



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 10, 2008**

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

Columbia County Farmers National Bank  
Charter Number 11058

232 East Street  
Bloomsburg, PA 17815-9923

Office of the Comptroller of the Currency

NORTHERN PENNSYLVANIA  
60 Public Square Suite 602  
Wilkes-Barre, PA 18701

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

The overall rating is based on the following factors:

- The bank's average loan-to-deposit ratio is more than reasonable and exceeds the standard for satisfactory performance;
- A majority of the bank's loans are originated in its assessment area (AA);
- The bank's distribution of loans represents a reasonable penetration among individuals of different income levels;
- The bank's distribution of loans represents a reasonable dispersion throughout census tracts of different income levels.

## **SCOPE OF EXAMINATION**

This Small Bank examination assesses the bank's performance under the lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area through its lending activities. The evaluation period for the lending test is January 1, 2005 through December 31, 2007, as this is representative of the bank's lending strategy since the last Community Reinvestment Act (CRA) examination. Based upon the bank's business strategy and the loan balances outstanding at December 31, 2007, we determined the bank's primary loan product was home mortgage lending. The bank voluntarily collected Home Mortgage Disclosure Act (HMDA) data despite being a non-HMDA reporting bank. The HMDA data was verified and was deemed reliable. Therefore, conclusions regarding the bank's lending performance are based on the HMDA data collected from January 1, 2005 through December 31, 2007.

## **DESCRIPTION OF INSTITUTION**

Columbia County Farmers National Bank (CCFNB) is a \$244 million intrastate community bank with its main office and headquarters in Bloomsburg, Pennsylvania. Bloomsburg is located in Columbia County in Eastern Pennsylvania. CCFNB is a wholly owned subsidiary of CCFNB Bancorp, Inc., a one-bank holding company headquartered in Bloomsburg, Pennsylvania with consolidated assets of \$245 million. CCFNB does not have affiliates or subsidiaries.

In addition to the main office, the bank has seven other branch offices. All of the branches are located in Columbia County, which is the bank's AA. One of the branches is located in a moderate-income geography, six branches are located in middle-income geographies, and one branch is located in an upper-income geography. Six of the branches have Automated Teller Machines (ATMs) onsite. Six of the eight offices offer drive up facilities. Five of the branches

offer Saturday morning services. CCFNB also has 24-hour transactional banking through telephone and on-line banking. Since the last evaluation, CCFNB has not closed any branches and has opened two branches.

CCFNB is a full service community bank offering retail and commercial banking. As of December 31, 2007, CCFNB reported \$160 million in net loans and \$171 million in total deposits. Net loans increased \$15 million and total deposits increased \$11 million since the last CRA examination. Net loans represented 66% of total assets. The bank's loan portfolio consists of residential real estate loans (53%), consumer loans (8%), and commercial loans (39%). The primary lending product is residential mortgage loans, which is a primary business focus of the bank. Net tier one capital is \$30 million as of December 31, 2007. Net tier one capital increased \$5 million since our last CRA examination.

In the bank's AA of Columbia County, CCFNB was ranked third out of seven institutions with 19% of the deposits. Competitors in this market include: First Keystone National Bank (29% market share, five offices), First Columbia Bank and Trust Co. (27% market share seven offices), and PNC Bank (12% market share, four offices). Since the bank is not a HMDA reporter, we cannot comment on the bank's market share of lending in the assessment area.

There are no financial or legal impediments impacting CCFNB's ability to help meet the community credit needs of its AA.

CCFNB's last Public Evaluation (PE) was dated July 29, 2002, and the overall CRA rating assigned was **Satisfactory**.

CCFNB and First Columbia Bank and Trust will merge on July 1<sup>st</sup>, 2008. The bank will keep the name of First Columbia Bank and Trust and will become a state chartered institution.

## **DESCRIPTION OF ASSESSMENT AREA**

CCFNB has identified all of Columbia County, a non-MSA, as its AA. This AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. Columbia County is primarily a rural area in the eastern part of the state. It was previously part of the Scranton/Wilkes-Barre/Hazleton, PA MSA 7560, but changed to a non-MSA in 2004. The more populous Wyoming Valley and City of Scranton are approximately 40-50 miles north of Bloomsburg.

CCFNB's AA contains 15 census tracts (CT). Out of the 15, 1 is moderate-income (7%), 13 are middle-income (86%), and 1 is upper-income (7%). There are no low-income tracts in the AA. The total population of the AA is 64,151 according to the 2000 U.S. Census. The unemployment rate, as of December 31, 2007, in Columbia County was 5.6%. This rate is higher than the state rate of 4.7%. Major employers in the bank's AA include: Bloomsburg University, Wise Foods, CHS Berwick Hospital, Magee Rieter Automotive Systems, and Del Monte Foods.

The weighted average of the median housing cost in the AA is \$87,127. The Updated HUD Median Family Income for 2007 is \$49,800. The percentage of households below the poverty

level is 12.00%. The AA's population is comprised of 16,703 families with the following family income distributions: 16% are low-income, 20% are moderate-income, 26% are middle-income, and 38% are upper-income.

In conducting the assessment of the bank's performance, we contacted a local housing agency. The contact stated that based on the number of applicants received for the organization's housing programs; there are a significant number of low- and moderate-income individuals in the county. The contact also said that within the past four to six months, there are more individuals enrolling in heating assistance programs as families are struggling to deal with rising fuel prices and other cost of living increases.

The contact feels there are opportunities for local financial institutions to finance housing and community development projects. The contact said that, typically, they don't see local projects financed by local institutions. As far as community development investments, the contact was not very familiar with any specific investments that banks could purchase. The contact believes local financial institutions, including CCFNB, are involved in the community and they provide customers the services they need. The contact said local financial institutions have been very helpful in funding borrowers under the First Time Home Buyer's Program. Any time the organization has had to deal with financial institutions, they have had a positive experience.

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

CCFNB's performance under the lending test is satisfactory. CCFNB's loan-to-deposit ratio is more than reasonable. A majority of CCFNB's primary loan products are within the bank's assessment area. CCFNB was found to have reasonable penetration among borrowers of different income levels. A geographic distribution would not be meaningful and was not performed. All criteria of the lending test are documented below.

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

CCFNB's loan-to-deposit (LTD) ratio is more than reasonable and exceeds the standard for satisfactory performance. CCFNB's LTD ratio ranks third among the twenty-six bank peer group. The bank's quarterly average LTD ratio since the last CRA examination is 89%. During this twenty-four quarter period, the ratio ranged from a quarterly low of 84% to a quarterly high of 96%. This ratio exceeds the average quarterly ratios of all other Pennsylvania banks with similar asset size. The custom peer average was 75%, with quarterly ratios ranging from 71% to 82% during the time period. The bank with the highest average ratio had an average ratio of 99%. The lowest average ratio among the peer group was 48%.

## Lending in Assessment Area

A majority of CCFNB’s home mortgage loans originated during the evaluation period were within the AA. CCFNB meets the standard for satisfactory performance for lending in the AA. An analysis of the HMDA data disclosed that 78% of the number and 73% of the dollar amount of loans were originated in the AA. The following table is an analysis of the distribution of home mortgage loans.

Home Mortgage Loans Originated During Evaluation Period										
Loan Type	Number of Loans					Dollars of Loans				
	Inside AA		Outside AA		Total	Inside AA		Outside AA		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	198	69%	89	31%	287	25,644	70%	11,003	30%	36,647
Home Refinance	288	80%	70	20%	358	21,288	75%	7,206	25%	28,494
Home Improvement	189	85%	33	15%	222	6,418	85%	1,120	15%	7,538
<b>Totals</b>	<b>675</b>	<b>78%</b>	<b>192</b>	<b>22%</b>	<b>867</b>	<b>53,350</b>	<b>73%</b>	<b>19,329</b>	<b>27%</b>	<b>72,679</b>

Source: 2005-2007 HMDA-LAR

## Lending to Borrowers of Different Incomes

The distribution of loans reflects a reasonable penetration among individuals of different income levels, and CCFNB’s record of lending to borrowers of different incomes meets the standard for satisfactory performance.

The percentage of home purchase loans made to low-income borrowers is lower than the percentage of low-income families in the AA. The percentage of home improvement loans made to low-income borrowers is lower than the percentage of low-income families in the AA. The percentage of home refinance loans made to low-income borrowers is lower than the percentage of low-income families in the AA. However, when considering the affordability of housing in the AA, this performance is satisfactory. The median cost of housing in the AA is \$87,127, based on 2000 census data. The HUD updated median family income for 2007 is \$49,800. This means that a low-income person earns less than \$24,900. Based on these statistics, it would be difficult for a low-income individual to purchase housing in the AA.

The percentage of home purchase loans made to moderate-income borrowers is lower than the percentage of moderate-income families in the AA. The percentage of home improvement loans made to moderate-income borrowers is lower than the percentage of moderate-income families in the AA. The percentage of home refinance loans made to moderate-income families is lower than the percentage of moderate-income families in the AA. This performance is satisfactory when considering the affordability of housing in the AA. A moderate-income person would

make below \$39,840. Based on these statistics, it would also be difficult for a moderate-income individual to purchase housing in the AA.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2005 through December 31, 2007 as compared to the percent of families in each income category.

<b>Table 2 - Borrower Distribution of Home Mortgage Loans in the AA</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
<b>Home Purchase</b>	16%	8%	20%	12%	26%	19%	38%	61%
<b>Home Refinance</b>	16%	12%	20%	15%	26%	28%	38%	45%
<b>Home Improvement</b>	16%	11%	20%	16%	26%	26%	38%	47%
<b>Totals</b>	16%	11%	20%	14%	26%	25%	38%	50%

Source: 2005-2007 HMDA-LAR

### **Geographic Distribution of Loans**

The distribution of loans reflects reasonable dispersion throughout the bank’s AA. There were no conspicuous gaps identified within the bank’s AA.

There are no low-income geographies in the AA; therefore, an analysis of lending in low-income geographies was not performed. There is only one moderate-income geography in the AA. There are only 1,327 owner-occupied housing units located in the bank’s one moderate-income geography.

The percentage of home purchase loans made in the moderate-income geography is lower than the percentage of owner-occupied housing units in this geography. The percentage of home improvement loans made in the moderate-income geography is lower than the percentage of owner-occupied housing units in this geography. The percentage of home refinance loans made in the moderate-income geography is lower than the percentage of owner-occupied housing units in this geography. When considering the limited number of housing units located in the moderate-income geography and the bank’s limited opportunity to lend in the moderate-income geography, the bank’s performance meets the standard for satisfactory performance.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

<b>Table 3 - Geographic Distribution of Home Mortgage Loans in AA</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
<b>Home Purchase</b>	0%	0%	7%	2%	80%	83%	13%	15%
<b>Home Refinance</b>	0%	0%	7%	1%	80%	81%	13%	18%
<b>Home Improvement</b>	0%	0%	7%	2%	80%	83%	13%	15%
<b>Totals</b>	0%	0%	7%	2%	80%	82%	13%	16%

Source: 2005-2007 HMDA-LAR

### **Responses to Complaints**

The bank has not received any CRA-related consumer complaints since the last CRA examination.

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

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.