



Comptroller of the Currency
Administrator of National Banks

Washington, D.C. 20219

February 7, 2008

**CRA Decision #141
March 2008**

James S. Keller
Chief Regulatory Counsel
The PNC Financial Services Group, Inc.
249 Fifth Avenue
One PNC Plaza, 21st Floor
Pittsburgh, Pennsylvania 15222-2707

RE: Application for BLC Bank, National Association, Strasburg, Pennsylvania to merge with and into PNC Bank, National Association, Pittsburgh, Pennsylvania
OCC Control No.: 2007 NE 02 022

Dear Mr. Keller:

This letter is in response to the above referenced Application. Based on a thorough evaluation of all information available to the Office of the Comptroller of the Currency (“OCC”), including the representations and commitments made in the Application and the merger agreement, and by the Bank’s representatives, I approve the proposal for BLC Bank, National Association, Strasburg, Pennsylvania (“BLC Bank”), to merge with and into PNC Bank, National Association, Pittsburgh, Pennsylvania (“PNC Bank”), under the charter and title of the latter.

Bank Merger Act

The OCC reviewed the proposed merger transaction under the criteria of the Bank Merger Act, 12 USC 1828(c), and applicable OCC regulations and policies. Among other matters, we found that the proposed transaction would not have significant anticompetitive effects. I considered the financial and managerial resources of the banks, their future prospects, the convenience and needs of the communities to be served, and their effectiveness in combating money laundering activities and found them consistent with approval.

Community Reinvestment Act Review

The Community Reinvestment Act (“CRA”) requires the OCC to take into account the records of the institutions proposing to engage in a merger in helping to meet the credit needs of the community, including low and moderate-income (“LMI”) neighborhoods.¹ The OCC considered the CRA Performance Evaluation (PE) of each institution involved in the transaction. A review of the record of these banks, and other information available to the OCC as a result of its regulatory responsibilities, revealed the banks’ record of helping to meet the credit needs of their communities, including LMI neighborhoods, are satisfactory.

PNC Bank, N.A.

PNC Bank’s latest PE, dated May 16, 2006, and issued by the OCC, assigned the bank an “Outstanding” rating,² including an overall “Outstanding” in the Pennsylvania and Multi-State MA assessment areas and “High Satisfactory” ratings on each of the lending, service and investment tests in its New Jersey assessment area. Among the major factors supporting PNC Bank’s rating were: (i) good lending volume and level of qualified investments; (ii) good distribution of loans by geography and borrower income; (iii) strong community development lending activity; and, (iv) a branch and delivery system that is accessible to all customers. No evidence of illegal or discriminatory lending practices was noted in the PE.

BLC Bank, N.A.

The most recent CRA PE for BLC Bank’s predecessor, Bank of Lancaster County, N.A.,³ dated June 13, 2005, and issued by the OCC, assigned the bank an “Outstanding” rating.⁴ Among the major factors supporting BLC Bank’s rating were: (i) an excellent level of lending; (ii) a geographic distribution of loans reflecting good penetration throughout the assessment area; (iii) an excellent distribution of loans to borrowers of different income levels and businesses of

¹ 12 U.S.C. §§ 2903(a)(2) and 2902(3)(E); 12 C.F.R. § 25.29(a)(3).

² PNC Bank was examined using the Large Bank examination procedures and received an “Outstanding” rating on the lending test and “High Satisfactory” on the investment and service tests. The evaluation period for the 2006 PE was January 1, 2002 through December 31, 2005 with respect to Home Mortgage Disclosure Act (HMDA) reportable loans and small loans to businesses. The evaluation period for community development loans, investments, and services and for retail services was from April 1, 2002 through April 30, 2006.

³ On 5/24/07, the OCC approved the mergers of Bay First Bank, N.A., Pennsylvania State Bank, and Bank of Hanover and Trust Company with and into Bank of Lancaster County, N.A., under the charter of the latter and with the title BLC Bank, National Association.

⁴ Bank of Lancaster County, N.A., was examined using the Large Bank examination procedures and received an “Outstanding” rating on the lending test and “High Satisfactory” on the investment and service tests. The evaluation period for the 2005 PE was January 1, 2002 through December 31, 2004 for the lending test, and January 15, 2002 through June 13, 2005 for community development loans and the investment and service tests.

PNC Bank, NA, Pittsburgh, PA
February 7, 2008
OCC Control No.: 2007 NE 02 022

different sizes; (iv) community development loans that had a positive impact on the lending test rating; (v) qualified investments that were responsive to community revitalization and affordable housing needs; and, (vi) banking services that are accessible to all portions of the assessment area including LMI geographies. No evidence of illegal or discriminatory lending practices was noted in the PE.

Public Comments

The OCC did not receive any comment letters from the public on the bank merger Application, but did receive a copy of a letter to the Board of Governors of the Federal Reserve System (“Federal Reserve”) opposing the related holding company application. While the OCC did not receive this comment directly, we have carefully considered the concerns raised, and have summarized and addressed them below.

CRA Record of Performance

The commenter expressed concern that BLC Bank and PNC Bank have had no positive impact under the CRA on the New York, New Jersey, and Pennsylvania region. BLC Bank does not have any branches or assessment areas in New York or New Jersey. PNC Bank does not have any branches or assessment areas in New York. Our discussion therefore focuses on CRA performance in Pennsylvania with respect to BLC Bank and New Jersey and Pennsylvania with respect to PNC Bank.

As summarized above, PNC Bank received an Outstanding CRA rating in its most recent PE, as did BLC Bank. OCC examiners noted the positive impact that community development lending and investments of these banks had on the CRA ratings. In a letter submitted to the Federal Reserve in connection with the holding company merger, PNC Bank parent, PNC Financial Services Group, Inc. (PNC Financial), represented that during the period since its last CRA evaluation dated May 16, 2006, through September 30, 2007, PNC Bank made community development loans and investments of \$59.4 million and \$84.2 million, respectively, in Pennsylvania and \$11.0 million and \$32.3 million in New Jersey. From 2005 through November 2007, BLC Bank divisions in Pennsylvania made community development loans totaling more than \$11 million and community development investments of nearly \$1.25 million. In short, the information before us is consistent with a finding that the CRA records of performance for BLC Bank and PNC Bank are satisfactory.

Mortgage Lending

The commenter raised concerns about a low level of home mortgage lending to Latino and African American borrowers in the New York, New Jersey, and Pennsylvania region. PNC Bank and BLC Bank have been subject to comprehensive fair lending supervisory oversight by the OCC, and this oversight will continue with respect to the merged entity. PNC Financial represented that its fair lending program encompasses employee training, reviews of credit

decisions, pricing, marketing, and policies and procedures, and monitoring by senior management.

As part of this fair lending program, self-assessments, including comparative file reviews, are completed periodically to identify any issues in the marketing, underwriting, and pricing of home mortgages. All employees involved in the lending process or who have customer contact, receive fair lending training that is appropriate for their responsibilities. Periodic refresher training is also required. Following the merger, PNC Financial intends to use its lending systems and processes across the acquired network of branches. Former employees of Sterling Financial Corp., the current parent company of BLC Bank, will also receive PNC Bank's fair lending and compliance training.

The commenter also stated that the banks have a weak record of home lending to LMI minority families in the New York, New Jersey, and Pennsylvania region when compared to other top banks.⁵ PNC Bank's 2006 PE states that for Pennsylvania, the volume of mortgage lending was adequate and the geographic and borrower distribution by income level was good for home mortgage loans. For New Jersey, the volume of mortgage lending and the geographic distribution on home mortgage loans was adequate, and borrower distribution by income was good.⁶ The 2005 PE for BLC Bank stated that for the Lancaster, Pennsylvania, full-scope assessment area, the bank's level of home mortgage lending was excellent and the geographic and borrower distribution for all home mortgage products was either good or excellent.

The PEs discussed above note that the banks offered products with flexible criteria to assist LMI home loan borrowers. PNC Financial detailed in connection with the holding company merger a number of mortgage products that the bank offers to assist LMI mortgage borrowers. For example, the PNC Portfolio Mortgage Product features a reduced interest rate, closing cost assistance, no downpayment, no private mortgage insurance, and expanded credit criteria for LMI homebuyers and homebuyers purchasing in LMI census tracts within PNC Bank's footprint. Additional home equity products are designed to assist LMI borrowers who lack a traditional credit history or who have issues with their credit. In 2004, PNC Bank began offering a reduced interest rate home equity loan for LMI borrowers in New Jersey for amounts of \$10,000 or less. PNC Bank also partners with the Redevelopment Authority of Philadelphia, the Greater Philadelphia Urban Affairs Coalition, and the City of Pittsburgh's Urban Redevelopment Authority to offer financing for use in home improvements or debt consolidation.

CRA Commitment

The commenter requested that PNC Bank make a CRA commitment addressing a number of

⁵The commenter stated its intent to request information from PNC regarding subprime loans made in 2006. PNC Financial represented that neither PNC Financial nor Sterling Financial originates subprime credit products.

⁶Consistent with the Bank's strategic focus, the examiners placed more emphasis on home improvement, home refinance loans and small loans to businesses in reaching conclusions on the lending test.

PNC Bank, NA, Pittsburgh, PA
February 7, 2008
OCC Control No.: 2007 NE 02 022

areas, including home lending to minorities, multi-family affordable housing, financial literacy and homeownership education for minorities, minority small business lending, community development investments (including inner-city economic development investments), philanthropy, supplier diversity, and capacity building of minority organizations. The CRA does not require banks to enter commitments or agreement with any organization. 66 Fed. Reg. 36,620, 36,640 (2001) (Question and Answer No. 2, § 29(b)). Further, the CRA does not require a bank to engage in any particular type of lending or investment. CRA performance for large banks is based on an overall assessment under the lending, investment, and service tests. 12 C.F.R. §§ 25.21 to 25.24.

In sum, our review of the record of the Application, including the materials submitted with the Application, the public comment, responses to the public comment, representations of the applicant, and our review of supervisory materials, has not revealed any information inconsistent with approval.

Pre-Consummation Procedures and Requirements

The Northeastern Licensing Division must be advised in writing in advance of the desired effective date for the merger, so it may issue the necessary certification letter. The effective date must follow the Department of Justice's injunction period and any other required regulatory approval. Please refer to the "[Business Combinations](#)" booklet for the steps to complete the merger.

If the merger is not consummated within one year from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

A separate letter is enclosed requesting your feedback on how the OCC handled your application. We would appreciate your response so we may continue to improve our service. All correspondence regarding this application should reference the control number. If you have any questions, contact Licensing Analyst Robin J. Miller at (212) 790-4015 or by e-mail at Robin.Miller@occ.treas.gov.

Sincerely,

signed

Lawrence E. Beard
Deputy Comptroller for Licensing