



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 5, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Westmoreland FS&LA
Charter Number 705537

322 Main Street
Latrobe, PA 15650-1558

Office of the Comptroller of the Currency

Corporate One Office Park, Building 2
4075 Monroeville Boulevard, Suite 300
Monroeville, PA 15146

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 major factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, assessment area (AA), credit needs, and relevant competitive factors;
- A substantial majority of loans originated are in the bank's AA;
- The record of lending reflects reasonable penetration to residential real estate loans; and
- The distribution of loans reflects reasonable dispersion among borrowers of different income levels.

SCOPE OF EXAMINATION

CRA activities at Westmoreland FS & LA (Westmoreland) were completed using full-scope review procedures for its AA. Our review covered the bank's performance from January 1, 2009 through December 31, 2011. Residential mortgage loans were determined to be the bank's primary loan product and were reviewed as part of this examination.

DESCRIPTION OF INSTITUTION

Westmoreland is a federally chartered mutual institution in operation since 1952. Westmoreland offers fixed rate loans for the purchase, refinance and construction of one-to-four family and multi-family dwellings. Home equity loans are also available. Savings products offered include checking, passbook and statement savings, certificates of deposit, individual retirement accounts, vacation and Christmas club accounts, and money orders. Westmoreland also operates a utility payment center that accepts payment for fourteen businesses. Westmoreland's number one priority is customer service. Additional information is available at the bank's website at www.westfedsav.com.

At June 30, 2012, Westmoreland maintained total assets of \$177 million. As of the same date, Westmoreland had net loans of \$84 million, total deposits of \$138 million, and Tier One Capital of \$39 million. Net loans represent 47% of total assets. The bank's loan portfolio consists primarily of one-to-four family residential real estate loans.

Westmoreland's one office is located at 322 Main Street, Latrobe, PA. During the evaluation period, the bank did not open or close any offices. Westmoreland offers traditional business hours during the week and also offers Saturday hours. Westmoreland is a member of the Freedom ATM Alliance which offers ATM service surcharge free.

There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its AA. At the prior CRA examination dated July 24, 2007, Westmoreland was rated "Satisfactory."

DESCRIPTION OF WESTMORELAND ASSESSMENT AREA

Demographic Information for Full Scope Area: Westmoreland AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	95	1.05	18.95	71.58	8.42	0.00
Population by Geography	369,993	0.40	13.72	74.45	11.43	0.00
Owner-Occupied Housing by Geography	116,847	0.18	12.11	75.91	11.80	0.00
Business by Geography	36,752	0.39	14.12	71.45	14.04	0.00
Farms by Geography	909	0.00	11.44	77.56	11.00	0.00
Family Distribution by Income Level	104,996	18.84	20.27	23.11	37.78	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	41,062	0.55	18.79	74.05	6.61	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		47,195 64,000 9%	Median Housing Value Unemployment Rate (Sept. 2012 Bureau of Labor Statistics)	88,350 6.7%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2011 HUD updated MFI

Westmoreland's AA is located within the Pittsburgh, Pennsylvania (PA) Metropolitan Statistical Area (MSA), and includes all census tracts in Westmoreland County, PA. The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The total population in the AA was 369,993 as of the 2000 U.S. Census. The unemployment rate as of September 2012 was 6.7%. This rate is lower than the Pittsburgh MSA rate of 8.2% and lower than the state rate of 8.2%.

Major employers for Westmoreland County in the AA include the State Government, Westmoreland Regional Hospital, Wal-Mart, Westmoreland County, and United Parcel Service. Top employment sectors include service industries at 39%, non-classified establishments at 25%, retail trade at 11%, and construction at 8%.

The median cost of housing in the AA is \$88,350. The Updated Median Family Income for 2011 is \$64,000. The percentage of households below the poverty level is 9%. The AA's population is comprised of 104,996 families with the following family income distribution: 18.84% are low-income, 20.27% are moderate-income, 23.11% are middle-income, and 37.78% are upper-income.

In 2010, 277 lenders originated Home Mortgage Disclosure Act (HMDA) loans in the AA, according to the HMDA Peer Mortgage Data. Competition in the AA was strong

with Bank of America, PNC Bank, and Wells Fargo Bank ranking as the top three lenders with market shares of 9.49%, 8.15%, and 7.95% respectively. Westmoreland was ranked 28th with a market share of 0.73%. Other competitors consisted of large national banks and mortgage companies, large regional banks, and mortgage brokers with nationwide sources of funding.

According to the June 30, 2012 FDIC Summary of Deposits Market Share Report, Westmoreland was ranked 10th out of 23 institutions in their AA with 2.05% of deposits. PNC Bank is ranked first with 22 offices and 26.64% of the deposits. Other financial institutions include First Commonwealth Bank with 17 offices and 14.14% of the deposits, Citizens Bank of PA with 18 offices and 11.34% of the deposits, First National Bank of Pennsylvania with 21 offices and 10.46% of the deposits, and S&T Bank with 10 offices and 10.41% of the deposits.

We completed one community contact to a housing agency committed to providing and managing affordable and quality housing that is safe to all eligible families in their servicing area. The contact identified a credit need stating that there is always a need for residential mortgages and mortgage refinances. It was also stated that the financial institutions in the area have opportunities for participation, such as, tax credit programs, community development projects, and business projects. Financial institutions in the area have shown willingness to service the credit needs of the community. The contact did state that financial institutions in the area have demonstrated that they are more inclined and willing to lend after going through the recent credit crisis.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Westmoreland's loan-to-deposit ratio is satisfactory. The bank's loan-to-deposit ratio is reasonable for the standard for satisfactory performance. The bank's average loan-to-deposit ratio for the prior twenty quarters is 74%. This is above the 68% average loan-to-deposit ratio for similarly situated banks during the same time period.

Lending in Assessment Area

Westmoreland's lending in their AA is outstanding. A substantial majority of the home mortgage loans originated during the evaluation period were within the AA. Westmoreland exceeds the standard for satisfactory performance for lending in the AA. An analysis of the HMDA data disclosed that over 86% of these loans were originated in the AA.

Lending to Borrowers of Different Incomes

Westmoreland's lending to borrowers of different incomes meets the standard for reasonable performance and is considered satisfactory. The level of home mortgage loan purchases originated to low-income borrowers is somewhat lower than the

percentage of low-income families in the AA. However, when considering the affordability of housing in the AA, this performance is good. The median cost of housing in the AA is \$88 thousand, based on 2000 census data. The HUD updated median family income for 2011 is \$64 thousand. This means that a low-income person earns less than \$32 thousand. Households below the poverty level are 9%. Based on these statistics, it would be difficult for a low-income individual to purchase housing in the AA. Also, in 2010, of the 277 lenders to low-income individuals in the AA, Westmoreland was ranked 28th, with a market share of 0.73%. The level of home mortgage loan purchases originated to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. This performance is excellent.

The percentage of home improvement loans made to low-income borrowers is lower than the percentage of low-income families in the AA. This performance is reasonable and meets the standard for satisfactory performance. The percentage of home improvement loans made to moderate-income borrowers is near to the percentage of moderate-income families in the AA. This performance is reasonable and meets the standard for satisfactory performance.

The percentage of home mortgage refinance loans to low-income borrowers is significantly lower than the percentage of low-income families in the AA. This performance is considered poor and does not meet the standard for satisfactory performance. The percentage of home mortgage refinance loans to moderate-income borrowers is somewhat lower than the percentage of moderate-income families in the AA. This performance is reasonable and meets the standard for satisfactory performance.

Table 1 - Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	18.84	11.11	20.27	22.22	23.11	20.37	37.78	46.30
Home Improvement	18.84	8.33	20.27	16.67	23.11	25.00	37.78	50.00
Home Mortgage Refinance	18.84	5.41	20.27	12.16	23.11	22.97	37.78	59.46

Source: 2009-2011 HMDA LAR.

Geographic Distribution of Loans

Westmoreland’s geographic distribution of loans meets the standard for satisfactory performance. The geographic distribution reflects reasonable dispersion in comparison

to the geographical distribution of residential mortgage loans within the AA. Our review did not detect any conspicuous or unexplained gaps in the bank’s lending patterns.

Geographic Distribution of Residential Real Estate Loans

The geographic distribution of loans in the AA is satisfactory. Westmoreland did not originate any loans in the one low-income geography which is located approximately one hour driving time from the institution limiting lending opportunities.

The distribution of home purchase loans to moderate-income geographies is significantly lower than the percentage of moderate-income families and reflects poor dispersion but is mitigated by the strong competition the bank faces.

The distribution of home improvement loans to moderate-income geographies is somewhat lower than the percentage of moderate-income families. This performance is considered reasonable dispersion.

The distribution of home mortgage refinance loans to moderate-income geographies is significantly lower than the percentage of moderate-income families. This performance is poor and does not meet the standard for satisfactory performance. However, the majority of the moderate-income geographies are in the western section of the county. These areas are well served by major banks, large national mortgage lenders, and thrift institutions with extensive branch networks. The level of competition in these areas remains high, resulting in less impact by the institution in those geographies.

Based on the institution’s size, location, and competitive factors, the institution achieved a reasonable level of lending in the moderate-income geographies and meets the standard for satisfactory performance.

Table 2 - Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
Home Purchase	0.18	0.00	12.11	2.78	75.91	85.19	11.80	12.04
Home Improvement	0.18	0.00	12.11	8.20	75.91	81.97	11.80	9.84
Home Mortgage Refinance	0.18	0.00	12.11	4.46	75.91	86.62	11.80	8.92

Source: 2009-2011 HMDA LAR.

Responses to Complaints

Westmoreland did not receive any complaints about its performance in helping to meet credit needs in the AA during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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