

Bank

Northeastern District  
830 Morris Turnpike, 2nd floor  
Short Hills, NJ 07078

## **PUBLIC DISCLOSURE**

**July 19, 1999**

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

**Commerce Bank/Harrisburg, N. A.  
Charter Number: 22765  
100 Senate Avenue  
Camp Hill, Pennsylvania 17011**

**Office of the Comptroller of the Currency  
Northeastern District  
830 Morris Turnpike, Second Floor  
Short Hills, New Jersey 07078**

**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.**

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## 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 **Commerce Bank/Harrisburg, N. A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 19, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

## INSTITUTION'S CRA RATING

This institution is rated **Satisfactory**.

The factors supporting the bank's overall rating include:

- < a reasonable loan to deposit ratio;
- < a substantial majority of loans being made in the bank's assessment areas;
- < a reasonable loan penetration among borrowers of different income levels;
- < a very good penetration among businesses of different sizes;
- < a reasonable geographic distribution of home improvement loans throughout the assessment areas;  
and,
- < a good geographic distribution of small business loans in the moderate income census tracts of the assessment areas.

## 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.

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

**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.

**Home Mortgage Disclosure Act (HMDA)** - The statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity.

**Loan Application Register (LAR)** - A format used to collect data required under HMDA. The report includes such data as the race, gender, and the income of the applicants, the amount of the loan requested, and its disposition (e.g., approved, denied, withdrawn).

**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 census tracts. 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.

**Low-Income** - Income levels that are less than 50% of the MFI.

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

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

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

**Metropolitan Statistical Area (MSA)** - The 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.

**Small Business** - Business with total revenues below \$1 million.

**Small Business Loan** - Loan with an original amount below \$1 million for which the bank is required to collect and report certain monitoring data under the CRA regulation.

## **DESCRIPTION OF INSTITUTION**

Commerce Bank/Harrisburg, NA (Commerce) is a \$337 million (as of March 31, 1999) independent banking institution located in southern central Pennsylvania. The bank's headquarters and main office are in Camp Hill, Cumberland County, Pennsylvania. Commerce is a full-service retail bank with 11 branch offices and two loan production offices situated in Cumberland, Dauphin, and York counties. Six of the branch offices and both loan production offices have opened since October 5, 1996. All branches have ATMs and drive-through windows and offer extended business hours which include Saturday and Sunday. The bank also offers 24-hour telephone banking, a loan-by-phone program, and personal computer home and business banking services. A variety of loan and deposit products are available to consumers and businesses, including free checking to consumers with no minimum balance requirements.

The loan portfolio represents 53% of total assets. Primary loan products include home improvement and small business loans. A breakdown of the portfolio as of March 31, 1999 is as follows: 36% residential mortgages, 60% commercial and commercial real estate loans, and 4% consumer installment loans. Agricultural lending is minimal. Commerce actively sells residential mortgages on the secondary mortgage market. The mechanics of the loan origination process require that the mortgage loans originated by Commerce are reported on the HMDA LAR of the purchasing institution if that institution makes the initial credit decision.

Major competitors include PNC, Mellon, Keystone, and many other regional and community banks. As of June 30, 1998, Commerce's market share of all deposits held by FDIC-insured institutions operating in Cumberland County was 5.04%. The bank's deposit market shares in Dauphin and York counties were 2.54% and 0.81%, respectively.

There are no legal or financial impediments which would hinder the bank's ability to help meet the credit needs of its community. At the last CRA examination, dated October 4, 1996, the institution was rated "satisfactory."

## **DESCRIPTION OF ASSESSMENT AREAS**

Commerce has two assessment areas in Pennsylvania. The combined assessment area contains parts of Cumberland, Dauphin, and York counties. There are 138 CTs and two MSAs (the Harrisburg-Lebanon-Carlisle MSA and the York MSA). A more detailed description of each MSA is located in the Appendix section of this Performance Evaluation. The combined population of the assessment areas is 630,727. The income designations for the combined areas are as follows:

<b>Assessment Area Demographics</b>		
<b>Designation</b>	<b># of Census Tracts</b>	<b>% of Total Census Tracts</b>
<b>Low</b>	<b>8</b>	<b>6</b>
<b>Moderate</b>	<b>20</b>	<b>14</b>
<b>Middle</b>	<b>91</b>	<b>66</b>
<b>Upper</b>	<b>18</b>	<b>13</b>
<b>Not Available (a)</b>	<b>1</b>	<b>1</b>
<b>Total</b>	<b>138</b>	<b>100</b>

(a) One CT was undeveloped at the time of the 1990 census.

Eighty-one percent of the housing in the combined area are one- to four-family units, 11% are multifamily units, 6% are mobile homes, and 2% are condominiums. Of the total housing units in the combined area, 67% are owner-occupied, 28% are renter-occupied, and 5% are vacant. The average cost of housing in the combined assessment area is \$75,182, with the average year built of 1960.

The 1990 U.S. census MFI for the combined assessment area is \$37,356. The 1998 updated MFI is \$44,861. A family would be considered low-income with an income of \$22,431 or less. With housing costs averaging \$75,182, it is difficult for low-income families to afford homes in the area.

The May 1999 unemployment rate for the state of Pennsylvania is 3.9%. The unemployment rates in Dauphin, York, and Cumberland counties are 3.6%, 3.2%, and 2.6%, respectively.

According to the 1998 business demographics, there are 23,016 businesses in the combined assessment area of which 688 are farms. Small businesses represent 88% of the 18,820 businesses reporting revenues. Approximately 81% of businesses reported having less than ten employees. The primary industries in this assessment area are services at 41%, retail trade at 21%, and construction at 12%.

## **DETERMINATION OF COMMUNITY CREDIT NEEDS**

Credit needs in the local area were determined by contacting the director of a local economic development corporation, reviewing a recent contact with a housing council, and having discussions with bank management. The economic development contact indicated that the economy was doing well despite a major local employer ceasing operations, and new businesses are being attracted to the area. Credit needs are centered in the small business loan area, especially for very small loans (below \$250 thousand) for start-up businesses.

The housing council also stated that the economic conditions were stable and believed that banks needed to offer more flexible lending programs to low- and moderate-income individuals so that they would be eligible to purchase single-family housing units.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Scope of Examination

This examination covered October 4, 1996 to July 19, 1999. The analysis of HMDA reportable home improvement loans covered the period January 1, 1997 to December 31, 1998. We also selected a sample of 40 small business loans (20 from each MSA) which were originated between October 4, 1996 and July 19, 1999. We selected these business loans from a total population of 239 loans aggregating \$27 million.

Our evaluation of the bank's performance in the Harrisburg-Lebanon-Carlisle MSA (MSA # 3240) and in the York MSA (MSA # 9280) can be found in the Appendix of this Performance Evaluation.

### Loan to Deposit Analysis

The loan to deposit ratio meets the standards for satisfactory performance. It is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's loan to deposit ratio, averaged over the previous ten quarters since the last CRA review, is 61%. This compares unfavorably to the national peer (74%), the statewide peer (77%), and the local peer (75%). The unfavorable comparison is attributed to loan sales. In the past 12 months, the bank has sold over \$51 million in residential mortgages. Since the bank's loan portfolio at March 31, 1999 was \$181 million, the impact of these loan sales on the loan to deposit ratio is significant.

### Lending in Assessment Area

The bank's lending in the assessment area exceeds the standards for satisfactory performance. A substantial majority of loans and other lending related activities are in the bank's assessment areas. The assessment area penetration of home improvement loans is illustrated below. All of the 40 loans in our small business loan sample were originated inside the assessment areas.

Home Improvement Loan Originations								
	1997				1998			
	#	%	\$ (000)	%	#	%	\$ (000)	%
Inside Assessment Area	163	87	2,873	86	93	90	2,466	94
Outside Assessment Area	24	13	450	14	11	10	167	6

<b>Total</b>	<b>187</b>	<b>100</b>	<b>3,323</b>	<b>100</b>	<b>104</b>	<b>100</b>	<b>2,633</b>	<b>100</b>
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**Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

Lending to borrowers of different incomes and businesses of different sizes meets the standards for satisfactory performance. The primary product lines reviewed were home improvement loans and small business loans.

The chart below depicts some disparity in the low income category. However, as noted earlier, a low-income family has earnings of \$22,431 or less. With housing costs averaging \$75,182, it is financially difficult for low-income families to afford homes in the area. This explains a relatively low level of home improvement lending in low-income areas. The following chart also depicts good performance in moderate-income census tracts:

<b>Home Improvement Loan Originations by Level of Borrower Income in the Assessment Area (AA)</b>									
<b>Income Category</b>	<b>1997</b>				<b>1998</b>				<b>% of Families Within AA</b>
	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	
<b>Low</b>	<b>7</b>	<b>4</b>	<b>65</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>71</b>	<b>3</b>	<b>15</b>
<b>Moderate</b>	<b>35</b>	<b>21</b>	<b>590</b>	<b>21</b>	<b>19</b>	<b>20</b>	<b>523</b>	<b>21</b>	<b>18</b>
<b>Middle</b>	<b>37</b>	<b>23</b>	<b>538</b>	<b>19</b>	<b>22</b>	<b>24</b>	<b>336</b>	<b>14</b>	<b>28</b>
<b>Upper</b>	<b>84</b>	<b>52</b>	<b>1,680</b>	<b>58</b>	<b>47</b>	<b>51</b>	<b>1,536</b>	<b>62</b>	<b>39</b>
<b>Total</b>	<b>163</b>	<b>100</b>	<b>2,873</b>	<b>100</b>	<b>93</b>	<b>100</b>	<b>2,466</b>	<b>100</b>	<b>100</b>

Commerce has a very good record of lending to small businesses. Our sample disclosed that 98% of the loans were to small businesses. This compares very favorably to the fact that 88% of the businesses in the assessment areas are small businesses, and illustrates the bank's commitment to small business lending. In addition, 83% (by dollar amount) of the loans in our sample are to businesses with revenues under \$250 thousand.

<b>Distribution of Business Loans by Revenue Size within the Assessment Areas</b>				
<b>Business Revenue Size (000)</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
<b>0 &lt; \$100</b>	<b>21</b>	<b>53</b>	<b>1,076</b>	<b>36</b>
<b>\$100&lt;\$250</b>	<b>11</b>	<b>27</b>	<b>1,378</b>	<b>47</b>
<b>\$250&lt;\$500</b>	<b>5</b>	<b>12</b>	<b>231</b>	<b>8</b>
<b>\$500&lt;\$1,000</b>	<b>2</b>	<b>5</b>	<b>216</b>	<b>7</b>
<b>&gt;\$1,000</b>	<b>1</b>	<b>3</b>	<b>50</b>	<b>2</b>
<b>Total</b>	<b>40</b>	<b>100</b>	<b>2,951</b>	<b>100</b>

The average loan size of our sample was \$74 thousand, and 82% of these loans, by dollar amount, were for amounts less than \$250 thousand. As noted above, these very small loans were identified as a credit need in these assessment areas.

<b>Distribution of Small Business Loans by Loan Size in the Assessment Areas</b>				
<b>Loan Size (000)</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
<b>0&lt;\$100</b>	<b>32</b>	<b>80</b>	<b>1,139</b>	<b>39</b>
<b>\$100&lt;\$250</b>	<b>7</b>	<b>18</b>	<b>1,280</b>	<b>43</b>
<b>\$250&lt;\$1,000</b>	<b>1</b>	<b>2</b>	<b>532</b>	<b>18</b>
<b>Total</b>	<b>40</b>	<b>100</b>	<b>2,951</b>	<b>100</b>

### **Geographic Distribution of Loans**

The geographic distribution of loans meets the standards for satisfactory performance, reflecting a reasonable dispersion throughout the assessment areas.

In these assessment areas, owner occupied households are predominantly located in middle- and upper-income CTs. This explains why most of the home improvement loans are in these two areas. Our review of the bank's lending patterns did not disclose any gaps or areas of low penetration in home improvement lending.

<b>Geographic Distribution of Home Improvement Loan Originations by Census Tract Characteristic in the Assessment Areas</b>									
<b>Census Tract</b>	<b>1997</b>				<b>1998</b>				<b>% of Owner Occupied Households</b>
	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	
<b>Low</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>Moderate</b>	<b>4</b>	<b>2</b>	<b>96</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>22</b>	<b>1</b>	<b>5</b>
<b>Middle</b>	<b>86</b>	<b>53</b>	<b>1,493</b>	<b>52</b>	<b>63</b>	<b>68</b>	<b>1,596</b>	<b>67</b>	<b>72</b>
<b>Upper</b>	<b>72</b>	<b>44</b>	<b>1,281</b>	<b>45</b>	<b>28</b>	<b>30</b>	<b>848</b>	<b>32</b>	<b>21</b>
<b>Total</b>	<b>163</b>	<b>100</b>	<b>2,873</b>	<b>100</b>	<b>93</b>	<b>100</b>	<b>2,466</b>	<b>100</b>	<b>100</b>

The geographic distribution of small business loans is good, particularly in the low- and moderate-income areas. Our sample, which consisted of loans originated throughout the evaluation period, illustrates this:

<b>Geographic Distribution of Business Loans in the Assessment Areas</b>					
<b>Census Tract</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b>% of Businesses in each CT</b>
<b>Low</b>	<b>2</b>	<b>5</b>	<b>230</b>	<b>8</b>	<b>3</b>
<b>Moderate</b>	<b>5</b>	<b>12</b>	<b>263</b>	<b>9</b>	<b>9</b>
<b>Middle</b>	<b>25</b>	<b>63</b>	<b>1,429</b>	<b>48</b>	<b>67</b>
<b>Upper</b>	<b>8</b>	<b>20</b>	<b>1,029</b>	<b>35</b>	<b>21</b>
<b>Total</b>	<b>40</b>	<b>100</b>	<b>2,951</b>	<b>100</b>	<b>100</b>

### **Response to Complaints**

During the evaluation period, the bank did not receive any complaints about its performance in meeting assessment area credit needs.

### **Record of Compliance with Anti-Discrimination Laws**

The concurrent fair lending examination did not identify any violations of the substantive provisions of the anti-discrimination laws and regulations. In addition, no evidence was found of discriminatory or other illegal practices. Our fair lending examination included a comparison of approved and denied home mortgage loans. We focused on the treatment of loans that were initially denied by the secondary lender.

## APPENDIX

### METROPOLITAN STATISTICAL AREAS

#### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN PORTIONS OF THE HARRISBURG-LEBANON-CARLISLE MSA (3240)

**Conclusion:** Bank performance in this MSA is consistent with the overall performance of the institution.

#### DESCRIPTION OF ASSESSMENT AREA

This assessment area includes 85 (62%) of the 138 CTs in the combined assessment area. The assessment area's population is 405,632, or 64% of the combined population of the assessment area. The state capital is located in the city of Harrisburg and this MSA is where Commerce is headquartered. The bank's head office (which includes a branch facility), six additional branch offices, and one of the loan production facilities are in this MSA. The income designations for this assessment area's CTs are:

Assessment Area Demographics - MSA 3240		
Designation	# of Census Tracts	% of Total Census Tracts
Low	4	5
Moderate	12	14
Middle	54	64
Upper	14	16
Not Available (a)	1	1
<b>Total</b>	<b>85</b>	<b>100</b>

(a) One CT was undeveloped at the time of the 1990 census.

Eighty percent of the housing in this assessment area are one- to four-family units, 14% are multifamily units, 5% are mobile homes, and 1% are condominiums. Of the total housing units in this assessment area, 63% are owner-occupied, 31% are renter-occupied, and 6% are vacant. The 1990 U.S. census MFI for this MSA is \$37,389. The 1998 updated MFI is \$48,400. The May 1999 unemployment rate for the MSA is 3.1% which compares very favorably to the state rate for the same time period.

According to 1998 business demographics, there are 14,820 small businesses and 372 small farms in the assessment area. Small businesses represent 88% of the 12,228 businesses reporting revenues. Approximately 80% of businesses reported having less than 10 employees. The primary industries in this assessment area are services at 43%, retail trade at 21%, and construction at 11%. Major employers in the area include the Commonwealth of Pennsylvania, Pennsylvania State University, and Hershey Foods.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Consistent with the overall findings, the distribution of borrowers since the last evaluation reflects reasonable penetration among borrowers of different income levels and businesses of different sizes. The primary product lines reviewed were home improvement loans and small business loans.

The chart below depicts some disparity in the low- income category. However, as noted earlier, it is financially difficult for low-income families to afford homes in the area. This explains a low level of home improvement lending in low-income areas.

<b>Home Improvement Loan Originations by Level of Borrower Income in MSA 3240</b>									
<b>Income Category</b>	<b>1997</b>				<b>1998</b>				<b>% of Families Within AA</b>
	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	
<b>Low</b>	<b>5</b>	<b>4</b>	<b>40</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>51</b>	<b>3</b>	<b>14</b>
<b>Moderate</b>	<b>25</b>	<b>20</b>	<b>465</b>	<b>19</b>	<b>14</b>	<b>20</b>	<b>384</b>	<b>25</b>	<b>18</b>
<b>Middle</b>	<b>31</b>	<b>24</b>	<b>459</b>	<b>19</b>	<b>18</b>	<b>26</b>	<b>287</b>	<b>19</b>	<b>28</b>
<b>Upper</b>	<b>67</b>	<b>52</b>	<b>1,427</b>	<b>60</b>	<b>33</b>	<b>48</b>	<b>812</b>	<b>53</b>	<b>40</b>
<b>Total</b>	<b>128</b>	<b>100</b>	<b>2,391</b>	<b>100</b>	<b>69</b>	<b>100</b>	<b>1,534</b>	<b>100</b>	<b>100</b>

Consistent with the overall findings, the bank has a very good record of lending to very small businesses in this MSA. Our sample of 20 small business loans, by dollar amount, disclosed that 85% of the loans were to businesses with revenues under \$250 thousand. Our community contacts disclosed a need in this assessment area for loans to very small businesses. The bank's record during the evaluation period shows that it is working to meet this need.

<b>Distribution of Business Loans by Revenue Size in MSA 3240</b>				
<b>Business Revenue Size (\$000)</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
<b>&lt; \$100</b>	<b>9</b>	<b>45</b>	<b>408</b>	<b>25</b>
<b>\$100&lt;\$250</b>	<b>6</b>	<b>30</b>	<b>975</b>	<b>60</b>
<b>\$250&lt;\$500</b>	<b>3</b>	<b>15</b>	<b>186</b>	<b>11</b>
<b>\$500&lt;\$1,000</b>	<b>1</b>	<b>5</b>	<b>16</b>	<b>1</b>
<b>over \$1,000</b>	<b>1</b>	<b>5</b>	<b>50</b>	<b>3</b>
<b>Total</b>	<b>20</b>	<b>100</b>	<b>1,635</b>	<b>100</b>

Our sample of 20 business loans disclosed that 68% were for amounts less than \$250 thousand. The average original loan amount for all of the loans in the sample was \$82 thousand.

<b>Distribution of Small Business Loans by Loan Size in MSA 3240</b>				
<b>Loan Size (000)</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
<b>&lt;\$100</b>	<b>15</b>	<b>75</b>	<b>473</b>	<b>29</b>
<b>\$100&lt;\$250</b>	<b>4</b>	<b>20</b>	<b>630</b>	<b>39</b>
<b>\$250&lt;\$1,000</b>	<b>1</b>	<b>5</b>	<b>532</b>	<b>32</b>
<b>Total</b>	<b>20</b>	<b>100</b>	<b>1,635</b>	<b>100</b>

### **Geographic Distribution of Loans**

Consistent with the overall findings, the geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.

In this MSA, owner occupied households are predominantly located in middle- and upper-income areas. This explains the fact that most of the home improvement loans are in these two areas. Our review of the bank's lending patterns did not disclose any gaps or areas of low penetration in home improvement lending.

<b>Geographic Distribution of Home Improvement Loan Originations by Census Tract Characteristic in MSA 3240</b>									
<b>Census Tract</b>	<b>1997</b>				<b>1998</b>				<b>% of Owner Occupied Households</b>
	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	
<b>Low</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>Moderate</b>	<b>3</b>	<b>2</b>	<b>76</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>0</b>	<b>5</b>
<b>Middle</b>	<b>54</b>	<b>42</b>	<b>1,044</b>	<b>44</b>	<b>42</b>	<b>61</b>	<b>1,016</b>	<b>66</b>	<b>65</b>
<b>Upper</b>	<b>70</b>	<b>55</b>	<b>1,268</b>	<b>53</b>	<b>26</b>	<b>38</b>	<b>513</b>	<b>34</b>	<b>28</b>
<b>Total</b>	<b>128</b>	<b>100</b>	<b>2,391</b>	<b>100</b>	<b>69</b>	<b>100</b>	<b>1,534</b>	<b>100</b>	<b>100</b>

The geographic distribution of small business loans is reasonable, but not as good as the overall performance of the bank. In this MSA, the vast majority of business are located in the middle- and upper-income census tracts, which is where 97% of the loans, by dollar amount, were made.

<b>Geographic Distribution of Business Loans within MSA 3240</b>					
<b>Census Tract</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b>% of Businesses in each CT</b>
<b>Low</b>	<b>1</b>	<b>5</b>	<b>30</b>	<b>2</b>	<b>2</b>
<b>Moderate</b>	<b>1</b>	<b>5</b>	<b>20</b>	<b>1</b>	<b>11</b>
<b>Middle</b>	<b>10</b>	<b>50</b>	<b>556</b>	<b>34</b>	<b>62</b>
<b>Upper</b>	<b>8</b>	<b>40</b>	<b>1,029</b>	<b>63</b>	<b>25</b>
<b>Total</b>	<b>20</b>	<b>100</b>	<b>1,635</b>	<b>100</b>	<b>100</b>

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN PORTIONS OF THE YORK, PA MSA (9280)

**Conclusion:** Bank performance in this MSA is consistent with the overall performance of the institution.

### DESCRIPTION OF ASSESSMENT AREA

This assessment area includes 53 (38%) of the 138 CTs in the combined assessment area. This assessment area's population is 225,095, or 36% of the combined assessment area's population. Four of the bank's branch offices and one loan production office are located in this MSA. The income designations for this assessment area's CTs are as follows:

Assessment Area Demographics - MSA 9280		
Designation	# Census Tracts	% of Total Census Tracts
Low	4	8
Moderate	8	15
Middle	37	70
Upper	4	7
Total	53	100

Eighty-four percent of the housing in this assessment area are one- to four-family units, 6% are multifamily units, 9% are mobile homes, and 1% are condominiums. Of the total housing units in this assessment area, 72% are owner-occupied, 24% are renter-occupied, and 4% are vacant. The 1990 U.S. census MFI for this MSA is \$37,590. The 1998 updated MFI for this assessment area is \$47,900. The May 1999 unemployment rate for the MSA is 3.2%, which compares favorably to the state rate for the same time period.

According to 1998 business demographics, there are 6,621 small businesses and 247 small farms in the assessment area. Small businesses represent 88% of the 5,769 businesses reporting revenues. Approximately 81% of businesses reported having less than ten employees. The primary industries in this assessment area are services at 37%, retail trade at 21%, and construction at 14%. Major employers in the area include the federal government, York Hospital, and Harley Davidson.

### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

#### Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Consistent with the overall findings, the distribution of borrowers since the last evaluation reflects reasonable penetration among borrowers of different income levels and businesses of different sizes. The primary product lines reviewed were home improvement loans and small business loans.

The chart below depicts some disparity in the low-income category. However, as noted earlier, it is difficult for low-income families to afford homes in the area. This explains the low level of home improvement lending in low-income areas.

<b>Home Improvement Loan Originations by Level of Borrower Income in MSA 9280</b>									
<b>Income Category</b>	<b>1997</b>				<b>1998</b>				<b>% of Families Within AA</b>
	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	
<b>Low</b>	2	6	25	5	1	4	20	2	16
<b>Moderate</b>	10	29	125	26	5	21	139	15	19
<b>Middle</b>	6	17	79	16	4	17	49	5	29
<b>Upper</b>	17	48	53	53	14	58	724	78	36
<b>Total</b>	35	100	482	100	24	100	932	100	100

Consistent with the overall findings, the bank has a very good record of lending to very small businesses in this MSA. Our sample of 20 small business loans, by dollar amount, disclosed that 82% of the loans were to businesses with revenues under \$250 thousand. Our community contacts disclosed a need in this assessment area for loans to very small businesses. The bank's record during the evaluation period shows that it is working to meet this need.

<b>Distribution of Business Loans by Revenue Size in MSA 9280</b>				
<b>Business Revenue Size (000)</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
<b>&lt; \$100</b>	12	60	668	51
<b>\$100&lt;\$250</b>	5	25	403	31
<b>\$250&lt;\$500</b>	2	10	45	3
<b>\$500&lt;\$1 million</b>	1	5	200	15
<b>over \$1 million</b>	0	0	0	0
<b>Total</b>	20	100	1,316	100

Our sample of 20 business loans disclosed that all were for amounts less than \$250 thousand and the average original loan amount was \$66 thousand. As noted above, these very small loans were identified as a credit need in this assessment area.

<b>Distribution of Small Business Loans by Loan Size in MSA 9280</b>				
<b>Loan Size (000)</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
<b>&lt; \$100</b>	<b>17</b>	<b>85</b>	<b>666</b>	<b>51</b>
<b>\$100&lt;\$250</b>	<b>3</b>	<b>15</b>	<b>650</b>	<b>49</b>
<b>\$250&lt;\$1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>20</b>	<b>100</b>	<b>1,316</b>	<b>100</b>

### **Geographic Distribution of Loans**

Consistent with the overall findings, the geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.

In this MSA, owner occupied households are predominantly located in middle- and upper-income areas. This explains the fact that most of the home improvement loans are in these two areas. Our review of the bank's lending patterns disclosed that there was no home improvement lending in the low-income census tracts. However, the incidence of owner occupied housing in these CTs is low.

<b>Geographic Distribution of Home Improvement Loan Originations by Census Tract Characteristic in MSA 9280</b>									
<b>Census Tract</b>	<b>1997</b>				<b>1998</b>				<b>% of Owner Occupied Households</b>
	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	
<b>Low</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>Moderate</b>	<b>1</b>	<b>3</b>	<b>20</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>17</b>	<b>2</b>	<b>7</b>
<b>Middle</b>	<b>32</b>	<b>91</b>	<b>449</b>	<b>93</b>	<b>21</b>	<b>88</b>	<b>580</b>	<b>62</b>	<b>83</b>
<b>Upper</b>	<b>2</b>	<b>6</b>	<b>13</b>	<b>3</b>	<b>2</b>	<b>8</b>	<b>335</b>	<b>36</b>	<b>8</b>
<b>Total</b>	<b>35</b>	<b>100</b>	<b>482</b>	<b>100</b>	<b>24</b>	<b>100</b>	<b>932</b>	<b>100</b>	<b>100</b>

The geographic distribution of small business loans is good, particularly in the low- and moderate-income areas.

<b>Geographic Distribution of Business Loans within MSA 9280</b>					
<b>Census Tract</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b>% Businesses in each CT</b>
<b>Low</b>	<b>1</b>	<b>5</b>	<b>200</b>	<b>15</b>	<b>6</b>
<b>Moderate</b>	<b>4</b>	<b>20</b>	<b>243</b>	<b>19</b>	<b>7</b>
<b>Middle</b>	<b>15</b>	<b>75</b>	<b>873</b>	<b>66</b>	<b>78</b>
<b>Upper</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>
<b>Total</b>	<b>20</b>	<b>100</b>	<b>1,316</b>	<b>100</b>	<b>100</b>