

**LARGE BANK**

**Public Disclosure**

July 6, 1998

**Community Reinvestment Act  
Performance Evaluation**

**PNC Bank National Association  
Charter Number 1316**

**One PNC Plaza  
Pittsburgh, Pennsylvania 15265**

**Office of the Comptroller of the Currency**

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**NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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## **General Information**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency, when examining financial institutions subject to its supervision, to use its authority to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon the examination's conclusion, 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 **PNC Bank, National Association** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 6, 1998**. 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 agency rates the CRA performance of an institution consistent with the provisions set forth in appendix A to 12 CFR part 25.

**Institution's CRA Rating:** This institution is rated **Outstanding**

- C PNC's penetration of home purchase loans into low-and moderate-income census tracts was excellent.
- C The penetration of home improvement lending into low-and moderate-income census tracts was good.
- C PNC was the leading lender in small business loans in the Mid-Atlantic Region in 1997.
- C A substantial majority of all small business loans were in amounts less than \$100 thousand.
- C Penetration of small business loans into low-and moderate-income tracts was adequate.
- C Community development lending demonstrated adequate responsiveness to identified needs.
- C PNC regularly offers innovative and flexible loan products of all types.
- C A good level of qualified investment products were extended during the evaluation period totaling \$163 million.
- C Sixty-two percent of qualified investment dollars focused on affordable housing development.

- C Delivery systems are accessible to essentially all segments of the assessment areas.
- C A high level of community development services are provided in most of the assessment areas.

The following table indicates the performance level of **PNC Bank, National Association** with respect to the lending, investment, and service tests.

Performance Levels	PNC Bank, National Association Performance Tests		
	Lending Test <sup>1</sup>	Investment Test	Service Test
Outstanding	X		
High satisfactory		X	X
Low satisfactory			
Needs to improve			
Substantial noncompliance			

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<sup>1</sup>The lending test is weighted more heavily than the investment and service tests in the overall rating.

## **Description of Institution**

PNC Bank, National Association (“PNC” or the “Bank”) is an interstate national banking association headquartered in Pittsburgh, Pennsylvania. As of March 31, 1998, the Bank had total assets of \$66.9 billion, total deposits of \$43.2 billion and total capital of \$5.9 billion. PNC is the largest bank headquartered in Pennsylvania and the ranked 15th largest in the nation based on total assets. PNC is a wholly-owned subsidiary of PNC Bank Corporation a bank holding company headquartered in Pittsburgh, Pennsylvania. The Corporation has other banking subsidiaries headquartered in Delaware and Massachusetts and a federal thrift. Residential mortgages are originated by the affiliate PNC Mortgage Corporation of America (“PNCM”). Residential mortgages originated in the bank’s assessment areas are credited to this bank and evaluated in this examination. No other affiliate activity had an impact on the bank’s evaluation.

Effective December 31, 1997, the banking charters of the following affiliate banks were consolidated into PNC Bank: PNC Bank, Ohio, National Association headquartered in Cincinnati, Ohio, as an interstate national bank with branches in northern Kentucky and Ohio; PNC Bank, Kentucky, headquartered in Louisville, Kentucky, as a Kentucky state bank with branches in Kentucky; and PNC Bank, Indiana, Inc. headquartered in New Albany, Indiana, as a state chartered banking association with branches in Indiana. Following these consolidations, PNC Bank became a multistate national bank with its current branching network in five states.

Information on the selection of areas for full scope reviews is provided in the Examination Coverage section. Table 1, in the Appendix, reports selected demographic information. Each column represents a CMSA or MSA selected for review. We performed full scope examination procedures in the larger communities the bank designated as assessment areas (“AA”). Limited reviews were performed in the remaining assessment areas. The table details population size sorted by census tracts in 1990, census tract distribution by income designation, family and household distribution by income level, small businesses by tract designation, median housing value, 1990 median family income and HUD adjusted 1997 median family income.

During the examination we reviewed community contact information from data gathered by the OCC, Federal Reserve Bank and the Federal Deposit Insurance Corporation. In addition, we visited 18 community organizations in Pittsburgh and Philadelphia. We conducted additional telephone interview with groups located in Camden, NJ, Trenton, NJ, Newark, NJ, Scranton, PA, Cincinnati, OH and Louisville, KY. Among the more prominent identified community needs were affordable housing, neighborhood community development, small business lending, credit counseling, and funding for community organization operational costs. Refinance lending was not identified as a need within the assessment areas. PNC was frequently cited for being a generous contributor of organizational costs and a leader in community development activities, especially in the Pittsburgh and Philadelphia market

## CONCLUSIONS WITH RESPECT TO OVERALL BANK PERFORMANCE<sup>2</sup>

### Lending

Tables 3 and 4 show the distribution of home purchase and home improvement lending which is derived from Table 2. Market rank was used in conjunction with market share and comparative demographics to substantiate or qualify conclusions. The distribution of home purchase loans in low- and moderate-income areas and to low- and moderate-income borrowers was strong. PNC had a good distribution of home improvement loans in low- and moderate-income areas and to low- and moderate-income borrowers. Assessment area results by geography and income levels were mixed, ranging from adequate to excellent.

Table 5 shows the distribution of PNC's reported small business lending in low- and moderate-income areas. The majority of all small business loans originated were in amounts of less than \$100 thousand. An industry study in 1997 ranked the bank as the leading lender in small business lending (measured by loans less than \$1 million) in the mid-Atlantic region. However, the overall percentage of these loans made to businesses located in low- and moderate-income geographies was less than the percentage of businesses located in these tracts. Assessment area results by geography were mixed, ranging from adequate to good.

Sufficient data was not readily available to determine how effective PNC was in making loans to businesses with less than \$1 million in revenues. The bank offers flexible types of business credit that do not require financial information from the prospective borrower. One of these credit facilities is called "Choice Credit." This product is specifically tailored to small businesses. This product was very responsive to the credit needs of the smallest businesses as evidenced by an average loan size of approximately \$37,000. Revenue size on qualifying business borrowers was not required for the decision nor required to be collected.

To reach a conclusion on PNC's successfulness in making loans to businesses with less than \$1 million in revenues, it was necessary to draw a statistically valid sample of those loans where income was not collected. The sample population focused on 1997 lending activity in the three largest assessment areas: Philadelphia CMSA, New Jersey CMSA and Pittsburgh MSA. Borrower names were cross referenced with external industry data bases to determine revenue size. The sample was validated to a 95% confidence level. The results showed that 83% of loans where no financial information was collected, were made to businesses with less than \$1 million in revenues. (Philadelphia 88%, Pittsburgh 88% and New Jersey 72%).

During the evaluation period, we determined that 64% of all loans where revenue size was available,

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<sup>2</sup>Additional details about PNC Bank's CRA performance is detailed for each state and CMSA ratings.

were made to businesses with revenues less than \$1 million. This percentage, coupled with the 83% detailed above, verify that overall, a significant amount of the bank's small business loans are made to business with less than \$1 million in revenues.

Table 6 shows qualified community development lending over the evaluation period. PNC's overall performance in community development (CD) lending demonstrated adequate responsiveness to community credit needs, primarily in affordable housing and economic revitalization. Assessment area results were mixed, ranging from adequate to excellent. The bank was a leader in many significant projects. One hundred and ninety-six CD loans totaling \$120 million were granted during the evaluation period. The bank also extended sixty-one CD letters of credit totaling \$144 million. In a large portion of these cases (as measured by dollar volume), the bank provided flexible terms or was innovative in structuring the project. Many of the larger projects involved coordination between multiple partners over extended periods.

PNC offers a variety of mortgage products with flexible underwriting criteria and terms through its mortgage affiliate - PNCM. PNCM offers the FirstDown affordable mortgage in all of its assessment areas. This program features a 5% down payment. Three percent must come from the borrower's own funds. The remaining 2%, and the closing costs, can be gifted or granted. FirstDown also has relaxed qualifying ratios. This product is available to borrowers with incomes of 100% or less of AA's median income, increasing access to potential low- and moderate-income borrowers. FirstDown is saleable in the secondary market.

PNC developed various portfolio mortgage products through discussion with community groups in its assessment areas. Products tailored to the needs of low- and moderate- income areas and borrowers were developed and offered based on feedback from the communities. PNC achieved very good volumes with these specially tailored products, demonstrating its responsiveness to the home purchase loan needs of low- and moderate-income borrowers in its markets. For example, the Neighborhood Mortgage Program, available in Pittsburgh, features a below-market interest rate; expanded debt-to-income ratios; the ability to finance closing costs up to a maximum 100% loan-to-value ratio; and no private mortgage insurance. The borrower is required to invest 3% of their own funds.

One of PNC's most innovative efforts is the "Buy Into Philadelphia" Closing Cost Assistance Program. It combines a saleable mortgage product with a forgivable soft second for up to \$6,610 from the City of Philadelphia. The borrower can use funds for closing costs and prepaid expenses. The primary loan-to-value must not exceed 95%, but the combined loan-to-value can be as high as 105%. The borrower can meet criteria with as little as 3% down and the total debt ratio can be 40%.

Community Partnership Plus, offered in northwest Pennsylvania, features a 15 or 30-year fixed-rate purchase mortgage; a below-market interest rate; expanded conventional and FHA and VA underwriting criteria; reduced down payment requirements; the ability to finance closing costs up to 100% of the loan-to-value; and no private mortgage insurance requirement. Applicants are referred to



pre-mortgage credit counseling through community-based organizations before closing.

The New Jersey market developed a PNC-funded down payment/closing cost assistance grant program for low- and moderate-income borrowers. The program provides up to \$3,500 for closing costs when used with the PNC FirstDown, 10-1 Treasury Affordable ARM, FHA fixed and one year ARM, and New Jersey Home Mortgage Finance Authority products.

Open Door, available in Kentucky, is a fixed-rate mortgage product targeting borrowers with less than 50% of the median income of the MSA. Borrowers below 50% of the median income receive the maximum discounted rate. This product features expanded debt-to-income ratios; no private mortgage insurance; discounted rates by borrower income level; and tiered down-payment requirements by borrower income level. Borrowers must successfully complete a comprehensive pre-purchase counseling program before application.

PNC participates in approximately 40 mortgage assistance programs throughout its markets. These programs provide monetary assistance to low- and moderate-income borrowers for closing costs and down payments. Typically, a program includes a subordinated lien that is forgiven over a specified period of time, if the property is not sold and continues to be owner occupied. Documentation requirements for these programs are especially high.

As previously discussed, in 1998, PNC introduced Choice Credit for Businesses, a flexible business line of credit in amounts from \$10,000 to \$50,000. This product has been successful in providing greater access to credit for small businesses. The credit line can be accessed by writing a check. The product features a single page application and an expedited decision process. This product is very responsive to the small business credit needs of its local communities.

PNC is a Small Business Administration (SBA) Preferred Lender and participated in various programs targeted to the smallest businesses. One example of the SBA's programs is Fa\$trak, a maximum \$100,000 loan that relies on the creditworthiness of the primary applicant. Approximately 70% of SBA loans made by PNC are Fa\$trak, which involves a streamlined application process. During the evaluation period, PNC ranked either first or second in each of its markets and fifth in the nation in making Fa\$trak loans. A second example is the SBA LowDoc program, which offers a streamlined application process for maximum loan amounts of \$100,000 for working capital, inventory, equipment construction, and real estate.

## **Investments**

Table 7 shows qualified community development investments outstanding during the evaluation period. Overall performance was good. Assessment area results were mixed, ranging from adequate to excellent. The aggregate dollar volume of qualified investments surpassed \$163 million, and affordable housing development is a significant focus at 62% of investment dollars. Investments in concerns

promoting small business and economic development were significant at 15% of the total. In several cases, Low Income Housing Tax Credit (“LIHTC”) participation involved both community development lending and the equity investment. This strategy provides more comprehensive assistance to affordable housing developers. Overall qualified investments were diverse and complex and include the following: direct equity investments in LIHTCs, investments in national and state equity funds which purchase LIHTCs, equity investments in community development corporations (CDC) and community development financial institutions (CDFIs), investments in venture capital funds and loan pools for small businesses or affordable housing and grants and contributions to community-based organizations with a community development purpose or those providing community services targeted to low- or moderate-income individuals.

### **Services<sup>3</sup>**

Tables 8 and 8a show the branch and ATM network by low- and moderate-income areas. PNC’s delivery systems are accessible to essentially all portions of the assessment areas. The bank has a total of 794 branches and 2,135 ATMs. PNC maintains 18.4% of its branches and 18.5% of its ATMs in low- or moderate-income census tracts. This percentage is less than the assessment area population living in low- or moderate-income census tracts, at 21.5%, and the percentage of low- and moderate-income census tracts, at 24.4%.

During the evaluation period, 115 branches were closed, and seven branches were opened. Eight branches were closed in low-income census tracts and 19 branches were closed in moderate-income tracts. Effective and accessible alternative delivery systems are available to compensate for the branches closed. One branch was opened in a low-income tract.

Branch hours are based on management’s knowledge of the community. Extended hours are provided in response to the banking needs of working families and to optimize the relationship with the community. Tele-banking, as described below, is available 24 hours a day to supplement branch hours. PNC also offers Bank By Mail. Customers mail their deposits to a central location for same-day processing.

PNC offers a wide range of retail products to customers and small business owners both at traditional branches and through alternative delivery systems. While a number of the alternative delivery systems are not specifically targeted to low and moderate-income people or geographies, they effectively increase the accessibility of needed retail banking services to low- and moderate-income people throughout the assessment area.

PNC has an extensive ATM network. ATMs are located in shopping malls, airports, and convenience

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<sup>3</sup>In general, the service comments address all geographies. The service comments provided for each rating or conclusion area are made to highlight any significant differences between the overall bank services and specific services within CMSA or MSA areas, with emphasis on low- and moderate-income geographies and individuals

stores, in addition to traditional ATM locations. Management reports that approximately 60% of the ATMs are stand-alone with the balance located in branch offices. ATMs provide customers with a 24-hour alternative to obtaining cash, transferring funds, and checking account balances. Approximately 6% of the bank's ATMs have advanced functions, including check cashing, provision of coins, and stamp dispensing.

PNC has tele-banking services available to its consumer and business customers. PNC's National Financial Services Center (NFSC) gives consumers convenient phone access to fully automated products and services, 24 hours a day. Customers can access more than 300 services including Account Link. Account Link is an automated account information service that provides account balances and transaction histories. Account Link gives customers the ability to transfer funds between accounts, and pay bills through PNC's Bill Payment Plus program. NFSC provides many of the same automated services to small business customers. Small business customers can obtain automated account information including account balances, obtain transaction histories, order checks, research specific transactions, and transfer funds between accounts. PNC also operates a tele-center that offers a full range of mortgage products and services through a toll-free number.

PNC and PNCM have dedicated websites (<http://www.pncbank.com>) that provide detailed information about the bank's products and services.

Customers that may not have their own personal computer may access the Internet through the Neighborhood Networks Initiative. The Neighborhood Networks Initiative, which is a community-based initiative of the U.S. Department of Housing and Urban Development (HUD). The initiative encourages the development of resource and computer learning centers in privately-owned HUD-insured and -assisted housing facilities to meet the needs of low-income families and seniors where they live.

Budget Checking targets customers with limited check writing needs. Transactions are limited to six checks or teller withdrawals per statement cycle. Additional features include no minimum balance and a low monthly service charge. The bank also cashes welfare checks at no charge for customers with proper identification.

PNC also has ten Lifecare locations located in Pennsylvania and Ohio. These are branches located in senior citizen lifecare and health care facilities operated in conjunction with a nearby traditional branch. The branches provide full service banking to residents without requiring the residents to leave the facility.

In 1998, PNC introduced new products for businesses with limited check writing needs to replace the Simplified Business Checking account. The Business Checking 25 and 100 accounts include a complete package of services. PNC also offers Business Express/PC Banking, which provides small businesses access to account and check status, balance summaries, statement reports, automatic

account reconciliation, and funds transfer.

PNC has tailored the Business Sweep Checking product to address instances where excess cash on hand is temporarily available for small businesses to invest.

Table 9 shows community development services by area. The bank provides a high level of community development services in most of its assessment areas. These services are responsive to assessment area credit and community development needs. In several cases, the bank provided the impetus to develop and implement these services.

The bank's performance is strongest in the larger urban markets in which it operates. In markets where the bank has a low level of services, it also has a small presence. The bank's services have primarily focused on financial services education - specifically affordable housing for first time home buyers. The bank also has supported in-school and youth programs. The majority of services related to small businesses involve technical assistance and financial services education to entrepreneurs.

A fair lending examination at PNCM<sup>4</sup>, preceded the start of the CRA examination. The fair lending examination concluded while the CRA examination was in process. The focus of the examination was residential mortgage lending. The examination did not identify substantive violations of the antidiscrimination laws and regulations.

## State Rating

**CRA Rating for: Pennsylvania<sup>5</sup> Outstanding**

**The lending test is rated: Outstanding**

**The investment test is rated: High Satisfactory**

**The service test is rated: High Satisfactory**

- C PNC showed good responsiveness to housing related credit needs in Pennsylvania.
- C PNC adequately responded to the small business needs within the state, although they performed especially well in the Pittsburgh MSA.
- C The bank demonstrated good responsiveness to the community development needs in Pennsylvania, extending CD loans totaling \$56 million during the evaluation period.

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<sup>4</sup>PNCM is an affiliate of the bank.

<sup>5</sup>PNC has branches in both states of the Philadelphia multistate metropolitan area, the Pennsylvania evaluation is adjusted and does not reflect performance in the parts of those states contained within the Philadelphia multistate metropolitan area. Refer to the Philadelphia multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

- C PNC provided over 300 qualified investments totaling \$24 million during the rating period.
- C The bank provided both a high level of retail banking and community development services to essentially all portions of the assessment areas.

### **Scope of Examination**

In Pennsylvania, full scope examination procedures were used in our evaluation of Erie, Pittsburgh, and Scranton/Wilkes-Barre assessment areas (Table 1). The information was constructed using MSA boundaries and US Census information.

#### ***Erie MSA***

This assessment area consists entirely of the county of Erie which makes up the Erie MSA. The bank has nineteen branches serving the assessment area. The bank has the largest consumer deposit market share (33%) in the assessment area.

The population of this MSA is approximately 276 thousand. The assessment area contains 69 census tracts with five (7%) low-income and eleven (16%) moderate-income. Seventeen per cent of the total families reside in low- and moderate-income census tracts. There is a total of 71,459 families in the MSA with 19% low-income and 18% moderate-income. Eighteen percent of the families live below the poverty level. Median housing value in the MSA is \$52,014. Two percent of the owner occupied units are located in low-income census tracts and 10% in moderate-income tracts.

Available information on businesses in the MSA shows a total of 9,031 businesses. Of the 6,905 non-farm businesses with revenues available, 88% have revenues less than \$1 million. Of the total businesses in the MSA, 22% are located in low- and moderate-income tracts.

The local economy has been negatively influenced over the last ten years because many companies have moved their headquarter operations out of Erie. While there were some modest increases in employment recently, the MSA remains well below state and national levels. Much of the near term job growth will come from the services industry.

Credit needs in this area focus on affordable housing and small business development.

#### ***Pittsburgh MSA***

This assessment area consists of Allegheny, Butler, Westmoreland, Washington, Fayette and Beaver counties which make up the entire Pittsburgh MSA. The MSA contains 20.1% of the total state

population. The bank has 125 branches serving the assessment area. The bank has the third largest consumer deposit market share (22%) in the assessment area.

The population of this MSA is approximately 2.4 million. The assessment area contains 780 census tracts with 37 (5%) low-income and 194 (25%) moderate-income. Twenty-three per cent of the families reside in low- and moderate-income census tracts. There is a total of 659,389 families in the MSA with 20% low-income and 18% moderate-income. Eighteen per cent of the families live below the poverty level. Net migration of younger people from the city of Pittsburgh is steadily increasing, leaving an older less affluent population in its place.

Median housing value in the MSA is \$51,716. One percent of the owner occupied units are located in low-income census tracts and 19% in moderate-income tracts. The median age of the housing stock is 40 years, which is greater than the average for the state at 34 years.

Based on available business information 77,008 businesses are operating in the MSA. Of the 62,001 non-farm businesses with revenues available, 89% have revenues less than \$1 million. Of the total businesses in the MSA, 25% are located in low- and moderate-income tracts.

The local economy is stable and has experienced only modest growth in the past few years. The decline of the steel industry in the area has created significant opportunities in revitalizing abandoned areas. Also a shift to service industries is resulting, especially transportation and utilities. Continuing merger activity in the health care and financial services industries will continue to restrain near term job growth. Pittsburgh's economy is expected to under perform the nation in both the near and long term.

Primary credit needs in this area include affordable housing, home improvement lending, economic development and small business development.

### ***Scranton/Wilkes-Barre MSA***

This assessment area consists of Columbia, Luzerne, Lackawanna and Wyoming counties which make up the entire Scranton/Wilkes-Barre MSA. The bank has 43 branches serving this assessment area. PNC has the largest consumer deposit market share (27%) in the assessment area.

The population of this MSA is approximately 638 thousand. The assessment area contains 189 census tracts with 2 (1%) low-income and 22 (12%) moderate-income. Nine per cent of the total families reside in low- and moderate-income census tracts. There are 171,947 families in the MSA with 18% low-income and 19% moderate-income. Eighteen per cent of the families live below the poverty level.

Median housing value in the MSA is \$54,669. Less than 1% of the owner occupied units are located in low-income census tracts and 7% in moderate-income tracts. Only 7% of the total housing units in low- and moderate-income tracts are owner-occupied. The median age of the housing stock is 43

years, which is greater than the average for the state at 34 years.

Available information on businesses shows a total of 19,711 businesses operating in the MSA. Of the 16,106 non-farm businesses with revenues available, 90% have revenues less than \$1 million. Of the total businesses in the MSA, 15% are located in low- and moderate-income tracts.

The local economy has been weak. Real income growth has been well below state and national growth rates. The area has never completely recovered from the demise of the coal and garment industries. Job growth is expected to remain sluggish. Services will continue to provide the majority of new employment, while manufacturing will continue to decline.

Primary credit needs in this area include affordable housing, particularly for first-time home buyers, home improvement lending, economic development and small business development.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE IN PENNSYLVANIA**

### **Lending**

PNC showed good responsiveness to the housing (HMDA products) and fair responsiveness to the small business credit needs of consumer and commercial borrowers in its Pennsylvania assessment areas. PNC's loan volumes are consistent with its deposit market shares in both the full and limited scope assessment areas. PNC ranks second in deposit market share in the Commonwealth of Pennsylvania with 14% of the total deposits. PNC was strong in the origination of home purchase loans in low- and moderate-income areas and to low- and moderate-income borrowers in the full scope areas (Table 3). PNC did a good job originating home improvement loans by both geography and borrower in the full scope areas (Table 4). Overall, the bank's performance in home purchase and home improvement lending was consistent in those communities where we did a limited scope review.

PNC did an adequate job originating small loans to businesses considering the geography where the business is located. The bank did a good job of making small loans under \$100 thousand or less to all businesses and in making loans to businesses with gross revenues of less than \$1 million. In the areas where we did limited scope reviews we noted several inconsistencies in geographic distribution pattern compared with the three full scope areas. Compared with the three full scope areas we reviewed, PNC's performance was divided between consistent and inconsistent among the limited scope communities in the origination of loans to small businesses. The bank's performance was very consistent in the origination of smaller loans to all businesses.

During the evaluation period, PNC originated 2,387 HMDA-reportable loans totaling \$153 million in Erie; 9,690 HMDA-reportable loans totaling \$510 million in Pittsburgh; and 3,420 HMDA-reportable loans totaling \$131 million in Scranton/Wilkes Barre (Table 2). The bank originated 8,708 HMDA-reportable loans totaling \$521 million in the areas where we performed limited scope reviews. In 1996

PNC ranked first, third and first in overall HMDA originations in Erie, Pittsburgh and Scranton/Wilkes Barre, respectively. Seven of the ten areas with a limited scope review ranked eighth or higher in overall HMDA lending in 1996. PNC ranked 17th in Lancaster and York, and 20th in Reading. Those three communities represent about one-half of one percent of PNC's total deposits in the state and have 5 banking offices among them which accounts for the generally low level of activity.

During the evaluation period, PNC originated 1,596 small loans to businesses totaling \$125 million in Erie; 6,383 small loans to businesses totaling \$613 million in Pittsburgh; and 1,755 small loans to businesses in Scranton/Wilkes Barre totaling \$159 million. The bank originated 4,063 small loans to businesses totaling \$335 million in the areas where we performed limited scope procedures. In 1996, PNC ranked first in overall origination of small loans to businesses in Erie and Pittsburgh among those financial institutions required to report such data. The bank ranked third in Scranton/Wilkes Barre. Six of the ten areas with a limited scope review ranked seventh or higher in overall small loans to business in 1996. Like the rankings in HMDA lending, PNC had a smaller penetration in its markets in Lancaster (#16), York (#10), and Reading (#20) due to its limited presence and very small deposit base in those communities. We are unable to compute a market share percentage or rank for loans generated in non-MSA areas.

We did not identify any clustered areas where PNC had unexplained gaps in mortgage lending in Erie, Pittsburgh or Scranton/Wilkes Barre. Areas with little or no loans represented geographies with: commercial or nonresidential facilities (parks, cemeteries, military installations, etc.); nominal units of owner-occupied housing; a substantial number of families living at or below the poverty level; or an extremely low level of families living in the area.

### ***Lending in Erie MSA***

The distribution of home purchase loans in low- and moderate-income areas and to low- and moderate-income borrowers is excellent. The bank made 1.8% of its loans in low-income geographies, which contain 2.1% of the owner-occupied units within the assessment area. It made over 11% of its loans in moderate-income geographies, which contain 10% of the owner-occupied units within the assessment area. PNC's market share in low-income geographies was somewhat below its overall market share of 18.3%, but reasonable at 14.9%. PNC had a very strong 25% market share in moderate-income geographies.

The bank made 12% of its loans to low-income borrowers compared with 18.8% of families who are at that income level. The percentage of loans PNC originated to moderate-income borrowers at 24.3% significantly exceeded the percentage of moderate-income families which is 18.2%. PNC's market shares for home purchase loans made to low- and moderate-income borrowers were also strong. Compared to its 18.3% overall market share for home loans, the bank captured 28% of the low-income borrowers and 22.7% of the moderate-income borrowers.



The distribution of home improvement loans in low- and moderate-income areas is excellent. The bank exceeded the percentage of owner-occupied units in both low- and moderate-income geographies with 3.2% of home improvement loans in low-income areas and 13.4% in moderate-income areas. PNC's market share in low-income areas was strong at one and one-half times its overall market share, or 27.3% compared to the overall of 18.2%. The bank's market share for home improvement loans in moderate-income areas was good at 19.6%, higher than its overall percentage.

The distribution of home improvement loans is adequate to low-income borrowers and strong to moderate-income borrowers. The bank made 8.4% of its home improvement loans to low-income borrowers or just under half the percentage of families at that income level. The bank made 15% of its home improvement loans to moderate-income borrowers, which is more than 80% of the percent of families at the moderate-income level. PNC's market shares for home improvement loans to low- and moderate-income borrowers were both good at 16.4% and 17.3%, respectively, compared to the overall market share of 18.2%.

The distribution of small loans to businesses in low- and moderate-income areas is adequate. The bank made 8% of its small loans to businesses in low-income geographies where 10.2% of all businesses are located. PNC did better in moderate-income geographies making 11% of its small loans to businesses in areas where 12.6% of all businesses are located.

PNC did a good job of making loans to businesses in smaller dollar amounts. Of all the small business loans PNC reported, 84.9% were in amounts of \$100 thousand or less. The aggregate of all other lenders required to report made 83.1% of their loans in amounts of \$100 thousand or less.

### ***Lending in Pittsburgh MSA***

The distribution of home purchase lending is good in low-income areas and strong in moderate-income areas. The bank made 1.0% of its loans in low-income geographies, which contain 1.3% of the owner-occupied units within the assessment area. It made 18.9% of its loans in moderate-income geographies, which contain 18.8% of the owner-occupied units within the assessment area. PNC's market share in low-income geographies was strong at 14.2% compared to its overall market share of 10%. PNC also had a strong market share of 12.5% in moderate-income geographies.

The distribution of home purchase loans to low- and moderate-income borrowers is strong. The bank made 12.2% of its loans to low-income borrowers compared with 19.6% of families who are at that income level. PNC originated 30.6% of its home purchase loans to moderate-income borrowers, which substantially exceeds the 18.3% of families at that income level. PNC's market shares for home purchase loans made to low- and moderate-income borrowers was strong. Compared to its 10% overall market share for home purchase loans, the bank captured 19.9% of the low-income borrowers and 19.2% of the moderate-income borrowers.

The distribution of home improvement loans is strong in low- and moderate-income areas. The bank exceeded the percentage of owner-occupied units in both low- and moderate-income geographies with 1.6% of its home improvement loans in low-income geographies and 19.6% in moderate-income geographies. PNC's market share in low-income tracts was strong at 15%, exceeding the overall market share of 11.6%. The bank's market share in moderate-income tracts was good at 11%, nearly equaling the overall market share.

The distribution of home improvement loans is good to low-income borrowers and strong to moderate-income borrowers. The bank made 10.7% of its home improvement loans to low-income borrowers or over half the percentage of families at that income level. The bank made 16.3% of its home improvement loans to moderate-income borrowers, which compared very favorably to the percentage of moderate-income families. PNC's market shares for home improvement loans to low- and moderate-income borrowers were good and fair at 10.6% for low-income and 9.6% for moderate-income compared to the overall market share of 11.6%.

The distribution of small loans to businesses is strong in low-income areas and adequate in moderate-income areas. The bank made 4.9% of its small loans to businesses in low-income geographies, where 3% of all businesses are located. PNC made 16.1% of its small loans to businesses in moderate-income areas, which was significantly below the 22.4% of businesses located in those areas.

PNC's portion of small loans to small businesses in Pittsburgh was good, compared with the performance of the aggregate of the other reporting lenders. The bank made 55% of all its small loans to businesses with gross annual revenues less than one million dollars, where revenue information was available at origination. Statistical sampling revealed 88% of all loans where revenue data was not collected, was made to businesses with less than \$1 million in revenue. PNC's percentage was significantly above that of the aggregate, which was 50.2%. PNC also did a good job of making loans to businesses in amounts of \$100 thousand or less, but fell below the aggregate of other reporting lenders at 78.8% compared to 83.5%.

### ***Lending in Scranton/Wilkes Barre MSA***

The distribution of home purchase loans in moderate-income areas is good. The bank made 5.8% of its loans in moderate-income areas, which is less than the percent of owner-occupied housing units. The bank had a good market share in moderate-income areas at 7.1% compared to its overall rate of 8%. We did not evaluate the distribution of loans in low-income geographies. The MSA contains two low-income tracts with 23 owner-occupied housing units.

The distribution of home purchase loans is adequate to low-income borrowers and excellent to moderate-income borrowers. The bank made 7.7% of its home purchase loans to low-income borrowers compared to 18.4% of families who are at that income level. PNC made 27.2% of its home purchase loans to moderate-income borrowers, which is almost one and one-half times the 18.9% of

families at that income level. PNC's market shares for home purchase loans made to both low- and moderate-income borrowers were very strong at 14.2% and 12.2%, respectively, compared to the overall market share of 8%.

The distribution of home improvement loans is strong in moderate-income areas. The bank made 8.2% of its loans in those areas. The bank had a good market share at 17.7% versus its overall market share of 18.7%.

The distribution of home improvement loans to low- and moderate-income borrowers is strong. The bank made 11.6% of its loans to low-income borrowers and 18.7% of its loans to moderate-income borrowers. The bank's market share of home improvement loans to low-income borrowers was strong at 21.9%, compared to the overall market share of 18.7%. The bank had a good market share among moderate-income families at 19.7%.

The distribution of small loans to businesses was adequate in low- income areas and good in moderate-income areas. The bank made 2.1% of its small loans to businesses in low-income geographies where 3.4% of all businesses are located. PNC made 10.9% of its small loans to businesses in moderate-income areas compared to the 11.7% of all businesses located in those areas.

PNC's portion of loans in amounts of \$100 thousand or less was good, but less than other reporting lenders at 77.4% compared to 84.3%. We were unable to draw conclusions on the number of loans to businesses with revenues less than \$1 million because of insufficient data since Scranton/Wilkes Barre was not selected for statistical sampling.

### ***Lending in Limited Scope Areas***

HMDA (Table 3 & 4) lending in low- and moderate-income geographies and to low- and moderate-income borrowers was consistent when compared to the owner-occupied housing units in: Allentown; Harrisburg; Johnstown; Lancaster; Sharon; Williamsport; York; and the combined nonMSA areas in Pennsylvania. In Reading, home purchase activity in low- and moderate-income geographies was inconsistent. In State College, home purchase activity was inconsistent in moderate-income areas. In Williamsport, HMDA activity in low- and moderate-income areas and to low- and moderate-income borrowers was inconsistent. In State College, home purchase activity in moderate-income geographies and home improvement in low- and moderate-income areas was inconsistent. State College, Reading and Williamsport represent a very small percentage of the bank's deposits in Pennsylvania.

PNC's market share in HMDA loans in low- and moderate-income geographies and to low- and moderate-income borrowers was consistent when compared to its overall market shares, except in Reading, Williamsport and State College. In Reading and Williamsport, home purchase loan market share in low- and moderate-income tracts and to low- and moderate-income borrowers was inconsistent. In State College, the home improvement market share in low- and moderate-income

areas was inconsistent. These three communities represent only a small percentage of the bank's deposits in Pennsylvania.

PNC's performance in making small loans (Table 5) to businesses in the low-income geographies of the limited scope areas we reviewed, compared to the number of businesses in those areas, was inconsistent with the bank's performance in three MSAs where we conducted full scope reviews. Performance in the low-income areas in State College and Sharon was consistent. Williamsport and the combined nonMSA areas do not have any low-income areas. The remaining limited focus MSAs had nominal or no small loans to businesses in low-income geographies.

PNC's performance in making small loans to businesses in the moderate-income areas was consistent with the bank's performance in full scope areas, with the exception of Harrisburg, Reading and Sharon.

PNC's percentage of loans to businesses in amounts of \$100 thousand or less in the limited scope assessment areas was consistent with the bank's performance in the full scope assessment areas, except in Williamsport and Lancaster.

We were unable to draw conclusions on the number of loans to businesses with revenues less than \$1 million because of insufficient data since the area was not selected for statistical sampling.

The bank's level of CD lending in Pennsylvania demonstrates good responsiveness to community credit needs (Table 6). During the rating period, the bank extended sixty-nine CD loans totaling \$56 million. In addition, the bank extended fifty-five CD letters of credit totaling \$126 million. A significant number of these projects required leadership, flexibility or innovation. Examples include, but are not limited, to the following:

- < The bank granted a \$1.7 million loan in the Scranton MSA which involved the renovation of a condemned building to provide affordable housing, a homeless shelter and office space. The project was difficult to bring to fruition and required strong leadership on the bank's part. The project involved three years of negotiations between multiple parties including the city, county and state governments.
- < The bank granted a \$2.6 million bridge loan to construct a sixty-two-unit apartment building to house low- and moderate-income senior citizens in the Pittsburgh MSA. The loan was flexible for a number of reasons including higher loan to value ratios than permitted by Low Income Housing Tax Credit (LIHTC) underwriting guidelines; debt service coverage was lower than policy guidelines; the initial equity contribution of the principals was less than policy requirements; and, the timing of the LIHTC equity pay-ins was longer than policy guidelines.
- < The bank granted a \$500,000 line of credit to a nonprofit located in the Allentown MSA. The line will be used to purchase homes for low- and moderate-income borrowers that cannot

qualify for conventional financing. The nonprofit will structure lease-to-purchase arrangements and will work with each buyer so that within one year the buyer will qualify for conventional financing. This is an innovative and unique approach to increasing home ownership among the low- and moderate-income population.

## **Investments**

PNC's level of investment and grant activity in Pennsylvania, excluding the Philadelphia CMSA, was significant and reflects good responsiveness to community credit and economic development needs (Table 7). Investment activities in Pittsburgh were significant while activities in Erie and Scranton-Wilkes Barre were adequate. Performance in Harrisburg and State College was consistent with the bank's overall performance. Performance in the non-metropolitan areas and in Allentown, Johnstown, Lancaster, Reading, Sharon, Williamsport and York was inconsistent with the overall investment performance. While performance in the non-metropolitan and smaller MSA areas was inconsistent with the overall state investment performance, given the relatively greater significance, needs and opportunities in Pittsburgh and the other markets, this performance did not adversely influence the state rating.

PNC had a good level of qualified investments in Pennsylvania having provided 307 qualified investments exceeding \$24 million. This dollar volume represents about 19% of the total qualified investments. PNC's investment strategy focuses on opportunities that meet the community development criteria while providing a reasonable return for the risks assumed. The grants strategy positions the bank to be a supportive partner of programs generated from and determined to be priorities by bank customers. Investments were diverse and consist of LIHTCs used to develop multi-family affordable housing; grants to a variety of nonprofit organizations; deposits in community development financial institutions and credit unions; investments in Small Business Investment Companies; and participation in a number of venture capital loan funds. Several investments were considered complex due to participation in the multiple layers generally involved in producing low-income housing tax credit projects. Some involved bank participation as equity investor, adviser and lender. The Program Related Investment (PRI) initiative, begun in 1998, was an innovative effort of PNC's Foundation. The purpose of the program is to pursue economic development opportunities in low- and moderate-income areas through a vehicle that provides low cost funds for critical community development needs. The foundation set aside \$1 million for this effort in 1998.

### ***Investments in Erie MSA***

Investment performance in Erie was adequate having provided 26 qualified investments exceeding \$30 thousand. While investment opportunities in Erie were more limited, opportunities do exist, particularly for small business and economic development. Affordable housing opportunities were more limited due to the limited number of developers. Many existing community-based organizations have concentrated on the provision of community services. Most of the organizations served provide community services

to low- and moderate-income families, including an umbrella agency that supports other entities that provide community services. Roughly 24% of the dollars were to support of affordable housing concerns. For example:

- C Through a Program Related Investment (PRI), PNC provided a \$50 thousand revolving line of credit for acquisition and rehabilitation of housing stock in one of the lowest income areas of the city. In addition, grant support to this organization permitted the hiring of staff to help complete planning and development of the project.

### ***Investments in Pittsburgh MSA***

Investment and grant activity in Pittsburgh was significant, and responsiveness to community economic development needs was good. Qualified investments totaled nearly \$15 million, third in volume behind Philadelphia, where greater opportunities exist, and Louisville, where the volume of LIHTC projects was substantial. About 60% of Pennsylvania investments and 9% of total bank qualified investments were concentrated in this market. Nearly 90% of total investment activity occurred during the evaluation period, and community contacts view the bank as a leader in the projects in which it participates. Two LIHTC developments were completed in Pittsburgh providing 80 units of housing for the elderly or low- and moderate-income families. One LIHTC project completed in prior periods also remains outstanding. Nearly \$2 million in grants and contributions were made to more than 100 organizations, many providing operating funds for nonprofit entities focusing on a range of community development initiatives. Investments also included three property donations totaling over \$100 thousand benefiting low- and moderate-income communities or families--one to be used as a savings bank branch, one for a health care facility, and one for affordable housing development. The following is a small sample of projects:

- C PNC provided an equity investment of \$470 thousand using low-income housing tax credits (LIHTCs) to facilitate the construction of a 18-unit mixed income, apartment complex, including nine market rate units. PNC is the sole tax credit investor. Six units of public housing included in the development are the first units to address a consent decree which required the local housing authority to provide public housing units outside nonwhite communities. The public housing inclusion brought substantial funding from the housing authority, and the tax credits were purchased at a price slightly above market rates. PNC involvement as equity investor facilitated a construction financing role for a smaller local financial institution.
- C PNC was the sole corporate sponsor in partnership with a local development company seeking to sustain and enhance the revitalization of several Pittsburgh communities and improve the quality of life for the inhabitants. Replicating a successful Philadelphia initiative, program objectives encompass multiple aspects of community development including educational programs, affordable housing and job training, including a welfare to work initiative. The program provides \$250 thousand annually for ten years, a total of \$2.5 million, and

complements initiatives of the City Housing Authority which is simultaneously working to preserve the supply of federally subsidized rental housing in the targeted communities while integrating public housing residents into the mainstream community. This effort was supported by a state tax credit program which is the first of its kind in Western Pennsylvania.

### ***Investments in Scranton MSA***

Performance in Scranton was good. Investment activity in Scranton, the second largest of the Pennsylvania markets, approached \$3 million and represented twelve percent of Pennsylvania investments, compared to nearly 13% of deposits dollars collected from this market. Investments included equity for both housing and small business loan consortiums and a community development corporation. Grants and contributions benefiting 18 qualifying organizations or activities grossed over \$400 thousand. One property donation to a local housing group assisted in the overall revitalization effort of an low- and moderate-income neighborhood. Community groups identified capacity building of existing nonprofits as a critical need in this market given the sluggish economy, deterioration of some neighborhoods and service sector job growth that primarily produces low- and moderate-income wage earners. Affordable housing is the most significant need, and nearly three fourths of investment dollars were focused in this area. An example of a qualified investment project in this market follows:

- C In Scranton, PNC has invested nearly \$600 thousand in a first time homebuyer program established by a local housing advocacy organization. The program has leveraged the funding of 66 mortgages totaling \$3.6 million and has received recognition by the city as well as a national housing network for its innovation and impact on the community.

### **Services<sup>6</sup>**

PNC offers convenient access to all sections of its community as evidenced primarily by the services offered in the Pittsburgh and Scranton-Wilkes Barre assessment areas. Retail banking services are available to all portions of the bank's Pennsylvania assessment areas either through the bank's branch network or alternative delivery systems. The bank has also provided a high level of community development services throughout the assessment area.

PNC's delivery systems are accessible to essentially all portions of the assessment areas within the state of Pennsylvania (Table 8 & 9). The Pittsburgh assessment area represents 60.7% of the bank's deposits in the state. There are 125 branches, or 41.2% of the state's total, with 33.6% in low- and moderate-income geographies. This is more than the percentage of the population of the assessment area living in low- or moderate-income tracts, at 24.1%, and the percentage of low- and moderate-

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<sup>6</sup>This comment highlights differences between the overall level of services and any specific services offered in Pennsylvania. Refer to the overall service comment for details on the common services offered throughout PNCs markets.

income geographies, at 29.6%. The Scranton-Wilkes Barre assessment area represents 12.8% of the bank's deposits in the state. There are 43 branches, or 14.2% of the state's total, with 18.6% in low- and moderate-income geographies. This is also more than the percentage of the population of the assessment area living in low- or moderate-income tracts, at 9.8%, and the percentage of low- and moderate-income geographies, at 12.7%.

The Erie assessment area represents 5.0% of the bank's deposits in the state. There are 19 branches, or 6.3% of the state's total, with 15.8% in low- and moderate-income geographies. This is less than the percentage of the population of the assessment area living in low- or moderate-income tracts, at 18.5%, and the percentage of low- and moderate-income geographies, at 23.2%.

Areas that were reviewed on a limited scope were consistent with the accessibility and services offered in the state.

In the areas of full scope review, 16 branches were closed and one branch was opened. One branch was closed in a low-income geography and one branch was closed in a moderate-income geography. Effective and accessible alternative delivery systems are available to compensate for the branches that were closed. The branch that was opened was in a low-income tract.

The branch closed in a low-income tract was in the Erie assessment area. The branch had been located in a lakeside office building and primarily served a small base of corporate and high net worth customers. The branch was consolidated into the nearby Ninth and State main office branch, which is also located in a low-income census tract. In addition, PNC retained a facility containing six drive-up lanes with an ATM located one block from the original branch site. The branch closed in a moderate-income tract was in the Pittsburgh assessment area. This branch had been located in a small strip shopping center with limited opportunity for growth, and was consolidated into another branch less than one half mile away, which is also located in a moderate-income tract.

PNC opened a branch in a low-income census tract in Pittsburgh in December 1996. The opening of this branch was particularly noteworthy as it was the first commercial bank branch to open in Pittsburgh's Hill District, and is considered one of the cornerstones of the extensive renovation of this economically distressed neighborhood.

Products offered are available through a variety of channels and are responsive to the need of low- and moderate-income people for convenient, timely access to retail banking products and services. For example, the bank offers a checking product for customers with limited check writing needs; Lifecare, which consists of branches located in senior citizens facilities, and small business products. There are thirty three branches in the state that accept direct delivery of welfare checks and food stamps.

The bank has provided a high level of community development services within its assessment areas. This conclusion is primarily based on the high level of services noted in the Pittsburgh and Erie



assessment areas, and the adequate level of services in the Scranton Wilkes-Barre assessment area (Table 9).

### *Services in Erie MSA*

In the Erie assessment area, many of the activities focused on capacity building. Capacity building included work with municipal entities to create community development programs. Bank personnel also worked with developers to provide them with the expertise to make use of Low Income Housing Tax Credits (LIHTC's) as a funding source. Examples include:

- C The bank worked with a neighborhood watch group and helped it go beyond crime watch to neighborhood development and home ownership counseling.
- C PNC worked with a community based organization to help it utilize a LIHTC on a project and to obtain a HUD grant.

### *Services in Pittsburgh MSA*

In the Pittsburgh assessment area, the primary focus of the services is financial services education. The bank provides strong support for home ownership counseling and also basic financial services education to low- and moderate-income individuals. The financial services education includes a number of in-school and youth programs, but also seminars on banking products and life skills for adults. The majority of the services related to small businesses also involve technical assistance and financial services education to entrepreneurs. Examples include:

- C In support of a local purchase-rehabilitation housing program, the bank provides a credit counselor who works with individuals one-on-one providing financial counseling and technical assistance with project management.
- C There is a credit counseling program offered through the local branches that helps individuals repair or strengthen their credit history and prepares them for home ownership. In addition to the one-on-one counseling, bank personnel have made presentations at numerous work shops and seminars.
- C The bank participates in an entrepreneurial training program for start-up businesses, and more recently, existing small businesses. The program teaches the participants to identify potential markets and educates them on developing a business plan and applying for credit. An independent survey of the participants indicated that 75% have home-based businesses and 58% of the participants live in low- and moderate-income areas.
- C The bank has sponsored applications to the Federal Home Loan Bank Board's Affordable

Housing Program. The program provides lower cost funds to projects that meet program requirements. Sponsorship includes ensuring compliance with the program requirements by the developer and controlling the disbursement of funds. The bank has also sponsored these applications in the Scranton-Wilkes-Barre assessment area.

### *Services in Scranton Wilkes-Barre MSA*

Community development services in the Scranton Wilkes-Barre assessment area, primarily involved participation on the boards of organizations involved in affordable housing, economic development through small businesses and supportive services to low- and moderate-income individuals. Activities to support home ownership counseling and financial services education were also noted. Examples include:

- C PNC has made presentations at a number of home ownership work shops sponsored by a credit counseling agency.
- C A bank officer serves on the Housing Committee of an economic development organization. One of the committee's accomplishment is a rental housing guide for low- and moderate-income renters regarding their rights and responsibilities.

### **State Rating**

#### **CRA Rating for State of New Jersey-New York-Northern New Jersey-Long Island, NY-NJ-CT-PA CMSA # 70: Satisfactory**

**The lending test is rated: High Satisfactory**

**The investment test is rated: High Satisfactory**

**The service test is rated: High Satisfactory**

- C PNC showed good responsiveness to the housing and small business needs of the New Jersey portion of the CMSA.
- C PNC exhibited a strong market share and penetration of home purchase loans in low-and moderate-income geographies.
- C The distribution of small loans to businesses in low- and moderate-income census tracts was good.
- C PNC's investments in New Jersey were significant and reflected good responsiveness to community development needs.

C The bank's delivery systems are accessible to essentially all portions of the assessment areas.

### **Scope of Examination**

The State of New Jersey evaluation considered the six MSAs that constitute the New Jersey portion of the New York Consolidated Metropolitan Statistical Area (CMSA). The regulation permits a bank to define assessment areas to be as large as a CMSA. While PNC has separately delineated each MSA and the evaluation considered the activities in each of the MSAs, the evaluation is based on the entire CMSA (Table 1).

The New Jersey portion of the CMSA consists of the following assessment areas: Bergen-Passaic MSA, Newark MSA, Jersey City MSA, Middlesex/Somerset/Hunterdon MSA, Trenton MSA and Monmouth/Ocean MSA. The bank has 185 branches serving the assessment area and a consumer deposit market share of approximately 8%.

The population of this portion of the CMSA is approximately 6.1 million. The assessment area contains 1,502 census tracts with 106 (7%) low-income and 280 (19%) moderate income. Twenty two percent of total families reside in low- and moderate-income census tracts. There are a total of 1.6 million families in this portion of the CMSA with 19% categorized as low-income and 18% moderate-income. Ten percent of the families live below the poverty level. In the last 15 years, the population of the largest urban areas declined with the exception of Elizabeth and Jersey City. The largest growth was in the central region of New Jersey.

Median housing value in this portion of the CMSA is \$176,954. There are 1.4 million owner occupied housing units of which 1% are in low-income areas and 13% are in moderate-income areas. The median age of the housing stock is 34 years.

There were a total of 237,601 businesses operating in this portion of the CMSA. Approximately 75% reported revenues of less than \$1 million. Small business created virtually all the jobs from 1992 to 1996. The Services and Retail Trade industries were the most dominant employers. Of the total businesses, 4% were located in low-income tracts and 14.4% were located in moderate-income tracts.

The economic outlook varies from the northern to southern areas of the state. In the Newark area the economy is relatively stable and has shown recent gains in new jobs. Increased international trade opportunities and the metro area's strength in high value added manufacturing will keep Newark's economy growing, but at a rate below the national average. In the Bergen-Passaic area, the economy is strong. Employment is expected to grow in the short term as a result of the expanding service and trade industries. Further consolidation in the pharmaceutical and financial service industries poses a serious threat to future employment. In addition, the high cost of housing and doing business hampers future economic performance. Trenton has the worst near-term outlook in New Jersey. Layoffs in

manufacturing industries will continue to place a considerable drag on the metro area's economy. Longer term, Trenton will continue to lag the state as high costs, complex business regulations, and dependency on state government will render it difficult for the metro area to recover.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE IN NEW JERSEY CMSA 70**

### **Lending**

PNC showed good responsiveness to the housing (HMDA products) and to the small business credit needs of consumer and commercial borrowers in the New Jersey CMSA. PNC was strong in the origination of all types of HMDA loans in low- and moderate-income geographies (Tables 3 & 4). The bank also did a very good job of originating small loans to businesses in low- and moderate-income census tracts, considering the distribution of businesses in those areas. PNC did an adequate job of making HMDA loans to low-income borrowers and a strong job with moderate-income borrowers. The bank was also responsive by making loans to businesses with revenues less than \$1 million and granting loans of less than \$100 thousand to all size businesses.

We reviewed areas where PNC did not receive applications and loans for HMDA-reportable loans. Generally the census tracts with no activity correlated with areas of low population or low percentage of owner-occupied housing. No contiguous areas with unexplained low lending activity were found.

During the evaluation period, PNC originated 8,654 HMDA-reportable loans for \$841 million; 6,420 small loans to businesses for \$687 million; and eight small farm loans for \$1 million (Table 2). PNC was ranked fourth in number of HMDA-reportable loans originated and fourth for small business loans among other reporting lenders. This is relatively consistent with the bank's deposit ranking, which is third.

The distribution of home purchase lending in low- and moderate-income areas was good (Table 3). The bank made 1.1% of its loans in low-income geographies, which contain 1.2% of the owner-occupied units within the assessment area and 12% in moderate-income geographies, which contain 13.4% of the owner-occupied units within the assessment area. PNC's home purchase market share in low- and moderate-income geographies was also strong at 2.8% and 3.0%, higher than its overall market share of 2.5%.

The distribution of home purchase loans was adequate to low-income borrowers and strong to moderate-income borrowers. The bank originated 9.1% of its home loans to low-income borrowers, compared to 18.9% of families at that income level. The bank's portion of loans to moderate-income borrowers at 25.0%, significantly exceeded the percentage of moderate-income families at 18.4%. PNC's market share for home purchase loans to low- and moderate-income borrowers were also strong at 4.5% and 3.3%, respectively. Both exceeded the overall market share of 2.5%.

The distribution of home improvement loans was good. The percentage of lending in low- and moderate-income geographies was similar to the percentage of owner-occupied units of 1.1% in low-income areas and 10.6% in moderate-income areas. However, the market shares in low- and moderate-income geographies of 2.9% and 4.5% were lower than PNC's overall market share of 6.7%. We consider this reasonable because one lender virtually captured the home improvement loan market in low- and moderate-income geographies with a 24.8% market share after introducing a discounted rate product.

The distribution of home improvement loans to low- and moderate-income borrowers is adequate. PNC made 8.3% of its home improvement loans to low-income borrowers and 17.2% of its home improvement loans to moderate-income borrowers. The market shares of home improvement loans for both low- and moderate-income borrowers were good, at a 5.1% and 5.4% respectively. They were somewhat below the overall market share of 6.7% for home improvement loans.

The distribution of small business loans in low- and moderate-income census tracts was good (Table 5). The bank made 4.7% of its small business loans in low-income geographies where 4.3% of the businesses were located. PNC made 13.1% of its small business loans in moderate-income areas where 14% of businesses were located.

PNC's portion of small loans to small businesses in the New Jersey CMSA was good when compared with the performance of the aggregate of the other reporting lenders. The bank made a substantial portion of small loans to businesses with gross annual revenues less than one million dollars where revenue information was available at origination. The statistical sampling process revealed 72% of all loans, for which revenue data were not collected, were made to businesses with less than \$1 million in revenues. PNC's percentage was significantly above that of the aggregate, which was 47%. PNC did an adequate job of making loans to businesses in amounts of \$100 thousand or less at 73%, falling below the aggregate of other reporting lenders at 86%.

The bank has a low level of CD lending within the New Jersey CMSA (Table 6). During the evaluation period, the bank granted twenty-three CD loans totaling \$4 million. The loans focused on providing affordable housing to low- and moderate-income individuals. None of the loans were significantly innovative or flexible.

## **Investments**

PNC's investments in New Jersey were significant and reflected good responsiveness to the community development needs and opportunities within the state (Table 7). PNC held \$19 million in qualified investments in New Jersey, including nearly \$8 million originated during this evaluation period. Some investments contain innovative features.

PNC has affirmatively addressed some of the more pressing community development needs and

opportunities in Newark, one of the most economically challenged cities in the nation. About \$11 million of New Jersey investments went to Newark where statistics reflect a poverty ratio of 26%, 93% of households and 92% of census tracts designated low- and moderate-income, and unemployment of 13% in 1996. The bulk of Newark's housing stock is older and substandard with 50% developed prior to 1940. While 70% of residents are renters, there is a shortage of affordable rental housing for low- and moderate-income persons.

The majority of investments addressed Newark's most critical need, affordable housing for low- and moderate-income residents. PNC invested \$6.9 million with a national syndicator of low-income housing tax credits (LIHTCs). These investments have provided 136 new units of affordable low- and moderate-income housing. The bank invested \$25 thousand through the PRI program, an innovative initiative, for pre-development costs on 21 low- and moderate-income housing units. In addition, 14 grants and contributions totaling \$99,000 were provided to various groups to expand low- and moderate-income housing opportunities.

Other Newark qualified investments included a \$3.8 million investment benefiting Newark based small businesses, a \$50,000 non-member deposit with a community development credit union that serves low- and moderate-income residents and seven contributions totaling \$138 thousand to local groups in support of small business development and neighborhood stabilization and revitalization.

Investments in other parts of the state reflected good responsiveness to community development needs. For example, PNC made \$2.7 million investments in state-wide LIHTC partnerships and a \$50 thousand investment in a state-wide loan fund that supports community based organizations' various initiatives. An example of noteworthy investments includes the following:

- C PNC invested \$360 thousand in a SBA licensed venture capital fund that provides seed money to small businesses in the earliest stages of development. These firms often do not qualify for conventional venture capital funding.

## **Services<sup>7</sup>**

During the evaluation period, the bank had a good record of helping to meet the credit needs of its community. Retail banking services are available to all portions of the bank's assessment areas, through a combination of the bank's branch network and alternative delivery systems. The bank has also provided a good level of community development services throughout the assessment area.

PNC's delivery systems are accessible to essentially all portions of the assessment areas within the

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<sup>7</sup>This comment highlights differences between the overall level of services and any specific services offered in New Jersey. Refer to the overall service comment for details on the common services offered throughout PNCs markets.

CMSA. The 185 branches are accessible to most of the assessment area. The distribution of branches in all the low- and moderate-income tracts is lower than the percentage of low- and moderate-income people and geographies (Table 8). PNC maintains 14.1% of its branches in low- or moderate-income geographies. This is lower than the percent of the assessment area population living in low- or moderate-income geographies, at 23.7%, and the percentage of low- and moderate-income geographies, at 25.7%. Though comprising a small percent of the state's deposits and branches, the Trenton assessment area had no branches in either low- or moderate- income geographies. The Jersey City assessment area did not have any branches in low-income geographies.

During the evaluation period, 27 branches were closed. No branches were opened. Three of the closed branches were in low-income geographies, and three were in moderate-income geographies.

All of the branches closed in low-income geographies had been purchased from another bank, and were consolidated into PNC branches located less than one mile from their original locations. One branch, in a moderate-income geography, was a drive-thru facility that was a satellite of a branch, and was consolidated into that branch. One branch was acquired and consolidated into another branch less than one mile away. The third branch was purchased. PNC made a business decision to exit the market and consolidated the branch into another location nine miles away.

A branch located in a moderate-income geography in central New Jersey is one of only three branches that is open until 5:00 p.m. Monday through Friday. The branch serves a number of merchants in the seaside town. PNC responded to the needs of the merchants by keeping the branch lobby open.

The bank has provided a good level of community development services within the CMSA (Table 9). The primary focus of the bank's community development activities is financial services education. The bank provides strong support for home ownership counseling and also basic financial services education to low- and moderate-income individuals. The primary objective in many cases is to facilitate affordable housing.

The financial services education also includes a number of in-school and youth programs, as well as seminars on banking products and life skills for adults. The majority of the services related to small businesses involve technical assistance and financial services education to entrepreneurs.

Examples of PNC's community development services include:

- C Bank personnel participated in the development of a "Home of Her Own" video. The video promotes home ownership and is targeted to low- and moderate-income women. It has been shown at a number of first-time home buyers' seminars.
- C Bank personnel have conducted several bilingual seminars targeted at affordable housing for first-time home buyers and the credit application process for small businesses located in low-

and moderate-income areas.

- C The bank has established a close working relationship with an economic development corporation serving a predominantly low- and moderate-income area. The bank provided technical assistance and participated in a financial service seminar describing how to access capital for small and start-up businesses. A survey of the participants indicated that 58% of the participants live in low- or moderate-income areas.
- < Bank personnel are providing ongoing technical assistance to start a local credit union in a low- and moderate-income area. Ninety-one percent of the families in the area live in low- or moderate-income geographies.
- < The bank hosted and conducted a financial seminar for low- and moderate-income senior citizens that focused on estate planning and other financial information vital to senior citizens.
- < Bank personnel provide technical assistance to a micro-loan pool serving an area of the CMSA which has 82% low- and moderate-income geographies. Bank personnel serve on the loan review committee for the loan pool.

In addition to the foregoing, the bank also provides community development services on a broader statewide basis. As an example, a bank officer serves as a Board member of the Center for Non-Profits. The Center provides technical assistance and advocacy for New Jersey-based nonprofit organizations. Several of the nonprofits served by the Center are located in the CMSA. As another example, bank personnel have participated in several panel discussions for radio broadcasts. These broadcasts focused on affordable housing, small business lending and other financial issues affecting low- and moderate-income communities statewide.

## **State Rating**

**CRA Rating for Kentucky: Satisfactory**

**The lending test is rated: High Satisfactory**

**The investment test is rated: Outstanding**

**The service test is rated: High Satisfactory**

- C PNC showed good responsiveness to the HMDA related credit needs of the community, including in low- and moderate-income areas.
- C A significant amount of small business loans were in amounts less than \$100 thousand.



- C The distribution of small business loans to low- and moderate-income areas was only fair.
- C PNC had an excellent level of investments in Kentucky.
- C Retail services are available to all portions of the assessment area however only a low level of community development services were provided.

### **Scope of Examination**

The State of Kentucky evaluation is based on the bank's performance in the Lexington MSA. Mercer and Hardin Counties are located in non-MSA areas and comprise the limited focus areas (Table 1).

This assessment area consists of Clark, Fayette and Madison counties which are part of the Lexington MSA. The bank has 13 branches serving this assessment area. PNC has the fourth largest consumer deposit market share (9%) in the assessment area.

The population of this MSA is approximately 312 thousand. The assessment area contains 76 census tracts, of which 6 (8%) are low-income and 17 (22%) are moderate-income. Twenty-five per cent of the total families reside in low- and moderate-income census tracts. There are a total of 80,061 families in the MSA, of which 22.0% are low-income and 15.9% moderate-income. Twenty-four per cent of the families live below the poverty level.

Median housing value in the MSA is \$62,329. Four percent of the owner occupied units are located in low-income census tracts and 18% in moderate-income tracts. The median age of the housing stock is 27 years.

Available information on businesses shows a total of 11,302 businesses operating in the MSA. Of the 8,683 non-farm businesses with revenues available, 87% have revenues of less than \$1 million. Of the total businesses in the MSA, 33.6% are located in low- and moderate-income tracts.

The MSA's economy is strong; however, the cost of housing is rising faster than income. Primary needs in this area include affordable housing and small business development. Growth has occurred in outlying parts of the community while disinvestment continues in the inner city. The growth has created new jobs, but at sites that are difficult to access by public transportation. Growth has expanded to the point of exhausting the urban service boundary. This may affect the horse farm industry, for which the area is noted, as urban planners must decide if the region will reduce the number of horse farms to accommodate expansion of the urban area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE IN KENTUCKY**

### **Lending**

PNC showed good responsiveness to housing (HMDA products) and adequate responsiveness to the small business credit needs of consumer and commercial borrowers in Kentucky. In the Lexington MSA, PNC was strong in the origination of home purchase loans in low- and moderate-income areas and to low- and moderate-income borrowers (Table 3). The bank had good performance with home improvement loans in low- and moderate-income geographies and adequate performance among low- and moderate-income borrowers (Table 4). The bank did an adequate job of making small loans to businesses in low- and moderate-income areas in Lexington and in making small loans to businesses.

We reviewed areas where PNC did not receive applications or make HMDA-reportable loans. We concluded the bank had no conspicuous gaps in lending. The bank had four census tracts with no reported HMDA activity. Two of the four tracts were low-income, one of which reported no owner-occupied housing.

During the evaluation period, PNC originated 1,292 HMDA-reportable loans for \$72 million; 877 small loans to businesses for almost \$53 million; and 150 small loans to farms for over \$4 million (Table 2). In the Lexington MSA, PNC ranked thirteenth in the number of HMDA loan originations and sixth in small business loan originations. The bank's ranking in small business lending is fairly consistent with their deposit ranking of fourth.

In the Lexington MSA, the distribution of home purchase lending in low- and moderate- income areas was good (Table 3). PNC made an adequate amount of its home purchase loans in low-income areas at 2.2%, which contains 3.6% of the owner-occupied units. The bank performed strongly with 20.1% of its loans in moderate-income areas, where the percentage of owner-occupied units is 17.7%. The bank's market share in both areas was excellent at 4.1% in low-income areas and 3.1% in moderate-income areas compared to the bank's overall market share of 2.7%.

The distribution of home purchase loans to low- and moderate-income families was excellent. The bank originated 28.3% of its home purchase loans to low-income borrowers, compared to 22.0% of families at that income level. Loans to moderate-income borrowers at 19.2%, significantly exceeded the percentage of moderate-income families at 15.9%. PNC's market shares for home purchase lending were good at 9.3% and 3.2% for low- and moderate-income borrowers, respectively, compared to the bank's overall market share of 2.7%.

The distribution of home improvement loans in low- and moderate-income areas was mixed. PNC had strong distribution in low-income areas with 3.5% and adequate distribution in moderate-income areas with 12.1%, compared to the respective levels of owner-occupied housing. The bank's market shares were adequate in low- and moderate-income areas at 1.2% and 1.6%, compared to the overall market share of 3.1%.

The distribution of home improvement loans to low- and moderate-income borrowers was fair. The bank made 10.4% of its home improvement loans to low-income borrowers and 17.3% to moderate-

income borrowers. The market shares for PNC's home improvement loans was adequate with regards to low-income borrowers, at 1.2%, and strong as to moderate-income borrowers, at 3.8%, compared to the bank's overall market share of 3.1%.

The distribution of small loans to businesses in low- and moderate-income areas was adequate. The bank made 3.7% of its loans to businesses in low-income areas where 6.2% of total businesses are located. PNC did a better job in moderate-income areas, with 29% of its small loans to businesses originated in areas where 28% of all businesses are located.

The distribution of small loans to all businesses was good. The bank made 83% of its small loans to businesses in amounts of \$100 thousand or less, compared to other reporting lenders at 84.6%. We were unable to draw conclusions on the number of loans to businesses with revenues less than \$1 million because of insufficient data, since Kentucky was not selected for statistical sampling.

The bank's CD lending in the State of Kentucky reflects adequate responsiveness to community credit needs (Table 6). During the evaluation period, the bank granted two CD loans totaling \$2.6 million, both of which were made in the Lexington MSA. The loans focused on providing affordable housing to low- and moderate-income individuals. Neither of the loans were significantly innovative or flexible.

The performance in the non-MSA area in Kentucky was consistent with the overall performance in the Lexington MSA. Geographic and borrower distributions were similar to the Lexington MSA performance. There are no low-income areas in the limited focus area and moderate-income tracts contain only 1.5% of owner-occupied housing.

## **Investments**

The bank has an excellent level of qualified investments (Table 7). PNC holds nearly \$9 million in qualified investments, of which over \$3 million originated within the Lexington MSA. The dollar volume of investments is high given the demographics of the assessment areas and the needs and opportunities identified through community contacts. Investments made in Kentucky comprised seven percent of PNC's total qualified investment dollars. PNC's strong performance was consistent in the Lexington MSA and in the non-metropolitan areas of the state.

The substantial majority of investments were originated prior to this evaluation period and utilized low income housing tax credits (LIHTC) to develop affordable housing for low- and moderate-income persons. The investments have contributed 280 units of affordable housing to low- and moderate-income persons. This level of commitment reflects positively on PNC's willingness to help address the critical need of affordable low- and moderate-income housing. Other investments consisted of grants to fund pre-home purchase counseling for first-time home owners and consumer credit counseling for low- and moderate-income persons.

## Services

Retail banking services are available to all portions of the bank's assessment areas, either through the bank's branch network or alternative delivery systems. However, the bank has provided a low level of community development services throughout the assessment area.

PNC's delivery systems are accessible to essentially all portions of the assessment areas (Table 8). PNC maintains 23.1% of its branches in low- and moderate-income geographies, less than the percentage of low- and moderate-income areas but greater than the low- and moderate-income population. The bank's low- and moderate-income branches and ATM's were all located in the Lexington assessment area.

Bank products are available through a variety of channels and are responsive to the need of low- and moderate-income people for convenient, timely access to retail banking products and services.

Performance in the limited scope area was consistent with the performance in the full scope area.

During the evaluation period, five branches were closed, and there were no branches opened. None of the closed branches were located in either low- or moderate-income geographies.

PNC has provided a low level of community development services within its assessment areas - the Lexington MSA and the non-MSA areas of the state (Table 9). While the bank's level of services is somewhat mitigated by its moderate presence and relatively small size in these communities, the level of community development services is still considered low. The bank is only involved in three qualified community development services. They are:

- C Bank personnel serve as speakers at quarterly meetings of the Community Reinvestment Alliance of Lexington.
- C The bank coordinated a seminar which focused on affordable mortgages including home ownership and first time home buyers information.
- C Bank personnel coordinate and speak at quarterly seminars focusing on affordable housing.

## Multistate MSA Rating

**CRA Rating for Philadelphia, Pa-NJ Multistate CMSA 77<sup>8</sup>: Outstanding**

**The lending test is rated: Outstanding**

**The investment test is rated: Outstanding**

**The service test is rated: High Satisfactory**

- C PNC showed an excellent response to housing related products in the Philadelphia CMSA.
- C The bank did an adequate job of originating small business loans.
- C A substantial portion of the small business loans were to businesses with less than \$1 million in revenues.
- C PNC's record of granting community development loans reflects good responsiveness to the needs of the community.
- C PNC's record of making qualified investments in Philadelphia is excellent.
- C Most CD lending and investment activities were both innovative and flexible.
- C Retail delivery systems and community development services are accessible to essentially all segments of the assessment area.

**Scope of Examination**

The Philadelphia, PA Multistate MSA evaluation is based on the MSAs that constitute the Philadelphia CMSA 77; which includes the Philadelphia, Pa. and NJ MSA, the Atlantic-Cape May, NJ MSA, and the Vineland-Millville-Bridgeton, NJ MSA (Table 1).

This assessment area consists of Bucks, Montgomery, Philadelphia, Delaware and Chester counties in Pennsylvania and Burlington, Camden, Gloucester, Salem, Atlantic, Cape May and Cumberland counties in New Jersey which comprise the entire Philadelphia Multi-state CMSA. The bank has 185 branches serving this assessment area. PNC has the second largest consumer deposit market share (13%) in the assessment area. The strongest competition comes from First Union Bank (34% deposit share) which recently merged with the former CoreStates Bank.

The population of this CMSA is approximately 5.4 million. The assessment area contains 1,400 census

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<sup>8</sup> This rating reflects performance within the Philadelphia Consolidated Multistate Metropolitan Area. The Pennsylvania evaluation is adjusted and does not reflect performance in the parts of Pennsylvania contained within the multistate metropolitan area.

tracts with 108 (8%) low-income and 224 (16%) moderate-income. There are approximately 1.4 million families in the CMSA with 19.7% low-income and 17.8% moderate-income. Ten per cent of the households live below the poverty level.

Median housing value in the MSA is \$108,170. Five percent of the owner occupied units are located in low-income census tracts and 15% in moderate-income tracts. The median age of the housing stock is 42 years. The housing needs in the Philadelphia area have been strongly influenced by broad economic trends that have affected many other northeastern cities. Two significant demographic trends have resulted from these economic changes: (1) a shift in population growth away from the city and into the suburban areas, and (2) an increase within the city of Philadelphia of those groups that are most economically disadvantaged.

Based on available data, there are a total of 177,411 businesses operating in the MSA. Of the 146,397 non-farm businesses with revenues available, 88% have revenues less than \$1 million. Of the total businesses in the MSA, 17% are located in low- and moderate-income tracts. In 1996, sections of Philadelphia and Camden, NJ were designated as Empowerment Zones. Zone resources were split 81% Philadelphia and 19% Camden. There has been increasing commercial activity within the Zone during the past nine months due to various tax incentives and below market financing offered to businesses that are moving into or expanding within the Zone.

The areas' economic growth will be hampered in the near term as its health care, transportation and telecommunications industries will be constrained by restructuring. Long term growth is ranked below average. The area is at a disadvantage in its ability to attract relocating businesses necessary for sustaining economic growth. This is leaving the area a more service type economy rather than the previous manufacturing base.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE IN PHILADELPHIA CMSA**

### **Lending**

PNC showed excellent responsiveness to housing (HMDA products) and adequate responsiveness to the small business credit needs of consumer and commercial borrowers in the Philadelphia CMSA. PNC was strong in the origination of home purchase and home improvement loans in low- and moderate-income areas (Table 3 & 4). The bank was exceptionally strong in the origination of home purchase loans to low- and moderate-income borrowers and very good in the origination of home improvement loans to low- and moderate-income borrowers.

PNC did a adequate job of originating small loans to businesses based on the geographies in which the businesses are located. The bank did a good job of making loans to businesses with gross annual revenues less than \$1 million and an adequate job of making loans of \$100 thousand or less to all businesses.

PNC's lending activity in the greater Philadelphia area, in both dollar and number of loans, was considered reasonable (Table 2). During the evaluation period, PNC originated 11,585 HMDA loans totaling \$756 million; 7,481 small loans to businesses for over \$990 million and one farm loan for \$10 thousand. PNC was the second largest FDIC insured depository in the Philadelphia CMSA, with almost 14% of the area's insured deposits. It was also the sixth largest HMDA lender with almost 4% of the market share, and the third largest small business lender with about 9% of the market share.

PNC had a good record of making HMDA loans in low- and moderate-income areas. The bank's record was adequate with respect to small loans to businesses. PNC's distribution of loans in the Philadelphia CMSA reflects very good penetration throughout the geographies. We did not note any conspicuous gaps in the bank's lending patterns.

The distribution of home purchase loans in low- and moderate- income areas was excellent. The bank made 6.6% of its loans in low-income areas, which contain 4.6% of the owner-occupied units in the assessment area and 24% in moderate-income areas, which contain 15.2% of the owner-occupied units in the assessment area. PNC's market shares in low- and moderate-income areas were exceptionally strong. The bank had a 15.1% share in low-income tracts and a 9.8% share in moderate-income tracts compared to its overall market share of 3.8%

The distribution of home purchase loans to low- and moderate-income borrowers is excellent. The bank made 28.7% of its loans to low-income borrowers, substantially exceeding the 19.4% of families at that income level. PNC made 22.6% of its loans to moderate-income borrowers, significantly exceeding the 17.9% of families at that income level. The bank's market shares for low- and moderate-income borrowers were also strong, especially for low-income borrowers. Compared to its overall market share of 3.8%, PNC captured 13.9% of the market for low-income borrowers and 4.8% of the market for moderate-income borrowers.

The distribution of home improvement lending in low- and moderate-income areas was good. The bank made 4.1% of its loans in low-income areas and 15.3% of its loans in moderate-income areas. PNC's market share in low-income geographies was good, while strong in moderate-income areas. The bank nearly matched its 6.7% overall market share with a 6.2% share in low-income areas and had a very strong 8.2% share in moderate-income areas.

The distribution of home improvement loans to low- and moderate-income borrowers is good. The bank made 15.1% of its loans to low-income borrowers, which was somewhat lower than the percentage of low-income families. PNC made 18.4% of its loans to moderate-income borrowers, slightly exceeding the percentage of families at that income level. The bank's market shares for home improvement loans to low- and moderate-income borrowers were good at 6.7% and 6.3%, respectively, compared to PNC's overall market share of 6.7%

PNC's portion of small loans to small businesses in the Philadelphia CMSA was good when compared

with the performance of the aggregate of the other reporting lenders. The bank made a substantial portion of small loans to businesses with gross annual revenues less than one million dollars where revenue information was available at origination. The statistical sampling process revealed 87% of all loans, for which revenue data was not collected, were made to businesses with less than \$1 million in revenues. PNC's percentage of loans to businesses with revenues less than \$1 million was significant above that of the aggregate of all reporting lenders, which was 45%. PNC did an adequate job of making loans to businesses in smaller dollar amounts. Of all the small business loans PNC reported, 68.7% were in amounts of \$100 thousand or less. The aggregate of all other lenders required to report made 84.4% of their loans in amounts of \$100 thousand or less.

The bank's record of granting CD loans in the Philadelphia CMSA reflects good responsiveness to community credit needs (Table 6). The bank granted eighty-two loans totaling \$40 million during the evaluation period. In addition, the bank granted six CD letters of credit totaling \$21.5 million. The CI lending was primarily targeted at affordable housing and reflected a high level of innovation. Followir are examples of the more innovative projects where the bank showed strong leadership.

- C The bank granted a \$4.6 million loan to construct fifty-one units of housing with 72% of the units offered to low- and moderate-income home buyers. The project had multiple funding sources and required significant coordination and leadership from the bank. In addition to the loan granted by the bank, Community Development Block Grant funds of \$1.4 million and a Federal Home Loan Bank grant (obtained because of the bank's membership in the Home Loan system) of \$175 thousand were used to finance the project. PNCM provides mortgages to the purchasers of the units.
  
- C The bank granted a \$500 thousand line of credit to purchase and renovate a commercial building that is being transformed into a "Hunger Relief Center". The total cost of the project was \$1 million and involved significant coordination among several funding sources. The Philadelphia Industrial Development Corporation provided \$165 thousand for property acquisition and was joined with a \$140 thousand Community Development Block Grant. An additional \$395 thousand was obtained from a combination of owner's equity and bridge financing from the Delaware Valley Community Reinvestment Fund.
  
- C PNC granted an \$18 million letter of credit to a partnership specifically formed to acquire and rehabilitate an 886 unit public housing development in Philadelphia under HUD's HOPE VI program. The HOPE VI program funds the demolition of uninhabitable or severely distressed public housing and the replacement of those units with mixed income units. The bank served as the lead financial institution in the transaction. When completed, the project will consist of a 47 unit mixed-income residential project. The development was acquired from the Philadelphia Housing Authority and has long been in need of renovation. The partnership is comprised of a corporation, owned and controlled by the National Equity Fund (NEF), and several non-profit organizations. The NEF will contribute more than \$13 million in tax credit equity. The letter o



credit guarantees the sale of tax-exempt bonds issued by the Redevelopment Authority of Philadelphia. The bonds in turn will be repaid by a grant from HUD upon completion of the project.

## **Investments**

PNC's record of making qualified investments in Philadelphia is excellent (Table 7). Community development investments exceeded \$25 million, of which 68% occurred during the current evaluation period. Investments, including grants and charitable contributions address critical community development needs and opportunities. Several investments, particularly for housing and small business development, contain innovative and complex features.

PNC has made substantial use of low-income housing tax credits (LIHTC) to increase the supply of affordable low- and moderate-income housing. Prior to this evaluation period, PNC invested \$6 million in nationally syndicated limited partnerships to develop low-income housing projects throughout the nation. Investments have financed the construction of 640 new and renovated units of affordable low- and moderate-income housing units within the Philadelphia CMSA. In 1996, PNC invested another \$5 million in a similar limited partnership to develop additional affordable low- and moderate-income housing.

Affordable housing investments in Philadelphia are more impressive given the deteriorated housing supply due to declining incomes for low- and moderate-income families, general neglect, abandonment and rising housing cost. The waiting list for subsidized housing has grown due to these conditions. In addition, 57% of all households are at or below moderate-income, and one-third of the city's population receives public assistance. In Camden, the problem is equally severe as 20% of the city's 2,333 public housing units are vacant.

The bank has been highly supportive with grants and contributions totaling \$4.6 million to support the basic funding needs of local and regional organizations that provide community services. This includes the donation of two branch offices with a combined value of \$1 million to two community development organizations. Feedback from community contacts indicates grants and contributions are critical in helping to meet the day-to-day operating expenses of organizations and are often used as seed money to initiate larger and more complex community development projects.

Examples of noteworthy Philadelphia investments include:

- C PNC made an \$850 thousand equity investment and placed a \$3 million time deposit in a minority-owned CDFI. PNC also donated furniture, fixtures and an automated teller machine.
- C PNC purchased its former branch office location in order to donate it to a local Community Development Corporation (CDC). The property, valued at \$855 thousand, houses the

CDC's headquarters, its credit union and provides classroom space for a training program that offers computer and other job training to low- and moderate-income persons. A unique and innovative feature was PNC's agreement to lease platform and teller space from the credit union. Under the agreement, PNC provides on-site technical training to credit union tellers, loan counselors, branch management and administrative support persons.

- C PNC invested \$500 thousand in a regional community development financial institution (CDFI) and venture capital firm. The CDFI leveraged the bank's investment with other funds to provide short-term working capital loans to CDCs. The CDCs needed funding to cover cash flow shortages accumulated when providing community development products and services to low- and moderate-income persons and neighborhoods on the city's behalf.
- C PNC is providing a \$250 thousand annual contribution to a Philadelphia CDC operating in an area of extreme blight with an unemployment rate near 50%. This contribution represents 25% of the CDC's annual budget, which supports the group's small business development, education, job training and housing programs. The community is PNC's "adopted" neighborhood under a state sponsored tax credit program.

## Services<sup>9</sup>

During the evaluation period, the bank had a good record of helping to meet the credit needs of its community. Retail banking services are available to all portions of the bank's assessment areas, either through the bank's branch network or alternative delivery systems. The bank has also provided a good level of community development services throughout the assessment area.

PNC's delivery systems are accessible to essentially all of the assessment areas within the Philadelphia combined metropolitan statistical area (Table 8). The branch system, which is accessible to most of the assessment area, consists of 185 branches. PNC maintains 18.4% of its branches in low- or moderate-income census geographies. This is less than the percent of the population of the assessment area living in low- or moderate-income census geographies, at 29%, and the percentage of low- and moderate-income geographies, at 23.7%.

Forty-seven branches were closed and five branches were opened during the evaluation period. Three of the closed branches were in low-income geographies and nine were in moderate-income geographies. The branches that were opened were in middle- or upper-income-geographies. Two of the branches that were closed in low-income geographies were located in the Philadelphia CMSA. One of the branches had been leased. The owner did not give the bank an option to extend the lease

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<sup>9</sup>This comment highlights differences between the overall level of services and any specific services offered in Philadelphia CMSA. Refer to the overall service comment for details on the common services offered throughout PNCs markets.

upon expiration, and the building was demolished by the owner. The accounts were transferred to a nearby branch that is also in a low-income geography, and two full service ATM's were installed across the street from the original branch. The other branch was consolidated into a larger, more convenient branch, which is readily accessible to former customers of the closed branch via bus or subway. Additionally, another branch is accessible via subway. There are also seven other financial institutions with branches located in a four-block radius from the original branch.

In the New Jersey portion of the CMSA, one branch was closed in a low-income geography and nine were closed in moderate-income geographies. The branch in the low-income geography had been purchased from another financial institution, and subsequently consolidated into a branch six blocks away. Another bank has a branch one block from the closed branch.

Of the nine closed branches located in moderate-income geographies, seven became part of the PNC branch system through acquisition and two through purchase. Six of the acquired branches were consolidated into other PNC branches within a maximum distance of one mile. One of the acquired branches was consolidated into a branch three miles away, but a branch of another bank is one block away. The two branches that had been purchased were also consolidated into nearby branches, one less than one mile away and the other three miles away. However, there are branches of other banks within a few blocks of all the closed branches.

A branch located in a moderate-income census tract in the Atlantic City, New Jersey market is one of only two branches in the CMSA that is open until 6:00 p.m. Monday through Friday. Management reviewed transaction volume counts, responded to community comments, and determined that it was very important for the local community to have a branch with extended hours to accommodate the high volume of transactions.

Additionally, the bank has two branches located in supermarkets that are adjacent to moderate-income geographies. Those branches are open Monday through Sunday from 10:00 a.m. to 7:00 p.m.

The Bank products offered are available through a variety of channels and are responsive to the need of low- and moderate-income people for convenient, timely access to retail banking products and services.

A good level of qualified services was noted in the Philadelphia assessment area (Table 9). The majority of qualified services in this assessment area relate to financial services education. These educational services include presentations on affordable mortgage programs, home ownership counseling, and basic financial and banking services education. In Philadelphia, a community development lender speaks Spanish. When homebuying seminars are held in Hispanic areas, bilingual mortgage counselors attend and present information. Mortgage and home improvement brochures are printed in Spanish and English. Partnerships are noted with two specific communities where a broad range of services and ongoing support is provided. Technical assistance through several board

memberships with community development organizations is also noted.

Below are examples of the community development services provided by the bank.

- C The bank has been in partnership with one neighborhood for the last four years. Support has included technical assistance in strategy planning, financial management and human resources management. Several home ownership and credit seminars have been offered and a bank at school program was started at a local school.
- C In the New Jersey portion of the assessment area, bank personnel have participated in an entrepreneurial training program. They are instructors and provide participants assistance in developing business plans.

## **Multistate MSA Rating**

**CRA Rating for Cincinnati-Hamilton, OH-KY-IN Multistate CMSA #28<sup>10</sup>:**

### **Satisfactory**

**The lending test is rated: High Satisfactory**

**The investment test is rated: High Satisfactory**

**The service test is rated: High Satisfactory**

- C PNC showed good responsiveness to the housing related and business credit needs of the community.
- C The distribution of the above loans into low- and moderate-income areas was also good.
- C PNC has a low level of community development lending in the Cincinnati MSA.
- C Investment activity demonstrated significant volume and responsiveness to community credit needs.
- C Delivery systems were accessible to essentially all segments of the assessment area.
- C The bank provided a good level of community development services.

## **Scope of Examination**

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<sup>10</sup> This rating reflects performance within the Cincinnati Consolidated Multistate Metropolitan Area. The Kentucky evaluation is adjusted and does not reflect performance in the parts of Kentucky contained within the multistate metropolitan area.

The Cincinnati-Hamilton, OH Multistate CMSA examination evaluated the two areas comprising the CMSA: Cincinnati, OH-KY-IN multi-state MSA, and the Hamilton-Middletown, OH MSA (Table 1).

This assessment area consists of Clermont, Hamilton and Warren counties in Ohio, and Boone, Campbell and Kenton counties in Kentucky, which is part of the Cincinnati CMSA. The bank has 51 branches serving this assessment area. The bank has the fourth largest consumer deposit market share (11%) in the assessment area.

The population of this CMSA is approximately 1.4 million. The assessment area contains 348 census tracts of which 39 (11%) are low-income and 64 (18%) are moderate-income. Nineteen per cent of the total families reside in low- and moderate-income census tracts. There are a total of 371,795 families in the CMSA of which 19.6% are low-income and 17.1% are moderate-income. Seventeen per cent of the families live below the poverty level.

Median housing value in the CMSA is \$68,837. Two percent of the owner occupied units are located in low-income census tracts and 11% in moderate-income tracts. The median age of the housing stock is 33 years. There are limited affordable housing opportunities due to an overabundance of multifamily units and little development in downtown Cincinnati.

There are a total of 49,508 businesses operating in the CMSA. Of the 38,589 non-farm businesses with revenues available, 88% have revenues less than \$1 million. Of the total businesses in the CMSA 19.8% are located in low- and moderate-income census tracts.

The CMSA's economy is stable. The area has a well-developed transportation network, and the relatively well-educated labor force will enable the metro area's distribution and warehousing industries to enjoy sustained growth. Growth of small manufacturers, facilitated by generous tax incentives and proximity to the South, will help support the manufacturing base. Most of the job growth is expected to grow in northern Kentucky.

Primary credit needs in this area include affordable housing and small business development.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE IN CINCINNATI CMSA**

### **Lending**

PNC showed good responsiveness to the housing (HMDA products) and small business credit needs of consumer and commercial borrowers in the Cincinnati multistate CMSA. The bank exhibited strong performance in its home purchase lending and adequate performance in its home improvement lending (Table 3 & 4). PNC's geographic distribution of small loans to businesses was good, as was its origination of small loans to businesses.

During the evaluation period, PNC originated 4,530 HMDA-reportable loans for \$330 million; 2,451 small loans to businesses for \$287 million; and five small loans to farms for \$461 thousand (Table 2). PNC ranked fifth in the number of HMDA-reportable loan originations and fourth in small business loan originations. This compared well with the bank's rank of fourth in total deposits.

We reviewed areas where PNC did not make loans or receive HMDA loan applications. We concluded there was no conspicuous gap in the bank's lending patterns. We found no applications in six low-income census tracts and in one moderate-income tract. The average owner-occupancy rate in the low-income areas was less than 7%.

The distribution of home purchase loans in low- and moderate-income areas was excellent (Table 3). The bank made 2.9% of its home purchase loans in low-income areas, which contain 2.2% of the owner-occupied units in the assessment area and 12.5% of its home purchase loans in moderate-income areas, which contain 11.3% of the owner-occupied units in the assessment area. PNC had strong market shares in low- and moderate-income areas at 5.1% and 4.3%, compared to its overall share of 3.0%.

The distribution of home purchase loans to low- and moderate-income borrowers was good. The bank made 12.6% of its home purchase loans to low-income borrowers, compared with 19.6% of families at that income level. Loans to moderate-income borrowers significantly exceeded the level of families at that income level at 29.9% versus 17.1%. The bank's market shares for low- and moderate-income borrowers, at 5% and 4.6%, significantly exceeded its overall market share of 3%.

The distribution of home improvement loans in low- and moderate-income areas was adequate (Table 4). The bank made 1.8% of its loans in low-income areas and 9.2% in moderate-income areas. The bank's market share in low- and moderate-income tracts was also below the overall market share of 6.6%, at 3.5% and 4.4% respectively.

The distribution of home improvement loans was adequate to low-income borrowers and good to moderate-income borrowers. The bank made 10.4% of its home improvement loans to low-income borrowers and 18.4% to moderate-income borrowers. The bank's market shares to both low- and moderate-income families were adequate, each at 4.9%, compared to the overall market share of 6.6%.

The distribution of small loans to businesses was good in low-income areas and adequate in moderate-income areas. The bank made 6.8% of its small loans to businesses in low-income areas, where 7.5% of all businesses are located, and 9.3% in moderate-income areas, where 13.9% of businesses are located.

The bank did a good job of making small loans to all size businesses. The bank made 76.8% of its small loans to businesses in amounts of \$100 thousand or less, compared to other reporting lenders at

82.2%. We were unable to draw a conclusion on the number of loans to businesses with revenues less than \$1 million because of insufficient data, since the Cincinnati CMSA was not one of the areas selected for the statistical sampling process described in the overall lending comment section.

PNC has a low level of CD lending within the Cincinnati multi-state MSA (Table 6). During the evaluation period, the bank granted eleven CD loans totaling \$4.8 million. The loans focused on providing affordable housing to low- and moderate-income individuals. None of the loans were significantly innovative or flexible.

## **Investments**

Cincinnati investment and grant activity demonstrates significant volume and responsiveness to community credit and economic development needs (Table 7). Some credit needs identified include affordable housing for purchase and for rent, particularly in Hamilton County, and economic development that creates jobs for low- and moderate-income people. Over \$8 million was invested through 57 projects and/or community based organizations. About 60% was funded during prior examination periods but remains outstanding. The dollars invested in Cincinnati represented 6% of total qualified investments. Investments addressed some of the more critical needs identified within the assessment area and were particularly focused on affordable housing development.

LIHTCs financing affordable multi-family housing development constitute the bulk of Cincinnati investment dollars at nearly \$5 million. This concentration and focus were consistent with performance in both the Philadelphia and Louisville CMSAs where tax credit projects are a substantial portion of investment activities. Current period LIHTC investments contributed 65 units of housing bolstering the 929 units created in periods prior to this examination. Other Cincinnati investments included two investments in small businesses via a Small Business Investment Company, a deposit in a low-income credit union as well as funding that supports the programs of community based organizations, primarily those that provide community services to low- and moderate-income people.

## **Services<sup>11</sup>**

The bank had a good record of helping to meet the credit needs of its community. Retail banking services are available to all portions of the bank's assessment areas, either through the bank's branch

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<sup>11</sup>This comment highlights differences between the overall level of services and any specific services offered in Cincinnati CMSA. Refer to the overall service comment for details on the common services offered throughout PNC's markets.

network or alternative delivery systems. The bank has also provided a good level of community development services throughout the assessment area.

PNC's delivery systems are accessible to essentially all segments of the assessment areas within the CMSA (Table 8). The branch system consists of 53 branches, the majority of which are located in middle- and upper-income geographies. PNC maintains 7.6% of its branches in low- or moderate-income census geographies. This is lower than the percentage of the assessment area population living in low- or moderate-income areas, at 21.8%, and the percentage of low- and moderate-income geographies, at 29.6%. However, alternative delivery systems effectively supplement the traditional branch network and are accessible through a variety of convenient channels.

The overall number of branches in the CMSA decreased during the evaluation period. Five branches were closed, of which four were in middle- or upper-income geographies, and one branch was opened in an upper-income geography. One of the closed branches was in a low-income geography. The branch only offered limited services and was consolidated into a full service branch two miles away, which is conveniently accessible by public transportation. Additionally, three other financial institutions maintain branches in the neighborhood.

Bank products offered are available through a variety of channels and are responsive to the need of low- and moderate-income people for convenient, timely access to retail banking products and services.

The bank has provided a good level of community development services in the Cincinnati MSA (Table 9). The primary focus of the bank's community development activities is financial services education. The bank provides strong support for home ownership counseling and also basic financial services education to low- and moderate-income individuals. The objective in most cases is to facilitate home ownership.

The financial services education also includes a number of in-school and youth programs, as well as seminars on banking products and life skills for adults. The majority of the services related to small businesses involve technical assistance and financial services education to entrepreneurs.

Examples of PNC's community development services include:

- C The bank funds home ownership and first home buyer classes in the Covington Enterprise Zone. Bank personnel teach at the classes, which focus on affordable mortgages. In excess of 50% of the residents of the Zone are low- or moderate-income.
- C Bank personnel present an overview of banking products and services to high school students. The course includes teaching the students the basic steps to opening a savings or checking account as well as monthly money management technology. More than 62% of the students



participating in this program reside in low- or moderate-income geographies.

- C A bank officer is a member of a small business development committee serving the downtown Cincinnati area. In excess of 80% of the census geographies comprising the downtown area are low-income.

## **Multistate MSA Rating**

**CRA Rating for Louisville, KY-IN Multistate MSA<sup>12</sup>: Outstanding**

**The lending test is rated: Outstanding**

**The investment test is rated: Outstanding**

**The service test is rated: High Satisfactory**

- C PNC showed good responsiveness to housing related and small business credit needs in the Louisville MSA.
- C The bank did a good job of penetrating low- and moderate-income geographies with both products.
- C The majority of community development loans focused on affordable housing and showed good responsiveness to this credit need.
- C Investment activity demonstrated excellent volume and responsiveness to economic development needs.
- C Delivery systems are accessible to essentially all portions of the assessment area.

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<sup>12</sup> This rating reflects performance within the Louisville multistate metropolitan area. The Kentucky statewide evaluations are adjusted and do not reflect performance within the Louisville multistate metropolitan area.

C The bank provided a good level of community development services.

### **Scope of Examination**

The Louisville KY-IN Multistate MSA evaluation is based on the Louisville MSA (Table 1).

This assessment area consists of Jefferson and Oldham counties in Kentucky and Clark and Floyd counties in Indiana which is part of the Louisville MSA. The bank has 55 branches serving this assessment area. PNC has the second largest consumer deposit market share (24%) in the assessment area.

The population of this MSA is approximately 850 thousand. The assessment area contains 228 census tracts, of which 22 (10%) are low-income and 51 (22%) are moderate-income. Twenty-four per cent of the total families reside in low- and moderate-income census tracts. There are a total of 232,175 families in the MSA, of which 20.2% are low-income and 17.5% are moderate-income. Nineteen per cent of the families live below the poverty level.

Median housing value in the MSA is \$54,011. Three percent of the owner occupied units are located in low-income census tracts and 16% in moderate-income tracts. The median age of the housing stock is 34 years. New development and redevelopment efforts have caused significant increases in property values.

There are a total of 30,903 businesses operating in the MSA. Of the 23,947 non-farm businesses with revenues available, 87% have revenues less than \$1 million. Of the total businesses in the MSA, 30.9% are located in low- and moderate-income tracts. Targeted reinvestment initiatives spearheaded by local government are creating an increase in small businesses located in low- and moderate-income areas.

The MSA's economy is strong and diverse. Growing transportation and distribution services, and expansions of various health-care company headquarters will lend greater stability to the economy. The area will also benefit from the migration of the nation's high-paying industries to the South. Louisville greatest advantage remains the favorable living and business cost differential relative to its northern neighbors. On the downside, the cost of housing is rising much faster than income.

Primary credit needs in this area include affordable housing and small business development.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE IN LOUISVILLE MSA**

#### **Lending**

PNC showed good responsiveness to the housing (HMDA products) and small business credit needs of consumer and commercial borrowers in the Louisville multi-state MSA. The bank was strong in home purchase lending and good in home improvement lending when comparing the distribution of those loans in low- and moderate-income areas and to low- and moderate-income borrowers (Table 3 & 4). PNC did a good job of originating small loans to businesses in low- and moderate-income geographies, small loans to small businesses, and loans equal to or less than \$100 thousand to all businesses.

During the evaluation period, PNC originated: 5,148 HMDA-reportable loans for \$317 million; 3,515 small loans to businesses for \$271 million; and 20 small farm loans for \$470 thousand (Table 2). PNC was ranked third in the number of HMDA loans originated and second for small loans to businesses. This is consistent with the bank's deposit ranking which is second.

We reviewed areas where the bank did not receive loans or applications for HMDA-reportable loans. We did not find any conspicuous gaps in the bank's lending patterns. We found four census tracts where no applications were received. Three of the tracts were very low-income and presented very limited opportunities for HMDA lending.

The distribution of home purchase loans in low- and moderate-income areas was excellent (Table 3). The bank made 3.4% of its home purchase loans in low-income tracts, which contain 3.1% of the owner-occupied units in the assessment area and 21.2% in moderate-income tracts, which contain 16.3% of the owner-occupied units in the assessment areas. PNC's market shares in low- and moderate-income areas, at 7.7% and 10.9% respectively, significantly exceeded the bank's overall market share of 6.1%.

The distribution of home purchase loans to low- and moderate-income borrowers was excellent. The bank made 34.7% of its loans to low-income borrowers and 19.9% to moderate-income borrowers, which significantly exceeded the percentages of low- and moderate-income families in the Louisville MSA at 20.2% and 17.5%, respectively. The bank's market shares to low- and moderate-income families, at 31.8% and 6.6%, significantly exceeded the bank's overall market share of 6.1%.

The distribution of home improvement loans in low- and moderate-income areas was adequate (Table 4). The bank made 1.8% of its loans in low-income areas and 15.6% in moderate-income areas. PNC's market share for home improvement loans in low-income areas was also low at 5.4% compared to its overall market share of 10.6%. The bank had a good market share in moderate-income tracts by equaling its overall share.

The distribution of home improvement lending to low- and moderate-income borrowers was good. The bank made 13.5% of its home improvement loans to low-income borrowers and 21.8% to moderate-income borrowers. PNC had a strong market share for home improvement loans among low-income borrowers at 11.5% and a good market share among moderate-income borrowers at

10.7%, compared to its overall market share of 10.6%.

The bank had a good geographic distribution of small loans to businesses (Table 5). In the Louisville MSA, 7.2% of the businesses are located in low-income areas and 24.0% are located in moderate-income areas. The bank made 6.8% of its loans in low-income tracts and 22.3% in moderate-income tracts.

The bank's percentage of loans in amounts of less than \$100 thousand to any size business was good at 83.2%, compared to the aggregate of other reporting lenders at 86.9%. We were unable to draw a definitive conclusion on the number of loans to businesses with revenues less than \$1 million because of insufficient data, since the Louisville MSA was not one of the areas selected for the statistical sampling process described in the overall lending comment section.

The bank's CD lending activity is responsive within the Louisville MSA (Table 6). During the evaluation period, the bank granted nine CD loans totaling more than \$12 million. The majority of loans focused on providing affordable housing to low- and moderate-income individuals.

## **Investments**

Investment and grant activity in Louisville demonstrated excellent volume and responsiveness to community credit and economic development needs (Table 7). Fifty-three qualified investments were noted in Louisville exceeding \$44 million with slightly more than half the dollars invested during the current period. This performance reflects the highest volume of investments in any assessment area and is notable as it represents 27% of the total investment dollars considered.

Investments in LIHTCs used to develop multi-family affordable housing developments contributed nearly \$42 million of the total dollars and attest to PNC's singular focus on the critical need of providing affordable housing in this market via strong relationships with both public and private partners. Most investments were considered complex. The bank was an active participant in the multiple layers generally involved in producing low income housing tax credit projects. Current period LIHTC investments have contributed 322 units of housing in addition to the 523 units created through prior period investments. Other investments in Louisville, while not as significant in dollar terms, but nonetheless supporting other identified needs, included support of a newly established community development bank and its programs, funds to support small business development, and contributions in support of educational programs for low-income children.

The following is a significant Louisville project in which the bank has engaged:

- C PNC provided a \$14.4 million equity investment using low income housing tax credits (LIHTCs) to facilitate the reconstruction of a mixed income housing community to include apartments, townhomes, and single family houses under the "new urbanism" concept of

community development. This second phase of a multilevel development that demolished more than 1,000 public housing units focused on providing 213 rental housing and will feature subsidized public housing units for the very low-income (less than 30% of median) all the way to market rate units with no income limitations. The project included a number of public and private partners, and PNC also provided \$3.7 million construction financing as well as a \$2.6 million permanent loan. The investment is the largest direct equity investment ever by the bank in an affordable housing development.

## Services<sup>13</sup>

The bank had a very good record of helping to meet the credit needs of its community. Retail banking services are available to all portions of the bank's assessment areas, either through the branch network or alternative delivery systems. PNC also provided a good level of community development services throughout the assessment area.

PNC's delivery systems are accessible to essentially all portions of the assessment area within the Louisville, KY-IN multi state metropolitan statistical area (Table 8). The bank has 55 branches within the assessment area. PNC maintains 27.3% of its branches in low- or moderate-income geographies. This percentage is higher than the percentage of the assessment area population living in low- or moderate-income geographies, at 26.2%, and the percentage of low- and moderate-income geographies, at 33.3%.

During the evaluation period, two branches were closed and no branches were opened. One of the closed branches was in a moderate-income geography. The branches were consolidated into a headquarters branch on the same street one mile away. There were also branches of two other banks less than one mile from the original branch site.

A branch located in a moderate-income geography in the Louisville market is the only branch that is open until 7:00 p.m. Monday through Thursday, and until 8:00 p.m. on Friday. The extended hours are offered in response to customer demand and measured customer traffic patterns.

Bank products offered are available through a variety of channels and are responsive to the need of low- and moderate-income people for convenient, timely access to retail banking products and services.

The bank has provided a good level of community development services within the MSA (Table 9). The primary focus of the bank's community development activities is financial services education. Th

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<sup>13</sup>This comment highlights differences between the overall level of services and any specific services offered in Louisville CMSA. Refer to the overall service comment for details on the common services offered throughout PNC's markets.

bank provides strong support for home ownership counseling and also basic financial services education to low- and moderate-income individuals. The goal or target in most cases is to facilitate affordable housing.

The financial services education also includes a number of in-school and youth programs, as well as seminars on banking products and life skills for adults. The majority of the services related to small businesses involve technical assistance and financial services education to entrepreneurs.

Examples of PNC’s community development services include:

- C A bank officer is on the Board of the Community Empowerment Zone. The Broad is responsible for managing its funds. The officer provides financial expertise in directing the use of the funds. PNC is the only bank represented on the Board.
- C Bank personnel offer technical assistance on the Board of the Downtown Revitalization Agency; the Economic Restructuring Committee; and the White House Small Business Incubator Committee all of which promote community development an area of the MSA which is predominantly low- or moderate-income.

In addition to the foregoing, the bank provides community development services on a broader statewide or regional basis. As an example, bank personnel serve on the Advisory Board and Housing Task Force for an organization that focuses on housing, economic and workforce development in rural communities in Southern Indiana. The programs are directed at affordable housing development; first-time home buyer education; work skills enhancement for the working poor; and welfare-to-work programs. For example, is the bank personnel worked with a task force to develop a comprehensive home ownership education program to be used by organizations throughout the state of Indiana. The program was developed in partnership with the Indiana Housing Finance Authority and private industry.

**Examination Coverage**

<b>Time Period Reviewed</b>	Lending: 1/1/96 to 12/31/97 Investment: 1/1/96 to 7/6/98 Service: 1/1/96 to 7/6/98		
<b>Financial institution</b> PNC Bank National Association, Pittsburgh, PA			<b>Products reviewed</b> HMDA, small business, qualified community development loans
<b>Affiliate(s)</b>	<b>Affiliate relationship</b>		<b>Products reviewed</b>

PNC Mortgage Corporation of America	Bank subsidiary		Mortgage loans
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam/ Branches Visited	Assessment Area	Type of Exam/ Branches Visited
Pennsylvania MSA 2380, Erie MSA 6280, Pittsburgh MSA 7560, Scranton- Wilkes Barre MSA 3240, Harrisburg MSA 3880, Johnstown MSA 4000, Lancaster MSA 6880, Reading MSA 7610, Sharon MSA 8060, State College MSA 9140, Williamsport MSA 9280, York Non-MSA	Full Scope Full Scope/Yes Full Scope  Limited Scope Limited Scope Limited Scope Limited Scope Limited Scope Limited Scope Limited Scope Limited Scope Limited Scope Limited Scope	Philadelphia, PA CMSA 77 MSA 6160, Philadelphia MSA 0580, Atlantic-Cape May, NJ MSA 8760, Vineland- Millville- Bridgeton, NJ  Multistate MSA 6160	Full Scope/Yes  Full Scope  Full Scope
New Jersey CMSA 70 MSA 0875, Bergen/Passaic MSA 3640, Jersey City MSA 5015, Middlesex- Somerset-Hunterdon MSA 5190, Monmouth-Ocean MSA 5640, Newark MSA 8480, Trenton	Full Scope	Cincinnati CMSA 28 MSA 1640, Cincinnati MSA 3200, Hamilton- Middletown	Full Scope
Kentucky MSA 4280, Lexington Non-MSA	Full Scope Limited Scope	Louisville MSA 4520, Louisville	Full Scope

The primary objective of selecting areas for full scope review is to ensure a reasonable representation of the bank’s assessment areas. The selection process is based on a evaluation of demographic and bank prepared data. Key factors considered included the number of branches, the level of deposits, the low- and moderate-income population and geographies and the banks presence in urban and rural markets.

Pennsylvania and New Jersey were key markets based on their significance to the overall bank. Philadelphia, Louisville and Kentucky markets are also significant to the overall bank.

Assessment areas selected for full scope reviews received an in-depth analysis of PNC’s performance, regarding: lending, investment, and service activity, with emphasis on the credit needs of low- or moderate-income individuals or areas. PNC’s performance in the full scope areas was evaluated

considering types of activities, volume, innovation, complexity, responsiveness as well as the penetrati levels to low- or moderate-income individuals and in low- or moderate-income areas.

The review of activities in the limited scope areas was limited to a comparison of volumes to the full scope areas in order to determine whether performance was consistent.

**Summary of State  
and Multistate MSA Ratings**

<b>State or multistate MSA name</b>	<b>Lending test rating</b>	<b>Investment test rating</b>	<b>Service test rating</b>	<b>Overall rating state/ multistate</b>
Pennsylvania	O	HS	HS	O
New Jersey CMSA 70	HS	HS	HS	S
Kentucky	HS	O	HS	S
Philadelphia CMSA 77	O	O	HS	O
Cincinnati- Hamilton CMSA 28	HS	HS	HS	S
Louisville Multistate MSA	O	O	HS	O



*APPENDIX - This page intentionally left blank*

## *Assessment Area Demographics*

Percentages may not total 100 due to census tracts classified as NA.

Small Business by Census Tract; displays businesses with reported revenue size <\$1 million.

The Philadelphia Multistate CMSA includes the following MSA's: #6160 - Philadelphia, Pa. - NJ, #0580 - Atlantic/Cape May, NJ, #8760 - Vineland/Millville/Bridgeton, NJ.

The Cincinnati Multistate CMSA includes the following MSA's: #1640 - Cincinnati, Oh-Ky-In, #3200 - Hamilton/Middletown, Oh.

The New Jersey CMSA includes the following MSA's: #0875 - Bergen/Passaic, NJ, #3640 - Jersey City, NJ, #5015 - Middlesex/Somerset/Hunterdon, NJ, #5190 - Monmouth/Ocean, NJ, #5640 - Newark, NJ, # 8480 - Trenton, NJ

Service Table Notes

### **Distribution of Qualified Investments**

The deposit information in Table 7 is presented for information purposes only.

### **Distribution of Branches**

The three assessment areas in bold print were selected for full scope review. These areas were selected based on the significance of the bank's services compared to overall activities; service opportunities; level of deposits; and demographic and economic conditions. The areas not selected were reviewed on a limited basis, and were evaluated based on the whether the performance was consistent or inconsistent with the full scope review areas.

### **Distribution of Community Development Services**

For each focus area, the information was reviewed to determine the number and type of activities in which the bank is involved. For example, PNC conducted seven homebuyer seminars for different groups of one organization in Pittsburgh during the evaluation period. This was captured as one organization and seven affordable housing activities.

**Table 1. Descriptive Information by CMSA or MSA**

DEMOGRAPHIC CHARACTERISTICS					
Description	Philadelphia <u>CMSA #77</u>	Pittsburgh <u>MSA #6280</u>	Scranton-Wilkes Barre <u>MSA</u> <u>#7560</u>	Erie <u>MSA #2360</u>	Cincinnati <u>CMSA #28</u>

DEMOGRAPHIC CHARACTERISTICS				
<u>Population</u>	5,379,644	2,394,811	638,466	275,572
Low	9.5%	2.8%	.4%	5.2%
Moderate	19.5%	21.2%	9.4%	13.3%
Middle	42.4%	51.2%	76.6%	63.7%
Upper	28.2%	24.6%	13.6%	17.8%
<u>Families distribution by Income</u>	1,386,689	659,389	171,947	71,459
Low	19.7%	19.6%	18.4%	18.8%
Moderate	17.8%	18.3%	18.8%	18.2%
Middle	23.8%	22.8%	24.7%	24.9%
Upper	38.7%	39.4%	38.0%	38.1%
<u>Households by Income Level</u>	1,969,268	946,286	246,305	101,652
Low	25.4%	24.8%	25.1%	23.6%
Moderate	16.0%	15.7%	15.5%	15.9%
Middle	20.0%	18.4%	18.1%	20.2%
Upper	38.5%	41.1%	41.3%	40.3%
<u>Census Tracts</u>	1,400	780	189	69
Low	7.7%	4.7%	1.1%	7.3%
Moderate	16.0%	24.9%	11.6%	15.9%
Middle	46.1%	45.1%	76.7%	60.9%
Upper	27.5%	19.6%	10.6%	15.9%
<u>Small Business by Tract</u>	132,647	55,251	14,509	6,098
Low	5.4%	3.0%	3.3%	8.9%
Moderate	12.5%	23.1%	11.3%	12.8%
Middle	45.8%	44.4%	70.9%	59.2%
Upper	35.9%	28.1%	14.5%	19.1%
<u>Owner Occupied Housing by Tract</u>	1,369,255	663,192	170,669	69,705
Low	4.9%	1.3%	>.1%	2.1%
Moderate	15.3%	18.8%	6.9%	10.0%
Middle	49.1%	54.1%	79.1%	67.7%
Upper	30.7%	25.8%	14.0%	20.2%
<u>Median Housing Value</u>	\$108,170	\$51,716	\$54,669	\$52,014
<u>Median Family Income</u>	\$41,563	\$32,787	\$30,676	\$28,934
<u>HUD adjusted 1997 Median Family Income</u>	\$52,297	\$39,800	\$37,700	\$34,500

Table 1 - continued

<b>DEMOGRAPHIC CHARACTERISTICS</b>			
Description	<u>NJ Portion CMSA #70</u>	<u>Louisville MSA #4250</u>	<u>Lexington MSA #4280</u>
<u>Population</u>	6,079,453	850,381	312,370
Low	4.8%	6.9%	7.2%
Moderate	18.9%	19.3%	21.8%
Middle	49.2%	44.0%	39.8%
Upper	26.9%	29.8%	31.2%
<u>Families distribution by Income</u>	1,605,312	232,175	80,061
Low	18.9%	20.2%	22.0%
Moderate	18.4%	17.5%	15.9%
Middle	24.2%	22.3%	20.7%
Upper	38.5%	40.0%	41.4%
<u>Households by Income Level</u>	2,205,806	331,692	120,514
Low	23.0%	24.1%	25.5%
Moderate	16.3%	15.8%	15.0%
Middle	20.6%	19.0%	18.5%
Upper	40.1%	41.1%	41.0%
<u>Census Tracts</u>	1,502	228	76
Low	7.1%	9.6%	7.9%
Moderate	18.6%	22.4%	22.4%
Middle	45.6%	39.9%	39.5%
Upper	23.7%	27.6%	28.9%
<u>Small Business by Tract</u>	179,194	20,911	7,659
Low	4.1%	6.5%	6.6%
Moderate	14.6%	23.7%	27.4%
Middle	50.4%	36.3%	37.9%
Upper	30.9%	33.5%	28.1%
<u>Owner Occupied Housing by Tract</u>	1,392,489	219,307	67,373
Low	1.2%	3.1%	3.6%
Moderate	13.4%	16.3%	17.7%
Middle	52.1%	46.4%	42.3%

1990 US Census Data

**Table 2. Distribution of HMDA and Small Business Lending**

Assessment Area		Home Purchase		Refinance		Home Improvement	
		#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Philadelphia Multistate CMSA #77	<b>Philadelphia CMSA</b>	4,451	428,364	2,308	223,434	4,821	104,084
Pennsylvania	<b>Erie</b>	1,229	87,976	585	48,006	561	9,079
	<b>Pittsburgh</b>	4,100	284,643	1,829	155,223	3,738	68,886
	<b>Scranton-Wilkes Barre</b>	755	51,048	984	50,271	1,675	29,445
Pennsylvania Limited Scope	Allentown	319	31,639	275	18,602	352	7,646
	Harrisburg	895	73,304	614	51,473	577	11,115
	Johnstown	161	8,383	249	10,579	356	5,617
	Lancaster	303	23,373	139	13,141	64	1,146
	Reading	148	15,001	41	3,737	50	1,069
	Sharon	124	6,170	60	2,684	104	2,130
	State College	300	28,544	255	23,313	102	2,199
	Williamsport	184	15,075	143	12,056	46	1,128
	York	183	14,955	155	13,405	148	3,105
	Non-MSA Areas	471	27,289	763	41,338	1,088	19,766
York-N NJ-Long Island NY-NJ-CT-PA CMSA #70	<b>New York-N NJ-Long Island NY-NJ-CT-PA CMSA #70</b>	3,763	528,415	2,084	239,203	2,803	73,017
Kentucky	<b>Lexington</b>	413	32,987	217	20,293	173	2,449
Kentucky Limited Scope	Non-MSA Areas	91	5,786	128	6,901	266	3,253
Louisville, KY-IN Multistate MSA	<b>Louisville KY-IN CMSA</b>	1,917	160,238	1,405	130,628	1,819	25,472
Cincinnati, OH-KY-IN CMSA #28	<b>Cincinnati/Hamilton, OH- KY-IN Multistate CMSA #21</b>	1,750	183,077	1,023	120,338	1,755	26,799

Source: Bank prepared HMDA Loan Application Registers

**Table 3. Distribution of Home Purchase Loans**

Assessment Area	Demographics				Lending Distribution (% of number of loans)				1996 PNC Market Share*				
	% Owner Occupied		% Families		By CT		By Borrower		Overall	By CT		By Borrower	
	Low	Mod	Low	Mod	Low	Mod	Low	Mod		Low	Mod	Low	Mod
<b>Philadelphia CMSA</b>	4.6	15.2	19.4	17.9	6.6	24.0	28.7	22.6	3.8	15.1	9.8	13.9	4.8
<b>Erie</b>	2.1	10.0	18.8	18.2	1.8	11.3	12.0	24.3	18.3	14.9	25.0	28.0	22.7
<b>Pittsburgh</b>	1.3	18.8	19.6	18.3	1.0	18.9	12.2	30.6	10.0	14.2	12.5	19.9	19.2
<b>Scranton-Wilkes Barre</b>	0.0	6.9	18.4	18.9	0.0	5.8	7.7	27.2	8.0	0.0	7.1	14.2	12.2
Allentown	0.6	11.3	16.7	19.2	1.2	11.9	11.0	25.1	2.2	4.8	2.7	4.1	3.2
Harrisburg	1.2	7.3	15.7	19.3	2.1	7.2	8.7	33.4	6.6	19.7	9.1	7.9	9.9
Johnstown	0.4	4.2	17.4	19.6	0.6	6.8	6.2	15.5	3.9	14.3	9.1	4.9	4.1
Lancaster	0.6	6.0	15.3	19.2	5.3	21.4	19.8	45.5	2.6	24.4	8.9	10.1	5.3
Reading	1.5	9.0	16.4	19.1	0.0	0.7	5.4	16.9	1.5	0.0	0.3	0.9	1.0
Sharon	2.4	5.9	17.5	19.6	2.4	8.1	8.9	33.1	4.7	7.1	7.6	5.9	10.7
State College	0.2	12.1	17.0	20.2	0.7	3.3	4.3	17.7	8.7	10.0	3.2	8.3	7.0
Williamsport	NA	4.5	17.4	19.4	NA	4.4	3.3	16.9	7.2	NA	5.5	1.2	5.6
York	1.2	6.2	15.3	19.5	0.6	5.5	6.6	36.1	1.6	1.7	0.6	1.6	2.5
Non-MSA Areas	NA	3.7	16.7	18.3	NA	3.8	5.9	23.8	2.4	NA	4.3	6.9	4.1
<b>New York-N NJ-Long Island NY-NJ-CT-PA CMSA</b>	1.2	13.4	18.9	18.4	1.1	12.0	9.1	25.0	2.5	2.8	3.0	4.5	3.3
<b>Lexington</b>	3.6	17.7	22.0	15.9	2.2	20.1	28.3	19.2	2.7	4.1	3.1	9.3	3.2
Non-MSA Areas	NA	1.5	13.8	15.4	NA	3.3	6.6	25.3	0.8	NA	0.0	NA	1.8
<b>Louisville KY-IN CMSA</b>	3.1	16.3	20.2	17.5	3.4	21.2	34.7	19.9	6.1	7.7	10.9	31.8	6.6
<b>Cincinnati/Hamilton, OH-KY-IN Multistate CMSA #28</b>	2.2	11.3	19.6	17.1	2.9	12.5	12.6	29.9	3.0	5.1	4.3	5.0	4.6

Source: Bank prepared 1996 and 1997 HMDA Loan Application Registers and FFIEC 1996 Aggregate HMDA data.

\* 1996 HMDA Reporter Market Share

**Table 4. Distribution of Home Improvement Loans**

Assessment Area	Demographics				Lending Distribution (% of number of loans)				1996 PNC Market Share*				
	% Owner Occupied		% Families		By CT		By Borrower		Overall	By CT		By Borrower	
	Low	Mod	Low	Mod	Low	Mod	Low	Mod		Low	Mod	Low	Mod
<b>Philadelphia CMSA</b>	4.6	15.2	19.4	17.9	4.1	15.3	15.1	18.4	6.7	6.2	8.2	6.7	6.3
<b>Erie</b>	2.1	10.0	18.8	18.2	3.2	13.4	8.4	15.0	18.2	27.3	19.6	16.4	17.3
<b>Pittsburgh</b>	1.3	18.8	19.6	18.3	1.6	19.6	10.7	16.3	11.6	15.0	11.0	10.6	9.6
<b>Scranton-Wilkes Barre</b>	0.0	6.9	18.4	18.9	0.0	8.2	11.6	18.7	18.7	0.0	17.7	21.9	19.7
Allentown	0.6	11.3	16.7	19.2	0.3	16.5	9.1	18.5	5.4	5.0	6.7	3.3	5.1
Harrisburg	1.2	7.3	15.7	19.3	1.4	7.1	11.1	19.1	5.8	5.4	6.2	6.8	5.1
Johnstown	0.4	4.2	17.4	19.6	0.8	6.7	7.6	13.2	8.4	33.3	9.6	4.6	5.9
Lancaster	0.6	6.0	15.3	19.2	3.1	12.5	10.9	17.2	1.0	8.3	2.5	1.5	0.9
Reading	1.5	9.0	16.4	19.1	0.0	18.0	14.0	18.0	1.2	0.0	3.8	1.4	1.9
Sharon	2.4	5.9	17.5	19.6	0.0	7.7	4.8	19.2	4.6	0.0	6.1	1.8	6.6
State College	0.2	12.1	17.0	20.2	0.0	4.9	2.9	11.8	7.3	0.0	1.2	2.8	4.3
Williamsport	NA	4.5	17.4	19.4	NA	6.5	6.5	13.0	1.3	NA	3.7	1.5	0.5
York	1.2	6.2	15.3	19.5	4.7	8.1	9.5	18.2	2.9	13.9	5.4	3.1	3.3
Non-MSA Areas	NA	3.7	16.7	18.3	NA	5.6	8.6	15.3	18.3	NA	22.7	16.5	17.8
<b>New York-N NJ-Long Island NY-NJ-CT-PA CMSA</b>	1.2	13.4	18.9	18.4	1.1	10.6	8.3	17.2	6.7	2.9	4.5	5.1	5.4
<b>Lexington</b>	3.6	17.7	22.0	15.9	3.5	12.1	10.4	17.3	3.1	1.2	1.6	1.2	3.8
Non-MSA Areas	NA	1.5	13.8	15.4	NA	1.5	6.0	12.0	17.9	NA	8.3	61.5	18.5
<b>Louisville KY-IN CMSA</b>	3.1	16.3	20.2	17.5	1.8	15.6	13.5	21.8	10.6	5.4	10.6	11.5	10.7
<b>Cincinnati/Hamilton, OH-KY-IN Multistate CMSA #28</b>	2.2	11.3	19.6	17.1	1.8	9.2	10.4	18.4	6.6	3.5	4.4	4.9	4.9

Source: Bank prepared 1996 and 1997 HMDA Loan Application Registers and FFIEC 1996 Aggregate HMDA data.

\* 1996 HMDA Reporter Market Share



**Table 5. Distribution of Small Business Lending**

State, CMSA, Multistate or MSA Name	Assessment Area	% of Businesses in CT		% of PNC Small Loans to Business in CT 1996 & 1997		% PNC Loans < \$100,000 1996	% of Reported Loans <sup>1</sup> < \$100,000 1996
		Low	Mod d	Low	Mod		
Pennsylvania	<b>Pittsburgh</b>	3.0	22.4	4.9	16.1	78.8	83.5
	<b>Scranton- Wilkes Barre</b>	3.4	11.7	2.1	10.9	77.4	84.3
	<b>Erie</b>	10.2	12.6	8.0	11.0	84.9	83.1
Pennsylvania Limited Scope	Non-MSA Areas	NA	5.5	NA	7.1	88.4	*
	Harrisburg	1.8	12.8	1.0	6.2	79.8	82.7
	Allentown	1.7	15.1	0.2	11.5	70.6	83.7
	Johnstown	0.4	9.3	0.0	8.2	78.4	85.2
	State College	15.4	8.8	12.1	6.6	80.3	81.8
	Sharon	9.5	8.1	10.0	1.7	84.6	81.4
	Williamsport	NA	24.3	NA	32.3	67.7	83.3
	York	3.7	11.0	0.7	8.2	76.4	81.5
	Reading	4.0	11.5	0.0	0.0	80.0	82.4
	Lancaster	0.7	11.2	0.0	18.7	53.2	82.2
New Jersey- New York-Northern New Jersey-Long Island, NY-NJ- CT-PA CMSA 70	<b>New York-N NJ-Long Island NY- NJ-CT-PA CMSA</b>	4.3	14.2	4.7	13.1	72.7	86.5
Kentucky	<b>Lexington</b>	6.2	28.0	3.7	29.0	83.0	84.6
Kentucky Limited Scope	Non-MSA Areas	NA	3.3	NA	0.7	91.4	*
Philadelphia Multistate CMSA 77	<b>Philadelphia CMSA</b>	5.3	12.2	4.8	10.2	68.7	84.4
Louisville, KY-IN Multistate MSA	<b>Louisville KY-IN CMSA</b>	7.2	24.0	6.8	22.3	83.2	86.9

State, CMSA, Multistate or MSA Name	Assessment Area	% of Businesses in CT		% of PNC Small Loans to Business in CT 1996 & 1997		% PNC Loans < \$100,000 1996	% of Reported Loans <sup>1</sup> < \$100,000 1996
		Low	Mod	Low	Mod		
Cincinnati, OH-KY-IN CMSA# 28	<b>Cincinnati/Hamilton, OH-KY-IN Multistate CMSA #21</b>	7.5	13.9	6.8	9.3	76.8	82.2

Source: Bank prepared 1996 & 1997 CRA Data Loan Collection Registers & FFIEC 1996 Aggregate CRA Loan Data \*: Unable to calculate from FFIEC 1996 Aggregate CRA Loan Data

**Table 6. Distribution of Qualified Community Development Loans**

ASSESSMENT AREAS	% of Bank Deposits	Total Loans		Affordable Housing		Revitalize/Stabilize		Community Service	
		#	\$ 000	#	\$ 000	#	\$ 000	#	\$ 000
<b>Philadelphia</b>	25.1	82	40,002	27	21,428	8	9,127	47	9,447
<b>Pennsylvania</b>	41.2								
<b>Pittsburgh</b>	25.0	33	26,653	9	5,305	19	19,256	5	2,092
<b>Scranton-Wilkes Barre</b>	5.3	3	3,596	2	1,743	1	1,853	0	0
<b>Erie</b>	2.1	6	14,405	2	450	4	13,955	0	0
Non MSA Areas	3.4	8	6,477			2	5,981	6	496
Harrisburg	2.1	15	1,650	5	293	1	75	9	1,282
Allentown	1.1	2	2,572	2	2,572				
Johnstown	1.0	1	10					1	10
State College	0.6	1	250					1	250
Sharon	0.3								
Williamsport	0.1								
York	0.1								
Reading	0.1								
Lancaster	0.0								
<b>New Jersey</b>	18.5	23	4,110	10	2,149	0	0	13	1,961
<b>Louisville</b>	7.9	9	12,828	7	10,898	1	1,700	1	230
<b>Kentucky</b>	1.3	2	2,620	1	1,230	1	1,390		
<b>Lexington</b>	0.8	2	2,620	1	1,230	1	1,390		
NonMSA Areas	0.5	0	0						
<b>Cincinnati</b>	6.0	11	4,753	5	3,018	5	1,216	1	519

ASSESSMENT AREAS	% of Bank Deposits	Total Loans		Affordable Housing		Revitalize/Stabilize		Community Service	
		#	\$ 000	#	\$ 000	#	\$ 000	#	\$ 000
Grand Total	100	196	119,926						

Source: Bank Prepared Data

**Table 7. Distribution of Qualified Investments**

ASSESSMENT AREAS	% of Bank Deposits	Total Investments		Affordable Housing		Revitalize/Stabilize		Community Service		Small Business	
		#	\$ 000	#	\$ 000	#	\$ 000	#	\$ 000	#	\$ 000
<b>Philadelphia</b>	25.1	198	25,896	71	12,393	27	3,754	65	1,738	35	8,011
<b>Pennsylvania</b>	41.2	307	24,323	29	6,354	23	4,962	129	3,077	24	3,612
<b>Pittsburgh</b>	25.0	145	14,699	15	4,024	18	4,708	92	2,438	20	3,529
<b>Scranton-Wilkes Barre</b>	5.3	34	2,998	9	2,257	3	244	18	414	4	83
<b>Erie</b>	2.1	26	308	5	73	2	10	19	225	0	0
Non MSA Areas	3.4	28	491								
Harrisburg	2.1	31	1,477								
Allentown	1.1	15	83								
Johnstown	1.0	0	0								
State College	0.6	9	4,234								
Sharon	0.3	5	11								
Williamsport	0.1	1	2								
York	0.1	2	2								
Reading	0.1	3	3								
Lancaster	0.0	8	15								
<b>New Jersey</b>	18.5	125	19,385	43	12,559	14	229	59	1,077	9	5,520
<b>Louisville</b>	7.9	53	44,270	32	42,353	1	500	16	742	4	675

ASSESSMENT AREAS	% of Bank Deposits	Total Investments		Affordable Housing		Revitalize/Stabilize		Community Service		Small Business	
		#	\$ 000	#	\$ 000	#	\$ 000	#	\$ 000	#	\$ 000
<b>Kentucky</b>	1.3	23	8,478	17	8,418	0	0	6	60	0	0
<b>Lexington</b>	0.8	15	3,565	13	3,531			2	34		
NonMSA Areas	0.5	8	4,913	4	4,887			4	26		
<b>Cincinnati</b>	6.0	57	8,149	27	4,994	4	85	23	700	3	2,370
Grand Total	100	1,093	163,302	265	101,843	92	14,492	433	10,531	99	23,800

Source: Bank Prepared Data

**Table 8. Distribution of Branches and ATM's by Low- and Moderate-Income Geographies.**

Assessment Area	Distribution of PNC Bank Deposits	Branches				ATMs				Percent of AA Population	
		#	Percent of branches	Location of Branches by Income of AA Geographies		#	Percent of ATMs	Location of ATMs by Income of AA Geographies		Low-Income Geos	Mod-Income Geos
				Low	Mod			Low	Mod		
<b>Pennsylvania</b>	41.1%	303	38.2%	5.6%	15.5%	782	36.6%	3.5%	13.4%	2.3%	13.6%
<b>Philadelphia CMSA 77</b>	25.1%	185	23.3%	5.4%	13.0%	751	35.2%	6.4%	11.9%	7.9%	17.0%
<b>New Jersey CMSA 70</b>	18.6%	185	23.3%	4.9%	9.2%	350	16.4%	5.7%	13.4%	4.8%	18.9%
<b>Cincinnati-Hamilton CMSA 28</b>	6.0%	53	6.7%	3.8%	3.8%	114	5.3%	5.3%	3.5%	7.2%	15.6%
<b>Louisville multi state MSA</b>	7.9%	55	6.9%	5.5%	21.8%	107	5.0%	8.4%	26.2%	7.0%	19.2%
<b>Kentucky</b>	1.3%	13	1.6%	--	23.1%	31	1.5%	3.2%	35.5%	5.4%	16.5%
<b>Total</b>	100.0%	794	100.0%	5.2%	13.2%	2,135	100.0%	5.2%	13.3%	5.1%	16.4%

Source: Bank Prepared Data.

**Table 8a. Distribution of Branches and ATMs by Low- and Moderate-Income Geographies in Pennsylvania**

Assessment Area in Pennsylvania	Branches				ATMs				Percent of AA Population	
	#	Percent of branches in the State *	Location of Branches by Income of AA Geographies		#	Percent of ATMs in State *	Location of ATMs by Income of AA Geographies		Low-Income Geos	Mod-Income Geos
			Low	Mod			Low	Mod		
<b>Pittsburgh</b>	125	41.2%	8.8%	24.8%	301	38.5%	3.0%	17.9%	2.9%	21.2%
<b>Scranton - Wilkes Barre</b>	43	14.2%	4.7%	13.9%	88	11.2%	4.5%	15.9%	0.4%	9.4%
<b>Erie</b>	19	6.3%	10.5%	5.3%	74	9.5%	10.8%	10.8%	5.2%	13.3%
Non-MSAs	48	15.8%	--	8.3%	73	9.3%	--	6.8%	0.0%	4.0%
Harrisburg	27	8.9%	--	--	65	8.3%	--	4.6%	2.7%	9.9%
Allentown	15	5.0%	--	13.3%	47	6.0%	--	17.0%	2.0%	14.1%
Johnstown	6	2.0%	--	16.7%	9	1.2%	--	11.1%	0.8%	6.1%
State College	5	1.6%	20.0%	--	11	1.4%	45.4%	--	7.5%	10.7%
Sharon	7	2.3%	14.3%	--	13	1.7%	7.7%	--	3.6%	8.1%
Williamsport	3	1.0%	--	33.3%	7	0.9%	--	28.6%	0.0%	9.4%
York	2	0.7%	--	--	22	2.8%	--	27.3%	2.7%	9.0%
Reading	1	0.3%	--	--	23	2.9%	--	4.3%	3.5%	12.0%
Lancaster	2	0.7%	--	50.0%	49	6.3%	--	6.1%	1.7%	8.7%
<b>Total</b>	303	100.0%	5.6%	15.5%	782	100.0%	3.4%	13.4%	2.3%	13.6%

Source: Bank Prepared Data.

**Table 9. Distribution of Community Development Services**

State, CMSA, Multistate or MSA Name	Assessment Area	Number of Organizations	Number of Community Development Activities				
			Affordable Housing	Revitalize or Stabilize	Low / Mod Community Service	Small Business	Total Activities
Pennsylvania	<b>Pittsburgh</b>	<b>47</b>	<b>25</b>	<b>7</b>	<b>30</b>	<b>7</b>	<b>69</b>
	<b>Scranton Wilkes-Barre</b>	<b>14</b>	<b>4</b>	<b>3</b>	<b>6</b>	<b>2</b>	<b>15</b>
	<b>Erie</b>	<b>34</b>	<b>16</b>	<b>11</b>	<b>8</b>	<b>4</b>	<b>39</b>
Pennsylvania Limited Scope	Non-MSA's	5					5
	Harrisburg	10					10
	Allentown	10					10
	Johnstown	2					2
	State College	0					0
	Sharon	1					1
	Williamsport	2					2
	York	1					1
	Reading	0					0
	Lancaster	2					2
New Jersey - New York- Northern New Jersey- Long Island, NY- NJ- CT- PA CMSA 70	<b>New Jersey - New York- Northern New Jersey- Long Island, NY- NJ- CT- PA CMSA 70</b>	<b>80</b>	<b>70</b>	<b>7</b>	<b>30</b>	<b>16</b>	<b>123</b>
Kentucky	<b>Lexington</b>	<b>2</b>	<b>8</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>16</b>
Kentucky Limited Scope	Non-MSA's	1	8				8
Philadelphia Multistate CMSA 77	<b>Philadelphia CMSA</b>	<b>46</b>	<b>23</b>	<b>11</b>	<b>14</b>	<b>6</b>	<b>54</b>
Louisville, KY- IN Multistate MSA	<b>Louisville, KY-IN</b>	<b>28</b>	<b>87</b>	<b>3</b>	<b>43</b>	<b>3</b>	<b>136</b>
Cincinnati, OH- KY-IN CMSA #28	<b>Cincinnati, OH-KY-IN</b>	<b>21</b>	<b>63</b>	<b>4</b>	<b>6</b>	<b>3</b>	<b>76</b>

Source: Bank Prepared Data