
Comptroller of the Currency
Administrator of National Banks

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

May 30,1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community National Bank of Northwestern Pennsylvania
Charter Number: 13871

53 East State Street
Albion, Pennsylvania 16401

Comptroller of the Currency
Western Pennsylvania Duty Station
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.

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 Community National Bank of Northwestern Pennsylvania prepared by Comptroller of the Currency, the institution's supervisory agency, as of May 30, 1996. 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.

Community National Bank of Northwestern Pennsylvania is responsive to the credit needs of the community. Evidence of this responsiveness is found in the substantial portion of loans that originate within the assessment area. The institution also has a reasonable loan-to-deposit ratio and offers an adequate array of loan product types. The distribution of loans reflects good penetration among borrowers of diverse income levels and to small businesses.

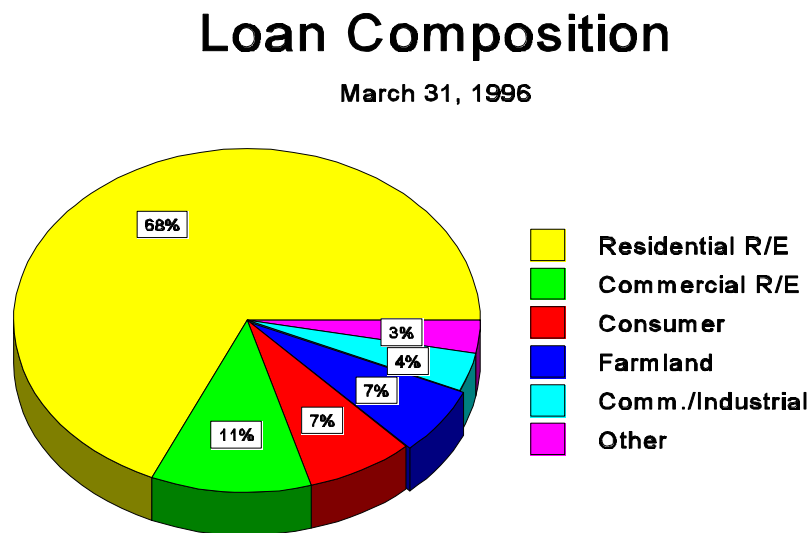
The following table indicates the performance level of Community National Bank of Northwestern Pennsylvania with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Community National Bank of Northwestern Pennsylvania</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Not Meaningful		
Response to Complaints	No Complaints were received since the last examination		

DESCRIPTION OF INSTITUTION

Community National Bank of Northwestern Pennsylvania (Community NB) has total assets of \$52.7 million, total deposits of \$42.6 million, and total gross loans of \$26.3 million as of March 31, 1996. Community NB offers a wide range of loan and deposit products. Its primary business focus is real estate (residential mortgage loans) and consumer loans. The bank has no financial or legal impediments which would hinder its ability to help meet the credit needs of its community.

The following chart identifies Community NB's loan composition as a percent of the total dollar amount of loans as of March 31, 1996:



Community NB has four banking offices in Erie county, including the main office located in Albion. The other three offices are located in Cranesville, Edinboro and West Springfield. All locations have an ATM, except the Cranesville office.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's assessment area consists of the central and western portions of Erie County and the northern portion of Crawford County. The majority of the bank's assessment area is in the Erie County Metropolitan Statistical Area (MSA). The institution's offices are located in rural sections of Erie County; however, the assessment area extends into the suburbs of the City of Erie. The population of Erie County was 276 thousand as per the 1990 Census.

The remaining portion of the assessment area in Crawford County is comprised of Block Numbering Areas (BNA's). The portion of the assessment area located in Crawford County is entirely rural. The Crawford County population was 86 thousand as per the 1990 census. Our analysis employed the HUD MSA median income of \$36,600 for 1996 and \$35,700 for 1994 and 1995 and the Pennsylvania non-MSA median family income of \$32,800 for Crawford County.

The income characteristics of census tracts in the bank's assessment area are as follows: The portion of the assessment area within the Erie MSA contains 8 middle-income census tracts and 3 upper-income census tracts. The non-MSA area contains 5 middle income BNAs. There are no low or moderate income areas within the assessment area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low or moderate income areas.

The assessment area's economic environment had been significantly affected by major tornado damage 10 years ago and the long-term decline of railroad-related employment. Nevertheless, the economy has begun to rebound. The assessment area has benefitted from new employers and greater diversity in the economic base. The improvements have been the result, in part, of the efforts of bank management to attract the State Correctional facility to the area. Major employers in the area include the State Correctional Facility: 500 employees, and The Edinboro State University: 700 employees. Both employers add significant stability to the local economy.

Discussions with management revealed that credit needs of individuals within the assessment area include residential mortgage loans, consumer credit, and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Management is performing satisfactorily in meeting the credit needs of the entire assessment area, including moderate-income individuals and areas, consistent with its resources and capabilities.

Loan to Deposit Ratio

The average of Community NB's loan to deposit ratios for the past five quarters is 59.9 percent. The ratio has exhibited an increasing trend during this period, growing to 61.8 percent as of March 31, 1996. The lack of financial institutions of similar size in the assessment area precluded a meaningful comparison of the loan to deposit ratio. Nevertheless, in comparison to its national peer group of bank's of similar size, Community NB's loan to deposit ratio appears reasonable. Furthermore, the increasing trend in the loan to deposit ratio is strong evidence of Community NB's willingness to lend.

Lending in the Assessment Area

A substantial majority of Community NB's lending has been within the assessment area. We compiled statistical information regarding lending patterns from the bank's 1995 Home Mortgage Disclosure Act Loan Application Register (HMDA LAR) regarding mortgage loans and from bank records for all consumer loans made in 1995. The dollar amount of loan originations for 1995 within the assessment area represented 90.7 percent of the total loan volume (\$8.6 million). In addition, the number of loans made within the assessment area comprised 90.2% of the 335 total loan originations in 1995.

Income Distribution within Assessment Area

The distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels. Within the portion of the bank's assessment area in the Erie county MSA, 13.9% of families are low-income, 17.2% are moderate-income, 25.8% are middle-income, and 43.1% are upper income.

To review the distribution of bank lending among these income groups, we analyzed residential mortgage loan data from the bank's 1995 HMDA LAR and reviewed a sample of 36 consumer loans originated during 1995. The following chart reflects a reasonable dispersion of sampled mortgage and consumer loans to individuals of different income groups.

Lending to Borrowers of Different Incomes										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	13.9%		17.2%		25.8%		43.1%		100%	
Loan Types	#	%	#	%	#	%	#	%	#	%
Mortgages	1	1.1	12	13.3	18	20.0	59	65.6	90	100
Consumer	3	8.3	12	33.3	11	30.6	10	27.8	36	100

Geographic Distribution of Loans

Community NB's assessment area includes no low- or moderate-income census tracts or BNA's. As a result, no meaningful analysis was possible regarding the distribution of credit within the assessment area.

Fair Lending Analysis

Community NB is in substantial compliance with the provisions of antidiscrimination laws and regulations. An analysis performed during the recent consumer compliance examination did not reveal any discriminatory treatment or illegal practices.