MSA	0%	0%	1%	0%	85%	100%	15%	0%	1	58.82%	0%	0%	60.00%	0%	85	75%

(*) Based on 1997 Aggregate Small Farm Data only.

Table 7. Borrower Distribution of Home Purchase Loan Originations

Borrower Distribution: HMDA HOME PURCHASE State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998

MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Over all Market Rank**	Market Share by Borrower Income**				Total Home Purchase Loans		
	% of Families	% of Omega Loans *	% of Families	% of Omega Loans *	% of Families	% of Omega Loans *	% of Families	% of Omega Loans *		Overall	Low	Mod	Mid	Upper	#	% of Total
State College MSA 8050	16%	5%	20%	13%	24%	31%	40%	49%	6	5.56%	7.14%	3.41%	7.00%	5.84%	156	43%
Non-MSA	15%	6%	21%	25%	26%	33%	38%	36%	1	14.70%	15.62%	21.30%	18.29%	11.96%	204	57%

Full Scope:

(*) As a %age of loans with borrower income information available. No information was available for 2% of loans originated by Omega in State College MSA.
 (**) Based on 1997 Aggregate HMDA Data only.

Charter Number: 10506

Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations

Borrower Distribution: HOME MORTGAGE REFINANCE State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998

MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Over all Market Rank**	Market Share by Borrower Income**				Total Home Mortgage Refinance Loans		
	% of Families	% of Omega Loans *	% of Families	% of Omega Loans *	% of Families	% of Omega Loans *	% of Families	% of Omega Loans *		Overall	Low	Mod	Mid	Upper	#	% of Total

	% of Families	% of Omega Loans *	% of Families	% of Omega Loans *	% of Families	% of Omega Loans *	% of Families	% of Omega Loans *	Over all	Low	Mod	Mid	Upper	#	% of Total
Full Scope:															
State College MSA 8050	16%	1%	20%	13%	24%	28%	40%	54%	8.75%	0%	8.22%	9.58%	10.24%	255	54%
Non-MSA	15%	2%	21%	14%	26%	33%	38%	51%	12.21%	5.0%	12.12%	11.82%	15.81%	214	46%

(*) As a %age of loans with borrower income information available. No information was available for 4% of loans originated by Omega in State College MSA.

(**) Based on 1997 Aggregate HMDA Data only.

Table 10. Borrower Distribution of Small Business Loan Originations

Borrower Distribution: SMALL BUSINESS State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998											
MSA /Assessment Area	Business with Revenues of \$1 million or less			Loans by Original Amount regardless of Business Size		Market Share****		Total Small Business Loans			
	% of Businesses *	% Omega Loans**	% Market Loans***	\$100,000 or Less	>\$100,00 to \$250,000	All	Rev \$1 million or less	#	% of Total	Avg. Loan Size	
State College MSA 8050	89%	81%	52%	77%	15%	8%	18.29%	30.87%	509	67%	91,234
Non-MSA	91%	77%	53%	87%	8%	5%	9.35%	15.41%	248	33%	68,097

Full Scope:

(*) As a %age of businesses with known revenues.

(**) As a %age of loans with revenue information available. No information was available for 0% of loans originated by Omega.

(***) The market consists of all other Small Business reporters in Omega's assessment area and is based on 1997 Aggregate Small Business Data only.

(****) Based on 1997 Aggregate Small Business Data only.

Table 11. Borrower Distribution of Small Farm Loan Originations

Borrower Distribution: SMALL FARM State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998

MSA /Assessment Area	Farm with Revenues of \$1 million or less		Loans by Original Amount regardless of Farm Size		Market Share****		Total Small Farm Loans		
	% of Farms*	% Omega Loans**	\$100,000 or Less	>\$100,00 to \$250,000	All	Rev \$1 million or less	#	% of Total	Avg. Loan Size
State College MSA 8050	98%	100%	86%	10%	63%	65%	29	25%	45
Non-MSA	96%	99%	96%	2%	59%	61%	85	75%	34

Full Scope:

(*) As a %age of Farms with known revenues.

(**) As a %age of loans with revenue information available. No information was available for 0% of loans originated by Omega.

(***) The market consists of all other Small Farm reporters in Omega's assessment area and is based on 1997 Aggregate Small Farm Data only.

(****) Based on 1997Aggregate Small Farm Data only.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS State: Pennsylvania Evaluation Period: April 10, 1997 to June 7, 1999									
MSA /Assessment Area	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	***	#	\$ (000's)	***	#	\$ (000's)	% of Total \$'s
State College MSA 8050	1	281	49%	8	291	51	9	572	85%
Non-MSA	0	0	0	5	101	100%	5	101	15%

Full Scope:

(*) "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.
 (**) %age of the dollars invested in that MSA/Assessment Area that are prior period investments or current period investments.

Table 13. Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM State: Pennsylvania Evaluation Period: January 1, 1997 to December 31, 1998																	
MSA /Assessment Area	Deposits			Branches				ATMs				Population					
	% of Total Omega Deposits	# of Omega Branches	% of Total Omega Branches	Location of Branches by Income of Geographies			# of Omega ATMs	% of Total Omega ATMs	Location of ATMs by Income of Geographies			% of the Population within Each Geography					
				Low	Mod	Upp			Low	Mod	Upp	Low	Mod	Upp			
State																	
College MSA 8050	62%	15	63%	27%	7%	53%	13%	17	74%	41%	6%	29%	18%	8%	5%	48%	34%
Non-MSA	38%	9	37%	0%	0%	78%	22%	6	26%	0%	0%	67%	33%	0%	8%	78%	14%

Full Scope :