

# **PUBLIC DISCLOSURE**

(February 12, 1996)

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**TWIN RIVERS COMMUNITY BANK  
DSBB - 03422080000  
EASTON, PENNSYLVANIA**

**FEDERAL RESERVE BANK OF PHILADELPHIA  
PHILADELPHIA, PENNSYLVANIA**

**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 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 Community Reinvestment Act (CRA) performance of Twin Rivers Community Bank prepared by the Federal Reserve Bank of Philadelphia, as of February 12, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

### INSTITUTION'S CRA RATING: SATISFACTORY

The rating is based upon; (1) the institution's high level of loans in relationship to its deposits,(2) the majority of the institution's loans that are located within its assessment area, (3) the geographic distribution of loans which reflects a reasonable distribution throughout the institution's assessment area and,(4)a reasonable distribution of loans to borrowers of different income levels and businesses of different sizes.

**DISCUSSION OF INSTITUTIONS PERFORMANCE**

The following table indicates the performance level of **TWIN RIVERS COMMUNITY BANK** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>TWIN RIVERS COMMUNITY BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and Business of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the previous examination.		

**DESCRIPTION OF INSTITUTION**

Twin Rivers Community Bank (TR) opened for business on October 15, 1990. The bank's administrative headquarters is located at 2925 William Penn Highway in Palmer Township, Northampton County, which is proximate to the City of Easton, Pennsylvania. At this location the bank also maintains a branch office and an automated teller machine.

On August 15, 1994, the bank opened its second branch office located at 61 North Third Street, Easton, Pennsylvania. The office is located within the city's downtown business district. The office is also located within a low- to moderate-income census tract as defined by 1990 U.S. Census Bureau statistics.

According to management, the bank's goal is to become firmly established as the primary community banking alternative in the Easton area. To accomplish this objective the bank continues to emphasize the advantages of its knowledgeable and experienced staff, its community focus, and its ability to provide personalized and flexible banking services to individuals and businesses within its community.

The bank offers a variety of conventional loan and deposit products. The Uniform Consolidated Statement of Condition and Income as of December 31, 1995 reported total assets of \$96.5 million, of which \$69.5

(continued)

**DISCUSSION OF INSTITUTION PERFORMANCE (CONTINUED)**

**DESCRIPTION OF INSTITUTION (continued)**

million were loans. An analysis of the loan portfolio revealed that loans secured by residential real estate- \$42.7 million or 62%, and personal loans-\$7.9 million or 11%, accounted for 73% of total loans. The balance of the portfolio is essentially comprised of commercial loans. It should be noted that not all of the loans secured by residential real estate are consumer purpose loans.

Since its inception, the bank has actively originated home mortgage credit. Previously, the bank retained all of its residential mortgage loans, and had not sold loans to the secondary market. However, in an effort to continue to address identified community credit needs, the bank entered into a formal arrangement with an outside third party to solicit and process mortgage loan applications. This arrangement enables the bank to offer a wide array of competitively priced residential mortgage products to its community. Furthermore, the bank is able to offer mortgage products specifically designed to address the needs of first-time or low-to moderate income applicants.

For the year ended December 31, 1995, the bank referred 19 loans totaling \$1,664,250 to the third party mortgage originator. The bank also continues to originate residential mortgage loans on terms and conditions that vary from those made available through its correspondent relationship.

In an effort to respond to identified community credit needs, the bank offers two special credit programs; the "First Time Home Buyer Program" and the "Advance Home Improvement Program". Both programs are designed to meet the credit needs of low- to moderate-income individuals and families. And, to ensure that these programs are responsive to the identified needs of the community, management utilizes demographic and other related information to establish the loan criteria and the income requirements for the programs. Bank management also conducted meetings with representatives of numerous local community organizations and community leaders to obtain feedback on the requirements of each program prior to implementation.

The First Time Home Buyer Program is offered to first time home buyers in Northampton County with annual household incomes of \$30,900 or less (according to 1990 U.S. Census statistics the median household income in Easton was \$26,365). The maximum purchase price under the program is \$80,500, which was the median value of owner-occupied housing in 1990, according to a 1991 Comprehensive Housing Affordability Study prepared by the city of Easton. The program features 100% financing with no private mortgage insurance required, no application fees and no points. The fees that are imposed, are limited to the recovery of expenses such as appraisal, property search, credit report, notary, and recording fees. Interest rates are comparable to those offered under its standard mortgage programs and although the bank's normal credit standards apply to this program, management indicated that some underwriting flexibility is applied within the context of safe and sound banking practices.

## DISCUSSION OF INSTITUTION PERFORMANCE (CONTINUED)

### DESCRIPTION OF INSTITUTION (continued)

During 1995, the bank originated loans totaling \$1,394,200 under its First Time Home Buyers Program.

The Advance Home Improvement Program, features 100% financing with no points or fees except those imposed to recover the bank's expenses. This program is directed at Northampton County home owners that have annual household incomes of \$39,900 or less. The program is designed to assist community residents with small- to medium-size loans to repair, maintain or expand existing dwellings. Loans are available from \$1,000 to \$20,000 with flexible interest rates and repayment terms. As of the date of this examination, the bank had not originated any loans under the program.

During the period between evaluations, the bank significantly increased its indirect consumer loan volume. The bank has established a number of loan referral relationships throughout its local market and as a result the indirect loan portfolio is primarily comprised of automobile loans. The portfolio also includes a modest number of indirect boat and mobile home loans.

In an effort to address the cash management needs of small- to medium-size businesses, the bank offers an asset-based commercial credit service. This service, known as "Business Manager", is offered through a franchise arrangement with a third-party through which the bank purchases the accounts receivable of its commercial loan customers on a discounted, full recourse basis. This financing arrangement is beneficial to small businesses as it provides such entities with increased liquidity that can be utilized to address periodic working capital needs. At year-end 1995, the bank had originated eight Business Manager accounts, which aggregated approximately \$700,000 of purchased accounts receivable.

### DESCRIPTION OF TWIN RIVERS COMMUNITY BANK'S ASSESSMENT AREA

The bank utilizes its effective lending territory, in conjunction with existing geographic and natural boundaries, as the basis for determining its assessment area.

The assessment area of the bank is defined as the area within a five-mile radius surrounding its offices, exclusive of the New Jersey boundary. The assessment area is located in the northern portion of the Allentown-Bethlehem-Easton Metropolitan Statistical Area (MSA). The assessment area includes 20 census tracts. Two of the tracts or 10% are designated as low- to moderate-income census tracts by the U.S. Department of Housing and Urban Development (HUD) and are located in the city of Easton.

The assessment area population consists of:

**DISCUSSION OF INSTITUTION PERFORMANCE (CONTINUED)**

**DESCRIPTION OF TWIN RIVERS COMMUNITY BANK'S ASSESSMENT AREA (continued)**

	Number	Percent
Market Population	84,576	
Low/Mod Income Population	6,562	7.8%
Middle Income Population	48,186	57.0%
Upper Income Population	29,828	35.2%

Minority Population	5,874	6.9%
L/M, Minority Population	1,326	1.6%

(L/M designates low- to moderate-income)

According to the Community Profile of Easton prepared by the Community Affairs Department of this Reserve Bank, the city has experienced a steady decline in commercial activity over the past 15 years. Downtown real estate values are depressed and vacancy rates are increasing. Moreover, the officials of the local government have experienced difficulty developing methods to revitalize the business district. The principal sector of the local economy has traditionally been manufacturing; however, the service sector has grown significantly over the last decade. The major employers in the region are Victaulic(950 employees), Binney and Smith(750), James River(690), Mack Printing(555), and Maiers Bakery(375).

Easton has a sizable low-income population and a growing minority population. The minority population in the city, is 9.3% African American and 4.7% Hispanic. However, based upon U.S. Census data, the population of Easton decreased by 26% between 1950 and 1990. The majority of the decline in population occurred between 1970 and 1980 and was due, in part, to an increase in employment opportunities that were created by the development of industrial parks in the surrounding townships. And, concomitant with this factor, was a growth in the construction of residential housing and an increase in the development of related amenities such as shopping centers and personal-service businesses in the suburban areas of Easton. The median family income of \$26,365 compared to \$39,749 and \$43,000 for the bank's entire assessment area and the MSA, respectively.

Fifty two percent of the housing units in the city are owner-occupied, compared to 68% and 67% for the banks entire assessment area and the entire MSA, respectively. The owner-occupancy rate for residential housing has steadily declined in recent years as many owner-occupied houses have been converted into two- and three-unit rental properties. MSA.

**DISCUSSION OF INSTITUTION PERFORMANCE (CONTINUED)**

**DESCRIPTION OF TWIN RIVERS COMMUNITY BANK'S ASSESSMENT AREA (continued)**

The bank operates in an extremely competitive financial services market. The Allentown/Bethlehem/Easton MSA is serviced by 33 banks and thrift institutions with a total 228 offices. Combined deposits of these institutions total \$7.4 billion. Additionally, the MSA contains a number of large financial institutions. Area competition has continued to intensify with the recent trend of acquisitions of smaller financial institutions by larger regional and super-regional financial entities.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**LOAN TO DEPOSIT RATIO**

The lending profile of the bank continues to reflect a retail orientation and an overall responsiveness to credit needs in its assessment area. According to the December 31, 1995 Uniform Bank Performance Report (UBPR), the bank's loan-to-deposit ratio as of year end 1995 was 79.3% (peer, 65.6%), while at December 31, 1994 and December 31, 1993 it was 82.5% and 80.2%, respectively.

The following chart depicts the loan-to-deposit ratio and the asset-growth rates from 1992-96:

	12/31/95	12/31/94	12/31/93	12/31/92
<b>Loan to Deposit</b>	79.31%	82.49%	80.15%	79.15%
<b>Asset Growth</b>	12.20%	28.13%	53.99%	88.59%
<b>Net Loan Growth</b>	10.21%	31.82%	52.20%	161.00%

The above chart indicates that the bank continues to exhibit steady growth while maintaining a balance sheet composition that contains a high level of loans relative to deposits. Additionally, the high asset and loan growth rates associated with a start-up institution have diminished as the bank has matured. Despite these factors, the bank has consistently maintained a loan to deposit ratio of approximately 80% over a four year period.

The following chart depicts the institution's quarterly loan to deposit ratios since the previous examination. It also shows the quarterly loan to deposit ratio average since the last examination. The quarterly loan to deposit ratio average is derived by adding the quarterly loan-to-deposit ratios and dividing by the number of quarters since the last examination.

**DISCUSSION OF INSTITUTION PERFORMANCE (CONTINUED)**

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)**

**LOAN TO DEPOSIT RATIO (continued)**

As Of	Net Loans	Deposits	Ratio
09/30/94	\$58,740,000	\$69,042,000	85.08%
12/31/94	\$62,367,000	\$75,606,000	82.49%
03/31/95	\$66,444,000	\$79,603,000	83.47%
06/30/95	\$65,366,000	\$80,298,000	81.40%
09/30/95	\$68,869,000	\$81,739,000	84.25%
12/31/95	\$68,737,000	\$86,672,000	79.31%
Quarterly Loan to Deposit Ratio Average Since Previous Examination			82.66%

**LENDING IN ASSESSMENT AREA**

In an effort to document its lending profile, the bank implemented procedures to regularly monitor and analyze the geographic distribution of its credit originations. Accordingly, such analyses were reviewed during the evaluation. The evaluation also included a review of the bank's 1994 Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR).

The bank performed a geographic analysis of all loans originated in 1995. A review of this analysis revealed the following geographic distribution (L/M denotes applications derived from low- to moderate-income census tracts). The following charts depict the bank's lending profile within and outside its assessment area for all loans originated in 1995 exclusive of indirect consumer loans.

Loans Inside and Outside of Assessment Area Exclusive of Indirect Consumer Loans				
	Number	Percent	Dollar	Percent
Inside	481	73.10%	\$15,087,073	62.41%
Outside	177	26.90%	\$9,086,456	37.59%
Total Loans	658	100.00%	\$24,173,529	100.00%

DISCUSSION OF INSTITUTION PERFORMANCE (CONTINUED)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

LENDING IN ASSESSMENT AREA (continued)

Penetration Levels by Product Type: Number of Loans				
	Number Inside	Percent Inside	Number Outside	Percent Outside
Consumer Loans	279	74.80%	94	25.20%
Residential Mortgage Loans	64	67.37%	31	32.63%
Commercial Loans	138	72.63%	52	27.37%
Total Loans	481	73.10%	177	26.90%

Penetration Levels by Product Type: Dollar Amounts				
	Dollar Amount Inside	Percent Inside	Dollar Amount Outside	Percent Outside
Consumer Loans	\$3,218,147	69.47%	\$1,414,046	30.53%
Residential Mortgage Loans	\$5,330,690	60.33%	\$3,504,825	39.67%
Commercial Loans	\$6,538,236	61.07%	\$4,167,585	38.93%
Total Loans	\$15,087,073	62.41%	\$9,086,456	37.59%

A review of the bank's 1994 HMDA/LAR revealed a similar penetration profile:

1994 HMDA Application Penetration Profile		
	Number	Percent
Inside	133	67.5%
Outside	64	32.5%
Total Applications	197	100%

1994 HMDA Loan Penetration Profile		
	Number	Percent
Inside	119	69%
Outside	53	31%
Total Applications	172	100%

DISCUSSION OF INSTITUTION PERFORMANCE (CONTINUED)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

LENDING IN ASSESSMENT AREA (continued)

As previously noted in this evaluation, under Description of Institution, the bank significantly increased its indirect consumer loan volume since the date of the previous evaluation.

Generally, if a community bank engages in indirect lending activities, the geographic distribution of its loan originations will be more widely dispersed. Approximately 34% of the total number and 14% of the total dollar amount of loans originated in 1995 consisted of indirect consumer loans. Accordingly, a separate geographic analysis was performed for this segment of the portfolio.

Indirect Consumer Loans Inside and Outside of Assessment Area				
	Number	Percent	Dollar	Percent
Inside	81	24.04%	\$831,637	20.43%
Outside	256	75.96%	\$3,238,124	79.57%
Total Loans	337	100.00%	\$4,069,761	100.00%

Loans Inside and Outside of Assessment Area Inclusive of Indirect Consumer Loans				
	Number	Percent	Dollar	Percent
Inside	562	56.48%	\$15,918,710	56.36%
Outside	433	43.52%	\$12,324,580	43.64%
Total Loans	995	100.00%	\$28,243,290	100.00%

Notwithstanding its indirect lending activities, the preceding data indicates that a majority of the bank's loans were made within the assessment area. Moreover, the overall lending profile of the bank is deemed satisfactory for purposes of the CRA, based upon its asset-size, financial condition, business objectives, and its response to the identified credit needs within its delineated community.

GEOGRAPHIC DISTRIBUTION OF LOANS

The following charts depict the geographic distribution of all loans originated within the assessment area of the bank during 1995, exclusive of indirect consumer loans.

DISCUSSION OF INSTITUTION PERFORMANCE (CONTINUED)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

GEOGRAPHIC DISTRIBUTION OF LOANS (continued)

Geographic Distribution of Loans Within Assessment Area Exclusive of Indirect Consumer Loans				
	Number	Percent	Dollar	Percent
Low/Mod	57	11.85%	\$1,460,948	09.68%
Middle	260	54.05%	\$7,167,464	47.51%
Upper	145	30.15%	\$5,209,036	34.53%
Undefined	19	03.95%	\$1,249,625	08.28%
<b>Total</b>	<b>481</b>	<b>100.00%</b>	<b>\$15,087,073</b>	<b>100.00%</b>

Geographic Distribution of Loans within Assessment Area By Product Type Exclusive if Indirect Consumer Loans								
	Consumer Loans		Residential Mortgages		Commercial Loans		Total Loans	
	Num.	Pct.	Num.	Pct.	Num.	Pct.	Num.	Pct.
Low/Mod	25	9%	10	16%	22	16%	57	12%
Middle	165	59%	32	50%	63	45%	260	54%
Upper	82	29%	22	34%	41	30%	145	30%
Undefined	7	3%	0	0%	12	9%	19	4%
<b>Total</b>	<b>279</b>	<b>100%</b>	<b>64</b>	<b>100%</b>	<b>138</b>	<b>100%</b>	<b>481</b>	<b>100%</b>

An analysis of the bank's 1994 HMDA/LAR revealed a similar geographic distribution:

Geographic Distribution of Applications Within Assessment Area		
	Number	Percent
Low/Mod	8	6%
Middle	78	59%
Upper	47	35%
<b>Total</b>	<b>133</b>	<b>100%</b>

Further analysis revealed that 8.6% of all HMDA applications were received from applicants residing in low- to moderate-income census tracts that were located inside and outside of the bank's assessment area.

DISCUSSION OF INSTITUTION PERFORMANCE (CONTINUED)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

GEOGRAPHIC DISTRIBUTION OF LOANS (continued)

Geographic Distribution of Loans Within Assessment Area		
	Number	Percent
Low/Mod	7	6%
Middle	68	57%
Upper	44	37%
Total	119	100%

Moreover, 7.0% of all HMDA loan originations were extended to finance properties located in low- to moderate-income census tracts inside and outside of the bank's assessment area.

In summary, the analysis revealed that the geographic distribution of loans reflected a reasonable distribution throughout the institution's assessment area, including low- to moderate income geographies.

LENDING TO BORROWERS OF DIFFERENT INCOMES

A low- or moderate-income designation refers to income which is less than 80% of an MSA's median family income. The median family income for the Allentown-Bethlehem-Easton MSA is \$43,000; thus, families with an annual income of less than 80% of the median MSA income (\$34,400), are considered to be low- to moderate-income.

A statistical sample of loan applications approved during the 60 day period prior to the date of examination was reviewed to determine the income distribution of borrowers. Borrower incomes were categorized as follows:

<u>Low /Moderate Income</u>	Less than 80% of the Median MSA Income - <b>Less than \$34,400</b>
<u>Middle Income</u>	80% to 120% of the Median MSA Income - <b>Between \$34,400 and \$51,600</b>
<u>Upper Income</u>	Greater than 120% of the Median MSA Income - <b>Greater than \$51,600</b>

The sample of loans for this period revealed the following distribution by income category:

DISCUSSION OF INSTITUTION PERFORMANCE (CONTINUED)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

LENDING TO BORROWERS OF DIFFERENT INCOMES (continued)

Borrower Income Distribution -MSA						
	Consumer		Real Estate		Total	
	Number	Pct.	Number	Pct.	Number	Pct.
Low/Moderate	14	41%	9	53%	23	45%
Middle	8	24%	3	18%	11	22%
Upper	12	35%	5	29%	17	33%
<b>Total</b>	<b>34</b>	<b>100%</b>	<b>17</b>	<b>100%</b>	<b>51</b>	<b>100%</b>

The median family income for the bank's assessment area was determined to be \$39,749. Since the median income for the assessment area was lower than that of the MSA, the sample was also reviewed to determine the income distribution of borrowers based upon the assessment area's income classifications. Borrower incomes were categorized as follows:

Low /Moderate Income

Less than 80% of the Median Assessment Area Income - **Less than \$31,799**

Middle Income

80% to 120% of the Median Assessment Area Income - **Between \$31,799 and \$47,699**

Upper Income

Greater than 120% of the Median Assessment Area Income - **Greater than \$47,699**

The review revealed the following income distribution:

Borrower Income Distribution - Assessment Area						
	Consumer		Real Estate		Total	
	Number	Pct.	Number	Pct.	Number	Pct.
Low/Moderate	12	35%	6	35%	18	35%
Middle	9	27%	6	35%	15	30%
Upper	13	38%	5	30%	18	35%
<b>Total</b>	<b>34</b>	<b>100%</b>	<b>17</b>	<b>100%</b>	<b>51</b>	<b>100%</b>

A review of the bank's 1994 HMDA/LAR revealed the following borrower income distribution:

DISCUSSION OF INSTITUTION PERFORMANCE (CONTINUED)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

LENDING TO BORROWERS OF DIFFERENT INCOMES (continued)

1994 HMDA Income Distribution for Assessment Area				
	Applications Received		Loans Originated	
	Number	Percent	Number	Percent
Low/ Moderate Income	29	22%	23	19%
Middle Income	33	25%	31	26%
Upper Income	67	50%	65	55%
Not Available	4	3%	0	0%
Total Appl./Loans	133	100%	119	100%

In comparison to the demographics of the assessment area, the analysis revealed a reasonable penetration to individuals and families of varied income levels.

LENDING TO BUSINESSES OF DIFFERENT SIZES

A small business loan for the purposes of the CRA is a loan that is defined and categorized according to the instructions that are utilized for the preparation of the Consolidated Report of Condition and Income.

Accordingly, Schedule RC-C Part II (Loans to Small Businesses and Small Farms) of the bank's Consolidated Reports of Condition and Income as of June 30, 1995, filed with this Reserve Bank, was reviewed to assess the bank's level of small business loans. It is noteworthy that all of the bank's commercial loans and non-residential mortgage loans, extended for commercial purposes, were classified as small business loans as shown in the following chart:

DISCUSSION OF INSTITUTION PERFORMANCE (CONTINUED)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

LENDING TO BORROWERS OF DIFFERENT SIZES

Loans to Small Business Consolidated Reports of Condition and Income as of 6/30/95 Schedule RC-C Part II Commercial and Industrial Loans				
	Number of Loans	Percent	Amount Outstanding at 6/30/95	Percent
Loans with original amounts of \$100,000 or Less	97	89%	\$1,381,000	53%
Loans with original amounts of more than \$100,000 through \$250,000	11	10%	\$1,012,000	39%
Loans with original amounts of more than \$250,000 through 1,000,000	1	1%	\$200,000	8%
<b>Total</b>	<b>109</b>	<b>100%</b>	<b>\$2,593,000</b>	<b>100%</b>

Loans to Small Business Consolidated Reports of Condition and Income as of 6/30/95 Schedule RC-C Part II Loans Secured by Nonresidential Properties				
	Number of Loans	Percent	Amount Outstanding at 6/30/95	Percent
Loans with original amounts of \$100,000 or Less	18	35%	\$986,000	10%
Loans with original amounts of more than \$100,000 through \$250,000	21	40%	\$2,996,000	30%
Loans with original amounts of more than \$250,000 through 1,000,000	13	25%	\$5,912,000	60%
<b>Total</b>	<b>52</b>	<b>100%</b>	<b>\$9,894,000</b>	<b>100%</b>

A statistical sample of 20 commercial loans originated during the 60 day period prior to the date of examination was also reviewed to determine the distribution of loans to businesses of different sizes. From the review, it was determined that 19 or 95% of the loans were extended to businesses with gross annual revenues of \$1.0 million or less. Such distribution is deemed commensurate with the asset size and lending capacity of the bank.

DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

A review of the credit policies of the bank revealed no evidence of prohibited discriminatory practices such as prescreening or the discouragement of applicants for the types of credit that are set forth in the bank's CRA statement. The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including: the Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act and other agency regulations pertaining to nondiscriminatory treatment of credit applicants.

The institution solicits credit applications from all segments of its community, including low- and moderate-income neighborhoods. Management has established consumer and commercial loan policies that evidence its commitment to evaluate and offer credit requests without regard to any prohibited basis. Additionally, the bank is not currently engaged in any litigation related to consumer credit statutes.