



## GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Commerce Bank/Pennsylvania, National Association prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of May 16, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

### Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

## ASSIGNMENT OF RATING

### Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

#### Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

## DISCUSSION OF INSTITUTION'S PERFORMANCE

### Institution's Rating:

Based on the findings presented below, this institution is rated: "Satisfactory record of meeting community credit needs."

**Evaluation Period:** The bank's previous Public Disclosure is dated June 9, 1995. The current evaluation reviews the bank's performance from January 1, 1995 through May 16, 1996.

### **BANK PROFILE**

Commerce Bank/Pennsylvania, N.A., (Commerce) was chartered in 1984 and for several years operated a single office in the central business district of Philadelphia. It now operates 12 offices that serve the central business district of Philadelphia, South Philadelphia, West Philadelphia, and portions of Delaware, Chester, and Montgomery Counties. Outside these areas, it has made numerous home purchase loans in North Philadelphia. Twelve off-site ATM's supplement this coverage. The bank is a subsidiary of Commerce Bancorp, Inc., a \$2.5 billion bank holding company that serves parts of southern New Jersey and portions of greater Philadelphia. Commerce is based in Philadelphia and as of March 31, 1996, it had assets of \$289 million, deposits of \$270 million, and net loans of \$94 million. It provides loans primarily to small businesses and consumers. The market is very competitive as major regional banks and smaller community banks serve the Philadelphia Metropolitan Statistical Area (MSA). The following table portrays the loan mix of the bank. Most of the mortgage loans consist of commercial real estate lending.

**Types of Loans Outstanding**  
**March 31, 1996**  
**\$(000's)**

<b>Type of Loans</b>	<b>Amount</b>	<b>Percentage</b>
Commercial	\$19,514	20
Installment	19,864	21
Mortgages	56,210	59
<b>Total</b>	<b>\$95,588</b>	<b>100</b>

Residential mortgage lending for the subsidiary banks is consolidated at the corporation's major banking subsidiary, Commerce Bank, N.A., which is in Cherry Hill, N.J. All mortgage loan applications are processed and booked by that bank for the affiliated banks. Generally management sells these loans in the secondary market, however, those that it does not sell are closed in the names of the individual banks that generated the applications. Commerce Bank, N.A.'s Home Mortgage Disclosure Act (HMDA) Statement includes the mortgage lending activities of all the corporation's subsidiary banks. For purposes of this evaluation we attribute only the applications initiated by Commerce.

## I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **Management has established a number of channels to ascertain community credit needs that have resulted in the development of new credit products and participation in lending consortia to promote redevelopment efforts.**

Senior management and staff conducted sufficient outreach to have ascertained the credit needs of the local community. The CRA Officer, Community Development Officer, and First Step Mortgage Officer regularly meet with community leaders and groups to sell bank products and to learn about the needs of local areas. In addition, lending officers of the bank have received training to ascertain credit needs as part of their normal business development activities. These efforts are coordinated by and reported back to the CRA Officer.

Throughout the past year staff has met with many organizations and has joined several lending consortia that help small business and/or neighborhood revitalization. Among these are the Small Business Administration (SBA), the Delaware Valley Mortgage Plan, the Philadelphia Commercial Development Corporation, the Philadelphia Industrial Development Corporation, the Suburban Cooperative Business Assistance Corp., the Montgomery County Small Business Micro Loan Fund, the Philadelphia Redevelopment Authority, the Great Philadelphia Urban Affairs Coalition, and the Philadelphia/Camden Empowerment Zone Programs.

The primary credit needs management has identified and responded to are affordable home ownership, affordable rental housing, joint economic development and revitalization efforts, and small business lending. Specific products the bank has developed in response to these needs include:

- First Step Affordable Mortgage Plan Program;

- Helping Hand Home Improvement Loan Program; and,
- participation in numerous lending programs designed to promote local economic development and job creation.

As the banking industry has consolidated in the Philadelphia area, Commerce has increased its participation in programs with larger banks and community organizations to revitalize neighborhoods, provide affordable housing for low- and moderate-income (LMI) applicants, construction loans, and loans to small businesses. See Assessment Factors I, J, and H for information concerning specific lending activities for these CRA products.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- **The Board and senior management provide effective direction and proper oversight to the CRA program.**

During this review period, the Board of Directors established a CRA Committee that represents the Board in providing direction to the bank's CRA Compliance Program, and to focus solely on the program's strategic direction. During 1995 the bank refined its CRA plan to strategically address CRA issues. This plan established lending goals for housing and small business. It also established responsibility for the program and shaped the processes for attaining the goals. The Board approved this revised plan in June.

As part of the management process the parent holding company of the bank established the CRA Marketing Committee to review overall lending performance, geographic distributions of lending, and the effectiveness of CRA marketing efforts. The committee includes senior lending officers of the affiliated banks.

The CRA Officer is responsible for executing the Strategic Plan and monitoring the attainment of the goals established therein. Also, in 1995, management purchased computer software to enhance the analysis of the bank's lending patterns. The CRA Officer provides quarterly progress reports to the Board. He also supervises the specialized CRA lending programs and conducts extensive outreach activities with community organizations and nonprofit community development corporations. Other duties include conducting self assessments of the program, ensuring the training of appropriate personnel in CRA matters, and that technical compliance with the Community Reinvestment Act is achieved. The self assessments are expansive and sufficiently detailed to enable the Board to accurately evaluate the bank's CRA performance.

The Auditing Department also reviews branch offices to determine if they are complying with the technical requirements of the Act. The Board approved the current CRA Statement January 23, 1996.

## II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **Extensive advertising and other marketing efforts reach all segments of the community.**
- **The bank promotes special CRA products through print and radio media in all LMI areas.**

The bank's CRA Marketing Committee develops marketing strategies. It has established a comprehensive marketing plan to promote credit products throughout the delineated communities. Management uses traditional advertising media, such as newspapers, radio, and direct officer calling programs, as well as more specialized and targeted means. They reach LMI and minority communities through nine local community newspapers in Philadelphia and the Pennsylvania suburbs. Several advertisements have been bilingual.

The bank devoted seventeen percent of its advertising budget in 1995, or \$41 thousand, to CRA products and services. These media campaigns specifically promoted the First Step Affordable Mortgage Program, the Helping Hand Affordable Home Improvement Loan Program, and Loan by Phone. The two special purpose loan programs were adopted in September 1994.

Commerce sponsors, with its affiliated banks, a weekly radio program, "The Church, The Community and Affordable Housing," which airs on three radio stations covering an area from Greater Philadelphia to the New Jersey shore. This program makes local residents more aware of affordable housing and community redevelopment efforts within their communities, and has materially helped the bank increase its lending to LMI applicants.

The bank sponsors local affordable housing and community development fairs that provide bank officers direct contact with consumers and small businesses in LMI communities. These are educational forums and provide information about the First Step Affordable Mortgage Program, the Helping Hand Home Improvement Program, and Small Business Administration (SBA) loans. In January 1995 the bank joined the Delaware Valley Mortgage Plan (DVMP), pioneering mortgage counseling and lending program. This provided access to inner-city

residents to inform them of the services available from the bank, especially its CRA products. Also, besides the regular officer calling programs, the CRA Officer, Community Development Officer, and First Step Affordable Mortgage Officer have established a calling program designed to develop lending and deposit relationships in lower income communities. On twelve occasions during 1995 the CRA staff addressed community based affordable housing groups, inner city church coalitions, ACORN, and other groups on the subjects of credit education, and the availability of credit products. These efforts continue in 1996 as Commerce participated with the United Bank of Philadelphia in providing an affordable housing fair in Northwest Philadelphia. It also participated in the Third Annual Affordable Housing Fair sponsored by the Philadelphia Office of Housing and Community Development.

These marketing efforts have helped the bank increase lending to lower income applicants and small businesses in LMI neighborhoods, both in and outside its delineated communities.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **Lending levels are responsive to small business needs.**
- **Housing related lending has increased since the last evaluation to more effectively meet the identified needs of the community.**

Commerce offers the traditional array of loan products, including business loans, home equity term loans, home equity lines of credit and instalment loans for varying purposes. Most, if not all, loans for home purchases and refinancings are funded through its New Jersey affiliate, Commerce Bank, NA. Beginning in 1995, loans that its affiliate initiated, were closed in Commerce's name and reflected on its HMDA-LAR. This was not being done in prior years. This change, plus the success of the bank's First Step loan program, results in a large increase in applications and originations when comparing 1995 with 1994.

The delineated area, as presently structured, contains five low income census tracts, sixteen moderate tracts and the remainder of the 143 tracts are middle or high. Management recognized that the area did not contain a great deal of opportunity for lending to the lower end of the market. Accordingly, the bank began to make mortgage and home improvement loans in the northern portion of the City of Philadelphia that contains many low- and moderate-income tracts. These areas are not presently part of the delineation. However, nearly all of the loans to low- and moderate-income areas are contained in this "out of area" portion. Of the HMDA reportable loans generated by Commerce in 1995, 32 (25 percent) were to LMI areas. This amounted to ten percent of the dollar amount generated by Commerce.



Identified credit needs within the delineated community, including low- and moderate-income areas, continues to be small business loans and residential mortgage products. Commerce offers and extends an array of loan products designed to address the needs as identified. The bank's CRA Statement correctly lists the type of products and services offered. Consumer related loan products include: affordable home improvement loans, home equity lines of credit, conventional and affordable residential real estate loans, secured and unsecured personal loans, credit cards, overdraft lines of credit and government guaranteed student loans. Among the business related credits offered are small business loans, construction loans and regular commercial loans.

**Business Loans**

Commerce offers small business loans within its community. In 1995, 173 loans totaling \$25.3 million were made to small businesses. This is a significant increase over 1994's volume of 96 loans totaling \$.92 million. All of the loans are deemed to be small loans, that is, loans of \$1 million or less. An average size loan approximated \$146 thousand. Total outstandings of all commercial loans at March 31, 1996 were approximately \$46 million.

**Residential Mortgage Lending**

Since the last review, this area of the bank's activity has shown a significant growth in the number of loans originated for most mortgage related products. As explained above, the change in which the bank reports the loans made in the Philadelphia area market is a contributing factor to the large increase in loans. The following table shows this lending increase.

**Table I-1**

<b>Commerce Bank, PA - HMDA Data (\$000)</b>								
<b>Loan Type</b>	<b>Applications</b>				<b>Originations</b>			
	<b>1994</b>		<b>1995</b>		<b>1994</b>		<b>1995</b>	
	<b>#</b>	<b>\$ Amt</b>	<b>#</b>	<b>\$ Amt</b>	<b>#</b>	<b>\$ Amt</b>	<b>#</b>	<b>\$ Amt</b>
Home Purchase	2	52	68	5,321	1	17	51	4,469
Refinance	1	130	33	4,482	1	130	26	3,281
Home Imp.	12	280	86	1,687	11	268	48	1,006
<b>Totals</b>	<b>15</b>	<b>462</b>	<b>187</b>	<b>11,490</b>	<b>13</b>	<b>415</b>	<b>125</b>	<b>8,756</b>

## Special Mortgage Products

Included among the mortgage loans originated by Commerce as discussed above, are loans granted under the “Helping Hand Home Improvement Loan” and the “First Step” affordable products. These products, which were introduced in the latter half of 1994, are directed primarily to LMI applicants. Each product is designed to provide for more flexible lending and require lower down payments. The primary eligibility requirement for both programs is the applicant’s income. These income restrictions are based upon guidelines that establish low and moderate income thresholds based upon family size and the county in which the property is located.

The Helping Hand Program offers a below market rate interest rate and terms designed to fit the budget of low and moderate-income individuals. Also, low cost private mortgage insurance (PMI) is available to those who need a loan of up to 95 percent of appraised value. The First Step programs features a one percent discount on the normal 30 year, two point mortgage rate charged by the bank, for low income applicants. Moderate income applicants receive a ½ percent reduction in the mortgage rate. Until April 1, 1996 no points or PMI were required. Presently, low income applicants are not charged points or required to purchase PMI. Moderate income applicants are charged no points, but must purchase PMI. Additionally, they reduce the application fee to \$275. They made these enhancements in response to ascertainment of credit needs and prior low origination volumes.

1995 was the first full year for each of these products. Only a nominal amount of the “Helping Hand” has been originated. The bank may restructure this product because it causes debt-to-income ratios to increase to an extent that many applicants are disqualified. However, 31 home purchase loans totaling \$1.2 million were “First Step” mortgages. This equals 25 percent of the number and 14 percent of the amount of all home purchase loans originated by Commerce in 1995.

## Consumer Loan Products

These types of credits, which include home equity lines of credit and traditional consumer loans, amounted to \$76.5 million outstanding at year end 1995. This amounted to 28 percent of the total loan portfolio at year end.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- **The bank has limited participation in governmentally insured or similar loan programs.**

Commerce offers on a direct basis a limited menu of government loan programs to its community. The primary product has been Small Business Administration (SBA) loans. Under this program, the bank has originated nine loans amounting to \$905 thousand.

FHA or VA lending for housing has virtually disappeared due to the success of the corporation's First Step mortgage product. The latter product provides more flexible lending criteria and requires a lower down payment than the government programs offered by the bank.

Besides generating SBA loans, the bank provided three loans for the purchase of multi-family housing units in 1995, totaling \$775 thousand. They are all in low- and moderate-income communities above. One project is participating in the HUD Section 8 Program. The other two are participants in the City of Philadelphia Housing and Community Development and Development Block Grant programs.

### III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

#### Reasonableness of Delineated Community

- **The delineated communities are reasonable and do not arbitrarily exclude LMI neighborhoods.**

The bank has four delineated communities. Two are in the City of Philadelphia, consisting of Center City/West Philadelphia, and South Philadelphia. The Western Area consists of portions of Chester, Delaware, and Montgomery Counties. The Chichester Area consists of portions of southern Delaware County, including LMI census tracts in the City of Chester.

The delineations have changed significantly during this period of review. The Center City portion has decreased in size to better reflect the realities of an area served by a single office. South Philadelphia is a new community delineation reflecting the opening of an office in that part of the City. The Chichester Area is also a new community delineation resulting from the opening of an office in southern Chester County. The Western Area remains unchanged.

Management defines CRA delineations by analyzing the bank's deposit and lending distributions, and considers the geographic areas that they expect that its offices can serve. A recent analysis showed that 63 percent of all loans extended were within Commerce's delineated communities. Most of the loans made outside these areas occur in areas directly surrounding the delineations. This includes \$1 million in First Step below-market rate mortgages to LMI homebuyers in North Philadelphia, the poorest and most credit disadvantaged section of the City.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- **Overall lending patterns show adequate penetration in low- and moderate-income census tracts and to low- and moderate- income individuals.**

A majority of the HMDA dollars lent occurred in the delineated community. During 1995, 32% of the HMDA originations and 54% of the dollars lent were located within the delineated community. The bank offers an affordable mortgage program targeting LMI individuals. The program was implemented late in 1994 and has been in place for the entire year of 1995. Management estimates virtually all of the affordable mortgage lending activity is located outside the delineated community.

The following tables compare 1994 and 1995 HMDA applications and originations within and outside the delineated community. The data reflects an overall increase in HMDA activity during 1995. The table does not include multifamily HMDA activity.

**Table E-1**

<b>HMDA ORIGINATIONS</b>										
Delineation	1994					1995				
	Purchase		Refinance		Total	Purchase		Refinance		Total
	#	\$000's	#	\$000's	\$000's	#	\$000's	#	\$000's	\$000's
In	0	0	0	0	0	9	1,271	21	2,647	3,918
Out	1	17	0	0	0	42	3,198	5	634	3,832
<b>Total</b>	<b>1</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51</b>	<b>4,469</b>	<b>26</b>	<b>3,281</b>	<b>7,750</b>
<p>First Step Affordable Mortgage Program closed 31 low- and moderate- income applications totaling \$1.2 million in 1995. Twenty-eight of those loans totaling \$712 thousand were in low- and moderate- income census tracts. 1994 data has been presented using the 1995 delineated community for comparison purposes.</p>										

**Table E-2**

<b>HMDA - HOME IMPROVEMENT</b>								
Delineation	1994				1995			
	Applications		Originations		Applications		Originations	
	#	\$000's	#	\$000's	#	\$000's	#	\$000's
In	11	275	10	268	55	1,188	36	826
Out	1	5	0	0	31	499	12	180
<b>Total</b>	<b>12</b>	<b>280</b>	<b>10</b>	<b>268</b>	<b>86</b>	<b>1,687</b>	<b>48</b>	<b>1,006</b>

Management attributes the lending pattern to the limited lending opportunities in their previous delineation, surrounding their Center City branch. The prior delineation consisted of middle- and upper- income census tracts, limiting opportunities to lend to LMI individuals. The delineated area is predominantly commercial in nature. Housing is predominantly multistory in nature, targeting middle- and upper- income individuals. Management expanded its delineated community into LMI census tracts when two new branches opened late 1995 and early 1996. Management believes the opening of the two branches provides the presence necessary to compliment their efforts to meet the needs of LMI individuals and LMI tracts. The new branches located in West and South Philadelphia, opened in September 1995 and March 1996, respectively. To increase their penetration into LMI tracts and to LMI individuals, and in anticipation of the new branches, the bank expanded its efforts beyond the delineated community into LMI census tracts adjacent to and beyond the Center City location to address the needs of the local community, especially in North Philadelphia.

The entire delineated community contains 174 census tracts. Three percent of the census tracts are low- income tracts, 9% are moderate- income tracts, 36% are middle- income tracts and 49% are upper- income census tracts. Three percent of the tracts did not have income data available.

The pattern of lending in LMI census tracts and to LMI individuals is reasonable. Our conclusion considers the fact that the two branches are relatively new and the previous delineated community did not include any LMI census tracts. The following table showing HMDA lending patterns, reflects that the bank makes more loans to LMI individuals than in LMI census tracts.

**Table E-3**

<b>HMDA Reported Loans Lending Pattern Within the Delineated Community</b>				
	<b>Percent Lending By Income Level of Census Tract</b>		<b>Percent of Lending By Income Level of Borrower</b>	
	Number of Loans	Amount	Number of Loans	Amount
Low-Income	0	0	5%	2%
Moderate- Income	2%	2%	18%	4%
Middle and Upper Income	98%	98%	77%	94%

Source: HMDA data

A review of aggregate HMDA lending confirms management’s assertion that they lend to LMI individuals and in LMI census tracts outside the delineated community. Management believes the additional branches and their increasing presence in Greater Philadelphia provides them an opportunity to increase its penetration in low and moderate census tracts and to LMI individuals. The table below showing HMDA lending patterns, reflects that the bank does lend outside the delineation to LMI individuals and in LMI areas. It especially reflects the significant amount of home purchase lending in North Philadelphia, a large LMI area outside the bank’s delineated area.

**Table E-4**

<b>HMDA Reported Loans Lending Pattern Outside the Delineated Community</b>				
	<b>Percent Lending By Income Level of Census Tract</b>		<b>Percent of Lending By Income Level of Borrower</b>	
	Number of Loans	Amount	Number of Loans	Amount
Low-Income	31%	13%	47%	21%

<b>HMDA Reported Loans Lending Pattern Outside the Delineated Community</b>				
Moderate- Income	22%	10%	14%	12%
Middle and Upper Income	47%	77%	39%	67%

### **Commercial Loans**

A review of all commercial lending activity reveals that 7% of 1995 commercial lending and 11% of small business lending originated in LMI tracts. Three percent of the commercial loans and 5% of the small business loans were made in LMI census tracts within the delineated community, which is proportionate to the number of LMI census tracts in the communities. Management attributes lending outside the delineated community to the accessibility of their branch network to commercial borrowers and their efforts to provide small business credit services in LMI areas directly adjacent to its delineated community within Philadelphia.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- **Commerce adequately provides services to its delineated communities through branch facilities, ATM's and alternative systems.**

The bank has 12 branches serving the four delineated communities. The bank also operates two remote ATM's in the city. Considering the small asset base of the bank in this market, this is considered good coverage. Five offices have been opened during this period of review, including two in Philadelphia. Of the five new offices, one is located in a low income area, one is in a moderate income area, and another has a substantial portion of LMI census tracts in its service area. Branch hours are extended during the weekdays, and service is provided from 12:00 Noon to 4:00 P.M. on Sundays at branches with drive-in facilities. Some offices provide lobby service on Sundays, as well.

The bank has a branch expansion and accessibility plan to provide service through various means to the entire delineated communities. This includes opening full service branches, offsite ATM's, and continued marketing of Bank-By-Phone services. There are established written policies and procedures that provide guidance for opening, closing and consolidating branches. These comply with regulatory guidelines. All proposed bank openings, closings, and consolidations are reviewed to determine if there would be an adverse economic impact on the surrounding community, particularly when branches are located in LMI neighborhoods.

#### IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- **No practices were noted which would discourage applications for credit.**
- **The bank actively solicits applications for mortgage and consumer credit from all creditworthy applicants in its market area**

Management has established a Fair Lending Program to help ensure that they are treating no group differently. The program includes control- and market-oriented elements. The controls are adequate policies and procedures, effective training, and includes internal comparative file review of residential mortgages. Management has designed internal policies and procedures to prevent illegal prescreening or discouragement of applications. Our review of files showed that all applicants for home purchase, refinancing, and home improvement loans receive similar assistance in preparing their applications.

Management has also developed special loan products and programs that have resulted in increased applications and originations from African-Americans and Hispanics. These programs, discussed in greater detail elsewhere in this document, include the "First Step" mortgage, "Helping Hand" home improvement loan, community outreach activities, and consumer credit education. As indicated in Assessment Factor I, the "First Step" mortgage loan resulted in increasing the number of loans.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- **Commerce is in compliance with antidiscrimination laws.**
- **No evidence of any illegal credit practices was noted**

We conducted a concurrent Fair Lending examination during this review. Residential mortgages and home improvement loans were reviewed to determine compliance with Fair Lending laws and regulations. We sampled mortgage and consumer files, and compared African-American and Hispanic denials and White approvals to decide whether the bank is applying credit standards consistently among these groups. The number of applications received in 1995 increased over the number in 1994. Applications from minorities increased because of products and marketing targeted at these segments of the community.



## V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **Participation in, and awareness of, local community development and redevelopment programs and projects continue to be acceptable.**

For this examination, we used the definition for community development in the revised CRA regulation. Therefore, many activities that were included in this category in previous examinations are now included in Assessment Factors I, J, and E only. We only included loans where the bank had actually extended funds or a line of credit. We did not include any loans where the bank had committed to lend funds, as these activities will be included in future reviews of the bank's CRA performance.

Management continues to be aware of community development programs. The bank has made a number of direct community development loans, of these, five loans totaling \$573,000 were for LMI multi-family housing and two loans totaling more than \$2 million to provide for other community services in LMI areas. Examples of the direct lending are:

- Sunday Breakfast Rescue Mission - The bank provided a line of credit for the mission's operations. The mission is a homeless shelter in Philadelphia that provides housing and job training.
- Universal Community Homes, Inc. - The bank provided funds for the company to acquire and renovate rowhouses that will be sold to LMI families and individuals.
- Germantown Equities, L.L.C. - The company in conjunction with a not-for-profit organization is developing a vacant parcel into a retail shopping area. The plan is to lease stores to a grocery, a drug store, etc.

The bank extended \$50 thousand to the Delaware Valley Community Reinvestment Fund, a nonprofit community development corporation providing affordable housing and community development financing. The bank's capital assistance is committed for five years, and this will provide longer term funding to match the corporation's lending obligations.

The bank also provided funds to the Collaborative Lending Initiative, Inc. (CLI). CLI is a consortium which provides funding to nonprofit organizations for LMI housing.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- **No factors impede the bank’s ability to service its community. The bank’s financial capacity is sufficient to support CRA endeavors that serve the needs of the delineated community.**

Commerce Bank/Pennsylvania, N.A. is a \$250 million full service financial institution headquartered in Philadelphia, Pennsylvania. It operates offices in Philadelphia and the surrounding suburban communities in Chester, Delaware, and Montgomery counties. The counties are in MSA 6160 (Philadelphia/New Jersey) which has a median family income of \$41,908. The following table shows the median family income of the census tracts that are in the delineated community and the distribution of those census tracts.

**Table K-1**

<b>Income Level of Census Tracts in the Delineated Community</b>						
<b>County</b>	<b>Median Family Income</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>N.A.</b>
Philadelphia	30,301	2	7	3	5	1
Chester	60,629	0	0	2	10	2
Delaware	47,692	3	5	41	37	1
Montgomery	54,841	0	4	18	33	0
<b>Total</b>	<b>50,178</b>	<b>5</b>	<b>16</b>	<b>64</b>	<b>85</b>	<b>4</b>

According to the 1990 census data, the total population of the bank’s delineated community is more than 650 thousand, with Delaware County having the most populous portion with more than 325 thousand. Employment opportunities are varied with activity shifting from manufacturing to service, retail, and wholesale.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- **The bank is involved in other meaningful activities that contribute to improving its community.**

The bank's parent holding company has invested \$250 thousand in the United Bank of Philadelphia. United is a minority bank whose mission is to provide commercial banking services to "businesses and individuals in the Greater Philadelphia Region with a special sensitivity to Blacks, Hispanics, Asians and women." Much of the bank's service area consists of low and moderate income individuals. Commerce has also made a preliminary commitment for an additional \$250 thousand investment by year-end 1996. Commerce also provides technical management support to United.

The bank provides contributions, both monetary and furniture, to community development organizations within its community. In 1995 and year to date 1996 the contributions totaled \$32,900 and furniture valued at \$18,500. This includes significant monetary contributions to Habitat for Humanity and to the Greater Urban Affair Committee for operating the Delaware Valley Mortgage Plan.

ADDITIONAL INFORMATION

None