

# **PUBLIC DISCLOSURE**

(March 6, 2000)

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**SUMMIT BANK PA  
RSSD - 692115  
BETHLEHEM, PENNSYLVANIA**

**FEDERAL RESERVE BANK OF PHILADELPHIA  
TEN INDEPENDENCE MALL, PHILADELPHIA, PA**

**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 Reserve Bank of Philadelphia 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 the safe and sound operation of the financial 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 **Summit Bank PA** prepared by the **Federal Reserve Bank of Philadelphia**, as of **March 6, 2000**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Federal Reserve Bank of Philadelphia rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part A to 12 CFR Part (d).

## INSTITUTION'S CRA RATING

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**

Major factors contributing to this rating include:

- Excellent responsiveness to the credit needs in the bank's assessment areas;
- A substantial majority of loans are made in the bank's assessment areas;
- The geographic distribution of loans reflects a good penetration throughout the bank's assessment areas;
- The distribution of borrowers reflects an excellent penetration among retail customers of different income levels;
- The distribution of loans to small businesses was consistent with the institution's asset size, lending capacity, and business objectives;
- The bank exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its assessment area, low-income individuals, and/or very small businesses, consistent with safe and sound banking practices;
- The bank is a leader in providing community development loans;
- The bank makes extensive use of innovative and flexible lending practices in order to serve assessment area credit needs;
- The bank has an excellent level of qualified community development investments;
- Qualified investment activity reflected excellent responsiveness to community credit and development needs;
- Bank delivery systems are accessible to essentially all portions of the bank's assessment area;
- The bank is a leader in providing community development services.

The table below indicates the performance level of **Summit Bank PA** with respect to the lending, investment, and service tests.

PERFORMANCE TEST MATRIX			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding	X	X	
High Satisfactory			X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\*Note: The lending test is weighted more heavily than the investment and service test when arriving at an overall rating.

## DESCRIPTION OF INSTITUTION

Summit Bank PA, headquartered in Bethlehem, Pennsylvania, is a state chartered full-service commercial bank. Through 109 branch offices located in eastern Pennsylvania, the bank offers a variety of consumer and commercial banking services. Summit Bank PA has one non-bank subsidiary, Summit Financial Services Group, Inc, that engages in the sale of non-deposit investment products.

Summit Bank PA is a subsidiary of First Valley Corporation, a one-bank holding company, which is wholly owned by Summit Bancorp, a regional bank holding company headquartered in Princeton, New Jersey. Summit Bancorp also owns bank subsidiaries in New Jersey and Connecticut as well as several active non-bank subsidiaries. With total consolidated assets of \$36.4 billion as of December 31, 1999, Summit is the largest bank holding company headquartered in New Jersey. Through its banking subsidiaries, it operates nearly 500 traditional and supermarket branches in New Jersey, eastern Pennsylvania and Connecticut and an extensive network of automated teller machines. The bank subsidiaries are engaged in the general business of banking, while the non-bank subsidiaries are engaged in a variety of financial activities closely related to the business of banking.

For management purposes, Summit Bancorp is divided along the following lines of business: Retail Banking, Commercial Banking, Investment Services and Private Banking, and Corporate.

Summit Bank PA is also managed along the corporate business lines described above, with Summit Bancorp providing management and operational support. The only business lines actively managed and controlled at Summit Bank PA are commercial lending and fiduciary activities. All other operations are centralized in New Jersey.

Summit Bank PA's business strategy is to continue its expansion in southeastern and central PA through internal growth and acquisitions. At year-end 1998, Summit Bank PA had 70 branches located in 13 counties in eastern Pennsylvania.

On September 17, 1999, Summit Bancorp acquired \$1 billion Prime Bancorp and its subsidiary, Prime Bank. Summit Bank PA's presence throughout Pennsylvania has greatly expanded as a result of this acquisition, especially in the Philadelphia market.

As of December 31, 1999, Summit Bank PA had the fifth largest market share in the 13-county eastern Pennsylvania region, with over 100 branch offices. The acquisition of Prime Bank has not dramatically changed the bank's balance sheet structure and business strategy.

As of December 31, 1999, Summit Bank PA had total assets of \$4.4 billion, representing approximately 12% of Summit Bancorp's total assets. Gross loans of \$3.1 billion represented 71% of the institution's total assets. The composition of the loan portfolio as of December 31, 1999 is presented in the table below:

<b>LOANS</b>	<b>\$</b>	<b>%</b>
Construction & Land Development	\$82,250	2.65%
Open-End Loans Secured by Residential Properties	\$143,094	4.61%
Closed-End Secured by Residential Property	\$961,418	30.95%
Secured by Multifamily Residential Property	\$50,631	1.63%
Commercial Mortgages	\$400,330	12.89%
Commercial and Industrial	\$808,578	26.03%
Consumer Revolving Credit Plans	\$15,851	0.51%
Consumer Installment	\$419,066	13.49%
Other	\$224,949	7.24%
<b>GROSS LOANS</b>	<b>\$3,106,167</b>	<b>100.00%</b>



## DESCRIPTION OF INSTITUTION (CONTINUED)

*It should be noted that not all of the loans classified as secured by residential real estate are necessarily residential mortgage loans.*

On a dollar volume basis commercial loans continue to be the predominate loan product offered by the bank. The second most significant credit product offered by the bank consists of loans secured by 1-4 family residential mortgages. Consumer loans represent the third most significant product in the portfolio on a dollar basis. Collectively these loan types represented approximately 88.5% of the total loan portfolio as of December 31, 1999.

Strictly on a dollar volume basis, consumer loans constitute a significant product offering. Moreover, consumer loans are even more significant from a CRA standpoint due to the loan levels necessary to achieve such a high dollar volume.

<b>DEPOSITS</b>	<b>\$</b>	<b>%</b>
Demand Deposit Accounts	\$214,530	7.65%
NOW Accounts	\$102,717	3.66%
Money Market Deposit Accounts (MMDA)	\$1,038,732	37.04%
Savings Accounts	\$211,744	7.55%
Time Deposits under \$100,000	\$1,026,002	36.59%
<b>TOTAL CORE DEPOSITS</b>	<b>\$2,593,725</b>	<b>92.49%</b>
Time Deposits of \$100,000 or more	\$210,478	7.51%
<b>TOTAL DEPOSITS</b>	<b>\$2,804,203</b>	<b>100.00%</b>

Until recently, time deposits of less than \$100 thousand were consistently the bank's highest dollar volume deposit product. However, the deposit mix has changed toward a much greater volume of MMDAs with the introduction of the bank's "Navigator" account, which was established in an effort to increase core deposits.

Summit Bancorp's Navigator Account sweeps excess funds from a transaction account into an insured interest bearing deposit account, a money market mutual fund, or repurchase agreements. The account is targeted toward both retail deposit and commercial customers, and includes a minimum balance requirement of \$10,000.

Effective April 1, 1999, Summit Bancorp lowered its fee structure for various products. This strategy was initiated to attract new customers as well as retain existing customers. The cornerstone of this strategy was the introduction of a new product, the \$99 minimum balance checking account. This account includes free online banking, telephone banking, ATM card, and direct deposit services.

Summit offers a wide variety of online services through its website, [summitbank.com](http://summitbank.com). The web site is fully transactional, including bill payment and online consumer loan applications.

Summit Bank PA operates in an extremely competitive banking environment that is dominated by large regional banking organizations and aggressive community banks. Summit's marketing strategy generally targets individuals and small- to medium-size businesses. Summit recently changed its pricing strategy in an effort to retain customers as well as attract new customers in this highly competitive market. Summit continues to extensively utilize traditional media outlets to trumpet both its vast array of products and services and its commitment to provide competitive products and high quality customer service.

## DESCRIPTION OF ASSESSMENT AREAS

At the previous examination, Summit Bank PA's assessment areas consisted of the entire Allentown-Bethlehem-Easton Metropolitan Statistical Area (MSA), portions of four other contiguous MSAs, and one county not contained within an MSA. However, with the acquisition of Prime Bank as well as through internal growth, the bank's assessment areas were expanded, particularly within the Philadelphia MSA.

Accordingly, Summit Bank PA has designated the following assessment areas for the purposes of CRA:

- MSA 0240 (Allentown-Bethlehem-Easton) consisting of the entire MSA
- MSA 6160 (Philadelphia) consisting of all of Bucks, Delaware, Montgomery, and Philadelphia Counties, and a portion of Chester County
- MSA 7560 (Scranton-Wilkes-Barre-Hazleton) consisting of all of Luzerne County and a portion of Lackawanna County
- MSA 4000 (Lancaster) consisting of a portion of Lancaster County
- MSA 6680 (Reading) consisting of all of Berks County
- Portions of Schuylkill County in a Non-MSA

All of the assessment areas are contiguous and represent a sizable portion of eastern Pennsylvania.

The changes in the bank's assessment areas are significant when viewed in terms of the timing of the Prime Bank acquisition and subsequent reporting of lending data. Even though the merger was not completed until September 17, 1999, all HMDA and CRA loan data was reported for the merged institution in 1999. Although both Prime Bank and Summit Bank had a presence in the Philadelphia MSA prior to the merger, the combination and corresponding expansion of the assessment area presents numerous challenges. Specifically, the expansion within the Philadelphia MSA, particularly within Philadelphia and Delaware Counties, significantly increased the number of low- and moderate-income (LMI) geographies and borrowers in the area without a corresponding increase in physical presence.

Although the bank's assessment areas were expanded in response to the merger and internal growth, the combined institution's branch network within LMI census tracts in the Philadelphia assessment area remains quite limited, as further described under the Retail Banking section of this report. The lack of branches in these areas somewhat limits the bank's ability to serve the considerable LMI population residing in the Philadelphia assessment area. Due to the highly competitive nature of the market, the lack of a significant branch presence within LMI geographies presents an obstacle for effective delivery of products and services to these areas.

The bank's assessment areas were determined to comply with the requirements of the Community Reinvestment Act and do not arbitrarily exclude LMI geographies. The bank's asset size and financial condition indicate that it has the ability to effectively meet the credit needs of its assessment areas. There are no legal or other impediments that would hamper the bank's ability to meet community credit needs.

## SCOPE OF EXAMINATION

The evaluation of Summit Bank PA's CRA performance covered the period from April 20, 1998, through March 6, 2000. The lending, investment, and service tests were applied in assessing the bank's performance under CRA, pursuant to the Interagency Procedures and Guidelines for Large Retail Institutions.

The previous CRA examination of Summit Bank PA was conducted as of April 20, 1998, and included a review of lending activity through December 31, 1997. The previous CRA examination of Prime Bank was conducted as of November 30, 1998, and included a review of lending activity through September 30, 1998. Consequently, the review of lending activity at this examination includes:

- Fourth quarter 1998 Prime Bank CRA and HMDA data
- 1998 Summit Bank PA CRA and HMDA data
- 1999 Summit Bank PA CRA and HMDA data (which includes Prime Bank's data), and
- 2000 year-to-date lending activity (January and February 2000)

However, due to the timing of the merger and the recent change in the bank's assessment areas, the data was analyzed on a yearly basis as opposed to an examination period basis for the Philadelphia MSA assessment area. This decision was based on the dramatic change in the assessment area which precluded an accurate examination period analysis. Additionally, when viewed on an examination period basis, lending within the Philadelphia MSA represents the most significant area of lending activity, and this is the area where the most dramatic assessment area changes were made.

Loan products evaluated included home purchase and home improvement loans and refinancing of such loans, small business loans, unsecured consumer loans, and qualified community development loans.

The following table contains the level of loans reported by loan type during the period between examinations, exclusive of fourth quarter 1998 Prime Bank data:

<b>1998/1999/YTD 2000</b>		
<b>REPORTABLE LOAN VOLUME FOR ALL ASSESSMENT AREAS</b>		
<b>(Exclusive of Fourth Quarter Prime Bank Data)</b>		
<b>Type of Loan</b>	<b>Number</b>	<b>Percentage</b>
<b>Home Purchase</b>	669	8.74%
<b>Refinance</b>	2662	34.78%
<b>Home Improvement</b>	343	4.48%
<b>Multi- Family</b>	11	.14%
<b>TOTAL HMDA</b>	3685	48.14%
<b>Small Business</b>	1994	26.05%
<b>Unsecured Consumer Loans</b>	1975	25.80%
<b>TOTAL REPORTABLE LOANS</b>	7654	100%

It should be noted that Summit Bank PA discontinued the collection of home improvement loan data effective June 30, 1998. Consequently, home improvement loans reported during the period between examinations consist solely of those loans reported by Summit Bank PA for the first six months of 1998, and those loans originated by Prime Bank in 1999 collected for reporting prior to the merger. Also, effective July 1, 1998, Summit Bank PA began collecting data on unsecured consumer loans. It should also be noted that the unsecured consumer loans were made by Summit Bank PA, since Prime Bank did not collect such data prior to the merger. Finally, the high volume of refinance transactions reported is primarily a function of the favorable interest rate environment prevalent during the period between examinations.

In addition, bank investments, grants and services qualifying as community development were included in the evaluation. Finally, in an effort to achieve a better understanding of community credit needs, interviews were



conducted with various community representatives during the course of the examination.

**SCOPE OF EXAMINATION (CONTINUED)**

To conduct the evaluation of the geographic distribution of loans, geographies were classified on the basis of 1990 U.S. Census data. The distribution of loans to borrowers of different income levels was based upon annually adjusted median family income data, made available by the U.S. Department of Housing and Urban Development (HUD).

For purposes of evaluating the bank's lending activity, those assessment areas with the highest level of lending activity and/or concentration of low-to moderate income geographies and borrowers were analyzed in greater detail.

The following table details assessment area lending activity concentrations:

<b>1998 LENDING ACTIVITY BY ASSESSMENT AREA (Exclusive of 4<sup>th</sup> Quarter 1998 Prime)</b>					
Assessment Area	Number of HMDA Loans	Number of Small Business Loans	Number of Unsecured Installment Loans	TOTAL LOANS	PERCENT OF TOTAL LOANS
<b>0240</b>	709	279	190	1178	37.76%
<b>6160</b>	695	246	118	1059	33.94%
<b>7560</b>	354	164	105	623	19.97%
<b>4000</b>	52	45	16	113	3.62%
<b>6680</b>	66	20	6	92	2.95%
<b>Schuykill</b>	35	6	14	55	1.76%
<b>TOTAL LOANS</b>	1911	760	449	3120	100%

Prior to the merger the majority of the bank's lending activity was concentrated in the Allentown-Bethlehem-Easton MSA, followed closely by the Philadelphia MSA. Lending within these two assessment areas accounted for approximately 72% of the bank's total reportable lending activity in 1998.

However, with the acquisition of Prime Bank on September 17, 1999 and the subsequent consolidated reporting of HMDA and CRA data for the merged institution, the lending activity within the Philadelphia MSA dramatically increased, accounting for the majority of the bank's lending activity. In 1999, the Philadelphia MSA and the Allentown-Bethlehem-Easton MSA combined accounted for approximately 80% of the bank's reportable lending activity. These areas also contain a significant level of LMI geographies and borrowers, particularly the Philadelphia MSA, consequently, they were selected for detailed review. The bank's lending activity for calendar year 1999 and the first two months of 2000 are presented in the tables below:

<b>1999 LENDING ACTIVITY BY ASSESSMENT AREA (Summit &amp; Prime)</b>					
Assessment Area	Number of HMDA Loans	Number of Small Business Loans	Number of Unsecured Installment Loans	TOTAL LOANS	PERCENT OF TOTAL LOANS
<b>6160</b>	1034	709	576	2319	55.81%
<b>0240</b>	337	208	473	1018	24.50%
<b>7560</b>	202	110	215	527	12.68%
<b>4000</b>	25	45	50	120	2.89%
<b>6680</b>	45	10	59	114	2.74%
<b>Schuykill</b>	23	7	27	57	1.37%
<b>TOTAL LOANS</b>	1666	1089	1400	4155	100%

<b>2000 YTD LENDING ACTIVITY BY ASSESSMENT AREA</b>					
Assessment Area	Number of HMDA Loans	Number of Small Business Loans	Number of Unsecured Installment Loans	TOTAL LOANS	PERCENT OF TOTAL LOANS
<b>6160</b>	79	99	51	229	60.42%
<b>0240</b>	15	22	43	80	21.11%
<b>7560</b>	10	17	26	53	13.99%
<b>4000</b>	2	4	3	9	2.38%
<b>6680</b>	1	1	2	4	1.05%
<b>Schuykill</b>	1	2	1	4	1.05%
<b>TOTAL LOANS</b>	108	145	126	379	100%

## ASSESSMENT AREAS SELECTED FOR FULL SCOPE REVIEW

### Philadelphia MSA (6160)

With the acquisition of Prime Bank, the composition of the bank’s Philadelphia MSA assessment area changed dramatically. For reference purposes details regarding both the old assessment area and the expanded assessment area are presented below.

The bank’s previous Philadelphia MSA assessment area consisted of all of Bucks and Montgomery Counties and portions of Delaware, Philadelphia, and Chester Counties.

PHILADELPHIA ASSESSMENT AREA (OLD)				
DEMOGRAPHICS BY GEOGRAPHY				
Type of Geography	Number of Geographies	Percent	Population of Geographies	Percent
Low-Income	10	1.8%	12,882	0.5%
Moderate-Income	59	10.3%	268,294	11.5%
Middle-Income	296	51.9%	1,257,026	53.8%
Upper-Income	205	36.0%	798,918	34.2%
<b>Total</b>	<b>570</b>	<b>100%</b>	<b>2,337,120</b>	<b>100%</b>

The bank’s expanded Philadelphia MSA assessment area consists of all of Bucks, Montgomery, Delaware, and Philadelphia Counties, and a portion of Chester County. The most significant feature of the change was the inclusion of all of Philadelphia and Delaware Counties. Both of these areas, particularly Philadelphia, have a greater concentration of LMI geographies.

PHILADELPHIA ASSESSMENT AREA (EXPANDED)				
DEMOGRAPHICS BY GEOGRAPHY				
Type of Geography	Number of Geographies	Percent	Population of Geographies	Percent
Low-Income	113	12.7%	366,487	10.5%
Moderate-Income	160	18.0%	707,219	20.3%
Middle-Income	362	40.7%	1,482,848	42.5%
Upper-Income	255	28.6%	928,745	26.7%
<b>Total</b>	<b>890</b>	<b>100%</b>	<b>3,485,299</b>	<b>100%</b>

As can be seen from the previous tables, the bank’s Philadelphia assessment area was significantly expanded, with the most conspicuous change occurring in the number of LMI geographies. Previously, LMI geographies accounted for 12% of the assessment area’s total geographies, with 12% of the assessment area population residing within those geographies. As a result of the expanded assessment area, these geographies now represent 31% of the assessments area’s total geographies and contain 31% of the assessment area’s total population.

The majority of the LMI geographies are located within the City of Philadelphia. The assessment area’s other LMI geographic concentrations are primarily in the City of Chester, Upper Darby Township, and Darby Borough in Delaware County; Bristol Borough, Bucks County; and the cities of Norristown and Pottstown in Montgomery County. After Philadelphia, Chester has the greatest number of LMI geographies and

economically depressed areas.

**ASSESSMENT AREAS SELECTED FOR FULL SCOPE REVIEW (CONTINUED)**

**Median Family Income**

According to 1990 Census Bureau Statistics, the median family income for the expanded Philadelphia MSA assessment area was \$40,747, higher than the statewide median of \$34,856. However, the median family income for the City of Philadelphia was just \$30,140. Such disparity between the City of Philadelphia and the assessment area as a whole is largely reflective of the erosion of the city’s economic base in favor of suburban areas. The following tables below show the number of families by income level designation for both the old assessment area and the expanded assessment area.

<b>PHILADELPHIA ASSESSMENT AREA (OLD)</b>		
<b>DEMOGRAPHICS BY INCOME</b>		
	<b>Number of Families</b>	<b>Percent</b>
<b>Low-Income Families</b>	90,650	14.5%
<b>Moderate-Income Families</b>	107,453	17.2%
<b>Middle-Income Families</b>	155,751	25.0%
<b>Upper-Income Families</b>	270,350	43.3%
<b>Total Families</b>	624,204	100%

Of the total number of families in the old assessment area, 32% were designated as low- and moderate-income. As a result of the expansion of the assessment area, the percentage of low- and moderate-income families increased from 32% to 40%.

<b>PHILADELPHIA ASSESSMENT AREA (EXPANDED)</b>		
<b>DEMOGRAPHICS BY INCOME</b>		
	<b>Number of Families</b>	<b>Percent</b>
<b>Low-Income Families</b>	190,736	21.4%
<b>Moderate-Income Families</b>	161,291	18.1%
<b>Middle-Income Families</b>	207,542	23.3%
<b>Upper-Income Families</b>	330,842	37.2%
<b>Total Families</b>	890,411	100%

The increased level of LMI families in the new assessment area is particularly significant when the percentage of LMI families is used as a proxy for borrower demand.

Approximately 48% of LMI families reside in LMI geographies, while 40% reside in middle income geographies, and the remaining 12% in upper-income geographies.

**ASSESSMENT AREAS SELECTED FOR FULL SCOPE REVIEW (CONTINUED)**

**Housing**

The expanded assessment area contains 1.4 million housing units, of which 63% are owner-occupied. Single family units comprise 31% of the housing units, while two-to-four family units comprise 51%, multi-family units comprise 17% and mobile homes and other housing units comprise 1%. The median housing value is \$93,751 and the median gross rent is \$507 per month. There is a significant disparity between the median housing value in the assessment area’s upper-income geographies (\$175,258) and that in low-and moderate-income geographies (\$18,712 and \$38,168). This is generally a function of the diverse nature of the bank’s assessment area, where the preponderance of LMI geographies are located in the more economically depressed inner cities, while a substantial majority of upper-income geographies are located in more affluent surrounding suburban areas. These affluent suburban areas more easily support a higher cost housing market.

The following tables depict the number of owner occupied housing units relative to the total number of available units in both the bank’s old and expanded assessment areas.

<b>PHILADELPHIA ASSESSMENT AREA (OLD)</b>			
<b>HOUSING PROFILE BY GEOGRAPHY</b>			
<b>Type of Geography</b>	<b>Total Units</b>	<b>Owner Occupancy</b>	<b>Percent Owner Occupied</b>
<b>Low-Income</b>	1,423	542	38.1%
<b>Moderate-Income</b>	110,096	62,754	57.0%
<b>Middle-Income</b>	499,323	336,208	67.3%
<b>Upper-Income</b>	299,162	232,770	77.8%
<b>All Geographies</b>	910,004	632,274	69.5%

<b>PHILADELPHIA ASSESSMENT AREA (EXPANDED)</b>			
<b>HOUSING PROFILE BY GEOGRAPHY</b>			
<b>Type of Geography</b>	<b>Total Units</b>	<b>Owner Occupancy</b>	<b>Percent Owner Occupied</b>
<b>Low-Income</b>	143,114	58,132	40.6%
<b>Moderate-Income</b>	295,637	171,366	58.0%
<b>Middle-Income</b>	601,688	392,485	65.2%
<b>Upper-Income</b>	364,065	264,801	72.7%
<b>All Geographies</b>	1,404,504	886,784	63.1%

Notwithstanding this change to the bank’s assessment area, the level of owner occupancy within designated geographies remained relatively stable. Owner occupancy in low- and moderate-income geographies is 41% and 58%, respectively. This compares unfavorably to owner occupancy levels of 65% and 73% in middle- and upper-income geographies, respectively. The overall owner occupancy rate in the assessment area is 63%, comparable to the statewide homeownership rate of 64%.

The most notable impact the expansion of the assessment area had on housing was the increase in the number and percentage of owner-occupied units within LMI geographies as depicted in the following table.

**ASSESSMENT AREAS SELECTED FOR FULL SCOPE REVIEW (CONTINUED)**

**Housing (Continued)**

	OLD PHILA. ASSESSMENT AREA		EXPANDED PHILA. ASSESSMENT AREA	
TYPE OF GEOGRAPHY	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Number of Owner-Occupied Units	Percent of Owner-Occupied Units
Low	542	.09%	58,132	6.56%
Moderate	62,754	9.92%	171,366	19.32%
LMI	63,296	10.01%	229,498	25.88%
Middle	336,208	53.17%	392,485	44.26%
Upper	232,770	36.82%	264,801	29.86%
Non- LMI	568,978	89.99%	657,286	74.12%
All Geographies	632,274	100%	886,784	100%

As this table illustrates, the number of owner-occupied units within low- and moderate-income geographies increased 158%, from 10% to 26%, when the assessment area was expanded. This becomes particularly significant when the percentage of owner-occupied units within a designated geography is used as a proxy for demand for housing related credit. Once again, the timing of the acquisition of Prime Bank on September 17, 1999 and the subsequent consolidated reporting of HMDA and CRA data should be recognized when evaluating the bank's geographic distribution using the percentage of owner-occupied units as a general proxy for demand for housing related credit.

**Summary**

As the data in the preceding table illustrates, the Philadelphia MSA is quite diverse with regard to both demographic composition and identifiable community credit needs. While the inner city areas contain the majority of low- and moderate-income geographies and families, the suburban areas consist primarily of middle- to upper-income geographies and families. However, the entire assessment area remains significantly reliant on the overall economic viability of the City of Philadelphia.

The City of Philadelphia is faced with the same social and economic problems that challenge most urban centers throughout the nation. Philadelphia contains 353 census tracts, and based on 1990 census data, 204, or 58%, are designated as low- and moderate-income tracts, while 105, or 30%, are characterized as both low- to moderate-income and minority tracts.

In terms of population, Philadelphia is the fourth largest city in the nation. According to 1990 census data, Philadelphia had a population of 1.6 million, a median household income of \$24.6 thousand, and a citywide unemployment rate of 10%.

Manufacturing was the city's traditional economic base, however, due to recent plant closings, the majority of the local work force is now service-oriented, with health care the most active segment of the economy. Major employers in the Philadelphia area include Aramark, Bell Atlantic, Cigna, and Unisys.

**ASSESSMENT AREAS SELECTED FOR FULL SCOPE REVIEW (CONTINUED)**

## **Allentown-Bethlehem-Easton MSA (0240)**

This assessment area represented the institution's greatest area of lending concentration prior to the acquisition of Prime Bank, and was not charged during the period between examinations. The bank's headquarters remains located in the area.

Situated in the central-eastern portion of Pennsylvania, the Allentown-Bethlehem-Easton MSA encompasses all of Carbon, Northampton, and Lehigh Counties. The focal points of the area remain the three central cities of Allentown, Bethlehem and Easton. Several suburban areas and semi-rural areas surround these cities.

### **Demographic Data**

<b>ALLENTOWN-BETHLEHEM-EASTON ASSESSMENT AREA DEMOGRAPHICS BY GEOGRAPHY</b>				
<b>Type of Geography</b>	<b>Number of Geographies</b>	<b>Percent</b>	<b>Population of Geographies</b>	<b>Percent</b>
<b>Low-Income</b>	8	5.5%	11,711	2.0%
<b>Moderate-Income</b>	22	15.3%	83,696	14.1%
<b>Middle-Income</b>	90	62.5%	383,447	64.4%
<b>Upper-Income</b>	24	16.7%	116,227	19.5%
<b>Total</b>	144	100%	595,081	100%

Four of the 30 LMI tracts are not populated and consequently are excluded for analytical purposes. Of the remaining 26 LMI census tracts, 21, or 81%, are located within the assessment area's three central cities of Allentown, Bethlehem and Easton, whose populations represent 21%, 13% and 4% of the total MSA population, respectively. Forty-three percent of Allentown's census tracts are designated low-and moderate-income, while 33% of Bethlehem's and 29% of Easton's are designated low-and moderate-income.

From 1900 to 1950, the Allentown-Bethlehem-Easton MSA had a diverse manufacturing economy. During that time, the population of the area grew steadily, primarily as a result of the steel industry in Bethlehem and Allentown. Following World War II, middle-class families began moving out, and by the late 1970's, the transition from manufacturing to service employment began to occur. Today, the service industry is the area's largest employer, followed by manufacturing and retail trade. The unemployment rate for the area remains significantly below the statewide average.

As a result of a decreasing industrial base the cities of Allentown, Bethlehem, and Easton have experienced some economic difficulties over the years. Consequently, income and housing measures within these cities are reflective of this decline.

### **Median Family Income**

According to 1990 Census Bureau Statistics, the median family income for the Allentown-Bethlehem-Easton MSA was \$37,523, higher than the statewide median of \$34,856. The following table shows the number of families by income level designation for the assessment area.

## Median Family Income (Continued)

ALLENTOWN-BETHLEHEM-EASTON ASSESSMENT AREA DEMOGRAPHICS BY INCOME		
	Number of Families	Percent
Low-Income Families	27,174	16.6%
Moderate-Income Families	31,285	19.2%
Middle-Income Families	43,436	26.6%
Upper-Income Families	61,257	37.6%
Total Families	163,152	100%

Of the families in the assessment area, 36% are designated as low- and moderate-income. Approximately 24% of LMI families reside in LMI geographies. A substantial majority of LMI families (66%) reside in middle income geographies, with the remaining 11% in upper-income geographies.

## Housing

The assessment area contains 241,060 housing units, 67% of which are owner-occupied. Single family units comprise 52% of the housing units, while two-to-four family units comprise 33%, multi-family units comprise 11% and mobile homes and other housing units comprise 4%. The median housing value is \$97,045 and the median gross rent is \$449 per month. There is a significant disparity between the median housing value in the assessment area's upper-income geographies (\$143,279) and that in low-and moderate- income geographies (\$55,517 and \$53,817, respectively).

The following table illustrates the number of owner occupied housing units relative to the number of total available units for the assessment area.

ALLENTOWN-BETHLEHEM-EASTON ASSESSMENT AREA HOUSING PROFILE BY GEOGRAPHY			
Type of Geography	Total Units	Owner Occupancy	Percent Owner Occupied
Low-Income	4,238	963	22.7%
Moderate-Income	34,597	18,368	53.1%
Middle-Income	159,543	108,825	68.2%
Upper-Income	42,682	34,223	80.2%
All Geographies	241,060	162,379	67.4%

As in many of the nation's highly industrialized areas, employment has shifted significantly towards the service sector due to the decline in manufacturing activity.

## ASSESSMENT AREAS SELECTED FOR FULL SCOPE REVIEW (CONTINUED)

## **Housing (Continued)**

As illustrated previously, disparity in owner occupancy within the assessment area is evident, especially with regard to low-income geographies. Only 23% of the total housing units in low-income geographies are owner-occupied, compared to 68% of those in middle-income, and 80% in upper-income. This disparity is generally attributable to several factors. First, as previously noted, most of the assessment area's LMI geographies are located within the more economically depressed central cities. Since these cities are the commercial centers of the assessment area, fewer housing units are available for residential use. Secondly, the relatively high housing cost in relation to income within LMI geographies continues to be an obstacle to home ownership in these areas. While the median housing value in low-income geographies is \$55,517, the median gross rent is only \$304. The availability and affordability of rental housing continues to preclude a greater level of home ownership.

However, as in many of the nation's highly industrialized areas, a decline in manufacturing has precipitated a significant shift in employment towards the service sector. The central cities of Allentown, Bethlehem, and Easton have experienced some economic improvements despite the decline of the industrial base; however, demographic and economic data suggest that the surrounding suburbs continue to expand at a much quicker pace.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The lending test evaluates an institution's lending activities within a given assessment area with respect to the following characteristics:

- Overall lending levels and assessment area concentration;
- Geographic distribution of loans, particularly loans originated in low- and moderate-income geographies;
- Borrower profile, particularly low- and moderate-income borrowers and small businesses;
- Overall responsiveness to credit needs of highly economically disadvantaged geographies, low-income persons, and very small businesses;
- Community development lending activities; and
- The use of innovative or flexible lending practices to address community credit needs.

Performance under the lending test is considered Outstanding.

### **Lending Activity and Assessment Area Concentration**

Lending levels are deemed excellent. As of December 31, 1999, net loans represent 70% of total assets, which was significantly higher than the bank's national peer group average of 61%. Additionally, net loans represented 109% of total deposits, also significantly higher than the peer group average of 87%. The high level of loans in relation to deposits, although partially attributable to the level of deposits, was primarily attributable to a continued emphasis on lending activity. Total deposits represented 66% of average assets as of December 31, 1999, slightly below the bank's peer group average of 71%.

As previously noted, the bank's loan portfolio has a good balance of commercial, residential mortgage and consumer loans.

### **Assessment Area Penetration**

An analysis was performed to determine the volume of loans extended inside and outside of the bank's assessment areas. The analysis consisted of an evaluation of the bank's 1998 and 1999 HMDA and CRA data (exclusive of 4<sup>th</sup> quarter Prime Bank data).

Based on the analysis, it was determined that a substantial majority of the bank's home mortgage, small business, and unsecured consumer loans were made within the bank's assessment areas, as depicted in tables below.

### HMDA

<b>1999 HMDA LOAN PENETRATION</b>				
<b>NUMBER AND DOLLAR AMOUNT OF LOANS</b>				
	<b>Number</b>	<b>Percent</b>	<b>\$000's</b>	<b>Percent</b>
<b>Inside Assessment Areas</b>	1,666	91.4%	\$141,191	86.0%
<b>Outside Assessment Areas</b>	156	8.6%	\$22,967	14.0%
<b>Total</b>	1,822	100%	\$164,158	100%

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

HMDA (Continued)

1998 HMDA LOAN PENETRATION NUMBER AND DOLLAR AMOUNT OF LOANS				
	Number	Percent	\$000's	Percent
Inside Assessment Areas	1,911	92.4	\$141,325	86.5%
Outside Assessment Areas	157	7.6	\$22,013	13.5%
<b>Total</b>	2068	100%	\$163,338	100%

SMALL BUSINESS

1999 SMALL BUSINESS LOAN PENETRATION NUMBER AND DOLLAR AMOUNT OF LOANS				
	Number	Percent	\$000's	Percent
Inside Assessment Areas	1,089	90.5%	\$182,551	87.0%
Outside Assessment Areas	114	9.5%	\$27,360	13.0%
<b>Total Loans</b>	1,203	100%	\$209,911	100%

1998 SMALL BUSINESS LOAN PENETRATION NUMBER AND DOLLAR AMOUNT OF LOANS				
	Number	Percent	\$000's	Percent
Inside Assessment Areas	760	92.8%	\$106,139	86.7%
Outside Assessment Areas	59	7.2%	\$16,326	13.3%
<b>Total Loans</b>	819	100%	\$122,465	100%

UNSECURED CONSUMER LOANS

1999 CONSUMER LOAN PENETRATION NUMBER AND DOLLAR AMOUNT OF LOANS				
	Number	Percent	\$000's	Percent
Inside Assessment Areas	1,400	93.2%	\$8,733	92.8%
Outside Assessment Areas	102	6.8%	\$675	7.2%
<b>Total Loans</b>	1,502	100%	\$9,408	100%

1998 CONSUMER LOAN PENETRATION NUMBER AND DOLLAR AMOUNT OF LOANS				
	Number	Percent	\$000's	Percent
Inside Assessment Areas	449	94.1%	\$2,417	92.9%
Outside Assessment Areas	28	5.9%	\$184	7.1%
<b>Total Loans</b>	477	100%	\$2,601	100%

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### ALL LOANS REPORTED

1999 ALL REPORTED PENETRATION NUMBER AND DOLLAR AMOUNT OF LOANS				
	Number	Percent	\$000's	Percent
Inside Assessment Areas	4,155	91.8%	\$332,475	86.7%
Outside Assessment Areas	372	8.2%	\$51,002	13.3%
<b>Total Loans</b>	4,527	100%	\$383,477	100%

1998 ALL REPORTED PENETRATION NUMBER AND DOLLAR AMOUNT OF LOANS				
	Number	Percent	\$000's	Percent
Inside Assessment Areas	3120	92.8%	\$249,881	86.6%
Outside Assessment Areas	244	7.2%	\$38,523	13.4%
<b>Total Loans</b>	3364	100%	\$288,404	100%

### Geographic Distribution of Lending

An analysis of the geographic distribution of loans was conducted in an effort to determine the dispersion of loans among different geographies within the bank's assessment areas. The analysis focused primarily on the geographic distribution within the bank's Philadelphia MSA and Allentown- Bethlehem-Easton MSA assessment areas. The lending activity within these assessment areas accounted for the majority of the bank's lending activity during the period between examinations. These areas also contain a significant level of LMI geographies and borrowers, particularly in the Philadelphia MSA.

The analysis reflected a good penetration throughout the assessment areas, including LMI geographies.

### Philadelphia MSA (6160)

As previously noted in the Scope of Examination section of this report, as a result of the Prime Bank acquisition, the Philadelphia MSA became the most significant area of lending activity. Consequently, Summit Bank PA's Philadelphia assessment area was significantly expanded. However, due to the timing of the merger, analysis of lending activity was performed on a yearly basis. Therefore, geographic distribution for calendar year 1998 was analyzed with respect to the bank's previous Philadelphia assessment area. Lending activity in calendar year 1999 was analyzed using the expanded assessment area, although the timing of the merger should be kept in mind when viewing the data. Finally, the first two-months of 2000 were also reviewed separately in an effort to develop a more comprehensive assessment of the bank's geographic lending profile within the assessment area.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

Home Purchase Loans

PHILA. ASSESSMENT AREA 1998 HOME PURCHASE LOAN CENSUS TRACT DISTRIBUTION (OLD PHILA ASSESSMENT AREA)					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans To Percentage of Units
Low	0	0.00%	542	0.09%	.00
Moderate	8	9.30%	62,754	9.92%	.94
LMI	8	9.30%	63,296	10.01%	.93
Middle	27	31.40%	336,208	53.17%	.59
Upper	51	59.30%	232,770	36.82%	1.61
Non- LMI	78	90.70%	568,978	89.99%	1.01
All Geographies	86	100%	632,274	100%	1.00

As the preceding table illustrates, prior to the merger and change in assessment area the geographic distribution of home purchase credit was generally equivalent to the percentage of owner-occupied units in both LMI and non-LMI geographies.

PHILA. ASSESSMENT AREA 1999 HOME PURCHASE LOAN CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans To Percentage of Units
Low	6	2.31%	58,132	6.56%	.35
Moderate	64	24.61%	171,366	19.32%	1.27
LMI	70	26.92%	229,498	25.88%	1.04
Middle	63	24.23%	392,485	44.26%	.55
Upper	127	48.85%	264,801	29.86%	1.64
Non- LMI	190	73.08%	657,286	74.12%	.99
All Geographies	260	100%	886,784	100%	1.00

Subsequent to the merger and the expanded assessment area, which contains a significantly higher percentage of owner-occupied units within LMI geographies, the geographic profile actually improved. In 1999 the bank's percentage of loans as a percentage of owner-occupied units within LMI geographies exceeded that within non-LMI geographies.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

Home Purchase Loans (Continued)

PHILA. ASSESSMENT AREA 2000 HOME PURCHASE LOAN YTD CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans To Percentage of Units
LMI	46	82.14%	229,498	25.88%	3.17
Non- LMI	10	17.86%	657,286	74.12%	.24
All Geographies	56	100%	886,784	100%	1.00

Finally, notwithstanding the limited number of loans, year-to-date home purchase data clearly indicates that the bank continues to effectively penetrate LMI geographies within its Philadelphia assessment area. This profile is indicative of the emphasis placed by the institution on the origination of home-purchase credit within LMI geographies and to LMI borrowers. See Innovative and Flexible Lending Practices section of this report for details on the home purchase lending programs specifically designed to address the home purchase needs of LMI geographies and borrowers.

Refinance

PHILA. ASSESSMENT AREA 1998 REFINANCE CENSUS TRACT DISTRIBUTION (OLD PHILA ASSESSMENT AREA)					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans To Percentage of Units
Low	1	.19%	542	0.09%	2.11
Moderate	14	2.67%	62,754	9.92%	.27
LMI	15	2.86%	63,296	10.01%	.29
Middle	279	53.14%	336,208	53.17%	1.00
Upper	231	44.00%	232,770	36.82%	1.19
Non- LMI	510	97.14%	568,978	89.99%	1.08
All Geographies	525	100%	632,274	100%	1.00

As the preceding table illustrates, prior to the merger and change in the assessment area, the geographic distribution of refinance loans within LMI geographies was significantly below the percentage of owner-occupied units within those geographies and the level of penetration within non-LMI geographies.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### Refinance (Continued)

PHILA. ASSESSMENT AREA 1999 REFINANCE CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans To Percentage of Units
<b>Low</b>	2	.32%	58,132	6.56%	.05
<b>Moderate</b>	22	3.52%	171,366	19.32%	.18
<b>LMI</b>	24	3.84%	229,498	25.88%	.15
<b>Middle</b>	284	45.44%	392,485	44.26%	1.03
<b>Upper</b>	317	50.72%	264,801	29.86%	1.70
<b>Non- LMI</b>	601	96.16%	657,286	74.12%	1.30
<b>All Geographies</b>	625	100%	886,784	100%	1.00

Subsequent to the merger and the expanded assessment area, the disparity between the penetration of LMI geographies and non-LMI geographies became even more pronounced. While 26% of the assessment area's owner occupied units were located within LMI geographies, only 4% of the bank's refinance loans were made within those geographies in 1999. Conversely, while 74 % of the assessment area's owner occupied units were located within non-LMI geographies, 96% of the bank's refinance loans were made within those geographies in 1999.

Lower levels of refinance loans to low- and moderate-income geographies, relative to the corresponding demographic measures, are not deemed unreasonable in view of the obstacles that preclude the extension of refinance loans in such areas. Such obstacles include but are not limited to:

- Many LMI geographies have not experienced the same level of housing value appreciation as found in non-LMI geographies.
- Some homeowners in LMI geographies obtained loans with high loan-to-value ratios under affordable home purchase loan programs.
- As a result of the lack of appreciation (and in some cases the depreciation) in home values, coupled with relatively high loan-to values associated with home purchases, many homeowners within LMI geographies do not meet the more restrictive collateral requirements generally associated with refinance transactions.
- Many LMI borrowers do not have the liquidity necessary to enter into refinance transactions. Closing cost for such transactions are generally higher than those associated with home purchase programs, aimed at low- and moderate-income borrowers.
- Some homeowners in LMI geographies obtained loans with below market rates under affordable home purchase loan programs, making refinancing imprudent.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### Refinance (Continued)

- Finally, and most importantly, Summit Bank PA has placed much greater emphasis on home purchase loans aimed at low- and moderate-income geographies and borrowers as opposed to refinance transactions. Management indicated that home ownership remains the foundation of its home mortgage lending initiatives in LMI geographies.

It should also be noted that the high level of refinance activity during the period between examinations was primarily a function of a favorable interest rate environment, and not representative of a change in emphasis related to the bank's home mortgage lending approach.

Notwithstanding the limited number of loans, year-to-date refinance data indicates an improving trend with a better penetration in LMI geographies within its Philadelphia assessment area, as depicted below.

PHILA. ASSESSMENT AREA 2000 REFINANCE YTD CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans To Percentage of Units
LMI	3	13.04%	229,498	25.88%	.50
Non- LMI	20	86.96%	657,286	74.12%	1.17
All Geographies	23	100%	886,784	100%	1.00

Although refinance transactions are not the bank's primary focus in lending within LMI geographies, continued attention should be directed toward this area. Management should continue to explore all reasonable credit opportunities within its assessment areas, consistent with its asset size, financial condition, business objectives, and community credit needs.

### Home Improvement

As previously noted, Summit Bank PA discontinued the collection of home improvement loans data effective June 30, 1998. Consequently, home improvement loans reported during the period between examinations consisted solely of those loans reported by Summit Bank PA for the first six months of 1998 and those loans originated by Prime Bank in 1999 collected for reporting prior to the merger. Because of these factors and the resulting low volume of loans, less emphasis was placed on this product in the evaluation of geographic distribution.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### Home Improvement (Continued)

PHILA. ASSESSMENT AREA 1998 HOME IMPROVEMENT CENSUS TRACT DISTRIBUTION (OLD PHILA ASSESSMENT AREA)					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans To Percentage of Units
Low	1	1.23%	542	0.09%	13.67
Moderate	2	2.47%	62,754	9.92%	.25
LMI	3	3.70%	63,296	10.01%	.37
Middle	48	59.26%	336,208	53.17%	1.11
Upper	30	37.04%	232,770	36.82%	1.00
Non- LMI	78	96.30%	568,978	89.99%	1.07
All Geographies	81	100%	632,274	100%	1.00

As illustrated by the preceding table, prior to the merger and change in the assessment area, the geographic distribution of home improvement loans within LMI geographies was significantly below the percentage of owner-occupied units within those geographies and the level of penetration within non-LMI geographies.

PHILA. ASSESSMENT AREA 1999 HOME IMPROVEMENT CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans To Percentage of Units
Low	2	1.37%	58,132	6.56%	.21
Moderate	25	17.12%	171,366	19.32%	.89
LMI	27	18.49%	229,498	25.88%	.71
Middle	53	36.30%	392,485	44.26%	.82
Upper	66	45.21%	264,801	29.86%	1.51
Non- LMI	119	81.51%	657,286	74.12%	1.10
All Geographies	146	100%	886,784	100%	1.00

Subsequent to the merger and the expanded assessment area, which contains a significantly higher percentage of owner-occupied units within LMI geographies, the geographic distribution of home improvement loans improved. Since all home improvement loans reported in 1999 were originated by Prime Bank, the improvement is primarily reflective of loans originated by Prime Bank under its “We Care” home improvement loan program. As highlighted in the Innovative and Flexible Lending Practices section of this report, this program was specifically targeted to meet the needs of LMI geographies and borrowers in Philadelphia.



**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

Unsecured Consumer Loans

Unsecured consumer loans consist primarily of loans made by Summit Bank PA, since Prime Bank did not collect such data prior to the merger. Once again the timing of the acquisition of Prime Bank and the subsequent consolidated reporting of CRA data should be recognized when viewing the bank's unsecured consumer loan distribution.

The percentage of households contained within designated geographies was generally used as a proxy to estimate demand. Consequently, when the bank expanded its Philadelphia MSA assessment area a much greater percentage of households were contained within LMI geographies as depicted in the following table.

TYPE OF GEOGRAPHY	OLD PHILA. ASSESSMENT AREA		EXPANDED PHILA. ASSESSMENT AREA	
	Number of Households	Percent of Households	Number of Households	Percent of Households
Low	1,338	.15%	117,930	9.09%
Moderate	100,081	11.57%	264,495	20.38%
LMI	101,419	11.72%	382,425	29.47%
Middle	476,000	55.02%	569,905	43.92%
Upper	287,709	33.26%	345,359	26.61%
Non- LMI	763,709	88.28%	915,264	70.53%
All Geographies	865,128	100%	1,297,689	100%

As can be seen from the preceding table, the percentage of households within low-and moderate geographies nearly tripled, from 12% to 29%, when the assessment area was expanded.

The bank distribution of unsecured consumer loans prior to expanding its assessment area revealed an excellent distribution, depicted as follows:

PHILA. ASSESSMENT AREA 1998 CONSUMER CENSUS TRACT DISTRIBUTION (OLD PHILA ASSESSMENT AREA)					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Households	Percent of Households	Percentage of Loans To Percentage of Households
Low	4	3.39%	1,338	.15%	22.60
Moderate	11	9.32%	100,081	11.57%	.81
LMI	15	12.71%	101,419	11.72%	1.08
Middle	78	66.10%	476,000	55.02%	1.20
Upper	25	21.19%	287,709	33.26%	.64
Non- LMI	103	87.29%	763,709	88.28%	.99
All Geographies	118	100%	865,128	100%	1.00

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### Unsecured Consumer Loans (Continued)

However, because of the expanded assessment area and the significant increase in the percentage of households within low-and moderate geographies subsequent to the merger, noticeable gaps were evident between the penetration of LMI geographies and non-LMI geographies.

PHILA. ASSESSMENT AREA 1999 CONSUMER CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Households	Percent of Households	Percentage of Loans To Percentage of Households
Low	9	1.56%	117,930	9.09%	.17
Moderate	37	6.43%	264,495	20.38%	.32
LMI	46	7.99%	382,425	29.47%	.27
Middle	344	59.72%	569,905	43.92%	1.36
Upper	186	32.29%	345,359	26.61%	1.21
Non- LMI	530	92.01%	915,264	70.53%	1.30
All Geographies	576	100%	1,297,689	100%	1.00

While the reporting of unsecured consumer loans is optional, management intentionally reported this data to illustrate how effective this product has been in meeting the needs of LMI geographies and borrowers. The cornerstone of this effort is the bank's Signature Loan Program, which was specifically designed to meet the needs of LMI borrowers. (The Signature Loan Program is discussed in more detail in the Innovative and Flexible Lending Practices section of this report.) Despite management's best intentions, due to the timing of the merger and the significant increase in the percentage of household within low-and moderate geographies, noticeable gaps were evident between the penetration of LMI geographies and non-LMI geographies.

Finally, notwithstanding the limited number of loans, year-to-date data indicates an improving trend, with better penetration in LMI geographies within the Philadelphia assessment area as depicted in the following table.

PHILA. ASSESSMENT AREA 2000 CONSUMER YTD CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Households	Percent of Households	Percentage of Loans To Percentage of Households
LMI	9	17.65%	382,425	29.47%	.60
Non- LMI	42	82.35%	915,264	70.53%	1.17
All Geographies	51	100%	1,297,689	100%	1.00

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

Unsecured Consumer Loans (Continued)

This distribution is considered to be more reflective of the geographic distribution of unsecured consumer loans than that reported in 1999. Although the bank submitted consolidated CRA data in 1999, that data excluded loans originated by Prime Bank until the merger occurred. The year-to-date data is reflective of the assimilation of Prime Bank branches into the bank’s branch network.

However, the combined institution’s branch network within LMI geographies in the Philadelphia assessment area remains quite limited as further described under the Retail Banking section of this report. Consequently, regardless of how well the bank’s Signature Loans meet the needs of LMI borrowers, the lack of branches within LMI areas presents a challenge for effective delivery within these areas.

Small Business

The percentage of businesses located within designated geographies was used as a general proxy for demand. Consequently, when the bank expanded its Philadelphia assessment area, a much greater percentage of businesses were located within LMI geographies, as depicted in the table below.

TYPE OF GEOGRAPHY	OLD PHILA. ASSESSMENT AREA		EXPANDED PHILA. ASSESSMENT AREA	
	Number of Businesses	Percent of Businesses	Number of Businesses	Percent of Businesses
LMI	7,974	9.14%	19,654	19.58%
Non- LMI	79,290	90.86%	80,744	80.42%
All Geographies	87,264	100%	100,398	100%

As can be seen from this table, the percentage of businesses within low-and moderate geographies more than doubled, from 9% to 20%, when the assessment area was expanded.

The bank’s distribution of small business loans prior to expanding its assessment area revealed an adequate distribution, depicted as follows.

PHILA. ASSESSMENT AREA 1998 SMALL BUSINESS CENSUS TRACT DISTRIBUTION (OLD PHILA ASSESSMENT AREA)					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Businesses	Percent of Businesses	Percentage of Loans To Percentage of Businesses
LMI	16	6.50%	7,974	9.14%	.71
Non- LMI	230	93.50%	79,290	90.86%	1.03
All Geographies	246	100%	87,264	100%	1.00

Subsequent to the merger and the expanded assessment area, which contains a significantly higher percentage of businesses within LMI geographies, the geographic profile remained generally constant, as illustrated by

the following table.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

Small Business (Continued)

PHILA. ASSESSMENT AREA 1999 SMALL BUSINESS CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Businesses	Percent of Businesses	Percentage of Loans To Percentage of Businesses
Low	37	5.22%	6,902	6.88%	.76
Moderate	48	6.77%	12,752	12.70%	.53
LMI	85	11.99%	19,654	19.58%	.61
Middle	283	39.91%	41,909	41.74%	.96
Upper	341	48.10%	38,835	38.68%	1.24
Non- LMI	624	88.01%	80,744	80.42%	1.09
All Geographies	709	100%	100,398	100%	1.00

Finally, notwithstanding the limited number of loans, year-to-date data indicates an improving trend, with a better penetration in LMI geographies within the Philadelphia assessment area.

PHILA. ASSESSMENT AREA 2000 SMALL BUSINESS YTD CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Businesses	Percent of Businesses	Percentage of Loans To Percentage of Businesses
LMI	18	18.18%	19,654	19.58%	.93
Non- LMI	81	81.82%	80,744	80.42%	1.02
All Geographies	99	100%	100,398	100%	1.00

The year-to-date geographic distribution of small business loans is generally equivalent to the percentage of businesses located with LMI geographies.

**Conclusion**

The bank's geographic distribution performance in its Philadelphia MSA assessment area is summarized as follows:

- Home purchase data clearly indicates an excellent geographic distribution. This profile is indicative of the emphasis placed by the institution on the origination of home purchase credit within LMI geographies and to LMI borrowers.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

Conclusion (Continued)

- Low levels of refinance loans exist within LMI geographies, relative to the corresponding demographic measures. However, the level of penetration was not considered unreasonable, in view of contextual criteria considerations.
- Prior to expanding its assessment area, the bank’s distribution of unsecured consumer loans revealed an excellent distribution. However, due to the timing of the merger and the significant increase in the percentage of households within low- and moderate-income geographies, the penetration level within LMI geographies decreased in 1999. Year-to-date data suggest improvement with the inclusion of Prime Bank.
- The institution’s branch network within LMI geographies remains quite limited and presents a challenge to effective delivery.
- The bank distribution of small business loans revealed a good distribution.
- Year-to-date data indicates an improving trend for all loan categories with regard to LMI penetration.

In view of all the relevant data related to the bank’s performance, the examination revealed a good overall geographic distribution of loans within the Philadelphia MSA assessment area.

**Allentown-Bethlehem-Easton MSA (0240)**

As previously noted, this assessment area was not changed during the period between examinations and was not impacted by the acquisition of Prime Bank. Consequently, lending data was analyzed on an examination period basis.

Due to the relatively low number of LMI geographies and correspondingly low concentration of LMI individuals residing in these geographies, the data was consolidated to reflect LMI and non-LMI geographic distribution only.

Home Purchase

ALLENTOWN/BETH/EASTON ASSESSMENT AREA HOME PURCHASE LOANS (Exam Period) CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans To Percentage of Units
LMI	31	18.24%	19,331	11.90%	1.53
Non- LMI	139	81.76%	143,048	88.10%	.93
All Geographies	170	100%	162,379	100%	1.00

As illustrated above, the percentage of home purchase loans in LMI geographies significantly exceeded the percentage of owner-occupied units in those geographies. Furthermore, the percentage of loans as a percentage

of owner-occupied units within LMI geographies also exceeded that within non-LMI geographies.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

Home Purchase (Continued)

The preceding data clearly indicates that the bank has effectively penetrated LMI geographies within its Allentown-Bethlehem-Easton assessment area. This profile is indicative of the emphasis placed by the institution on the origination of home purchase credit within LMI geographies and to LMI borrowers. (See the Innovative and Flexible Lending Practices section of this report for details on the home purchase lending programs specifically designed to address the home purchase needs of LMI geographies and borrowers.)

Refinance

ALLENTOWN/BETH/EASTON ASSESSMENT AREA REFINANCE (Exam Period) CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans To Percentage of Units
LMI	126	15.20%	19,331	11.90%	1.27
Non- LMI	703	84.80%	143,048	88.10%	.96
All Geographies	829	100%	162,379	100%	1.00

Although refinance transactions are not its primary focus within LMI geographies, the bank has effectively penetrated LMI geographies within this assessment area. As depicted by the previous table, the level of penetration as a percentage of owner-occupied units within LMI geographies exceeds the level of penetration within non-LMI geographies. This is particularly noteworthy given the obstacles that preclude the extension of refinance loans in such areas, as previously noted. However, the bank's strong performance in the assessment area's LMI geographies is consistent with its branch presence within these areas as further described under the Retail Banking section of this report.

Home Improvement

As previously noted, Summit Bank PA discontinued the collection of home improvement loan data effective June 30, 1998. Consequently, home improvement loans reported during the period between examinations consisted solely of those loans reported by Summit Bank PA for the first six months of 1998, and those loans originated by Prime Bank in 1999 that were collected for reporting prior to the merger.

ALLENTOWN/BETH/EASTON ASSESSMENT AREA HOME IMPROVEMENT (Exam Period) CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans To Percentage of Units
LMI	12	20.69%	19,331	11.90%	1.74
Non- LMI	46	79.31%	143,048	88.10%	.90
All Geographies	58	100%	162,379	100%	1.00

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### Home Improvement (Continued)

Since Prime Bank had no lending presence within the Allentown-Bethlehem-Easton assessment area, the distribution reflects only loans originated during the first six months of 1998. Due to the low volume of loans, less emphasis was placed on this product in the overall evaluation of geographic distribution. Despite the limited volume, the bank's penetration as a percentage of owner-occupied units within LMI geographies was significant when compared to non-LMI geographies.

### ALL HMDA REPORTABLE LOANS

ALLENTOWN/BETH/EASTON ASSESSMENT AREA ALL HMDA LOANS (Exam Period) CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans To Percentage of Units
LMI	169	15.99%	19,331	11.90%	1.34
Non- LMI	888	84.01%	143,048	88.10%	.95
All Geographies	1,057	100%	162,379	100%	1.00

When viewed collectively, the bank's home mortgage lending profile clearly reveals that it has effectively penetrated LMI geographies within its Allentown-Bethlehem-Easton assessment area.

### Unsecured Consumer Loans

The percentage of households contained within designated geographies was used as a proxy to estimate demand.

ALLENTOWN/BETH/EASTON ASSESSMENT AREA CONSUMER (Exam Period) CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Households	Percent of Households	Percentage of Loans To Percentage of Households
LMI	176	24.93%	35,669	15.84%	1.57
Non- LMI	530	75.07%	189,489	84.16%	.89
All Geographies	706	100%	225,158	100%	1.00

The bank's geographic distribution of unsecured credit within this assessment area is deemed excellent. This distribution is commensurate with the bank's notable branch presence within LMI geographies and the development of an unsecured consumer loan product specifically designed to meet the needs of LMI borrowers. The bank's Signature Loan Program is discussed in more detail in the Innovative and Flexible Lending Practices section of this report.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### Small Business

ALLENTOWN/BETH/EASTON ASSESSMENT AREA SMALL BUSINESS (Exam Period) CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Business	Percent of Business	Percentage of Loans To Percentage of Business
LMI	82	16.11%	2,773	15.77%	1.02
Non- LMI	427	83.89%	14,811	84.23%	1.00
All Geographies	509	100%	17,584	100%	1.00

As this table illustrates, the geographic distribution of small business credit was generally equivalent to the percentage of owner-occupied units in both LMI and non-LMI geographies.

### Conclusion

The following summarizes the bank's geographic distribution performance in its Allentown-Bethlehem-Easton MSA assessment area:

- The bank has effectively penetrated LMI geographies for all products reviewed.
- In view of all the relevant data related to the bank's performance, the examination revealed an excellent overall geographic distribution of loans within the assessment area.

### Other Assessment Areas

A review of the bank's geographic distribution performance for its other assessment areas revealed a generally excellent distribution. Details regarding the geographic distribution profile within the other assessment areas are contained in Appendix A of this Public Evaluation.

### Overall Conclusion

The examination revealed a good overall geographic distribution of credit within the bank's assessment areas. Notwithstanding all the relevant data related to the bank's performance, including the timing of the Prime Bank merger and the recent change in the bank's assessment areas, the distribution within the Philadelphia assessment area precludes an excellent assessment for this category.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### **BORROWER DISTRIBUTION**

A review of the demographic and economic characteristics of the assessment area was conducted, in conjunction with an analysis of HMDA, unsecured consumer loans, and small business lending data, to ascertain the extent of lending to borrowers of different incomes and to businesses of different sizes.

The analysis focused primarily on the borrower distribution within the bank's Philadelphia MSA and Allentown- Bethlehem-Easton MSA assessment areas. The lending activity within these assessment areas accounted for the majority of the bank's lending activity during the period between examinations. Not only do these areas account for the majority of the bank's lending activity, they also contain a significant level of LMI geographies and borrowers, particularly in the Philadelphia MSA.

The distribution of borrowers reflects an excellent penetration among retail customers of different income levels. The percentage of low, moderate, middle and upper income families residing with a given assessment area was generally used as a proxy to estimate demand.

#### **Philadelphia MSA (6160)**

As previously noted, the Philadelphia MSA became the most significant area of lending activity subsequent to the acquisition of Prime Bank. Consequently, Summit Bank PA's Philadelphia assessment area was significantly expanded. However, due to the timing of the merger, the analysis of lending activity was performed on a yearly basis. Therefore, borrower characteristics for calendar year 1998 were evaluated using the demographic data related to the bank's previous Philadelphia assessment area. Lending activity in calendar year 1999 was analyzed using the demographic data related to the expanded assessment area, although the timing of the merger should be kept in mind when viewing the data. Finally, the first two months of 2000 were also reviewed separately in an effort to develop a more comprehensive assessment of the bank's geographic lending profile within the assessment area.

Of the families in the bank's old assessment area, 32% were designated as low- and moderate-income. As a result of the expanded assessment area, the percentage of low- and moderate-income families within the assessment area increased from 32% to 40%.

#### Home Purchase

PHILA. ASSESSMENT AREA 1998 HOME PURCHASE LOAN BORROWER INCOME DISTRIBUTION (OLD PHILA ASSESSMENT AREA)					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
Low	7	9.72%	90,650	14.52%	.67
Moderate	14	19.45%	107,453	17.22%	1.13
LMI	21	29.17%	198,103	31.74%	.92
Middle	12	16.67%	155,751	24.95%	.67
Upper	39	54.16%	270,350	43.31%	1.25
Non- LMI	51	70.84%	426,101	68.26%	1.04
All Borrowers	72	100%	624,204	100%	1.00

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

Home Purchase (Continued)

As the preceding table illustrates, prior to the merger and change in assessment area the borrower distribution of home purchase credit was generally equivalent to the percentage of designated LMI and non-LMI families.

PHILA. ASSESSMENT AREA 1999 HOME PURCHASE LOAN BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
Low	15	8.15%	190,736	21.42%	.38
Moderate	33	17.94%	161,291	18.12%	.99
LMI	48	26.09%	352,027	39.54%	.66
Middle	33	17.93%	207,542	23.31%	.77
Upper	103	55.98%	330,842	37.15%	1.51
Non- LMI	136	73.91%	538,384	60.46%	1.22
All Borrowers	184	100%	890,411	100%	1.00

However, subsequent to the merger and the expanded assessment area, the difference between the level of penetration of LMI borrowers and non-LMI borrowers became evident. While 40% of the assessment area's families were designated as low-and moderate-income, 26% of the bank's home purchase loans were made to these families. Conversely, while 60 % of the assessment area's families were designated middle and upper-income, 74% of the bank's home purchase loans were made to these families.

PHILA. ASSESSMENT AREA 2000 HOME PURCHASE LOAN YTD BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
Low	33	58.93%	190,736	21.42%	2.75
Moderate	13	23.21%	161,291	18.12%	1.28
LMI	46	82.14%	352,027	39.54%	2.08
Middle	3	5.36%	207,542	23.31%	.23
Upper	7	12.50%	330,842	37.15%	.34
Non- LMI	10	17.86%	538,384	60.46%	.29
All Borrowers	56	100%	890,411	100%	1.00

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

Home Purchase (Continued)

Notwithstanding the limited number of loans, year-to-date data indicates an improving trend, with a significantly improved penetration to LMI borrowers within the Philadelphia assessment area. Home purchase data clearly indicates that the bank continues to effectively penetrate LMI borrowers within its Philadelphia assessment area. This profile is indicative of the emphasis placed by the institution on the origination of home purchase credit within LMI geographies and to LMI borrowers. See the Innovative and Flexible Lending Practices section of this report for details on the home purchase lending programs specifically designed to address the home purchase needs of LMI borrowers.

Refinance

PHILA. ASSESSMENT AREA 1998 REFINANCE BORROWER INCOME DISTRIBUTION (OLD PHILA ASSESSMENT AREA)					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
Low	32	6.35%	90,650	14.52%	.44
Moderate	77	15.28%	107,453	17.22%	.89
LMI	109	21.63%	198,103	31.74%	.68
Middle	127	25.20%	155,751	24.95%	1.01
Upper	268	53.17%	270,350	43.31%	1.23
Non- LMI	395	78.37%	426,101	68.26%	1.15
All Borrowers	504	100%	624,204	100%	1.00

As illustrated by the previous table, prior to the merger and change in the assessment area, the distribution of refinance loans to LMI borrowers was somewhat below the percentage of LMI families and the level of penetration to non-LMI borrowers.

PHILA. ASSESSMENT AREA 1999 REFINANCE BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
Low	26	4.28%	190,736	21.42%	.20
Moderate	92	15.16%	161,291	18.12%	.84
LMI	118	19.44%	352,027	39.54%	.49
Middle	160	26.36%	207,542	23.31%	1.13
Upper	329	54.20%	330,842	37.15%	1.46
Non- LMI	489	80.56%	538,384	60.46%	1.33
All Borrowers	607	100%	890,411	100%	1.00

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

Refinance (Continued)

Subsequent to the merger and the expanded assessment area, the difference between the penetration of LMI borrowers and non-LMI borrowers became more pronounced. While 40% of the assessment area's families were designated as low-and moderate-income, only 19% of the bank's refinance loans were made to these families. Conversely, 60 % of the assessment area's families were designated middle and upper-income, while 81% of the bank's refinance loans were made to these families.

PHILA. ASSESSMENT AREA 2000 REFINANCE YTD BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
Low	1	4.35%	190,736	21.42%	.20
Moderate	5	21.74%	161,291	18.12%	1.20
LMI	6	26.09%	352,027	39.54%	.66
Middle	6	26.09%	207,542	23.31%	1.12
Upper	11	47.82%	330,842	37.15%	1.28
Non- LMI	17	73.91%	538,384	60.46%	1.22
All Borrowers	23	100%	890,411	100%	1.00

Notwithstanding the limited number of loans, year-to-date data indicates an improving trend with an improved penetration to LMI borrowers within the Philadelphia assessment area.

As previously noted, lower levels of refinance loans to low- and moderate-income borrowers, relative to the corresponding demographic measures, are not deemed unreasonable in view of the obstacles that preclude the extension of refinance loans in such areas.

Even though refinance transactions are not the bank's primary focus in lending to LMI borrowers and the current level of penetration is considered reasonable, continued attention should be directed toward this area. Management should continue to explore all reasonable credit opportunities within its assessment areas consistent with its asset size, financial condition, business objectives, and community credit needs.

Home Improvement

As previously noted, Summit Bank PA discontinued the collection of home improvement loan data effective June 30, 1998. Consequently, home improvement loans reported during the period between examinations consisted solely of those loans reported by Summit Bank PA for the first six months of 1998 and those loans originated by Prime Bank in 1999 that were collected for reporting prior to the merger. Due to the resulting low volume of loans, less emphasis was placed on this product in evaluating borrower distribution.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

Home Improvement (Continued)

PHILA. ASSESSMENT AREA 1998 HOME IMPROVEMENT BORROWER INCOME DISTRIBUTION (OLD PHILA ASSESSMENT AREA)					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
Low	8	10.13%	90,650	14.52%	.70
Moderate	17	21.52%	107,453	17.22%	1.25
LMI	25	31.65%	198,103	31.74%	1.00
Middle	23	29.11%	155,751	24.95%	1.17
Upper	31	39.24%	270,350	43.31%	.91
Non- LMI	54	68.35%	426,101	68.26%	1.00
All Borrowers	79	100%	624,204	100%	1.00

As illustrated by this table, prior to the merger and change in assessment area, the borrower distribution of home improvement credit was exactly equivalent to the percentage of designated LMI and non-LMI families.

PHILA. ASSESSMENT AREA 1999 HOME IMPROVEMENT BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
Low	23	15.76%	190,736	21.42%	.74
Moderate	33	22.60%	161,291	18.12%	1.25
LMI	56	38.36%	352,027	39.54%	.97
Middle	31	21.23%	207,542	23.31%	.91
Upper	59	40.41%	330,842	37.15%	1.09
Non- LMI	90	61.64%	538,384	60.46%	1.02
All Borrowers	146	100%	890,411	100%	1.00

Subsequent to the merger and the expanded assessment area (resulting in a higher percentage of low- and moderate-income families), the borrower distribution of home improvement loans remained relatively unchanged. Since all home improvement loans reported in 1999 were originated by Prime Bank, the distribution is primarily reflective of loans originated by Prime Bank under its “We Care” home improvement loan program. As highlighted in the Innovative and Flexible Lending Practices section of this report, this program was specifically targeted to LMI geographies and borrowers in Philadelphia.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

Unsecured Consumer Loans

The bank's distribution of unsecured consumer loans prior to expanding its assessment area revealed an excellent distribution, as depicted below.

PHILA. ASSESSMENT AREA 1998 CONSUMER BORROWER INCOME DISTRIBUTION (OLD PHILA ASSESSMENT AREA)					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
Low	31	28.70%	90,650	14.52%	1.98
Moderate	31	28.71%	107,453	17.22%	1.67
LMI	62	57.41%	198,103	31.74%	1.81
Middle	22	20.37%	155,751	24.95%	.82
Upper	24	22.22%	270,350	43.31%	.51
Non- LMI	46	42.59%	426,101	68.26%	.62
All Borrowers	108	100%	624,204	100%	1.00

Subsequent to the merger and the expanded assessment area resulting in a higher percentage of low- and moderate-income families, the borrower distribution of unsecured consumer loans remained excellent.

PHILA. ASSESSMENT AREA 1999 CONSUMER BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
Low	79	22.38%	190,736	21.42%	1.04
Moderate	99	28.04%	161,291	18.12%	1.55
LMI	178	50.42%	352,027	39.54%	1.28
Middle	82	23.23%	207,542	23.31%	1.00
Upper	93	26.35%	330,842	37.15%	.71
Non- LMI	175	49.58%	538,384	60.46%	.82
All Borrowers	353	100%	890,411	100%	1.00

Finally, notwithstanding the limited number of loans, year-to-date unsecured consumer loan data clearly indicates that the bank continues to effectively penetrate LMI borrowers within its Philadelphia assessment area.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

Unsecured Consumer Loans (Continued)

PHILA. ASSESSMENT AREA 2000 CONSUMER YTD BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
Low	13	32.50%	190,736	21.42%	1.52
Moderate	12	30.00%	161,291	18.12%	1.66
LMI	25	62.50%	352,027	39.54%	1.58
Middle	8	20.00%	207,542	23.31%	.86
Upper	7	17.50%	330,842	37.15%	.47
Non- LMI	15	37.50%	538,384	60.46%	.62
All Borrowers	40	100%	890,411	100%	1.00

This profile is indicative of the emphasis placed by the institution on the origination of unsecured consumer loans to LMI borrowers. The cornerstone of this effort is the bank's Signature Loan Program, which was specifically designed to meet the needs of LMI borrowers. The Signature Loan Program is discussed in more detail in the Innovative and Flexible Lending Practices section of this report.

Conclusion

In view of all the relevant data related to the bank's performance, the examination revealed an excellent borrower distribution within the assessment area.

**Allentown-Bethlehem-Easton MSA (0240)**

As previously noted, this assessment area was not changed during the period between examinations and was not impacted by the acquisition of Prime Bank. Consequently, lending data was analyzed on an examination period basis.

Home Purchase

ALLENTOWN/BETHLEHEM/EASTON ASSESSMENT AREA HOME PURCHASE LOAN (Exam Period) BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
Low	22	14.77%	27,174	16.66%	.89
Moderate	38	25.50%	31,285	19.17%	1.33
LMI	60	40.27%	58,459	35.83%	1.12
Middle	28	18.79%	43,436	26.62%	.71

Upper	61	40.94%	61,257	37.55%	1.09
Non- LMI	89	59.73%	104,693	64.17%	.93
All Borrowers	149	100%	163,152	100%	1.00

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

Home Purchase

As illustrated by the previous table, the percentage of home purchase loans to LMI borrowers exceeded the percentage of LMI families residing within the assessment area. Furthermore the percentage of loans to LMI borrowers as a percentage of designated families also exceeded that of non-LMI borrowers.

This data clearly indicates that the bank has effectively penetrated LMI home purchase borrowers within its Allentown-Bethlehem-Easton assessment area. This profile is indicative of the emphasis placed by the institution on the origination of home purchase credit to LMI borrowers. (See the Innovative and Flexible Lending Practices section of this report for details on the home purchase lending programs specifically designed to address the home purchase needs of LMI borrowers.)

Refinance

ALLENTOWN/BETHLEHEM/EASTON ASSESSMENT AREA REFINANCE (Exam Period) BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
Low	72	9.04%	27,174	16.66%	.54
Moderate	156	19.60%	31,285	19.17%	1.02
LMI	228	28.64%	58,459	35.83%	.80
Middle	226	28.39%	43,436	26.62%	1.07
Upper	342	42.97%	61,257	37.55%	1.14
Non- LMI	568	71.36%	104,693	64.17%	1.11
All Borrowers	796	100%	163,152	100%	1.00

As this table illustrates, the borrower distribution of refinance credit was generally equivalent to the percentage of designated LMI and non-LMI families.

Home Improvement

ALLENTOWN/BETHLEHEM/EASTON ASSESSMENT AREA HOME IMPROVEMENT (Exam Period) BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
Low	6	10.91%	27,174	16.66%	.65
Moderate	7	12.73%	31,285	19.17%	.66
LMI	13	23.64%	58,459	35.83%	.66



<b>Middle</b>	21	38.18%	43,436	26.62%	1.43
<b>Upper</b>	21	38.18%	61,257	37.55%	1.02
<b>Non- LMI</b>	42	76.36%	104,693	64.17%	1.19
<b>All Borrowers</b>	55	100%	163,152	100%	1.00

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

Home Improvement (Continued)

As illustrated by the previous table, the distribution of home improvement loans to LMI borrowers was somewhat below the percentage of LMI families and the level of penetration to non-LMI borrowers.

Since Prime Bank had no lending presence within the Allentown-Bethlehem- Easton assessment area, this distribution only reflects loans originated during the first six months of 1998. Due to the low volume of loans, less emphasis was placed on this product in the overall evaluation of borrower distribution.

Unsecured Consumer Loans

ALLENTOWN/BETHLEHEM/EASTON ASSESSMENT AREA CONSUMER (Exam Period) BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
<b>Low</b>	133	26.23%	27,174	16.66%	1.57
<b>Moderate</b>	155	30.57%	31,285	19.17%	1.59
<b>LMI</b>	288	56.80%	58,459	35.83%	1.59
<b>Middle</b>	129	25.45%	43,436	26.62%	.96
<b>Upper</b>	90	17.75%	61,257	37.55%	.47
<b>Non- LMI</b>	219	43.20%	104,693	64.17%	.67
<b>All Borrowers</b>	507	100%	163,152	100%	1.00

The bank's distribution of unsecured consumer loans revealed an excellent distribution. This profile is indicative of the emphasis placed by the institution on the origination of unsecured consumer loans to LMI borrowers, as previously mentioned.

**Other Assessment Areas**

A review of the bank's borrower distribution performance for its other assessment areas revealed a generally excellent distribution. Details regarding the borrower distribution profile within the other assessment areas are contained in Appendix A of this Public Evaluation.

Conclusion

In view of all the relevant data related to the bank's performance, the examination revealed an excellent borrower distribution within the assessment area.

## Lending to Small Businesses

A review of the bank's small business lending was also conducted at this examination. The analysis revealed that the distribution of loans to small businesses was consistent with the institution's asset size, lending capacity, and business objectives.

### CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

#### Lending to Small Businesses (Continued)

For the purpose of this evaluation, a small business loan is defined as a commercial loan with an origination amount of \$1 million or less. Small business loans are further quantified to identify those loans to businesses with gross annual revenues of \$1 million or less.

Schedule RC-C Part II (Loans to Small Farms and Small Businesses) of the bank's Consolidated Reports of Condition and Income as of June 30, 1999, indicates that on a dollar basis, 28% of the bank's commercial loans were designated as small business loans, as detailed in the following chart. Strictly on a dollar volume basis, this level is noteworthy. Moreover, small business loans become even more significant from a CRA perspective due to the loan levels necessary to achieve such a high dollar volume.

COMMERCIAL LOAN PORTFOLIO		
	AMOUNT OUTSTANDING AS OF 6/30/99 (\$000)	PERCENT
Loans with original amounts of \$100,000 or Less	\$28,993	3.66%
Loans with original amounts of more than \$100,000 through \$250,000	\$40,774	5.16%
Loans with original amounts of more than \$250,000 through \$1,000,000	\$148,904	18.83%
<b>TOTAL SMALL BUSINESS LOANS</b>	<b>\$ 218,671</b>	<b>27.65%</b>
Loans with original amounts of Greater than \$1,000,000	\$572,144	72.35%
<b>Total Commercial Loans</b>	<b>\$790,815</b>	<b>100%</b>

#### Small Business Lending in the Philadelphia MSA Assessment Area

The following table shows the bank's small business loan originations within the Philadelphia MSA assessment area, as reported for purposes of CRA for calendar year 1999.

PHILADELPHIA MSA ASSESSMENT AREA 1999 SMALL BUSINESS LOANS				
	Number	Percent	\$000	Percent
Loans with original amounts of \$100,000 or Less	423	59.66%	\$18,001	14.36%
Loans with original amounts of more than \$100,000 through \$250,000	133	18.76%	\$24,335	19.42%
Loans with original amounts of more than \$250,000 through \$1,000,000	153	21.58%	\$82,997	66.22%
<b>TOTAL SMALL BUSINESS LOANS</b>	<b>709</b>	<b>100%</b>	<b>\$125,333</b>	<b>100%</b>

The following table further quantifies 1999 small business lending based upon the annual revenue of the business. Small business loans were analyzed to determine whether they were made to businesses with gross annual revenues of less than \$1 million. Business demographic data revealed that there were 100,398 businesses in the bank's assessment area in 1999. Of these businesses, 86,720 (86%) had revenues of less than \$1 million.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

**Small Business Lending in the Philadelphia MSA Assessment Area (Continued)**

PHILADELPHIA MSA ASSESSMENT AREA 1999 SMALL BUSINESS LOANS BUSINESS REVENUES				
	Number	Percent	\$000's	Percent
Loans to Businesses with Revenues of \$1 Million or Less	403	56.84%	\$47,110	37.59%
Loans to Businesses with Revenues of more than \$1 Million	306	43.16%	\$78,223	62.41%
<b>Total Small Business Loans</b>	709	100%	\$125,333	100%

Of the 709 loans originated during 1999, 57% were originated to businesses with gross annual revenues of \$1 million or less. Moreover, of the 403 loans originated to businesses with gross annual revenues of \$1 million or less, 294, or 73%, were extended in amounts of less than \$100,000.

The following table depicts all small business lending during the period between examinations based upon the annual revenue of the business.

PHILA. ASSESSMENT AREA SMALL BUSINESS (Exam Period) BUSINESS SIZE DISTRIBUTION				
Annual Sales Volume	Number of Loans	Percent of Loans	Number of Businesses	Percent of Businesses
Revenues of \$1 Million or Less	591	55.97%	86,720	86.38%
Revenues of more than \$1 Million	465	44.03%	13,678	13.62%
<b>All Businesses</b>	1056	100%	100,398	100%

**Small Business Lending in the Allentown-Bethlehem-Easton MSA Assessment Area**

The following table reveals the bank's small business loan originations within the Allentown-Bethlehem-Easton MSA assessment area, as reported for purposes of CRA for calendar year 1999.

ALLENTOWN-BETHLEHEM-EASTON MSA ASSESSMENT AREA 1999 SMALL BUSINESSES LOANS				
	Number	Percent	\$000	Percent
Loans with original amounts of \$100,000 or Less	146	70.19%	\$5,353	17.85%

ALLENTOWN-BETHLEHEM-EASTON MSA ASSESSMENT AREA 1999 SMALL BUSINESSES LOANS				
Loans with original amounts of more than \$100,000 through \$250,000	27	12.98%	\$5,126	17.09%
Loans with original amounts of more than \$250,000 through \$1,000,000	35	16.83%	\$19,512	65.06%
<b>TOTAL SMALL BUSINESS LOANS</b>	208	100%	\$29,991	100%

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

**Small Business Lending in the Allentown-Bethlehem-Easton MSA Assessment Area (Continued)**

The next table further quantifies 1999 small business lending based upon the annual revenue of the business. Small business loans were analyzed to determine whether they were made to businesses with gross annual revenues of less than \$1 million. Business demographic data revealed that there were 17,584 businesses in the bank's assessment area in 1999. Of these businesses, 15,575 (89%) had sales of less than \$1 million.

ALLENTOWN-BETHLEHEM-EASTON MSA ASSESSMENT AREA 1999 SMALL BUSINESS LOANS BUSINESS REVENUES				
	Number	Percent	\$000's	Percent
Loans to Businesses with Revenues of \$1 Million or Less	130	62.50%	\$7,490	24.97%
Loans to Businesses with Revenues of more than \$1 Million	78	37.50%	\$22,501	75.03%
<b>Total Small Business Loans</b>	208	100.0%	\$29,991	100.0%

Of the 208 loans originated during 1999, 63% were originated to businesses with gross annual revenues of \$1 million or less. Moreover, of the 130 loans originated to businesses with gross annual revenues of \$1 million or less, 118, or 91%, were extended in amounts of less than \$100 thousand.

The following table depicts all small business lending during the period between examinations, based upon the annual revenue of the business.

ALLENTOWN/BETHLEHEM/EASTON ASSESSMENT AREA SMALL BUSINESS (Exam Period) BUSINESS SIZE DISTRIBUTION				
Annual Sales Volume	Number of Loans	Percent of Loans	Number of Businesses	Percent of Businesses
Revenues of \$1 Million or Less	324	63.53%	15,575	88.57%
Revenues of more than \$1 Million	186	36.47%	2,009	11.43%
<b>All Business</b>	510	100%	17,584	100%

Overall, the analysis revealed that the distribution of loans to small businesses was consistent with the institution's asset size, lending capacity, and business objectives.

## **Other Assessment Areas**

A review of the bank's small business lending performance for its other assessment areas revealed a good distribution. Details regarding the geographic distribution profile within the other assessment areas are contained in Appendix A of this Public Evaluation.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

#### **COMMUNITY DEVELOPMENT LENDING**

Summit Bank PA's level of community development lending is considered to be outstanding. A review of the community development lending revealed that Summit Bank PA is a leader in making community development loans and is an active participant in economic development initiatives throughout its community.

Community development loans to various community development organizations and initiatives, totaled \$51 million, of which \$39 million, or 76%, were originated during the period between examinations. Seven community development loans totaling \$12 million were originated prior to this examination and were still outstanding as of December 31, 1999.

Consistent with its market presence and identifiable community credit needs, a significant majority of the bank's community development lending occurred within the Philadelphia MSA and Allentown-Bethlehem-Easton MSA assessment areas.

#### **Philadelphia MSA (6160)**

A review of the community development lending in the Philadelphia MSA revealed that Summit Bank PA is a leader in making community development loans throughout the assessment area.

During the period between examinations, the bank provided approximately \$36 million in financing for various community development initiatives. Most notably:

- The bank provided a \$6.4 million loan to an entity that operates three skilled-care nursing facilities for elderly low- and moderate-income individuals. Two of the three facilities are located in low-and moderate-income geographies.
- Summit Bank PA has provided community development loans to three related companies totaling approximately \$5 million. These companies are located in low- and moderate-income areas in Philadelphia and have provided jobs to area residents, thus contributing to the stabilization of these areas.
- Summit Bank PA provided a \$3 million loan to a non-profit corporation that provides temporary housing for homeless persons.
- The bank provided financing of \$2.3 million to a Philadelphia food service company located in a low-income geography.
- The bank provided a \$1.5 million line of credit to the Penn SE Mezzanine Fund (Fund) for notes

originated by the Fund to promote the growth of small- to medium-size businesses in the assessment area.

- The bank, in conjunction with the Philadelphia Redevelopment Authority, provided a \$537 thousand loan to a home improvement company to acquire a commercial building in a low-income geography which will become the site of its new operation. The loan included a line of credit to fund inventory purchases and to provide working capital.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

#### **Philadelphia MSA (6160) (Continued)**

- Summit Bank PA provided a \$250 thousand line of credit to the Collaborative Lending Initiative through the Reinvestment Fund, formerly known as Delaware Valley Community Reinvestment Fund. This line of credit will fund loans to revitalize depressed communities and to promote economic development.
- The bank has provided financing to several for profit and non-profit organizations that provide training and temporary housing for mentally challenged, low- and moderate-income individuals.
- Summit Bank PA participates in numerous small business micro loan funds throughout its assessment areas. Since the previous examination, the bank has extended in excess of \$325 thousand in loans through these funds within the Philadelphia assessment area.

Three community development loans totaling \$11 million were originated prior to this examination and were still outstanding as of December 31, 1999.

#### **Allentown-Bethlehem-Easton MSA (0240)**

A review of the community development lending in the Allentown-Bethlehem-Easton MSA, revealed that Summit Bank PA is an active participant in economic development projects throughout the assessment area.

During the period between examinations, the bank provided \$1.1 million in financing to various community development initiatives. Most notably:

- Summit Bank PA originated a \$500 thousand community development loan to a non-profit organization providing affordable housing to low- and moderate-income individuals.
- Summit Bank PA participated in various economic development initiatives totaling approximately \$500 thousand. These loans were made to benefit the Allentown Economic Development Corporation, the Bethlehem Economic Development Corporation, the Lehigh Valley Small Business Loan Pool, and the Easton Economic Development Corporation.
- Summit Bank PA participates in numerous small business micro-loan funds throughout its assessment areas, five of which are located in the Allentown-Bethlehem assessment area. The bank has committed to \$3.4 million in small business loans under these programs. The majority of these commitments, or \$2.9 million, were made within the Allentown-Bethlehem-Easton assessment area.

Two community development loans totaling \$402 thousand were originated prior to this examination and were

still outstanding as of December 31, 1999.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

### **Other Assessment Areas**

A review of Summit Bank PA's community development lending revealed that the bank is an active participant in economic development projects throughout its community. A lower level of community development lending activity within a specific geography does not necessarily detract from the bank's overall performance when viewed in the context of the bank's presence within the community, the availability and need for community development initiatives, and competition for such lending opportunities. Details regarding community development lending in the other assessment areas are contained in Appendix A of this Public Evaluation.

### **INNOVATIVE OR FLEXIBLE LENDING PRACTICES**

Summit Bank PA makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs, including low- and moderate-income geographies and individuals. Throughout its assessment areas, Summit Bank PA uniformly offers flexible and innovative home purchase, home improvement, and business loan products specifically designed to meet the needs of low- and moderate-income borrowers and small businesses. The most noteworthy of these lending programs are:

- **Partners in Pride Mortgage Program**

This proprietary bank program allows for flexible underwriting standards for first-time homebuyers and current homeowners purchasing a one-to-four family primary residence. The program is targeted to low- and moderate-income borrowers and designated low- and moderate-income geographies. The Partners in Pride program offers below market interest rates, no points, closing cost assistance, and financing for up to 95% of the value of the purchased property. A monthly debt-to-income ratio of up to 40% is allowed, and the borrower is required to attend a pre-closing homebuyer education seminar.

The bank originated 36 loans totaling \$1.6 million under this program during the review period.

- **Partners in Pride Signature Loan Program**

This bank program contains flexible underwriting standards for unsecured consumer loans. The loan product has no fees and is available exclusively to low- and moderate-income borrowers. The program requires little or no credit history, and allows for a monthly debt-to-income ratio of up to 45%. The minimum loan amount is \$500 and the maximum is \$5,000 for a term up to five years.

The bank originated 189 loans totaling \$1.2 million under this program during the review period.

- **Federal Housing Authority (FHA) Title 1 Home Improvement Loan Program**

This FHA loan program provides flexible underwriting standards for loans to improve or protect

residential property, including lead paint abatement. The loan must be secured and is available for owner-occupied and non-owner-occupied single and multifamily properties. No equity is required for owner-occupied properties. An interest rate of 1% below the bank's prevailing home improvement loan rate is available for LMI borrowers, and a monthly debt-to-income ratio of up to 45% is permitted.

The bank originated 2 loans totaling \$50 thousand under this program during the review period.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

- **Lehigh County Housing Authority Homeownership Program**

Through this first-time homebuyer program, Summit Bank PA provides mortgage financing to eligible low- and moderate-income borrowers. The program allows for a maximum loan to value ratio of 100%, monthly payments that are determined by a borrower's ability to repay, and zero points. Borrowers are required to complete a first-time homebuyer education seminar.

Summit Bank PA originated 15 mortgages totaling \$670 thousand under this program during the review period.

- **Federal Home Loan Bank's Affordable Housing Program**

Summit Bank PA is a Federal Home Loan Bank member (FHLB) and an active participant in its Affordable Housing Program (AHP). The purpose of the AHP is to provide subsidies for: (1) projects that finance homeownership for households at 80% or below the area median income; or (2) projects that finance rental housing where at least 20% of the units will be occupied by (and affordable for) households at 50% or below the area median income. Since AHP applications are accepted from FHLB member institutions only, nonprofit agencies, local governments, and community development organizations must obtain the support of member institutions to apply for AHP funds.

In addition to sponsoring an application, the bank is responsible for monitoring the approved project, recapturing funds if necessary, and ensuring that the affordable housing project is consistent with its approved program objectives. During the review period, the bank sponsored eight affordable housing projects and has overseen the distribution of grant funds totaling \$1.7 million.

- **“We Care” Loan Program**

Established by the former Prime Bank, the “We Care” loan program originated home improvement loans in low- and moderate-income geographies in Philadelphia or to low- and moderate-income residents of Philadelphia. Although Summit Bank PA discontinued the program after its merger with Prime Bank, 36 home improvement loans totaling \$370 thousand were originated under this program during the review period.

- **Philadelphia Home Improvement Loan (PHIL) Program**

The City's Redevelopment Authority administers this program under a cooperative agreement with the City government. The program provides below-market interest rate loans to low- and moderate-income residents for home repairs and improvements. The PHIL Program refers loan applicants to one of the participating local banks. To enhance its lending posture in Philadelphia, Summit Bank PA recently applied to and was accepted into the program, but has not yet originated any PHIL loans.

- **Other Products**



The bank is an active participant in numerous other lending programs sponsored by federal and state government offices, including

- Pennsylvania Housing Finance Agency (17 mortgages totaling \$1.1 million during the review period);  
**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**
- **Other Products (Continued)**
- Freddie Mac Affordable Gold Program (11 mortgages totaling \$942 thousand during the review period);
- FHA (16 mortgages totaling \$1.4 million during the review period);
- Fannie Mae Community Home Buyer (1 mortgage totaling \$79 thousand during the review period).

All of these programs allow for flexible underwriting criteria.

### **Small Business Lending**

- Summit Bank PA is a Small Business Administration (SBA) lender. The SBA Guaranteed Loan Program provides loans to small businesses for various purposes, including working capital, fixed assets, and leasehold improvements. Since the previous examination, Summit originated 21 loans under the program, totaling \$3.1 million.
- Summit Bank PA participates in 11 small business micro loan pools throughout its assessment area, including Partners for Small Business Development (Philadelphia, Bucks, Montgomery Counties and Chester/Delco Micro Loan Funds), Bethlehem Economic Development Corporation, Collaborative Lending Initiative and the Metro Action Loan Fund. Summit Bank PA committed to provide up to \$3.4 million in small business loans under these programs.

During the review period, Summit participated in 139 small business loan originations, with the bank's share of the loans totaling \$806 thousand outstanding.

- To increase its small business lending and to supplement its use of innovative and flexible lending practices, Summit's Business Banking Unit established flexible lending guidelines designed to reach small businesses located in low- or moderate-income geographies. These flexible guidelines are intended to accommodate loans that do not meet the bank's mainstream lending standards, but could be accommodated through flexible terms and/or credit enhancements from municipal, county, state, and federal sources. All small businesses initially denied credit are re-reviewed for consideration under the flexible underwriting standards. The standards allow for extended maturities, higher LTV ratios, and lower debt servicing coverage ratios. The flexible standards apply to lines of credit, term loans and commercial mortgage loans.

### **RESPONSIVENESS**

An analysis was conducted to determine the institution's record of serving the credit needs of the most economically disadvantaged areas of its assessment areas, low-income borrowers, and very small businesses.

The analysis revealed that Summit Bank PA has exhibited a good record of serving the credit needs of highly disadvantaged areas and borrowers within its assessment area. Management is nonetheless encouraged to continue to explore alternative ways to respond to the credit needs of these areas and borrowers, particularly within its Philadelphia MSA assessment area, consistent with safe and sound banking practices.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

### **INVESTMENT TEST**

Performance under the Investment Test is considered Outstanding

The investment test evaluates a financial institution's level of qualified investments that serve low- and moderate-income geographies and/or individuals, together with the innovativeness and complexity of such investments. Qualified investments made prior to the previous examination, which are still outstanding, are considered under the test. For purposes of CRA, the term qualified investment has been defined to include: a lawful investment; deposit; membership share; or grant; including a donation, or in-kind contribution of property, that has, as its primary purpose, community development.

### **Overall Conclusion**

Overall, the bank's investment performance is considered outstanding. A review of investment activity revealed that the bank has an excellent level of qualified investments and grants, some of which are not routinely provided by other financial institutions. The bank makes extensive use of innovative and complex investments to support community development initiatives. The bank has demonstrated an excellent responsiveness to community credit and development needs by investing in organizations and projects that support affordable housing, community services, and economic development.

### **Volume**

Qualified investments totaled \$12.4 million. Summit Bank PA made \$7.3 million in new investments during the examination period, representing 59% of total investment activity. Affordable housing was supported by \$4.8 million, or 39%, of total qualified investments. Of the affordable housing investments, \$4.3 million, or 90%, related to low-income housing tax credits. Sixty percent, or \$7.5 million of investments, were directed to economic development activities. The balance, less than one percent, supported community services. The majority of the qualified investments were made within the Philadelphia MSA.

### **Innovative and Complex**

Summit Bank PA makes extensive use of innovative and complex investments to support community development initiatives. Qualified investment activity includes investments in low-income housing tax credit projects to promote affordable housing. These investments are considered complex due to the significant time and expertise needed for the accounting and monitoring of these investments. Affordable housing tax credits usually require a bank commitment of between 10 and 15 years.

### **Responsiveness to Credit and Community Development Needs**

Summit Bank PA has demonstrated an excellent responsiveness to credit and community development needs. A number of the qualified investments are tailored to meet the needs of a particular organization or geographic area. Specifically, a majority of the bank's investments are to organizations that promote affordable housing and economic development.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

### **Responsiveness to Credit and Community Development Needs (Continued)**

Summit Bancorp has recently announced the formation of the Summit Tax Credit Investors, L.P. (Summit Investors). Summit Investors is a limited partnership through which Summit Bank will make equity investments in developments located in New Jersey and Pennsylvania utilizing the federal low-income housing tax credits. Summit Investors will offer opportunities to enhance a development, which include the purchase of tax credit equity, construction, bridge and or permanent financing through the bank, and will provide development services as needed.

### **Philadelphia MSA (6160)**

Qualified investments in the Philadelphia assessment area, totaled 9.5 million, or 77%, of the total investment activity. Investment activity helped meet the assessment area's need for affordable housing. Three low-income housing tax credit projects accounted for \$1.6 million and led to the development of over 90 affordable housing units. A \$5 million investment was also made in two small business investment companies that provide venture capital to new and established small businesses. Additionally, the bank made a \$500 thousand investment in a consortium that provides financing to small and mid-size businesses in the Delaware Valley.

Grants totaling \$83 thousand were made to affordable housing and economic development organizations, community service groups, and organizations whose primary function is to revitalize and stabilize low-and moderate-income areas.

Investments made prior to this examination in various affordable housing and economic development organizations totaling \$2.1 million were still outstanding as of December 31, 1999.

### **Allentown-Bethlehem-Easton MSA (0240)**

As of December 31, 1999, qualified investments outstanding since the previous examination totaled \$215 thousand, or 2% of the total investment activity. Outstanding investments in low-income housing tax projects protects led to the development of 10 affordable housing units.

Grants totaling \$31 thousand were made to affordable housing and economic development organizations, community service groups, and organizations whose primary function is to revitalize and stabilize low-and moderate-income area.

### **Other Assessment Areas**

Although not specifically identified in any one assessment area, the bank has made a \$2 million equity investment in a limited partnership whose mission is to acquire and improve existing commercial properties in low-and moderate-income communities (i.e., inner city, empowerment and enterprise zones). The focus of this organization is national, however, the initial focus will be the eastern seaboard.

A review of investment activity revealed an excellent responsiveness to community credit and development needs throughout the bank's assessment areas. A lower level of investment activity within a specific geography does not necessarily detract from the bank's overall performance when viewed within the context of the bank's presence in the community, in addition to the availability and competition for such investment opportunities. Details regarding investment activity within the other assessment areas are contained in Appendix A of this Public Evaluation.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

## **SERVICE TEST**

The service test assesses the financial services provided by a financial institution by evaluating the following characteristics:

- The accessibility of delivery systems within an assessment area, including the geographic distribution of branch offices and the provision of alternative delivery mechanisms;
- The reasonableness of business hours and services in meeting assessment area needs;
- The impact of changes in branch locations upon low- and moderate-income geographies and/or low- and moderate-income persons in the assessment area; and
- The extent to which an institution provides community development services.

Performance under the Service Test is assessed as High Satisfactory.

### **Accessibility of Delivery Systems**

Summit Bank PA's branch delivery systems are accessible to essentially all portions of the bank's assessment area. The principal mechanism for delivering retail-banking services is the bank's branch office network, however, the bank also offers access through its ATM network, personal computer/Internet banking, and telephone banking.

### **Branch Network**

Summit Bank PA offers retail-banking services through 109 full service branch offices. Of these 109 branches, 39% are located in upper-income geographies, 44% in middle-income geographies, 14% in moderate-income geographies and 3% in low-income geographies. Each office is generally accessible to all portions of the assessment area via public or private transportation, including low- and moderate-income geographies. The bank's full service offices are summarized by geography as follows:

### **All branches**

<b>GEOGRAPHY</b>	<b>Number of Branch Offices</b>	<b>Percent</b>
<b>Low-Income</b>	3	2.8%
<b>Moderate-Income</b>	15	13.8%
<b>Middle-Income</b>	48	44.0%
<b>Upper-Income</b>	43	39.4%
<b>TOTALS</b>	109	100%

Overall, 17% of the bank's branches are located in low- or moderate-income geographies. In comparison, low- and moderate-income geographies comprise 27% of the assessment areas' total geographies and contain 25% of the total assessment area population. This branch composition has changed since the previous CRA examination as a result of the acquisition of Prime Bank. Prior to this acquisition, Summit Bank PA maintained 66 branches, with 23% (15 branches) located in low- or moderate-income geographies (2 branches located in low-income geographies and 13 in moderate-income geographies). In comparison, low- and moderate-income geographies comprised 15% of the assessment areas' total geographies and contained 13% of the assessment areas' total population.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

### All branches (Continued)

Branch locations generally reflect the location of the assessment areas' population. Accordingly, the Philadelphia MSA, with the largest population, has the largest concentration of branches (65). The Allentown-Bethlehem-Easton MSA, with the second largest population, has the second largest concentration of branches (26). These two assessment areas combined account for 84% of the bank's total branches.

#### **Philadelphia MSA (6160)**

<b>GEOGRAPHY</b>	<b>Number of Branch Offices</b>	<b>Percent</b>
<b>Low-Income</b>	0	0%
<b>Moderate-Income</b>	4	6.2%
<b>Middle-Income</b>	27	41.5%
<b>Upper-Income</b>	34	52.3%
<b>TOTALS</b>	65	100%

The 65 branches located in the Philadelphia MSA represent 60% of the bank's total branches. Of these 65 branches, ten are located in the City of Philadelphia, including two in that city's moderate-income geographies. (A third branch, located in a moderate-income geography in Upper Darby, PA, is generally accessible and adjacent to low- and moderate-income geographies in West Philadelphia.) In addition, 22 branches are located in Bucks County (including one moderate-income branch in Bristol), 22 in Montgomery County, eight in Delaware County (including the one moderate-income branch in Upper Darby) and three in Chester County.

Only 6% of the branches in the Philadelphia MSA are located in low- or moderate-income geographies. In comparison, low- and moderate-income geographies comprise 31% of the assessment area's total geographies and contain 31% of the assessment area's total population. As such, the branch network within the assessment area is more accessible to residents of middle- and upper-income geographies and is somewhat removed from the low- and moderate-income geographies. Nevertheless, each of the branches is deemed reasonably accessible to essentially all geographies within the assessment area via public or private transportation. (Prior to its acquisition of Prime Bank, Summit Bank PA operated 21 branches in its Philadelphia assessment area, with only one moderate-income branch located in Bucks County.)

To supplement full service branch operations in the Philadelphia assessment area, Summit Bank PA operates 17 remote ATMs. Seven of these ATMs are located in moderate-income geographies in the City of Philadelphia. A number of these ATMs display instructions in Spanish and/or Russian.

#### **Allentown-Bethlehem-Easton MSA (0240)**

<b>GEOGRAPHY</b>	<b>Number of Branch Offices</b>	<b>Percent</b>
<b>Low-Income</b>	2	7.7%
<b>Moderate-Income</b>	6	23.1%
<b>Middle-Income</b>	15	57.7%
<b>Upper-Income</b>	3	11.5%
<b>TOTALS</b>	26	100%

The 26 branches located in the Allentown-Bethlehem-Easton MSA represent 24% of the bank's total branches. Of the 26 branches, half (13) are located in the City of Bethlehem, including two in that City's low-income geographies and one in a moderate-income geography. In addition, two branches are located in the City of Allentown and two in the City of Easton, including one in a moderate-income geography. The four remaining moderate-income branches are located in the towns of Lansford, Lehigh, Nesquehoning and Weatherly, in Carbon County. Overall, 31% of the branches in this assessment area are located in low- or moderate-income geographies. In comparison, low- and moderate-income geographies comprise 21% of the assessment area's total geographies and contain 16% of its total population.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

## **Allentown-Bethlehem-Easton MSA (0240) (Continued)**

Summit Bank PA's branch delivery system is accessible to essentially all portions of the Allentown-Bethlehem-Easton assessment area, including low- and moderate-income geographies.

### **Alternative Retail Banking Services and Alternative Methods of Delivering Retail Banking Services**

To supplement actual brick and mortar locations, Summit Bank PA operates 126 Automated Teller Machines (ATM) through its 24-hour Banking Network. Of the 126 ATMs, 100 are maintained at current branch sites, while an additional 26 are at other locations. A number of Summit's ATM units display instructions in Spanish and/or Russian. It was determined that the bank's ATM network has benefited low- and moderate-income geographies and individuals.

To augment traditional banking services, Summit Bank provides alternate delivery methods to its customers, including telephone banking and On-Line banking, including a fully transactional internet website offering customers electronic access to bank products and services.

### **Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

Services, including business hours, do not vary among branch offices in a manner that inconveniences residents of low- or moderate-income geographies or limits their access to services. The loan products and banking services are offered in a uniform and consistent manner among all branches. Over 95% of the branches, including branches located in low- or moderate-income geographies, have extended hours during the week and/or Saturday hours. Supermarket branches provide full service banking seven days a week.

### **Changes in Branch Locations**

The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Summit Bank PA has established 42 additional branch offices since the previous examination. Of those 42 branches, 23 were related to Summit Bank's September 17, 1999 acquisition of Prime Bancorp and its subsidiary, Prime Bank. The table below shows the geographic distribution of the branches opened.

<b>GEOGRAPHY</b>	<b>Number of Branch Offices</b>	<b>Percent</b>
<b>Low-Income</b>	0	0%
<b>Moderate-Income</b>	3	7.1%
<b>Middle-Income</b>	12	28.6%
<b>Upper-Income</b>	27	64.3%
<b>TOTALS</b>	42	100%

The large majority of the new branches were opened in upper-income geographies in the Philadelphia assessment area.

The bank has closed two branches since the previous examination: on August 20, 1999 the bank closed its Martins Creek branch, located in an upper-income geography, and on June 5, 1998, the bank closed its Glen Lyon branch, located in an middle-income geography. The closure of these offices is not deemed to have adversely affected the accessibility of loan products and banking services to residents of low- or moderate-income geographies or low- or moderate-income individuals.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

### **Community Development Services**

Summit Bank PA is a leader in providing community development services within its assessment areas. Most services are provided in the form of:

- Specialized or affordable housing programs;
- Technical assistance offered by bank employees on behalf of the bank to entities that provide community and economic development services;
- Educational seminars to first time homebuyers; and
- Deposit accounts tailored for LMI individuals.

The following table details the bank’s community development services by type:

Activity Type	Number of Services	Percent
Affordable Housing for Low- and Moderate-Income Individuals	36	38%
Activities Promoting Economic Development (e.g., small businesses)	32	33%
Community Services Targeted to Low- and Moderate-Income Individuals	25	26%
Activities that Revitalize and Stabilize Low- and Moderate-Income Geographies	3	3%
<b>TOTAL</b>	96	100%

Overall, approximately 44% of Summit’s community development services were provided in the Allentown-Bethlehem-Easton MSA, with 60% of that in Lehigh County. The Philadelphia MSA received 27% of community development services, with 58% in the City of Philadelphia and the remaining spread evenly between Bucks, Chester, Delaware, and Montgomery counties. The Reading MSA received 13% of services. The Scranton/Wilkes-Barre/Hazleton MSA received 11% of services, with 82% of that in the City of Hazleton in Luzerne County. The Lancaster MSA received 5% of services. Summit did not report any community development services in Schuylkill County.

Notable community development services include:

- The bank offers “Basic Checking” a low-cost checking product geared toward the needs of low- and moderate-income individuals. The account requires an opening balance of \$1.00, imposes no minimum balance requirement, and charges a monthly maintenance fee of \$3.00. Customers receive eight free checks per statement cycle with additional checks at a reduced cost, a free statement savings account, and a free ATM card.
- The bank offers an “Easy Add CD” that allows customers to earn the high rates of a CD while maintaining the flexibility of a savings account. The initial deposit can be as low as \$500, and customers may make additional deposits to the Easy Add CD without extending its term.
- Summit Home Buyer CD is an account vehicle specifically designed to enable depositors to save for the purchase of a home. The initial deposit can be as low as \$100, and customers may make additional deposits. Customers may redeem the CD prior to maturity without penalty by presenting an agreement of sale for a home.
- Summit Bank PA is an active participant in the Federal Home Loan Bank’s (FHLB) Affordable Housing Program (AHP). The bank sponsored AHP applications for numerous organizations including:

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

- Alliance for Building Communities (a 117 unit project in Allentown, PA)
- Lamokin Senior Village Partnership (a 40 unit project in Chester, PA)

- Partnership CDC (a 43 unit project and a 50 unit project, both in West Philadelphia, PA)
- Mercy Douglass Human Services (a 17 unit project in Philadelphia, PA)
- Valley Housing Development Corp (a 15 unit project in Bethlehem, PA.)

Bank employees contribute technical assistance on behalf of the bank to entities that provide community and economic development services. Notable examples of these services include:

- Summit employees serve on the loan committees for several small business micro-loan funds, including the Metro Action Loan Fund in Scranton and the Philadelphia, Bucks, Montgomery and Chester/Delco Micro Loan Funds under Partners for Small Business Development in Philadelphia. These Funds provide non-traditional micro-loans to small businesses.
- Bank employees participate in consumer credit counseling programs through the H.O.M.E programs in Pittston, PA, and Hazleton, PA. H.O.M.E is a Federal housing program administered by HUD that provides funds to states and communities to acquire, build, and rehabilitate affordable housing for low-income homebuyers.
- Bank employees sit on the loan committees of the Bethlehem Economic Development Corporation and the Allentown Economic Development Corporation.
- A bank employee serves on the Curriculum Committee for the Home Ownership Counseling Program, an organization that provides home ownership counseling to low- and moderate-income individuals.
- A bank employee serves on the Advisory Board for the Community Action Committee of the Lehigh Valley CRA Council. The Council provides services such as housing energy assistance and first time homebuyer programs to low- and moderate-income residents of the Lehigh Valley.

In addition, employees serve on over 30 boards of directors of organizations serving the housing, and economic and community development needs of the bank's assessment areas. These organizations include the Alliance for Building Communities, the Hazleton Community Development Corporation, the Northampton County Development Corporation, Habitat for Humanity of North Central Philadelphia, and the Inner City Group.

### **COMPLIANCE WITH FAIR LENDING LAWS**

No credit practices were identified that violate the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), Fair Housing Act, Home Mortgage Disclosure Act (Regulation C), and all relevant agency regulations pertaining to nondiscriminatory treatment of credit applicants.



## APPENDIX A

### Scranton/Wilkes-Barre/Hazleton MSA 7560

The Scranton Wilkes-Barre Hazleton MSA encompasses Columbia, Lackawanna, Luzerne, and Wyoming Counties, situated in the northeastern portion of Pennsylvania. The bank's assessment area within the MSA includes all of Luzerne County and a portion of Lackawanna County. The focal points of the area remain the three central cities of Scranton, Wilkes-Barre and Hazleton. Several suburban areas and semi-rural areas surround these cities.

The assessment area includes 143 census tracts, of which 22, or 15%, are designated low- and moderate income. The majority of the LMI geographies (13 or 59%) are located in the areas central cities of Scranton, Wilkes-Barre and Hazleton.

According to 1990 Census Bureau Statistics, the median family income for the Scranton/Wilkes-Barre/Hazleton MSA assessment area was \$30,150, which was lower than the statewide median of \$34,856.

Of the families in this assessment area 39% are designated as low- and moderate-income. Approximately 16% of LMI families reside in LMI geographies. A substantial majority of LMI families (76%) reside in middle income geographies, with the remaining 8% in upper-income geographies.

The assessment area contains 184,245 housing units, of which 114,091, or 62%, are owner-occupied. Only 24,824, or 14%, of the assessment area's housing units are located in LMI geographies, and only 9,644 of these units, or 39%, are owner occupied. Owner-occupied units within LMI geographies represent only 8% of the assessment area's total owner-occupied housing units.

Single family units comprise 54% of the housing units, while two-to-four family units comprise 31%, multi-family units comprise 9%, and mobile homes and other housing units comprise 6%. The median housing value is \$56,546 and the median gross rent is \$319 per month.

#### Branch Network

GEOGRAPHY	Number of Branch Offices	Percent
Low-Income	1	8.4%
Moderate-Income	4	33.3%
Middle-Income	4	33.3%
Upper-Income	3	25.0%
TOTALS	12	100%

The 12 branches located in the Scranton/Wilkes-Barre/Hazleton MSA represent 11% of the bank's total branches. Of the 12 branches, one is located in a low-income geography in the City of Scranton in Lackawanna County. All four moderate-income branches are located in the City of Hazleton in Luzerne County. Summit Bank PA's branch delivery system is accessible to essentially all portions of the Scranton assessment area, including low- and moderate-income geographies.

## Geographic Distribution of Lending

### HMDA Reportable Loans

SCRANTON/WILKES-BARRE/HAZELTON ASSESSMENT AREA ALL HMDA LOANS (Exam Period) CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans To Percentage of Units
LMI	52	9.19%	9,644	8.45%	1.09
Non- LMI	514	90.81%	104,447	91.55%	.99
All Geographies	566	100%	114,091	100%	1.00

### Unsecured Consumer Loans

SCRANTON/WILKES-BARRE/HAZELTON ASSESSMENT AREA CONSUMER LOANS (Exam Period) CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Households	Percent of Households	Percentage of Loans To Percentage of Households
LMI	28	8.10%	22,742	13.33%	.61
Non- LMI	318	91.90%	147,845	86.67%	1.06
All Geographies	346	100%	170,587	100%	1.00

### Small Business

SCRANTON/WILKES-BARRE/HAZELTON ASSESSMENT AREA SMALL BUSINESS (Exam Period) CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Businesses	Percent of Businesses	Percentage of Loans To Percentage of Businesses
LMI	59	20.35%	2,046	18.20%	1.12
Non- LMI	231	79.65%	9,196	81.80%	.97
All Geographies	290	100%	11,242	100%	1.00

## APPENDIX A

### Borrower Distribution

#### HMDA Reportable

SCRANTON/WILKES-BARRE/HAZELTON ASSESSMENT AREA HMDA LOAN (Exam Period) BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
LMI	148	27.31%	44,910	38.47%	.71
Non- LMI	394	72.69%	71,816	61.53%	1.18
All Borrowers	542	100%	116,726	100%	1.00

#### Unsecured Consumer Loans

SCRANTON/WILKES-BARRE/HAZELTON ASSESSMENT AREA CONSUMER LOAN (Exam Period) BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
LMI	148	57.59%	44,910	38.47%	1.50
Non- LMI	109	42.41%	71,816	61.53%	.69
All Borrowers	257	100%	116,726	100%	1.00

### Lending to Small Business

SCRANTON/WILKES-BARRE/HAZELTON ASSESSMENT AREA SMALL BUSINESS (Exam Period) BUSINESS SIZE DISTRIBUTION				
Annual Sales Volume	Number of Loans	Percent of Loans	Number of Businesses	Percent of Businesses
Revenues of \$1 Million or Less	170	58.62%	8,999	80.05%
Revenues of more than \$1 Million	120	41.38%	2,243	19.95%
All Businesses	290	100%	11,242	100%

### Community Development Lending

During the period between examinations, the bank provided \$1.6 million in financing to a non-profit organization with economic and industrial development as its primary focus.

## APPENDIX A

### Investments

Summit Bank PA did not make any new investments or qualifying grants during the examination period in this assessment area. As of December 31, 1999 qualified investments outstanding since the previous examination totaled \$200 thousand, or 2%, of the total investment activity. This investment activity helped meet the need for affordable housing.

### **Lancaster MSA 4000**

The Lancaster MSA consists of Lancaster County which is located in southeastern portion of Pennsylvania. The bank's assessment area within the MSA consists of the northern portion of the county, therefore, the assessment area remains significantly reliant on the overall economic viability of the City of Lancaster.

The assessment area includes 83 census tracts, of which 13, or 16%, are designated low-and moderate income. A substantial majority of the LMI geographies (11 or 85%) are located in the City of Lancaster.

According to 1990 Census Bureau Statistics, the median family income for the Lancaster MSA assessment area was \$38,185, which was higher than the statewide median of \$34,856.

Of the families in the assessment area, 34% are designated as low- and moderate-income. Approximately 19% of LMI families reside in LMI geographies, a substantial majority of LMI families (75%) reside in middle income geographies, with the remaining 6% in upper-income geographies.

The assessment area contains 138,665 housing units, of which 91,290, or 66%, are owner-occupied. Only 17,773, or 13%, of the assessment area's housing units are located in LMI geographies, with only 6,919 of these units, or 37%, owner occupied. Owner-occupied units within LMI geographies represent only 8% of the assessment area's total owner-occupied housing units.

Single family units comprise 53% of the housing units, while two-to-four family units comprise 30%, multi-family units comprise 12% and mobile homes and other housing units comprise 5%. The median housing value is \$88,738 and the median gross rent is \$444 per month.

### Branch Network

GEOGRAPHY	Number of Branch Offices	Percent
Low-Income	0	0%
Moderate-Income	1	33.3%
Middle-Income	0	0%
Upper-Income	2	66.7%
TOTALS	3	100%

Summit Bank PA has a limited branch presence in the Lancaster assessment area. The 3 branches located in the Lancaster MSA represent just 3% of the bank's total branches. Of the 3 branches, one is located in a moderate-income geography in the City of Lancaster, PA. To compensate for its limited branch presence, local mortgage representatives address the credit needs of all geographies in this assessment area, using branch offices as a central base of operations.

## APPENDIX A

## Geographic Distribution of Lending

### HMDA Reportable Loans

LANCASTER ASSESSMENT AREA ALL HMDA LOANS (Exam Period) CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans To Percentage of Units
LMI	17	21.52%	6,919	7.58%	2.84
Non- LMI	62	78.48%	84,371	92.42%	.85
All Geographies	79	100%	91,290	100%	1.00

### Unsecured Consumer Loans

LANCASTER ASSESSMENT AREA CONSUMER LOANS (Exam Period) CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Households	Percent of Households	Percentage of Loans To Percentage of Households
LMI	7	10.15%	16,700	12.45%	.82
Non- LMI	62	89.85%	117,473	87.55%	1.03
All Geographies	69	100%	134,173	100%	1.00

### Small Business

LANCASTER ASSESSMENT AREA SMALL BUSINESS (Exam Period) CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Businesses	Percent of Businesses	Percentage of Loans To Percentage of Businesses
LMI	12	12.77%	1,420	10.69%	1.19
Non- LMI	82	87.23%	11,863	89.31%	.98
All Geographies	94	100%	13,283	100%	1.00

## APPENDIX A

### Borrower Distribution

#### HMDA Reportable

LANCASTER ASSESSMENT AREA HMDA LOAN (Exam Period) BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
LMI	21	30.88%	33,568	34.00%	.91
Non- LMI	47	69.12%	65,151	66.00%	1.05
All Borrowers	68	100%	98,719	100%	1.00

### Unsecured Consumer Loans

LANCASTER ASSESSMENT AREA CONSUMER LOAN (Exam Period) BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
LMI	30	63.83%	33,568	34.00%	1.88
Non- LMI	17	36.17%	65,151	66.00%	.55
All Borrowers	47	100%	98,719	100%	1.00

### Lending to Small Business

LANCASTER ASSESSMENT AREA SMALL BUSINESS (Exam Period) BUSINESS SIZE DISTRIBUTION				
Annual Sales Volume	Number of Loans	Percent of Loans	Number of Businesses	Percent of Businesses
Revenues of \$1 Million or Less	49	52.13%	11,579	87.17%
Revenues of more than \$1 Million	45	47.87%	1,704	12.83%
All Businesses	94	100%	13,283	100%

### Community Development Lending

The bank did not originate any community development loans in the Lancaster assessment area in the period between examinations.

## APPENDIX A

### Investments

New investments during the examination period consisted of grants totaling \$10 thousand to support affordable housing and economic development organizations in this assessment area. As of December 31, 1999, qualified investments outstanding since the previous examination totaled \$495 thousand or 4%, of the total investment activity. This investment, in a low income housing tax credit, has created 23 units of affordable housing.

### **Reading MSA 6680**

The Reading MSA consists of Berks County, which is located in southeastern portion of Pennsylvania. The bank's assessment area consist of entire MSA, therefore it remains significantly reliant on the overall economic viability of the City of Reading.

The assessment area includes 76 census tracts, of which 19, or 25%, are designated low-and moderate income. All of the LMI geographies are located in the City of Reading, constituting approximately 65% of Reading's census tracts.

According to 1990 Census Bureau Statistics, the median family income for the Reading MSA assessment area was \$37,755, which was higher than the statewide median of \$34,856.

Of the families in the assessment area, 35% are designated as low- and moderate-income. Approximately 25% of LMI families reside in LMI geographies, with the majority of LMI families (65%) middle income geographies, and the remaining 10% in upper-income geographies.

The assessment area contains 134,482 housing units, with 94,336, or 70%, owner-occupied. Only 22,979, or 17%, of the assessment area's housing units are located in LMI geographies, with only 9,974 of these units, or 43%, owner occupied. Owner-occupied units within LMI geographies represent 11% of the assessment area's total owner-occupied housing units.

Single family units comprise 51% of the housing units, while two-to-four family units comprise 35%, multi-family units comprise 9% and mobile homes and other housing units comprise 5%. The median housing value is \$80,914 and the median gross rent is \$413 per month.

### Branch Network

GEOGRAPHY	Number of Branch Offices	Percent
Low-Income	0	0%
Moderate-Income	0	0%
Middle-Income	1	50.0%
Upper-Income	1	50.0%
TOTALS	2	100%

Summit Bank PA has a limited branch presence in the Reading assessment area. The two branches located in the Reading MSA represent just 2% of the bank's total branches. Neither of the branches is located in low- or moderate-income geographies. To compensate for its limited branch presence, local mortgage representatives address the credit needs of all geographies in this assessment area, using branch offices as a central base of operations.

## APPENDIX A

### Geographic Distribution of Lending

#### HMDA Reportable Loans

READING ASSESSMENT AREA ALL HMDA LOANS (Exam Period) CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Owner-Occupied Units	Percent of Owner-Occupied Units	Percentage of Loans To Percentage of Units
LMI	17	15.18%	9,974	10.57%	1.44
Non- LMI	95	84.82%	84,362	89.43%	.95
All Geographies	112	100%	94,336	100%	1.00

#### Unsecured Consumer Loans

READING ASSESSMENT AREA CONSUMER LOANS (Exam Period) CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Households	Percent of Households	Percentage of Loans To Percentage of Households
LMI	10	14.93%	20,644	16.15%	.92
Non- LMI	57	85.07%	107,205	83.85%	1.01
All Geographies	67	100%	127,849	100%	1.00

#### Small Business

READING ASSESSMENT AREA SMALL BUSINESS (Exam Period) CENSUS TRACT DISTRIBUTION					
TYPE OF GEOGRAPHY	Number of Loans	Percent of Loans	Number of Businesses	Percent of Businesses	Percentage of Loans To Percentage of Businesses
LMI	5	16.13%	1,298	13.35%	1.21
Non- LMI	26	83.87%	8,425	86.65%	.97
All Geographies	31	100%	9,723	100%	1.00



## APPENDIX A

### Borrower Distribution

#### HMDA Reportable

READING ASSESSMENT AREA HMDA LOAN (Exam Period) BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
LMI	23	21.91%	32,638	35.46%	.62
Non- LMI	82	78.09%	59,408	64.54%	1.21
All Borrowers	105	100%	92,046	100%	1.00

#### Unsecured Consumer Loans

READING ASSESSMENT AREA CONSUMER LOAN (Exam Period) BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
LMI	23	52.27%	32,638	35.46%	1.47
Non- LMI	21	47.73%	59,408	64.54%	.74
All Borrowers	44	100%	92,046	100%	1.00

### Lending to Small Business

READING ASSESSMENT AREA SMALL BUSINESS (Exam Period) BUSINESS SIZE DISTRIBUTION				
Annual Sales Volume	Number of Loans	Percent of Loans	Number of Businesses	Percent of Businesses
Revenues of \$1 Million or Less	14	45.16%	8,560	88.04%
Revenues of more than \$1 Million	17	54.84%	1,163	11.96%
All Businesses	31	100%	9,723	100%

### Community Development Lending

The bank did not originate any community development loans in the Reading assessment area in the period between examinations.

One community development loan totaling \$120 thousand was originated prior to this examination and was still outstanding as of December 31, 1999.

## APPENDIX A

### Investments

Summit Bank PA did not make any new investments or qualified grants during the examination period in this assessment area. As of December 31, 1999 qualified investments outstanding since the previous examination totaled \$2 million, or 16%, of the total investment activity. This investment, in a low-income housing tax credit, created 36 affordable housing units.

### **Portions of Schuylkill County in a Non-MSA**

The assessment area includes of portions of Schuylkill County located in east-central Pennsylvania, and is situated in the northeastern portion of the county.

The assessment area includes 8 block-numbering areas (BNAs); none are designated low-and moderate income. Seven BNAs are designated as middle-income, and one as upper-income.

According to 1990 Census Bureau Statistics, the median family income for the assessment area was \$29,492, which was slightly lower than the statewide median of \$34,856.

Of the families in the assessment area, 35% are designated as low- and moderate-income. Approximately 90% of LMI families reside in middle income geographies, with the remaining 10% in upper-income geographies.

The assessment area contains 14,461 housing units, with 10,379, or 72%, owner-occupied. Single family units comprise 54% of the housing units, while two-to-four family units comprise 35%, multi-family units comprise 4% and mobile homes and other housing units comprise 7%. The median housing value is \$46,015 and the median gross rent is \$287 per month.

### Branch Network

GEOGRAPHY	Number of Branch Offices	Percent
Low-Income	0	0%
Moderate-Income	0	0%
Middle-Income	1	100.0%
Upper-Income	0	0%
TOTALS	1	100%

Summit Bank PA has a very limited branch presence in the Schuylkill County assessment area. The county's one branch is located in a middle-income geography. There are no geographies designated low- or moderate income within this assessment area. To compensate for its limited branch presence, local mortgage representatives address the credit needs of all geographies in this assessment area, using the branch office as a central base of operations.

### Geographic Distribution of Lending

#### HMDA Reportable Loans

Due to the aforementioned lack of LMI geographies in the Schuylkill County assessment area, all of Summit Bank's loans in this assessment area were originated in non-LMI geographies. Therefore, charts displaying the geographic distribution are irrelevant and will not appear here. Please refer to the next set of charts for the distribution of loans to LMI and non-LMI borrowers in this assessment area.

## APPENDIX A

### Borrower Distribution

#### HMDA Reportable

SCHUYLKILL COUNTY ASSESSMENT AREA HMDA LOAN (Exam Period) BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
LMI	17	30.36%	3,276	34.65%	.88
Non- LMI	39	69.64%	6,178	65.35%	1.06
All Borrowers	56	100%	9,454	100%	1.00

#### Unsecured Consumer Loans

SCHUYLKILL COUNTY ASSESSMENT AREA CONSUMER LOAN (Exam Period) BORROWER INCOME DISTRIBUTION					
INCOME LEVEL	Number of Loans	Percent of Loans	Number of Families	Percent of Families	Percentage of Loans /Percentage of Families
LMI	13	40.63%	3,276	34.65%	1.17
Non- LMI	19	59.37%	6,178	65.35%	.91
All Borrowers	32	100%	9,454	100%	1.00

### Lending to Small Business

SCHUYLKILL COUNTY ASSESSMENT AREA SMALL BUSINESS (Exam Period) BUSINESS SIZE DISTRIBUTION					
Annual Sales Volume	Number of Loans	Percent of Loans	Number of Businesses	Percent of Businesses	
Revenues of \$1 Million or Less	11	73.33%	650	87.13%	
Revenues of more than \$1 Million	4	26.67%	96	12.87%	
All Businesses	15	100%	746	100%	

### Community Development Lending

During the period between examinations, the bank provided \$251 thousand in financing to an organization that serves low- and moderate-income individuals with mental and physical disabilities.

One community development loan was originated prior to this examination and was still outstanding as of December 31, 1999, totaling \$7,000.

### Investments

The bank did make any new investments or qualifying grants in this assessment area during the examination period.