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Comptroller of the Currency  
Administrator of National Banks

**LARGE BANK**

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Pittsburgh Field Office

## **Public Disclosure**

January 18, 2000

# **Community Reinvestment Act Performance Evaluation**

**Commercial National Bank of Pennsylvania  
Charter Number: 14133**

**900 Ligonier Street  
Latrobe, Pennsylvania 15650**

**Office of the Comptroller of the Currency**

**Pittsburgh Field Office  
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**NOTE: This evaluation is not, and should not 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

<b>General Information</b> .....	1
<b>Definitions and Common Abbreviations</b> .....	2
<b>Overall CRA Rating</b> .....	5
<b>Description of Institution</b> .....	6
<b>Scope of Evaluation</b> .....	7
<b>Fair Lending Review</b> .....	8
<b>Conclusions with Respect to Performance Tests</b>	
Lending Test .....	9
Investment Test .....	15
Service Test .....	16
<b>Appendix A: Scope of Evaluation</b> .....	A-1
<b>Appendix B: Market Profiles for Areas Receiving Full-Scope Reviews</b> .....	B-1
<b>Appendix C: Tables of Performance Data</b> .....	C-1

## 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 **Commercial National Bank of Pennsylvania** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **January 18, 2000**. 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.*

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate**- Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Block Numbering Area (BNA)** Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

**Census Tract (CT)** Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

**Community Development (CD)** Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Full-Scope Review** Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography**- A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA)** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

**Home Mortgage Loans** Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Limited-Scope Review** Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

**Low-Income**- Income levels that are less than 50% of the median family income.

**Median Family Income (MFI)** The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Statistical Area (MSA)** Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** -Income levels that are at least 80% and less than 120% of the MFI.

**Moderate-Income** -Income levels that are at least 50% and less than 80% of the MFI.

**Small Business Loans** Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Farm Loans** - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

**Tier 1 Capital-** The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income-** Income levels that are 120% or more of the MFI.

## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated " **Satisfactory.**"

The following table indicates the performance level of **Commercial National Bank of Pennsylvania** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Commercial National Bank of Pennsylvania Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory			
Low Satisfactory		X	X
Needs to Improve			
Substantial Noncompliance			

\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- y An excellent record of community development lending activities that is very responsive to the identified credit needs in the assessment area.
- y A substantial majority (95%) of lending in the assessment area.
- y A good distribution of home mortgage lending in moderate-income CT's.
- y A good distribution of small business loans in moderate-income CT's.
- y A good distribution of home mortgage loans to borrowers of different income levels.
- y An excellent distribution of small loans to businesses. A substantial majority of loans were made to businesses with revenues of \$1 million or less.
- y An adequate level of community development investments originated during the review period, focusing on specifically targeted redevelopment.
- y CNB's service delivery systems are accessible to individuals and geographies of different income levels.
- y An adequate level of community development services provided within the assessment area.



## **Description of Institution**

Commercial National Bank ("CNB") is a \$345 million bank headquartered in Latrobe, Pennsylvania. CNB is an intrastate bank with 9 branches in Westmoreland County. The bank is a wholly owned subsidiary of Commercial National Financial Corporation (CNFC) a one-bank holding company also headquartered in Latrobe, Pennsylvania. There has been no merger activity since the previous examination. There are no affiliates for which the bank wants consideration of their activities when evaluating its performance. CNB does not have any bank subsidiaries. CNB's business focus includes both consumer and business loans.

As of September 30, 1999, net loans and leases represent 57% of total assets. The loan portfolio is comprised of the following: 46% 1-4 family residential mortgage loans; 27% commercial real estate loans; 12% commercial loans; 8% consumer loans; 3% multifamily residential mortgage loans; 2% construction and development real estate loans and 2% municipal loans. Tier I capital totaled \$43 million. CNB participates in the SBA lending program. The bank originated 9 loans totaling \$1.5 million. These loans were reported as small loans to businesses in Table 1 of Appendix C. There are no financial conditions, legal constraints, or other conditions that would hinder the bank's ability to help meet the credit needs of its assessment area.

# Scope of the Evaluation

## Evaluation Period/Products Evaluated

The evaluation period was January 1, 1997 through September 30, 1999. Products reviewed included home mortgage loans, small business, and small farm loans. However, the bank is not a farm lender, only a nominal number of farm loans were originated during the evaluation period. At the bank's request, the evaluation also included consumer loans (excluding credit cards loans). CNB's CRA rating at its previous examination dated January 22, 1997 was **"Outstanding"**. That review reflected the bank's decision to exercise an option for early review under revised large bank Community Reinvestment Act guidelines. These guidelines were formally implemented July 1, 1997.

## Data Integrity

An onsite data integrity review was conducted in 1999. There were no material issues identified. Public data is considered to be accurate.

## Selection of Areas for Full-Scope Review

A full scope review was performed for the bank's assessment area. Refer to the table in Appendix A for a description of the scope of the examination.

## Ratings

The bank's overall rating is based on its entire assessment area, which received a full-scope review. More weight was given to the bank's community development lending activities when assessing the overall lending rating. The bank made six community development loans totaling \$5.8 million during the review period. These loans were very responsive to the identified community credit needs in the assessment area.

## Other

This evaluation included a community contact with a local economic development agency. Details of this contact can be found in under Appendix B: Market Profiles for Full Scope Areas.

## **Fair Lending Review**

A Fair Lending examination was conducted at CNB to assess compliance with Fair Lending laws and regulations. These regulations include the Equal Credit Opportunity Act, the Fair Housing Act, and the Home Mortgage Disclosure Act. Home purchase mortgages were selected from HMDA reports for the period of January 1, 1998 to December 31, 1999. Using gender as a prohibited basis, six denied female applicants and thirty approved male applicants were selected. The comparative file analysis focused on possible disparities in the approval and denial process. There was no evidence that female applicants were evaluated differently from the control group male applicants. The analysis detected no evidence of a pattern or practice of discriminatory practices. No violations of substantive provisions of the antidiscrimination laws were identified.

# Conclusions with Respect to Performance Tests

## LENDING TEST

The bank's performance under the Lending Test is rated "outstanding." Based on a full scope review, the bank's performance in the Westmoreland County AA is excellent.

### Lending Activity

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

CNB demonstrates a good level of responsiveness to the credit needs of the community. The quarter average loan-to-deposit (LTD) ratio since the previous examination is 69.85 percent. CNB's market share of deposits in the assessment area is 5.67%. The bank ranks 5<sup>th</sup> in deposits among all bank's in the assessment area.

CNB is the 21<sup>st</sup> ranked originator of home purchase loans with 1.8% of the market share. Competition within the AA for home purchase loans is severe. Competition includes large national companies, a number of nonbank institutions, and numerous mortgage companies affiliated with national brand financial institutions. The bank is ranked 8<sup>th</sup> in originations of home improvement loans with 4% of the market share, which is near the bank's deposit market share. CNB is ranked 18<sup>th</sup> in originations of home mortgage refinance loans with 1.6% of the market share. Home improvement and home refinance lending within the AA is dominated by three large regional financial institutions. These institutions control 36% and 25% of these markets, respectively.

The bank is ranked 5<sup>th</sup> in originations of small business loans with 6.6% of the market share, which is comparable to overall deposit share penetration. CNB originated 3 small loans to farms. The bank is not primarily a farm lender and an analysis of farm lending is not meaningful.

### Distribution of Loans by Income Level of the Geography

#### *Home Mortgage Loans*

Refer to Tables 2, 3 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The geographic distribution of home mortgage loans is good. The volume of home mortgage lending is generally consistent with or exceeds the assessment area demographics and market shares. An analysis of home mortgage distribution in low-income CTs is not meaningful since less than one percent of the owner-occupied housing units are located in these areas.

The level of originations of home purchase loans in moderate-income CTs is good with bank originations closely mirroring the percentage of owner occupied units. The market share of home purchase loan originations in moderate-income CTs is 2%, which exceeds the bank's overall market share of 1.8%.

The level of originations of home improvement loans in moderate-income CTs is excellent. The percentage of originations of home improvement loans in moderate-income CTs is 19%, which exceeds the percentage of owner-occupied units of 16%. The bank's market share in moderate-income CTs is 3.7% and approximates the bank's overall market share of home improvement loans of 4%.

The level of originations of home mortgage refinance loans is adequate. Home mortgage refinance loans originated in moderate-income CTs is 9% and below the percentage of owner-occupied units, of 16%. The bank's market share of home mortgage refinance loans in moderate-income CTs is also below the bank's overall market share of home mortgage refinance loans.

### ***Small Loans to Businesses***

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The geographic distribution of small loans to businesses is good. The percentage of small loans to businesses originated in moderate-income CTs is good. Eighteen percent of the loans were made in moderate-income CTs which is close to the percentage of businesses those areas. CNB's market share of small loans to businesses, at 5.5%, approximates the bank's overall market share of small business loans.

CNB did not originate any small business loans in low-income CTS, which is adequate when considering the nominal percentage of businesses in these CTs and the strong competition. Only, 2% of all businesses are located in low-income CTs, which represents 265 businesses of 13,275. Fifty-one lenders in the assessment area originated a total of 73 small business loans. The top three lenders originated 44 (60%) of the loans and have a 60% market share. The next top ten lenders originated 1 to 6 loans and the remaining 38 lenders did not originate any small business loans. Eighty-five percent of all businesses are located in middle- and upper-income CTs.

### ***Small Loans to Farms***

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

CNB only originated three small farm loans. Given the limited number of small farm lending activity, a geographic analysis is not meaningful.

### ***Consumer Loans***

Refer to Table 14 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

The geographic distribution of consumer loans is good. The percentage of originations in moderate-income CTs exceeded the percentage of the population in moderate-income CTs. CNB did not originate any consumer loans in low-income CTs. However, less than 1% of the population resides in low-income CTs.

### ***Lending Gap Analysis***

There were no unexplained gaps in CNB's record of lending within the assessment area.

### ***Inside/Outside Ratio***

CNB has an excellent record of lending within its assessment area with 95% of the loans subject to review originated within the bank's assessment area.

## **Distribution of Loans by Income Level of the Borrower**

### ***Home Mortgage Loans***

Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The level of home mortgage lending to borrowers of different income levels is good. The level of originations generally approximates the demographics, and the market shares approximate or exceed CNB's overall market share.

CNB's distribution of home purchase loans to borrowers of different income levels is good. CNB originated 17% of home purchase loans to moderate-income borrowers, which approximates the percentage of moderate-income families in the assessment area. In addition the market share of home purchase loans to moderate-income borrowers at 1.5% also approximates the bank's overall home purchase loan market share of 1.8%.

CNB's origination of home purchase loans to low-income borrowers is good when considering the cost of housing, and the income of a low-income individual, in the assessment area. The median housing cost in the assessment area may exceed the level of affordability for low-income borrowers. With the MFI of \$32,787 and the median housing value of \$55,032, some low-income families would have difficulties affording a home. The income of a low-income person is less than 50% of the median family income, which equates to approximately \$16,000. Home mortgage opportunities are further limited as 13% of the households in the assessment area are below poverty level. Based on the assumption that with the average mortgage rate of 8% for a 30-year mortgage, the monthly housing expense would not be affordable for many individuals with an income of less than 50% of the MFI, in the assessment area. The percentage of home purchase originations is below the percentage of low-income families in the assessment area. However, CNB's market share of home purchase loans to low-income borrowers, at 4.1%, well exceeds the bank's overall market share of 1.8%.

CNB's level of home improvement loans originations to moderate-income borrowers is excellent and exceeds the percentage of moderate-income families in the assessment area. In addition, the bank's market share of home improvement loan originations to moderate-income borrowers, at 4.5%, exceeds the bank's overall home improvement market share of 4%.

CNB's volume of home improvement originations among low-income borrowers is also good when considering the cost of housing for a low-income person as discussed above. The percentage of home improvement originations is below the percentage of low-income families in the assessment area. However, the bank's market share to low-income borrowers is close to its overall market share.

The level of originations of home mortgage refinance loans is adequate. The percentage of loans to moderate-income borrowers is adequate, and is below the percentage of moderate-income families in the assessment area. However, the bank's market share of originations of home mortgage refinance loans to moderate-income borrowers approximates the bank's overall market share.

The percentage of home mortgage refinance loan originations to low-income borrowers is good, when considering the cost of housing for a low-income person, as discussed above. The percentage of home mortgage refinance lending to low-income borrowers is below the percentage of low-income families. However, CNB's market share of home mortgage refinance originations to low-income borrowers well exceeds the bank's overall market share in home mortgage refinancing.

### ***Small Loans to Businesses***

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The bank's distribution of small loans to businesses of different sizes is excellent. The percentage of small loans to businesses with revenues of \$1 million or less, at 85%, well exceeds the percentage of reported businesses with revenues of \$1 million or less in the assessment area and the percentage of loans made by market lenders.

Within CNB's assessment area, 74% of reported businesses are characterized by revenues of \$1 million or less and area market lenders originate 55% of loans to businesses with revenues of \$1 million or less. Additionally, 91% of all small loans were originated to businesses with revenues of \$250 thousand or less. CNB's market share of small loans to businesses with revenues of \$1 million or less is 9.2% and exceeds the bank's overall market share of small loans to businesses, at 6.6%.

### ***Small Loans to Farms***

Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The bank's distribution of small loans to farms of different sizes is good. However, the analysis is based on very limited farm lending activity. All three reported loans were to farms with revenues of \$1 million or less.

### ***Consumer Loans***

Refer to Table 14 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

CNB has a good record of originating consumer loans to borrowers of different income levels. The level of originations to low-income borrowers, at 18%, approximates the percentage of low-income households in the assessment area of 20%. In addition, consumer loans to moderate-income borrowers, at 24%, exceed the percentage of moderate-income households within the assessment area of 20%.

### **Community Development Lending**

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

CNB's record of community development lending is excellent. The bank originated six community development loans within its assessment area totaling \$5.8 million during the evaluation period. These lending activities are very responsive to the affordable housing, economic development, and revitalization credit needs identified in CNB's assessment area.

Two loans were made to a nonprofit economic development corporation that represented 17 community development corporations (CDCs) from 32 municipalities. The economic development corporation promotes community development by serving as an intermediate lender to the CDCs to create jobs primarily for LMI persons, refurbish commercial districts targeted for redevelopment by state and local government, finance small businesses, and renovate buildings and houses in LMI areas. The bank's lending activity in these local CDC's has been instrumental in their ability to identify, develop, and implement community development programs. For example, CDC funding has been responsible for the renovation and utilization of single family and multi-family housing in the AA. In addition, downtown revitalization efforts are specifically noted in the Westmoreland County Consolidated Plan.

One loan was made to a downtown revitalization project in Latrobe that incorporated government targets to improve commercial structures and promote new business facilities. The downtown area is in a designated moderate-income area and is targeted by local government for revitalization. Revitalization efforts are primarily targeted to renovate and/or replace downtown structures to facilitate growth and attract new businesses.

One loan was made to support the redevelopment of an area designated as a *brownfields* area. A *brownfields* area is an abandoned, idled, or underused property where expansion or redevelopment is complicated by real or perceived contamination. Federal, state, and local governments play an instrumental role in ensuring the revitalization of these areas through targeted redevelopment. CNB's participation in these efforts is critical to the government's ability to successfully promote the reuse of these sites for business and industry. The site was formerly an industrial property. It was targeted for redevelopment by local government. The property is being developed to revitalize and stabilize area economic development.

The remaining two loans were made to projects which will provide housing and services to senior citizens and retarded citizens, all of whom receive public assistance and are designated as low- and moderate-income people.

### **Product Innovation and Flexibility**

CNB is proactive in addressing affordable housing needs by offering a first time homebuyers loan product. This product includes reduced down payments, no loan

origination fees, and reduced service provider fees. The bank originated 69 loans totaling \$3.3 million during the evaluation period. These loans were reported under the home mortgage loans section of Table 1 in Appendix C of this report.

## **INVESTMENT TEST**

The bank's performance under the Investment Test is rated "low satisfactory." Based on a full scope review, the bank's performance in the Westmoreland County assessment area is satisfactory.

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

CNB has an adequate level of qualified investments. There were ten qualified investments made during the evaluation period totaling \$45 thousand. Investment opportunities are limited in the assessment area. There were no community development investment opportunities identified in the assessment area by the community contact, bank management, or our internal sources. Regulatory investigation and local community contacts did not disclose any new investment opportunities within the assessment area since the prior review period which limited investment opportunities to the specific downtown areas.

During the prior review period, the bank took a leadership role in creating the area's only Community Development Corporation (CDC). The CDC initiates, develops, and implements a variety of economic and housing programs in the Greater Latrobe area. The CDC was founded through a joint effort by CNB and the City of Latrobe to revitalize the downtown area. The revitalization of downtown centers in the assessment area has been identified as an economic development need in the assessment area. CNB invested \$40 thousand in the CDC during the current evaluation period, increasing its overall investment to \$65 thousand. The CDC continues to have a positive impact on local revitalization efforts. Economic distress from changes in the area's economic base are considered long term and the ability of the CDC to continue to work with these efforts is critical to the potential for lasting success in related projects.

CNB made nine qualified contributions, during the evaluation period, totaling \$5 thousand to entities engaged in community development activities that were primarily for low- and moderate-income individuals or geographies.

A community development investment for \$220 thousand was made during the previous period of review.

## **SERVICE TEST**

The bank's performance under the Service Test is rated "low satisfactory." Based on a full scope review, the bank's performance in the Westmoreland County assessment area is adequate.

### **Retail Banking Services**

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

CNB's service delivery systems are accessible to individuals and geographies of different income levels in the assessment area. The bank has nine full service branches and six stand-alone full service ATMs. Three branches are located in moderate-income CTs; five branches are located in middle-income CTs; and 1 branch in an upper-income CT. CNB's distribution of branches in moderate income CT's exceeds the percentage of population within moderate-income tracts. CNB does not have a branch in low-income tracts. However, the percentage of population in these tracts is less than 1%. CNB has not opened or closed any branches during this review period.

### **Community Development Services**

CNB level of community development services is adequate. Senior management uses their financial expertise as a member of the local industrial development authority. The industrial development authority's activities promote economic development by providing funding for small businesses and commercial site development including *brownfields*. Discussions with management and our internal research revealed that the opportunities to participate in community development services are limited.



## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term  $\Delta$ Full-Scope $\Delta$ ) and those that received a less comprehensive review (designated by the term  $\Delta$ Limited-Scope $\Delta$ ).

<b>Time Period Reviewed</b>	Lending Test: January 1, 1997 to September 30, 1999 Investment Test: January 1, 1997 to September 30, 1999 Service Test: January 1, 1997 to January 18, 2000	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Commercial National Bank of Pennsylvania Latrobe, Pennsylvania	Homes mortgage loans, small business loans, community development loans, and consumer loans (excluding credit cards)	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not Applicable		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Westmoreland County MSA 6280	Full Scope	

# Appendix B: Market Profiles for Full-Scope Areas

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## Table of Contents

### Market Profiles for Areas Receiving Full-Scope Reviews

Westmoreland County MSA 6280 .....	B-2
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## Westmoreland County MSA 6280

Demographic Information for Full-Scope Area: Westmoreland County MSA 6280						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	89	2.25	25.84	65.17	5.62	1.12
Population by Geography	370,321	0.43	17.84	69.33	12.40	0.00
Owner-Occupied Housing by Geography	110,003	0.13	16.11	70.87	12.89	0.00
Businesses by Geography	13,275	2.38	23.35	61.71	12.56	0.00
Farms by Geography	440	0.00	13.86	74.09	12.05	0.00
Family Distribution by Income Level	106,471	19.85	20.40	23.55	36.19	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	42,861	0.63	24.25	67.87	7.25	0.00
Median Family Income HUD Adjusted Median Family Income for 1999 Households Below the Poverty Level	= \$32,787 = \$42,700 = 12.71%	Median Housing Value Unemployment Rate				= \$55,032 = 4.04%

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 U.S. Census, and 1999 HUD updated MFI.

CNB has identified Westmoreland County as its assessment area. Westmoreland County is located in the southwestern region of Pennsylvania. It is one of the five counties that comprise the Pittsburgh Primary Metropolitan Statistical Area (PMSA). There are 89 CTs in the assessment area. The income levels of the CTs are: 2 low-income (2.25%), 23 moderate-income (25.84%), 58 middle-income (65.84%), 5 high-income (5.62%), and 1 N.A (1.12%). The assessment area meets regulatory guidelines and does not arbitrarily exclude any low- and moderate-income geographies.

CNB operates 9 branches and 13 ATMs in the assessment area. The geographic distribution of the branches is as follows: 0 branches in low-income CTs, 2 in moderate-income CTs, 5 in middle-income CTs, and 1 in upper-income CTs. The geographic distribution of the ATMs is as follows: 0 in low-income CTs, 1 in moderate-income CTs, 11 in middle income CTs, and 1 in upper-income CTs.

Banking competition is strong. In addition to several community banks of comparable asset size, competition is also received from 3 regional banks headquartered in Pittsburgh and Cleveland, Ohio.

The county's economy is rebounding from the recession in the manufacturing and steel industries. Westmoreland County has traditionally been dependent upon the primary metal industry and mining for its economic base. Population centers developed in the cities of Jeanette, Greensburg, Monessen, and New Kensington. These small cities are no longer the employment centers and have lost population. Suburban areas experiencing population growth are Hempfield Township, Penn Township, Unity Township, and Murrysville. New industrial parks and the development of small businesses have contributed to the improvement in the County's economy.

The major employers in the assessment area are: Sony, Westmoreland County government, Westmoreland Regional Hospital, Pennsylvania state government, SuperValu Holdings, Inc., Latrobe Area Hospital, and Elliott Turbomachinery Co., Inc.

According to the Westmoreland County, PA Consolidated Plan Executive Summary ("Consolidated Plan") issued by HUD, the County's housing stock has steadily increased over the past several decades. In 1990, the number of housing units increased 3.7% to 153,554 of which 71.7% were owner-occupied, 22.2% were renter-occupied and 6.2% were vacant. The Consolidated Plan identified affordable housing needs that include:

- Need to assist extremely low-income families with tenant-based rental assistance
- Need to provide assistance to low-income homebuyers
- Need to expand the affordable rental housing supply through new construction and substantial rehabilitation

A community contact was held with the economic development agency in Westmoreland County. The economic development agency was instrumental in developing the Consolidated Plan. The identified credit needs in the assessment area include:

Funding for the refurbishing of commercial districts targeted for redevelopment by state and local government, financing small businesses, job creation primarily for low-and moderate-income individuals, and renovating buildings and houses in LMI areas

Credit needs also exist to support economic development activities to redevelop old industrial facilities for reuse. The redevelopment of an area designated as a *brownfields* area. A *brownfields* area is an abandoned, idled, or underused property where expansion or redevelopment is complicated by real or perceived contamination. Federal, state, and local governments play an instrumental role in ensuring the revitalization of these areas through targeted redevelopment.

Community development lending opportunities exist for banks to provide financing and loan guarantees to assist businesses relocating or expanding in Westmoreland County.

There were no community development investment opportunities identified in the assessment area by the community contact, bank management, or our internal sources.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the  $\Delta$  bank include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of Home Purchase Loans** Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Farms** The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 7. Borrower Distribution of Home Purchase Loans** Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small business reporters in the bank's assessment area to businesses with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small farm reporters in the bank's assessment area to farms with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent

aggregate market data available.

**Table 12. Qualified Investments** Presents the number and dollar amount of qualified investments made by the bank in each MSA/assessment area. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must have been reported on schedule RC-L of the Call Reports as an off-balance sheet item.

**Table 13. Distribution of Branch Delivery System and Branch Openings/Closings** Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography in each MSA/assessment area. The table also presents data on branch openings and closings in each MSA/assessment area.

**Table 14. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of the population within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage of households by income level in each MSA/assessment area.



























