

PUBLIC DISCLOSURE

(March 31, 1997)

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**UNITED BANK OF PHILADELPHIA
DSBB - 342649000
PHILADELPHIA, 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 **United Bank of Philadelphia** prepared by the **Federal Reserve Bank of Philadelphia**, as of **March 31, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

DISCUSSION OF INSTITUTION'S PERFORMANCE

INSTITUTION'S CRA RATING: OUTSTANDING.

This assessment is based exclusively on the institution's lending profile. United Bank of Philadelphia (UBP) maintains a high level of loans in relation to deposits; the majority of loans are made in the bank's assessment area (AA), as delineated for purposes of CRA; the geographic distribution of loans reflects an excellent dispersion throughout the AA; and the collective profile of borrowers reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.

DESCRIPTION OF INSTITUTION

UBP commenced operations as a full-service commercial bank in March 1992 with the following mission statement:

A to provide quality, personalized commercial banking services, at a profit, to the businesses and individuals in the Delaware Valley area with a special sensitivity to African-Americans, Hispanics, and Women".

Consistent with its mission, UBP seeks to address the consumer and commercial banking needs of those demographic and geographic segments of the city of Philadelphia that, its founders believe, have long been neglected by larger more established financial institutions. Since its inception, the bank has grown to approximately \$100 million in assets and \$90 million in deposits. To date, UBP is the only local full-service, African-American owned and controlled commercial bank with this specific marketing focus.

UBP has designated its primary trading area as Philadelphia County, Pennsylvania, while its secondary trading area has been designated as the nine county Philadelphia Metropolitan Statistical Area (MSA) that consists of Bucks, Chester, Delaware, and Montgomery Counties in Pennsylvania; and Burlington, Camden, Gloucester, and Salem Counties in New Jersey. The bank's loan policy indicates that it will consider loans outside of its trading area on a selective basis, such as loan participations with correspondent banks, or direct loans to borrowers of **A high quality with strong performance records@**

UBP reported total assets of \$96.8 million at December 31, 1996, 71%, of which, were loans. The loan portfolio mix continues to reflect a retail orientation. Loans secured by residential real estate aggregated \$40.5 million, and represented 58% of total loans outstanding, while personal loans amounted to \$18.9 million or 27% of outstandings. The balance of the portfolio was essentially comprised of commercial loans. Total loans outstanding increased at a net rate of 12% during 1996. Such loan growth is attributed primarily to the origination of \$5.0 million in student loans.

During the initial phases of its existence, UBP's origination of home mortgage credit was limited. Since then, the bank has undertaken efforts to improve its mortgage origination profile. UBP's 1996 Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) indicates that the bank originated 54 residential mortgage loans in an aggregate amount of \$5.0 million. This level compares favorably to origination volume reported on the bank's 1995 HMDA Statement, which reflects 37 loans totaling \$2.7 million.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

DESCRIPTION OF INSTITUTION (continued)

UBP's directors and management continue to communicate regularly with the Black Clergy of Philadelphia. This communication has facilitated the bank's origination of a significant volume of loans to religious entities.

Such credit, which accounted for 24% of commercial loans outstanding at year end 1996, was extended primarily for expansion and repairs to church facilities. More importantly, the bank continues to utilize ongoing dialogue with local African-American clergy persons as a primary means to obtain ongoing input and feedback with respect to AA credit needs.

Additionally, UBP's management has determined that the needs of a substantial portion of the AA's individuals and families cannot be met by conventional banking products. Accordingly, the bank conducts ongoing lending activities so as to be sensitive to flexible underwriting criteria. In this regard, one of the bank's most successful product offering has been its secured credit card. This product enables a customer to have access to a wide variety of credit opportunities while maintaining a deposit account. Furthermore, this program permits a customer that has no credit history or a limited credit history to establish a formal credit record at the local credit bureau. As of March 27, 1997, the bank had approximately 1,900 cardholders with approximately \$821 thousand of credit card loans outstanding.

Also, in an effort to respond to the diverse credit needs of the AA's several low- to moderate-income geographies, all loan denials by the bank are reviewed by management to assess the validity of the decision and to consider any other means wherein credit might be extended. This second review process has enabled the bank to determine that poor credit history presents an obstacle to many of the bank's potential customers and loan applicants in obtaining credit. Accordingly, as part of the second review, management regularly looks to a more recent credit profile for its customers and applicants, rather than previous delinquencies, or considers non-traditional methods of established credit such as monthly utility payments.

Another innovative product offered by UBP is its "free checking" account, which the bank introduced during the second quarter of 1995. The product was specifically targeted to the AA in that it was established for residents of the AA's low- to moderate-income geographies as an alternative to using the numerous comparatively expensive check cashing facilities within the AA. The product requires a minimum initial deposit of \$50; but, has no minimum balance requirement. The bank also provides its customers with instruction on the proper use of a checking account, since a number of its customer have never maintained a checking account.

UBP recorded a net loss of \$832 thousand for the twelve months ended December 31, 1996. Operations for the first quarter of 1997 resulted in net income of \$65 thousand.

DESCRIPTION OF UNITED BANK OF PHILADELPHIA'S ASSESSMENT AREA

UBP's AA encompasses 287 census tracts or geographies within the city of Philadelphia, 184 or 64%, of which, have been designated as low- to moderate-income by the U.S. Department of Housing and Urban Development (HUD). The composition of the AA by geography type is recapped in the table below.

DISCUSSION OF INSTITUTIONS CRA PERFORMANCE (CONTINUED)

DESCRIPTION OF UNITED BANK OF PHILADELPHIA'S ASSESSMENT AREA (continued)

	Number	Percent
Low/Moderate-Income Census Tracts	184	64%
Middle-Income Census Tracts	71	25%
Upper-Income Census Tracts	32	11%
Total Census Tracts in Assessment Area	287	100%

The next table depicts the population distribution of the AA by census tract designation:

	Number	Percent
Low/Moderate-Income Census Tract Population	841,326	69%
Middle-Income Census Tract Population	300,441	25%
Upper-Income Census Tract Population	68,999	6%
Market Population	1,210,766	100%

The AA essentially consists of the city of Philadelphia, exclusive of the far northeastern and southern portions of the city. Consistent with its unique nature and mission, UBP has established a branch network, strategically positioned, to serve many of the city's low- to moderate-income geographies that have been historically overlooked and/or underserved by local and area financial institutions. Essentially, such geographies lay in those sections of Philadelphia known as Center City, West Philadelphia, North Philadelphia, Mount Airy, Fairmount, and Frankford.

Based on 1990 U.S. Census data, the median family income for the AA is \$27,256, considerably lower than the medians of the state of Pennsylvania and the Philadelphia MSA of \$34,856 and \$41,908, respectively. The AA contains 281,673 families. The table below presents the distribution of families by income.

	Number	Percent
Low-Income Families	109,068	39%
Moderate-Income Families	60,117	21%
Middle-Income Families	57,969	21%
Upper-Income Families	54,519	19%
Total Families	281,673	100%

Note: 54,178 or 19% of the families have been designated as living below the national poverty level.

Fifty-two percent of the AA's housing units are owner-occupied, considerably lower than the owner occupancy levels of both the state and the MSA, at 64% and 65% respectively. The AA's median housing value is \$38,547, substantially below the medians of the state and MSA, at \$69,075 and \$99,212, respectively.

DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)

DESCRIPTION OF UNITED BANK OF PHILADELPHIA-S ASSESSMENT AREA (continued)

In total, the city of Philadelphia is comprised of 353 census tracts, and based on 1990 census data, 204 or 58% of these tracts or geographies, have been designated as low- to moderate-income. In terms of population, Philadelphia is the fourth largest city in the nation. Based on 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 9.7%.

The traditional economic base of the city has been manufacturing; however, due to recent plant closings, the majority of the local work force is now service-oriented, with health care services the most active segment of the economy. The city experienced an annual net decrease in total employment in each of the seven consecutive years from 1989 through 1995. In total, nearly 100,000 jobs were lost during that seven year period. This declining employment trend was stemmed in 1996 with a nominal increase in jobs within city limits. Nevertheless, the city-s relative share of total employment within the nine county Philadelphia MSA has steadily eroded since 1985. City jobs represented 37% of the MSA-s total employment positions in 1985, compared to 31% in 1996.

UBP operates in an extremely competitive banking environment that includes many large and smaller institutions against a backdrop of a regional economy that continues to lag the economies of several other metropolitan areas.

LOAN- TO- DEPOSIT RATIO

The table below depicts the bank's loan-to-deposit ratio and growth rates over the past four years :

	12/31/96	12/31/95	12/31/94	12/31/93
Loan- to- Deposit	77.7%	73.1%	72.1%	70.8%
Asset Growth	4.5%	(2.8)%	23.6%	237.3%
Net Loan Growth	12.0%	(2.1)%	28.9%	677.0%

Comparable loan-to-deposit averages for UBP-s national peer group are as follows: 70.1% (December 31, 1996), 68.3% (December 31, 1995), and 67.7% (December 31, 1994). (UBP-s national peer group consists of all insured commercial banks having assets between \$50 and \$100 million with three or more banking offices, and located in a metropolitan area.)

The next table depicts the institution-s quarterly loan-to-deposit ratios subsequent to the previous evaluation, together with an average loan to deposit ratio for the seven quarters shown. The quarterly loan-to-deposit ratios shown have consistently exceeded national peer averages. 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 INSTITUTIONS PERFORMANCE (CONTINUED)

LOAN- TO- DEPOSIT RATIO (continued)

As Of	Net Loans	Deposits	Ratio
09/30/95	\$58,459	\$78,022	74.9%
12/31/95	\$61,697	\$84,414	73.1%
03/31/96	\$63,387	\$86,071	73.7%
06/30/96	\$64,533	\$85,755	75.3%
09/30/96	\$66,390	\$83,927	79.1%
12/31/96	\$69,096	\$88,947	77.7%
03/31/96	\$66,784	\$91,455	73.0%
Quarterly Loan to Deposit Ratio Average Since Previous Examination			75.2%

UBP has maintained a loan-to-deposit ratio consistently above 70% since its inception. The bank expanded its loan portfolio significantly through purchases during its initial phases of operation. Although UBP experienced a modest decrease in loan volume during 1995, loan volume increased at a net rate of 12% during 1996. Such growth is attributed primarily to loan originations within the institution's AA. Most notably, UBP originated more than \$5.0 million of student loans. Additionally, the 1996 increase is reflective of a \$2.1 million net increase of commercial loans. The preceding data also indicates that UBP's loan-to-deposit ratio has consistently exceeded national peer averages since the previous evaluation.

In conclusion, the bank's loan-to-deposit ratio is deemed more than reasonable, for purposes of CRA, in context of UBP's size, unique mission, its nature as a minority owned and controlled commercial bank, and that, from a practical viewpoint, the credit needs of a considerable portion of AA residents are somewhat difficult to address through conventional loan products.

LENDING IN ASSESSMENT AREA

UBP's lending presence within its AA was evaluated, in terms of number of loan originations, based on analyses of 1995 and 1996 HMDA data, aggregate consumer loans originated in 1996, and aggregate commercial loans originated in both 1995 and 1996.

The following tables depict the number of home mortgage loans originated inside and outside of the AA, as reflected by data reported on the 1995 and 1996 HMDA LARs.

HMDA LAR Penetration Profile						
	1996		1995		TOTAL	
	Number	Percent	Number	Percent	Number	Percent
INSIDE	52	75%	43	80%	95	73%
OUTSIDE	25	25%	11	20%	36	27%
TOTAL	77	100%	54	100%	131	100%

DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)

LENDING IN ASSESSMENT AREA (continued)

Based on the preceding, a majority of HMDA reportable loans were originated within the AA.

Additionally, aggregate consumer loans originated in 1996, together with aggregate commercial loans originated in 1995 and 1996, are presented as follows:

1996 Consumer Loan Penetration Profile		
	TOTAL	
	Number	Percent
INSIDE	114	82%
OUTSIDE	25	18%
TOTAL	139	100%

Commercial Loan Penetration Profile						
	1996		1995		TOTAL	
	Number	Percent	Number	Percent	Number	Percent
INSIDE	33	75%	26	79%	59	77%
OUTSIDE	11	25%	7	21%	18	23%
TOTAL	44	100%	33	100%	77	100%

Similar to the AA presence shown by HMDA data, aggregate consumer and commercial loan originations clearly demonstrate a majority presence within the AA.

UBP's overall lending presence within the AA, as profiled above and on the previous page, is deemed to constitute a substantial majority for purposes of CRA. Such assessment is predicated, in substantial part, upon the efforts undertaken by the bank to successfully penetrate and maintain a pronounced lending presence in an AA, nearly two-thirds, of which, is comprised of low- to moderate-income geographies. Additionally, UBP continues to explore all reasonable credit opportunities within its AA, consistent with its size, operating strategy, and the credit needs of the AA.

LENDING TO BORROWERS OF DIFFERENT INCOMES

As defined by the regulation, a low-to moderate-income designation refers to income which is less than 80% of the median family income for the MSA in which an institution operates. As noted under Description of United Bank of Philadelphia's Assessment Area, the median family income of the Philadelphia MSA was \$41,908, based on 1990 census data. Based on ongoing annual adjustments to this number by HUD, the Philadelphia MSA's adjusted 1996 median income was \$49,300. Thus, borrower incomes of the AA were categorized as follows:

DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)

LENDING TO BORROWERS OF DIFFERENT INCOMES (continued)

<u>Low /Moderate Income</u>	Less than 80% of the Median MSA Income - Less than \$39,440
<u>Middle Income</u>	80% to 120% of the Median MSA Income - Between \$39,440 and \$59,160.
<u>Upper Income</u>	Greater than 120% of the Median MSA Income - Greater than \$59,160.

Accordingly, UBP's profile of borrowers within the AA was evaluated based on distribution analyses of 1995 and 1996 HMDA data, and an aggregate of 24 consumer loans originated during the first quarter of 1997. Such analyses are presented as follows.

HMDA Borrower Income Distribution						
	1996		1995		TOTAL LOANS	
	Number	Percent	Number	Percent	Number	Percent
LOW/MODERATE	27	52%	22	51%	49	52%
MIDDLE	13	25%	14	33%	27	28%
UPPER	12	23%	7	16%	19	20%
TOTAL LOANS	52	100%	43	100%	95	100%

Consumer Loan Sample Borrower Income Distribution		
	Number	Percent
LOW/MODERATE	15	62%
MIDDLE	5	21%
UPPER	4	17%
TOTAL LOANS	24	100%

Additionally, for sake of comparison, family income data for the AA, as presented under Description of United Bank of Philadelphia's Assessment Area, is also presented below.

	Number	Percent
Low-Income Families	109,068	39%
Moderate-Income Families	60,117	21%
Middle-Income Families	57,969	21%
Upper-Income Families	54,519	19%
Total Families	281,673	100%

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

LENDING TO BORROWERS OF DIFFERENT INCOMES (continued)

The preceding HMDA data is deemed a reliable indicator of UBP's borrowers distribution in that, generally, all sources of family income are considered with respect to a home mortgage loan application. Borrower distribution, by consumer loans, should be viewed in the context that borrower income utilized for the purpose of this distribution was the income that the bank relied upon in making its credit decision. Thus, some of the borrowers designated as low- to moderate-income, may, in fact, be individuals that are part of a family or household not categorized as low- to moderate-income.

The foregoing analyses reflect a reasonable penetration among retail borrowers of different income levels, including low-to moderate-income borrowers. Such assessment is based upon a comparison to applicable AA demographics. Specifically, as noted under Description of United Bank of Philadelphia's Assessment Area and the table above, 60% of the AA's 281,673 families have been designated as low- to moderate-income. Indeed, the collective profile of home mortgage and consumer loan borrowers, as presented above, is deemed commensurate with UBP's unique nature and stated mission.

An evaluation was also made of the bank's small business lending. For purposes of CRA, a small business loan means a loan included in loans to small businesses as defined in the instructions for preparation of the Consolidated Report of Condition and Income filed for regulatory purposes. According to UBP's Consolidated Report of Condition and Income as of June 30, 1996, substantially all of the bank's commercial loans were categorized as small business loans.

Given that substantially all of UBP's commercial loans are categorized as small business loans, the bank is deemed to have excellent penetration among business borrowers of different sizes, particularly small businesses. Equally noteworthy, a substantial majority of UBP's small business lending is concentrated in its AA, thereby providing much needed financing to support several non-profit entities and small businesses that operate in economically distressed segments of the city.

GEOGRAPHIC DISTRIBUTION OF LOANS

UBP's distribution of loans among different geographies within the AA was evaluated based on distribution analyses of 1995 and 1996 HMDA LAR data, and aggregate consumer and commercial loans originated in the AA during 1996. The tables below depict such analyses.

HMDA Census Tract Distribution						
	1996		1995		TOTAL	
	Number	Percent	Number	Percent	Number	Percent
LOW/MODERATE	33	63%	27	63%	60	63%
MIDDLE	16	31%	15	35%	31	33%
UPPER	3	6%	1	2%	4	4%
TOTAL	52	100%	43	100%	95	100%

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

GEOGRAPHIC DISTRIBUTION OF LOANS (continued)

LENDING PROFILE BY CENSUS TRACT						
	CONSUMER		COMMERCIAL		TOTAL	
	Number	Percent	Number	Percent	Number	Percent
LOW/MODERATE	84	74%	22	67%	106	72%
MIDDLE	24	21%	4	12%	28	19%
UPPER	6	5%	7	21%	13	9%
TOTAL	114	100%	33	100%	147	100%

As noted previously under Description of United Bank of Philadelphia's Assessment Area, based on 1990 census data, 69% of the AA's population reside in low- to moderate-income geographies, 25% reside in middle-income geographies, and 6% reside in upper-income geographies. The table below compares such demographics with the preceding distribution analyses.

	Assessment Area Demographics	1996 HMDA Loans	1996 Consumer Loans	1996 Commercial Loans
Low/Moderate	69%	63%	74%	67%
Middle	25%	31%	21%	12%
Upper	6%	6%	5%	21%
Total	100%	100%	100%	100%

The comparison indicates that UBP has successfully penetrated all segments of its AA, particularly low- to moderate-income geographies. Moreover, it is reflective of an excellent dispersion of credit of various types, including home mortgage credit, throughout the AA, with a pronounced lending presence in several economically distressed sectors of the city.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

UBP's credit policies do not evidence any prohibited discriminatory practices such as prescreening or the discouragement of applicants for the types of credit set forth in the bank's CRA statement. The bank is in compliance with the substantive provisions of applicable 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 actively solicits credit applications from all segments of its community, with an emphasis on low- and moderate-income individuals and geographies in its AA. The CRA assessment found no unreasonable lending patterns nor evidence that the bank failed to serve its entire delineated community. UBP's loan policies evidence its commitment to evaluate credit requests without regard to any prohibited basis. The bank's management has also adopted measures to ensure that bank employees are apprised of the requirements of consumer protection statutes and other regulations that prohibit discrimination. UBP's CRA officer has conducted training sessions for all employees to ensure even and consistent lending practices and that all credit applicants are treated in a fair manner.