
Comptroller of the Currency
Administrator of National Banks

Small Bank

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

PUBLIC DISCLOSURE

May 18, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First United National Bank

Charter Number 9480

**Post Office Box 7
Fryburg, Pennsylvania 16326**

**Office of the Comptroller of the Currency
4075 Monroeville Boulevard, Suite 300
Monroeville, Pennsylvania 15146-2529**

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 **First United National Bank** prepared by **The Office of the Comptroller of the Currency** the institution's supervisory agency, as of May 18, 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**.

The primary factors supporting the bank's overall rating are as follows:

The average loan-to-deposit ratio is reasonable.

The vast majority of sampled mortgage loans and consumer loans were originated within the bank's assessment area.

Loan distribution among borrowers of different incomes is good.

The geographic distribution of loans reflects adequate dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

First United National Bank (FUNB) is a \$117 million bank approximately 120 miles from Pittsburgh in northwestern Pennsylvania. FUNB is wholly-owned by Fryburg Banking Company, a one-bank holding company. The bank is headquartered in the town of Fryburg in Clarion County. Branches are located in the towns of Clarion and New Bethlehem in Clarion County and Franklin and Oil City in Venango County. The Clarion and Franklin branches were opened since the prior CRA examination. No branches have been closed. All branches are full service offices. FUNB began operating automated teller machines (ATMs) in 1996. ATMs are located at the Clarion, Fryburg, Franklin, and New Bethlehem branches. Another ATM is located at Market Basket Plaza in Tionesta in Forest County.

FUNB is primarily a consumer lender. Residential mortgage loans and consumer loans are the primary loan products. As of 3-31-99, net loans comprised 68 percent of total assets. The loan portfolio is comprised of 50 percent 1-4 family residential mortgages, 29 percent consumer loans, 12 percent other real estate loans, and 9 percent business loans. The bank does not sell its mortgages on the secondary market.

Banking competition in the assessment area is strong. FUNB competes with First National Bank of Pennsylvania, Farmers National Bank of Emlenton, North West Savings Bank, PFC Bank, and New Bethlehem Bank.

FUNB received a **Satisfactory** CRA rating in its 11-6-96 examination. There are no legal or financial impediments which would hinder the bank's ability to help meet the credit needs of its community.

DESCRIPTION OF BANK'S ASSESSMENT AREA

FUNB services several counties in northwestern Pennsylvania. FUNB's assessment area is comprised of the entire counties of Clarion, Venango, and Forest. Also included are adjacent segments of Armstrong, Crawford, and Jefferson counties. All counties are non-metropolitan statistical areas and are primarily rural. There are a total of thirty-eight block number areas (BNAs) in the assessment area. Of the thirty-eight BNAs, six are moderate-income areas and thirty-two are middle-income areas. The updated median family income for non-metropolitan statistical areas in Pennsylvania is \$35,200. The total population of the assessment area is 149,245 as of the 1990 U.S. Census. Of 55,509 households, 7,330 households are moderate-income and 48,179 households are middle-income. Seventy-five percent of the housing units are owner-occupied. Retail trade and services continue to represent the largest employment categories in the region following the decline in manufacturing. Major employers in the assessment area include Wal Mart, Joy Manufacturing Company, Owens-Brockway

Glass Container, Inc., and several home manufacturers. The assessment area meets the

requirements of the CRA and does not arbitrarily exclude low- and moderate-income geographies. Our community contact revealed that there is a general need for start-up capital for small businesses. State-sponsored programs play a large role in addressing funding credit needs for small businesses in the assessment area.

Clarion County has a population of 41,699. There is one moderate-income BNA and eight middle-income BNAs and in the county. The unemployment rate for 1998 was 5.3 percent. The state unemployment rate for 1998 was 4.6 percent. Retail is the largest employment segment followed by government and manufacturing.

Venango County has a population of 59,381. There are two moderate-income BNAs and fourteen middle-income BNAs. The unemployment rate for 1998 was 5.4 percent. The county has suffered from the loss of jobs in the oil and glass industries.

Forest County, with 4,802 residents, has the smallest population of any county in Pennsylvania. There is one moderate-income and one middle-income in the county. Unemployment is high with a state-leading rate for 1998 of 8.6 percent.

The remainder of the assessment area is comprised of eleven BNAs in small segments of Armstrong, Crawford, and Jefferson counties. Of the eleven BNAs, two are moderate-income and nine are middle-income. Twenty-nine percent of the assessment area=s total population resides in these BNAs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Analysis

The average loan-to-deposit (LTD) is reasonable. The average LTD ratio since the previous examination is 68 percent. This compares favorably with the average LTD of 63 percent for four similar size banks headquartered within or near FUNB=s assessment area. FUNB=s LTD ratio has shown measured improvement and exceeded that of its group peers since the previous examination.

Lending in Assessment Area

FUNB has a strong record of lending within its assessment area. A substantial majority of sampled loans were originated within its assessment area. Loan penetration was analyzed by sampling 25 mortgage loans and 25 consumer loans originated since the previous examination. Ninety-six percent of the sampled mortgage loans and one hundred percent of the consumer loans sampled were originated within the assessment area.

Sampled Loans Originations					
Loan Types		Total		% of Total	
		#	\$(000=s)	#	\$(000=s)
Mortgages	In	24	1,297	96%	95%
	Out	1	64	4%	5%
Consumer	In	25	394	100%	100%
	Out	0	0	0%	0%

Lending to Borrowers of Different Incomes

The distribution of sampled loans indicates a reasonable penetration to borrowers of different income levels. While mortgage lending to low- and moderate-income (LMI) borrowers were inconsistent with assessment area income demographics, consumer lending to LMI borrowers is good. Management cited a low demand for mortgages from LMI borrowers.

Lending To Borrowers Of Different Income Levels										
	Low - Income Families		Moderate- Income Families		Middle- Income Families		Upper- Income Families		Total	
	#	%	#	%	#	%	#	%	#	%
Area Demographic Characteristics	20%		22%		25%		33%		100%	
Mortgage	0	0%	3	13%	11	46%	10	42%	24	100%
Consumer	11	44%	0	0%	13	52%	1	4%	25	100%

Geographic Distribution of Loans

The geographic distribution of loans demonstrates a reasonable dispersion throughout the assessment area. Our analysis consisted of geocoding the sampled mortgage and consumer loans originated since the previous CRA examination. While mortgage loan originations in moderate-income BNAs is low, consumer lending in those BNAs is relatively high.

Geographic Distribution of Loans										
	Low Income-BNAs		Moderate-Income BNAs		Middle-Income BNAs		Upper-Income BNAs		Total	
Area Demographic Characteristics	0%		16%		84%		0%		100%	
Count	0		6		32		0		38	
<i>Loan Types</i>	#	%	#	%	#	%	#	%	#	%
Mortgages	0	0	1	4	23	96	0	0	24	100
Consumer	0	0	6	24	19	76	0	0	25	100

Response to Complaints

FUNB has not received any CRA-related complaints since the previous CRA examination.

Record of Compliance with Antidiscrimination Laws

There were no violations of antidiscrimination laws identified during the concurrent fair lending examination.