



**Office of the Comptroller of the Currency
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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

May 31, 1997

**First Union National Bank
190 River Road
Summit, New Jersey 07901**

Charter Number 22693

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.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First Union National Bank**, 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 31, 1997**. 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.

DESCRIPTION OF CONTENTS

The balance of this document contains information presented in four sections. The sections are: **Performance Context, Summary of Institution's Performance, Discussion of Institution's Performance** and **Additional Information**.

The **Performance Context** section provides data about the bank, its direct and indirect (through affiliates) lending structure, its major competitors, and its delineated communities with other demographic data outlined in the **Additional Information** section. The **Summary of Institution's Performance** presents the bank's rating and performance highlights which are further discussed relative to the 12 assessment factors grouped under five performance categories (refer to **General Information**).

Performance Context

- Bank Profile
- Community Profile

Summary of Institution's Performance

- Institution's Rating
- Performance Highlights

Discussion of Institution's Performance

- Ascertainment of Community Credit Needs
- Marketing and Types of Credit Offered and Extended
- Geographic Distribution and Record of Opening and Closing Offices
- Discrimination and Other Illegal Credit Practices
- Community Development

Additional Information

- Demographic Information
 - New York/Lower Hudson Valley Delineated Community MSA and Non-MSA Areas
 - New Jersey Delineated Community MSAs
 - Northeastern Pennsylvania Delineated Community MSA and Non-MSA Areas
 - Philadelphia Delineated Community (Philadelphia MSA)
- Corporate and Local CRA Programs

PERFORMANCE CONTEXT

Bank Profile

First Union National Bank (FUNB) is a subsidiary of **First Union Corporation (First Union)**, the sixth largest bank holding company in the United States, with assets of **\$140 billion** as of year-end 1996. The prior CRA performance evaluation on this bank, known then as *First Fidelity Bank, N.A. (FFB)*, is dated July 7, 1994. Since the time that First Union purchased *FFB* in January of 1996, the resulting bank is known as FUNB.

FUNB is a retail, mortgage and commercial lender. As of December 31, 1996, the bank has assets of **\$27 billion**, deposits of \$24 billion, and net loans of \$19 billion. The loan-to-deposit ratio is 79%. FUNB provides a wide range of commercial and retail banking services which include: mortgage banking, consumer leasing, community development assistance, as well as insurance and securities brokerage services. FUNB has a significant commitment to real estate lending, as evidenced by records which show that 47% of its loan portfolio is secured by residential real estate. In addition, consumer loans comprise 16% of the portfolio. The market is very competitive as it is served by major multinational and regional banks, and several community banks. The following data portrays the bank's principal mix of loans.

Domestic Loans Outstanding December 31, 1996 \$(000's)		
Type of Loans	Amount	Percentage
Residential Real Estate	\$ 8,805,745	47
Commercial Real Estate	2,898,135	15
Commercial	3,016,735	16
Installment	1,029,218	6
Agricultural	9,239	less than 1
Other	2,948,302	16
Total	\$18,707,374	100

In addition, lending by affiliates helps FUNB identify and address community credit needs. For the First Union subsidiary banks, residential mortgage lending is largely consolidated at **First Union Mortgage Corporation (FUMC)**. FUMC processes mortgage loan applications and subsequently sells originations to First Union national bank affiliates or the secondary market.

Another subsidiary of the holding company, **First Union Home Equity Bank, N.A.**, provides home equity financing in 35 states, including this bank's markets. Plus, the bank has the **First Fidelity Urban Investment Corporation (Urban Investment Corp.)** subsidiary. This community development corporation specializes in lending to urban areas in need of redevelopment.

FUNB operates 547 offices throughout its delineated communities in New Jersey, Pennsylvania, and New York. During the 1995 and 1996 period of this review, the bank also expanded its operating area by merging with an affiliated bank in the lower Hudson Valley of New York. In delineating its communities for CRA, management has divided the geographic area into four markets:

- New Jersey
- Philadelphia,
- Northeastern Pennsylvania, and
- New York/Lower Hudson Valley.

You can refer to the **Community Profile** and **Additional Information** sections for other data on each community, including metropolitan statistical areas (MSAs).

In terms of deposit share in its two largest markets, FUNB has 12% of the New Jersey market and ranks second; in the Philadelphia MSA, the bank has 8% of the market and ranks fourth. For Northeastern Pennsylvania, FUNB has a market penetration of 8% (based on household relationships) and ranks fourth. Meanwhile, in its New York market, the bank ranks second and has its greatest concentration (68%) of branches and deposits in Westchester County.

The primary bank competitors in New Jersey are Summit, Fleet, PNC, Corestates, and Chase Manhattan. In Pennsylvania the bank competes with Corestates, PNC, Mellon, and several community banks. The New York market includes a mix of competitors ranging from the suburban operations of large banks (i.e. Bank of New York, Chase Manhattan, and Fleet) to smaller community banks. All the markets have many non-bank competitors who offer products similar to those of FUNB.

Notes:

LMI denotes low-and moderate-income (LMI). This means an individual or borrower income that is less than 80% of the area median income or, in the case of a geography, a median family income that is less than 80% of the respective MSA.

The **population statistics and income information** reflects data obtained from the 1990 Census and the United States Department of Housing and Urban Development (HUD).

Evaluation Period - The bank's previous CRA Performance Evaluation is dated July 7, 1994. This Performance Evaluation reflects the bank's performance assessed since then through May 31, 1997, based primarily upon data for 1995 and 1996.

Community Profile

FUNB conducts business in 20 of the 21 counties in the State of New Jersey, five counties in lower New York State, and 13 counties in eastern and northeastern Pennsylvania including the greater Philadelphia area, Lehigh Valley (Allentown, Bethlehem, Easton), and Scranton/Wilkes-Barre areas. Bank management, for purposes of the Community Reinvestment Act, identifies its delineated communities to include entire counties in which a branch office operates. The exception to this delineation is Bronx County in the State of New York. For Bronx County, 155 census tracts in reasonable proximity to the one branch in the Riverdale section are included in the Lower Hudson Valley delineated community.

This **Community Profile** section discusses the four delineated communities/markets with a comment on each U.S. Census Bureau MSA and non-MSA area. In addition, the **Additional Information** section of this document contains demographic information on each delineated community and MSA.

New Jersey Community

FUNB maintains 324 branch offices and 31 free standing automated teller machine (ATM) sites. These facilities are in 20 of the state's 21 counties. New Jersey is divided into northern, central, and southern geographical and market areas.

Northern section includes three MSAs: 0875 Bergen/Passaic, 5640 Newark, 3640 Jersey City

The northern section of the state (New York State Line south to the Raritan River) is densely populated and contains a mix of rural areas in the northwestern sections, affluent suburban communities, and older cities and adjacent inner suburbs. The economic condition of the greater New York metropolitan regional economy influences the northern New Jersey economy. The service, warehousing/distribution, transportation, and manufacturing industries are all well represented in the economy. Heavy industry and manufacturing concerns, while still present, are declining in number and are being replaced by service related industry sector firms. The northern section of the state is recovering at a slower rate from the 1990-1992 recession compared with other areas of the nation. Corporate restructuring is continuing to negatively affect employment and local economies, especially in the telecommunication industry. The U.S. Bureau of Labor Statistics report for August 1996 reports statewide unemployment at 5.9 percent versus a nationwide average of 5.1 percent.

Within the northern section of the state are the cities of Newark, Paterson, Jersey City, Morristown, Elizabeth, Passaic, East Orange, and Orange, all of which have concentrations of low- and moderate-income residents and census tracts. These urban areas have a higher volume of non-owner, rental occupied units in the housing stock than surrounding suburban communities. Jersey City, on the Hudson River across from lower Manhattan, is undergoing a revitalization in the waterfront area. Back office financial operations and service oriented businesses serving the financial industry have moved to the Jersey City waterfront harbor area to take advantage of

lower operating expenses while maintaining a close presence to the lower New York City financial market. The City of Hoboken, north of Jersey City on the Hudson River waterfront, is undergoing a housing and small business revitalization due to its proximity to New York City and good transportation. These aforementioned cities and some of their adjacent inner suburban communities are in need of social services, affordable housing and economic/business development and revitalization.

Central New Jersey MSAs: 5015 Middlesex/Somerset/Hunterdon, 8480 Trenton (Mercer County)

Central New Jersey spans the geographic area south of the Raritan River to Trenton. It includes affluent communities in Hunterdon and Somerset counties which have experienced steady growth in population and new home construction in the 1990's. The presence of major corporate headquarters and operations centers contributes to the growth in employment and housing. Middlesex County is densely populated and has a diverse economy that includes heavy industry, petrochemical, auto assembly, warehousing/distribution centers and pharmaceutical companies. The City of New Brunswick is headquarters for the Johnson & Johnson Pharmaceutical Corporation and is home of the main campus of the State University. New Brunswick and the nearby City of Perth Amboy both have concentrations of low- and moderate-income residents. Identified needs in these two cities are affordable housing financing, small business and economic development, and job creation.

Mercer County and the City of Trenton, the state capital, are in western central New Jersey. The proximity to Philadelphia and New York have made the suburban communities of Trenton desirable housing and distribution center locations. Suburban communities have experienced strong growth in the past decade. The Princeton area and Route One corridor is home to Princeton University and high-tech research firms. Office complexes in the corridor also house the national headquarters for the Dow Jones Corporation, Bristol Myers Squibb and operations offices for Merrill Lynch, Inc. Housing growth in the suburban area is steady with concentrations in the Townships of West Windsor, Jamestown and Monroe. The communities are a mix of higher cost homes and tract development in the upper moderate range (\$200,000 to \$300,000), and townhouse complexes. The City of Trenton, is experiencing a decline in its manufacturing-based economy. Relocation of major manufacturers and plant closings has changed the economic base to a service oriented environment. The presence of the state government and success in attracting a minor league baseball team and new businesses has improved the employment and business outlook of the City. Affordable housing financing and business/economic development including job creation are identified needs for the City of Trenton.

South Jersey consists of MSAs: 0560 Atlantic/Cape May, 5190 Monmouth/Ocean; and the four counties of Salem, Burlington, Camden and Gloucester which are part of MSA 6160 Philadelphia

The Atlantic City/Cape May area has a population of 319,000 (1990 census data) and the overall economy is dependent on tourism and service related businesses. Atlantic City, the largest city in the MSA, is the major gaming center on the United States east coast and is an economic catalyst for the region. Several new hotel and gaming halls are slated for construction in 1997 - 1998. These new projects will be built in the Inlet section of Atlantic City, and will provide employment and new business opportunities for the Atlantic City area.

Ocean, Atlantic and Cape May counties are summer resort areas serving the Philadelphia market and tourism is a major contributor to the local economy. Ocean and Atlantic counties have many retirement communities. In Ocean County, retirees are 26 percent or 44,000 of the 168,000 households in the county. Twenty-three percent or 100,000 of the 433,000 residents are over the age of 65.

Monmouth County is within two hours of New York City and many residents work in the City and/or northern New Jersey. Major employers within the county are the AT&T Corporation, Lucent Technologies, and US Army Fort Monmouth. New home construction is continuing after a slow period in the early 1990's along the Route 9 corridor in the central and southern sections of the county. Pockets of low- and moderate-income census tracts are present in the county with concentrations in the City of Asbury Park and Neptune Township.

Financing for affordable housing, including transitional housing, are identified needs in Atlantic County and Atlantic City and sections of Monmouth County.

The four counties comprising the New Jersey sector of the Philadelphia MSA are dominated by suburban communities whose economy is dependent on that of the greater Philadelphia area. The income demographics for the four counties indicate that 15 percent of census tracts are low- and moderate-income. However, the City of Camden contains nearly all of the low-income census tracts. The City of Camden has a population of 85,000 and is the most economically depressed city in New Jersey. High unemployment and social problems are factors contributing to this economic condition. Affordable housing, business development and the need to address social problems are identified needs for Camden.

Burlington and Gloucester Counties and suburban communities of Camden County are predominately middle- and upper-income. A mass transit system and highway network provide good access to Philadelphia. Salem County is primarily rural in nature with petrochemical plants and a nuclear electric power generation plant providing employment.

Philadelphia Community

MSA 6106 Philadelphia comprises Philadelphia, Bucks, Chester, Delaware, and Montgomery counties in Pennsylvania and four counties in New Jersey

The FUNB Philadelphia delineated community consists of the five Pennsylvania counties. The bank maintains 105 branches and two free standing ATM sites in these counties.

The 1990 census data indicates that the delineated community population is 3,729,000 of which 1,586,000 is in the City of Philadelphia. Median family income is \$49,300 with the Philadelphia median family income at \$30,925. Census tract income characteristics for the five counties in the delineated community are: 9 percent low-, 17 percent moderate-, 41 percent middle- and 30 percent upper-income. Ninety percent of the low-income tracts and 73 percent of moderate-income tracts in the community are located in Philadelphia. In the City of Philadelphia 22 percent of census tracts are low-income and 34 percent are moderate-income.

Philadelphia is strategically located in one of the nation's busiest metropolitan markets and has a good distribution network including one of the largest east coast seaports, along with rail facilities and an international airport. The service sector is the largest employer with 34 percent of total payrolls, followed by trade at 22 percent and manufacturing sectors at 14 percent. The service sector and high tech manufacturing are well represented due to the presence of major universities, research centers and medical schools. The effects of downsizing in the corporate sector and in federal employment have resulted in a net reduction in the workforce despite employment gains in the high-tech industry sector. Slow population growth has resulted in lower demand for new housing and is reflected in a lower volume of housing starts. Major employers are in the service and education sectors of the economy.

Job creation, affordable housing/shelter financing, and addressing social issues are identified needs of the greater Philadelphia MSA.

Northeastern Pennsylvania Community

MSA 0240 Allentown/Bethlehem, MSA 7560 Scranton/Wilkes-Barre, and non-MSA Counties of Monroe and Wayne

FUNB maintains 59 branch offices and one free standing ATM in the delineated community. The delineated community consists of two distinct areas. The first is the Lehigh Valley area which encompasses the greater Allentown/Bethlehem MSA. The second area consists of the Northeastern Pennsylvania Pocono area and includes the Scranton/Wilkes-Barre MSA and adjacent Wayne and Monroe counties.

The greater Allentown/Bethlehem MSA (Lehigh Valley) consists of the counties of Northampton, Carbon, and Lehigh and includes the cities of Easton, Allentown, and Bethlehem.

The MSA is a mixture of rural areas and older cities and adjacent suburban communities. The population of 595,000 (1990 census) has a reported median family income of \$36,433. The three counties have four low-income census tracts and 22 moderate-income tracts which represent 18 percent of total census tracts. Sixty three percent or 90 of the tracts are middle-income in which 148,000 or 66 percent of reporting households reside. The majority of low- and moderate-income residents and census tracts are located in Allentown, Easton, and Bethlehem. Northeastern Pennsylvania population trends indicate that residents age 65 and older comprise a higher percentage of the population. The Allentown/Bethlehem MSA has 16 percent of the population older than age 65.

The economy of the MSA is primarily manufacturing which represents 23 percent of the employment base and has steadily declined due to downsizing and relocation. The service sector has experienced growth in 1995 with finance, insurance and real estate making gains after a period of consolidation. Wage rates in the MSA are lower than prevailing rates in the Philadelphia and New Jersey/New York markets. The lower wage rate and proximity to New York and Philadelphia have made the MSA attractive to the manufacturing and service sector businesses.

Demand for new single-family home construction has been weak due to the combined effects of the lower income, loss of manufacturing jobs, and an aging population. New home construction in the Northampton County area, bordering on the Route 22 and Interstate 78 corridors, has been attracting residents who commute to jobs 30 to 50 miles east in the Somerset and Middlesex county areas of New Jersey.

Revitalization of the older manufacturing-based cities of Easton, Allentown, and Bethlehem by the creation new jobs and attracting new business to these areas have been and continue to be priorities.

Northeastern Pennsylvania/Pocono Region consists of MSA 7560 Scranton/Wilkes-Barre and non-MSA Counties of Wayne and Monroe

The MSA comprises four counties of which Lackawanna, Luzerne, and Wyoming are in the FUNB community delineation. The MSA is predominately rural with population centers in the cities of Scranton, Hazelton and Wilkes-Barre. MSA population is 575,000 of which 19 percent is over age 65. Twenty percent or 47,000 households are reporting one or more persons retired from active employment and an additional 87,000 households receive social security benefits.

The 1990 census data for the MSA shows that median family income is \$29,567. The majority of residents and census tracts are middle-income. Two low- and 21 moderate-income tracts are concentrated in Scranton and Wilkes-Barre. The housing stock is primarily owner-occupied (63 percent) and the median year of construction is 1939. The median housing value is reported as \$55,000.

The economy is dominated by the manufacturing sector with strong concentrations in the textiles and apparel industries. Manufacturing sector employment has been declining due to relocation and is being replaced in the economic mix by growth in the service sector. Scranton and Wilkes-Barre have several colleges, universities, and secondary education programs that contribute to a well-trained labor force. Wage rates in the Scranton/Wilkes-Barre MSA are less than the metropolitan New York and Philadelphia MSAs, and the per capita 1995 income of \$20,900 ranks in the lower 100 metropolitan reporting areas. In addition, the 1995 personal income growth rate in the Scranton MSA is below that of the national average.

The presence of an aging population has created a demand for medical services and reflects the number of persons employed in the health-care services industry and number of medical facilities. Approval for a Civic Arena in Wilkes-Barre, construction of a baseball stadium in Scranton, and a proposal for a downtown Scranton convention center are among government-sponsored activities intended to increase job creation and encourage business relocation to the cities of Scranton and Wilkes-Barre. Unemployment in the MSA remains above the national average and in 1995 was reported at 7.2 percent. The MSA has experienced a population outflow of 3,000 due in part to the lack of employment opportunities.

Low wages, the unemployment rate, and an aging population have negatively affected new home construction. Housing starts in 1995 totaled 570 units down from 820 in 1994. Housing starts are expected to remain sluggish for the rest of the decade. However, new construction activity in multi-family housing, commercial and municipal construction has been more active.

The greater Scranton/Wilkes-Barre MSA and the non-MSA counties of Monroe and Wayne are the center of the Pocono Mountain resort area. The Poconos are a year round recreational area noted for its ski resorts and other winter sports activities. Besides resort hotels, the area has many second home communities occupied on both a year-round and seasonal basis. An excellent interstate highway system and proximity to Philadelphia and New York cause the Pocono resort area to be accessible to a large market. The tourism industry is a continuing employment source and is a major component in the local economy.

Wayne and Monroe counties are primarily rural and are dependent on the tourism industry for employment and income. Service industries which support the resort trade and local residents also positively affect the local economy. Residents of southern Monroe County also commute to employment in the Lehigh Valley area. Both counties have a high vacancy rate in the housing stock that is attributable to excess capacity in the second home market.

Affordable housing financing, economic development and employment creation are identified needs.

New York/Lower Hudson Valley Community

MSA 5600 New York, MSA 071 Newburgh (Orange County), MSA 2281 Dutchess County and non-MSA Ulster County

The delineated community includes the entire counties of Westchester, Rockland, Putnam, Orange, Dutchess, Ulster and 155 census tracts in Bronx County, all of which are in New York State. Rockland, Putnam, Westchester and the Bronx are in MSA 5600, which includes New York City. The County of Bronx and the Borough of the Bronx are in New York City. FUNB maintains 59 branches, of which 40 are in Westchester County, and three stand-alone ATMs in the delineated community.

The delineated community is primarily suburban except for Yonkers and White Plains in southern Westchester County, and the Bronx portion of the community known as Riverdale. Pockets of higher density population are present in Poughkeepsie, Newburgh, and White Plains. Total population is 2,535,000 of which 574,000 is in the Bronx. Income distribution as represented by census tracts is primarily middle- and upper-income (57 percent) with moderate-income at 12 percent and low-income at 9 percent. Most of the low- and moderate-income tracts are concentrated in the Bronx County delineated community, Yonkers and White Plains in Westchester County, with lower volumes in Newburgh and Poughkeepsie. The affluent census tracts and residents are in Putnam, upper Westchester, and Dutchess counties. Median income for the overall delineated community is \$47,000. Median income is \$28,000 in the Bronx community; \$84,000 in Putnam; and \$59,000 in Rockland.

The economy is a mix of service sector industries and manufacturing. The manufacturing sector has declined as a major employer because of plant closings and relocations in the prior two years. Westchester and Rockland counties are headquarters for major corporations including IBM, Readers Digest, and Pepsico. Other major employers are Orange and Rockland Utilities, Bank of New York, and Federated Department Stores. Regional retail shopping malls are also major sources of employment in the area. In the Bronx, light manufacturing enterprises, warehousing/distribution and small retail businesses provide employment.

Identified needs are affordable housing and job creation in the Yonkers, White Plains and Bronx areas.

SUMMARY OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented, this institution is rated: **“outstanding record of meeting community credit needs.”**

Performance Highlights:

- FUNB demonstrates a high awareness of and responsiveness to the varied community credit needs which include, but are not limited to, the following:
 - financing for the development and revitalization of the economic and business sectors of the markets; and
 - loans for other consumer purposes (such as vehicle loans, revolving credit/credit cards).

- Bank records show that FUNB originated over 38 thousand residential mortgage loans during the evaluation period. This volume reflects a 37% increase over the 25 thousand noted in the 1994 CRA public disclosure, an increase even though the refinance volume for 1996 is much lower than in previous years. These loans total \$3.9 billion for home purchase, mortgage refinance, and home improvement purposes.

- FUNB reflects a high level of responsiveness to identified community credit needs and offers an expanded menu of services since the 1996 acquisition by First Union. This expansion includes several affordable mortgage loan products tailored to help meet the needs of low- and moderate-income (LMI) individuals.
 - Through the Coalition Mortgage Program, our analysis finds that FUNB generated 1,513 loans for affordable mortgages (\$146 million) concentrated in LMI areas, notably with significant volumes in the Bronx and the City of Philadelphia.
 - The 1996 volume for other products, all introduced during the year to the market, includes the following:
 - Affordable Home Mortgage - 229 loans totaling \$17 million,
 - Neighborhood Development Mortgage - 25 loans totaling \$ 2 million,
 - Community Partnership Mortgage - 2 loans totaling \$239 thousand, and
 - Fannie 97 Agency Mortgage - 7 loans totaling \$604 thousand.
 - To help meet the varied consumer credit needs, FUNB offers other products which, for 1996, include:
 - Special Home Improvement - 4 loans totaling \$ 46 thousand,
 - Secured MasterCard - 513 loans totaling \$366 thousand,

and

- Special Vehicle - 2 loans totaling \$ 17 thousand.

- During 1995 and 1996, other mortgage originations through government related programs total 360 loans for \$32 million.
- The bank shows a marked increase in small business lending in just one year, from 1995 at \$3 million to \$85 million in 1996. With increased government related lending under the Small Business Administration (SBA) program, FUNB received “preferred lender” status. Bank records show that SBA originations totaled \$12 million through 63 loans made in the evaluation period where the volume in number and dollar doubled from 1995 to 1996.
- FUNB continues to participate in a number of community development initiatives.
 - The 22 projects and 20 loans funded in 1996 by the *Urban Investment Corp.* subsidiary reflect total commitments of \$13 million.
 - The 41 community development loan originations total \$51 million.
 - FUNB uses tax credit investments to further support the development of affordable housing. These 13 tax credit investments equal \$51 million.
 - Bank records reflect 13 other community development loans that equal \$91 million.
 - FUNB continues to support municipalities with investments and services (i.e., \$9 million in housing bonds, \$3 million in education bonds, over one billion dollars in municipal financing issues underwritten and/or distributed).
 - Bank management provides lending expertise and technical support to develop innovative financing tools for small and growing businesses. FUNB records show participation in 16 different loan pools with \$7 million committed for 68 loans.
 - FUNB also provides support to credit unions and minority-owned banks which help serve the needs of lower income areas and residents in the communities.
- The bank effectively ascertains community credit needs and develops loan products designed to be responsive, including those targeted to LMI individuals and neighborhoods. Bank records show that thousands of calls by officers have been used to maintain ongoing contact in the communities.
- The Board of Directors and senior management actively and effectively oversee and participate in the bank’s CRA activities.
- FUNB uses sound marketing programs to effectively inform the communities of its products and services with special efforts made to reach LMI residents.
- The bank actively solicits loan applications from all segments of its communities and applies programs that promote compliance with fair lending laws and regulations.

DISCUSSION OF INSTITUTION'S PERFORMANCE

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.

- **FUNB has applied very effective ascertainment efforts to determine the credit needs of each of its defined communities.**
- **The bank responded to identified credit needs by developing several loan products designed for low- and moderate-income individuals and neighborhoods.**

Each geographic region of the bank is staffed with its own representatives who maintain regular, ongoing contact with their communities. Community Reinvestment Act (CRA) Officers are responsible for meeting with affordable housing organizations, community development officials and community development agencies. Urban Mortgage Representatives are involved exclusively in the servicing of the mortgage lending needs of low- and moderate-income (LMI) individuals. Urban Bankers are branch managers who spend 25 % of their time servicing the LMI market. Fifty-seven Urban Bankers are assigned to cover 36 locations in the bank's marketplace.

These bank officers have made thousands of CRA related calls over the last two years. These calling efforts keep management in ongoing contact with credit needs in the bank's communities, especially the credit needs of the LMI segment. The calling efforts have contributed to the establishment of partnerships and alliances with community groups and government entities.

The credit needs identified by the bank vary by region. Usually the credit needs identified are for affordable housing loans, vehicle loans, home improvement loans, an unsecured line of credit, a secured credit card and small business financing. The bank offers products to address these needs and participates in many community-based programs that fulfill needs for home purchase, home improvement or small business financing.

The bank actively markets to small businesses the Small Business Administration (SBA) Low Documentation (Low Doc) Loan Program. This program, offered nationwide since 1994, minimizes the paperwork for loans under \$100,000 where SBA guarantees 80% of the approved loan amount. FUNB also allocates funds to many community-based small business loan programs in New Jersey and Pennsylvania. These efforts include the recent introduction of the Visa Business Credit Card which is designed for existing small businesses with annual sales of less than \$10 million.

Several new products developed by First Union are now available to help satisfy credit needs of this bank's LMI market segment. The following are some new product offerings available to LMI individuals or to those living in LMI census tracts. While the former bank (FFB) offered several affordable mortgage products tailored to the needs of LMI individuals, the product menu expanded to include several First Union products after the January 1996 merger. The expansion included four affordable mortgage products designed for applicants with limited down payment funds.

- Affordable Home Mortgage Loan - This loan allows for down payments as low as 5 % that can come from gifts, grants, a loan or sweat equity. Higher debt-to-income ratios are allowed. The applicant's income must be less than 80 % of the HUD median family income or up to 120 % of HUD median family income if the property is in an LMI census tract.
- Neighborhood Development Loan - This loan can only be used to purchase a home in a designated LMI census tract. The borrower's income must be less than 120 % of the HUD median income. Down payments can be as low as 5 %, with at least 3 % coming from the borrower's own funds. The other 2 % can come from gifts, grants, sweat equity or a loan. Higher debt-to-income ratios are also allowed.
- Community Partnership Mortgage - The bank requires no down payment, but does require the borrowers to have \$500 of their own funds at closing. These funds may come from a grant, gift, or be paid by the seller. The bank will pay the closing costs in exchange for a 1/4 % increase in the interest rate. Participation in home buyer counseling sessions is required. Eligibility is the same as the *Affordable Home Mortgage Loan*.
- Fannie 97 Agency Mortgage - This community lending product requires only a 3 % down payment. Closing costs can come from gifts, grants, or loans. The program requires applicants to participate in financial counseling; and the applicant income level must be below 100 % of the HUD median family income.
- Special Home Improvement Loans - This product provides low dollar, long term housing rehabilitation loans. These loans can be secured (starting at \$1,500) or unsecured (starting at \$3,000) with repayment periods up to 180 months. Customers who make timely payments will receive an annual rebate of 2 % of the interest paid.

- Special Vehicle Loans - Loans are available up to 100 % of the manufacturer's standard retail price on new vehicles and 100 % of wholesale book value on used vehicles. Repayment terms range from 24 to 60 months depending on the age of the vehicle. The minimum loan amount is \$2,500.
- Secured MasterCard - A line of credit secured by a FUNB savings account equal to the line requested. Borrowers may graduate to an unsecured credit card after a period of satisfactory payment performance.

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 of Directors and senior management effectively oversee the bank's CRA efforts.**
- **A smooth transition of CRA responsibilities occurred during the FFB consolidation into First Union.**

The management structure to oversee CRA was changed in the bank's transition from *FFB* to FUNB. Both the current and former organizational structures permit effective management of the CRA program.

The bank's Executive Vice-President for Public Affairs managed the CRA program for *FFB* and continues to administer the CRA process for FUNB. This individual reports directly to the bank's Chairman and Chief Executive Officer, who is a member of the Corporate Board of Directors. This organizational structure ensures CRA issues are overseen at the highest levels of management and the Board of Directors.

To ensure the timely communication of CRA issues, the bank's Public Affairs/Government Officer meets weekly with FUNB Regional Presidents and biweekly with the Chairman of the Board. It is also worthy to note the Public Affairs/Government Officer has regular access to the Chairman.

The use of CRA Officers in each of the bank's regions continues. The CRA Officers are responsible for conducting CRA activities in their specific regions. Individual CRA Officers are assigned to New Jersey and New York, and three officers are assigned to cover the different areas of Pennsylvania. The CRA Officers report to the Executive Vice President.

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.

- **FUNB has sound marketing programs that effectively inform its communities of loan products and services.**
- **The bank makes significant special efforts to reach the LMI residents of its delineated communities.**

The bank employs a variety of means to alert its communities to the products and services it offers. It gives special attention to the marketing of specially designed loan products for LMI individuals and the marketing of small business loan products. The 1995 media plans of *FFB* contained a specific plan for CRA. The plan involved the strategic promotion of affordable mortgages and SBA loans. Newspapers and radio stations that reach LMI and minority populations were used. While radio was emphasized as an effective medium for communication, the bank also used billboards, particularly in the Bronx community. All advertisements and brochures are in English and Spanish. Refer to **Assessment Factor A** for a summary of some loan products offered to the communities.

Special loan products designed for the LMI market are actively marketed to LMI areas and individuals through the bank's call programs. Urban Bankers in each region promote FUNB products and services to the LMI communities. Urban Mortgage Representatives meet with prospective LMI home buyers to assist them in the mortgage application process. The calling efforts of the bank's CRA Officers, Public Affairs Officers and Government Bankers also contribute greatly to spreading the word about the bank's special CRA products.

Bank representatives participate in many activities and events that educate consumers on credit issues and the bank's loan products. One example is the co-sponsoring of the ACORN Bank Fair in the Philadelphia Region in 1995. At this event more than 15,000 people attended workshops on consumer credit, small business financing, and affordable mortgages.

The Mortgage Help Desk is a service the bank provides to help LMI individuals in the mortgage process. A toll-free telephone number is available to obtain information on the bank's affordable mortgage products. Help Desk counselors advise callers of the specifics of each mortgage program and help the customer select the most appropriate program. The counselors will also work with the customer through the mortgage process.

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.

- **A substantial majority of FUNB’s loans are originated within its communities.**
- **Lending levels reflect exceptional responsiveness to community credit needs.**

For 1995, 97% of the loan originations* in the states of New Jersey, Pennsylvania and New York were within the bank’s defined communities. By loan type, 98% of residential loans, 92% of small business loans, and 42% of small farm loans were within the bank’s communities in these states.

FUNB offers a variety of loan products to meet the identified needs of individuals and businesses, including specialized products for persons with low- and moderate-incomes and for small-sized businesses. The bank also participates in loan programs at the local and national level that provide affordable loans to qualified individuals and businesses. **Table 1** presents data on loan originations for 1995 and 1996.

*Consists of residential loans (home purchase, mortgage refinance and home improvement), small business and small farm loans.

Table 1 - Loan Originations				
Loan Type	1995		1996	
	#	\$ (000s)	#	\$ (000s)
Residential *	15,049	\$1,006,271	22,911	\$1,051,470
Small Business**	69	2,750	827	84,970
Small Farm	15	428	10	326
Consumer ***	109,836	503,510	108,105	1,257,864
Total	124,969	\$1,512,959	131,853	\$2,394,630

* Residential loans consist of home purchase, mortgage refinance, home improvement and home equity credit lines (through 10/31/96).

** Defined as businesses with annual revenues of \$3 million or less. In 1996, loans to businesses with gross annual revenues of \$1 million or less totals \$50 million (433 loans).

*** Consumer loans consist of vehicle loans, revolving credit, and other secured and unsecured loans (through 10/31/96).

Residential loans increased about 50% in number from 1995 to 1996 due to increased originations of home equity credit lines that totaled 18,004 loans or \$769 million in 1996. When you exclude the home equity credit lines, the total residential loan volume declined. The decline results from less mortgage refinancing by consumers than in previous years coupled with the adoption of a business strategy in 1996 to not purchase residential mortgage loans for the bank's portfolio. Market data for 1995 (the most recent period available) showed FUNB with a 5% share of total residential loan originations in its combined communities in New Jersey, Pennsylvania and New York. This placed the bank as the largest originator of residential loans in these communities.

By loan type, FUNB had an 8% share of mortgage refinance loans and a 12% share of home improvement loans, which placed the bank as the largest originator of these loans in its communities. The FUNB share of home purchase loans amounted to 2%, placing it below the top ten lenders for originations of home purchase loans in its communities. This distribution follows the business strategy which bank management relayed as: to aggressively price mortgage refinance loans and to less aggressively price home purchase loans given the large number of home purchase loan providers in the market. The bank's market share of home improvement loans is commensurate with its overall high level of consumer loans.

FUNB had a significant increase in small business loan originations from 1995 to 1996. Contributing to the ten fold increase is the automated underwriting function that resulted in more efficient processing of loan applications. Also, lending through Small Business Administration programs almost doubled from 1995 to 1996 (refer to **Assessment Factor J** for additional information).

FUNB offers a variety of home purchase loan products with affordable features. The more recent products introduced in the FUNB markets include the *Affordable Home Mortgage*, *Neighborhood Development Mortgage* and *Community Partnership Mortgage*, all described under **Assessment Factor A**. The *Coalition Mortgage Loan* is the bank's established affordable mortgage product which management targets to LMI first time home buyers. This product features a discounted interest rate, higher than normal debt ratios, reduced fees, no points, and other unique terms.

Table 2 presents origination volumes for the *Coalition Mortgage* product where a majority of the loans were originated in concentrated LMI areas, notably the Bronx and the City of Philadelphia.

Table 2 - Coalition Mortgage Program Loan Originations				
Market	1995		1996	
	#	\$ (000's)	#	\$ (000s)
New Jersey	302	\$29,600	400	\$44,848
Pennsylvania	272	12,400	204	9,494
New York	191	27,200	144	22,272
Total	765	\$69,200	748	\$76,614

FUNB is also a participating lender in many other home purchase and home improvement loan programs targeted to LMI individuals. These programs include the Delaware Valley Mortgage Plan, New Jersey Citizen Action Home Improvement Loans, Trenton Mortgage Plan, Lehigh Valley Mortgage Loan Pool, and Philadelphia Home Improvement Loan program.

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

- **FUNB actively participates in government sponsored, guaranteed or subsidized loan programs.**

FUNB is active in government sponsored, guaranteed or subsidized loan programs through **First Fidelity Urban Investment Corporation**, the bank's Community Development Corporation (CDC). These activities include state government sponsored housing programs and state government guaranteed business development programs. Efforts of the bank's Urban Mortgage Service Representatives and the Department of Public Affairs/Government Division representatives contribute to these lending activities.

Table 3 presents data on FUNB loan originations through federal and state government loan programs.

Table 3 - Government Loan Originations				
Loan Type	1995		1996	
	#	\$ (000's)	#	\$ (000's)
Federal Housing Authority (FHA)	74	\$ 6,932	96*	\$ 9,475*
Veteran's Administration (VA)	20	2,213	90*	9,031*
NJHMFA**	12	1,427	1	126
PHFA**	48	1,859	19	697
Fannie 97 Agency Mortgage	Not Applicable	Not Applicable	7	604
Subtotal Mortgage Loans	154	12,431	213	19,993
SBA	23	4,053	40	8,048
Total	177	\$16,484	253	\$28,041

* YTD 11-30-96

**NJHMFA - New Jersey Home Mortgage Finance Agency; PHFA - Pennsylvania Housing Finance Agency

Mortgage Loan Programs

FUNB has increased its emphasis on lending under the government FHA and VA programs in recent years. Under the FHA program, loan originations increased 39% from 1995 to 1996. By state level, New Jersey generated 38 FHA loans totaling \$4.2 million in 1996, up from 28 loans totaling \$3.0 million in 1995. In Pennsylvania, the bank originated 35 loans totaling \$3.1 million in 1996, an increase from 18 loans amounting to \$1.5 million in 1995. In New York, loan originations were down, although not significantly, from 28 loans totaling \$2.3 million in 1995 to 23 loans totaling \$2.1 million in 1996.

Under the VA program, loan originations rose significantly from 20 loans in 1995 to 90 loans in 1996. By state level, New Jersey generated 40 VA loans totaling \$4.7 million, up from 10 loans totaling \$1.3 million in 1995. Loans originated in Pennsylvania totaled 27 or \$3.0 million in 1996, up from nine loans amounting to \$823 thousand in 1995. In New York, 13 loans totaling \$1.3 million were originated in 1996, up from one loan totaling \$70 thousand in 1995.

Lending under the Pennsylvania Housing Finance Agency (PHFA) and New Jersey Home Mortgage Finance Agency (NJHMFA) programs declined in 1996. The decline was due to the lack of state funding support for these programs and not for any reason controlled by FUNB.

Small Business Loan Programs

In early 1996, the U.S. Small Business Administration (SBA) designated FUNB as a Preferred Lender which gives the bank greater opportunities to offer small business loans in all of its markets. As noted in **Table 3**, SBA guaranteed loan originations doubled from \$4 million in 1995 to \$8 million in 1996. By state level, New Jersey originated 25 loans totaling \$5.3 million in 1996, up from 16 loans totaling \$2.9 million in 1995. Loans originated in Pennsylvania totaled ten or \$1.6 million in 1996, up from seven loans totaling \$1.1 million in 1995. Activity in 1996 included a \$490 thousand loan to a business in Allentown, Pennsylvania. For New York, the bank originated five loans totaling \$1.1 million in 1996, including a \$260 thousand loan to a business in the Bronx. The bank reported no SBA activity in New York for 1995.

FUNB also participates in local government loan programs for small businesses. We discuss certain programs under **Assessment Factor H**.

Student Loans

FUNB is an active participant in federally subsidized student loan programs and offers the Robert T. Stafford program, Supplemental Loans for Students, and the PLUS (Parent Loan for Undergraduate Students) program. The student loan originations total \$186 million.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- **FUNB community delineations are reasonable; no low- and moderate-income (LMI) areas are arbitrarily excluded.**

Management broadly defines the bank's service area as communities adjacent to its branches, which are in portions of the states of New Jersey, Pennsylvania, and New York. The delineations incorporate whole geographies within the political boundaries of counties, except the Bronx, where the bank has a single office. As summarized in the **Community Profile** section, management defines the bank's four delineated communities as follows:

- the State of New Jersey, except Cumberland County (where the bank has no branches);

- the Pennsylvania portion of the Philadelphia MSA (which incorporates the City of Philadelphia and the Counties of Bucks, Chester, Delaware, and Montgomery);
- Northeastern Pennsylvania from Allentown to Scranton, incorporating the Counties of Carbon, Lackawanna, Lehigh, Luzerne, Monroe, Northampton, Wayne, and Wyoming (the bank’s single branch in Pike County was closed during this period of review and management eliminated that county from the assessment area); and,
- the lower Hudson Valley in New York State that includes the Counties of Dutchess, Orange, Putnam, Rockland, Ulster, Westchester, and a northern portion of The Bronx.

Management has identified 36 cities and surrounding areas to receive enhanced marketing and lending activities. These are heavily populated urban areas that contain the largest concentrations of LMI census tracts and individuals. Among these are:

- | | |
|------------------------------|----------------|
| • Allentown/Easton/Bethlehem | • Newburgh |
| • Bronx | • Patterson |
| • Camden | • Philadelphia |
| • Chester | • Scranton |
| • Elizabeth | • Trenton |
| • Jersey City | • Wilkes-Barre |
| • Newark | • Yonkers |

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

- **The geographic distribution data shows that FUNB loans reasonably penetrate all segments of its communities, including LMI areas.**

Tables 4 and 5 present data on residential loans (i.e., home purchase, mortgage refinance and home improvement) originated in LMI census tracts for each market that comprises the bank’s delineated community. For the combined markets, loans in LMI census tracts represent 9% of FUNB total loan originations in 1995. In comparison, 12% of the total loans originated by all lenders in these markets were attributed to LMI census tracts. While loan originations declined in 1996, FUNB reports a much higher percentage (17%) of its loans in LMI census tracts. Among the bank’s markets, Philadelphia is the highest for its percentage of loans in LMI census tracts at 15% in 1995 and 21% in 1996. In comparison, 18% of the total loans originated by all lenders in the Philadelphia market were attributed to LMI census tracts for 1995. New Jersey shows the largest increase for its percentage of loans in LMI census tracts, rising from 8% in 1995 to 17% in

1996. In comparison, 11% of the total loans originated by all lenders in the New Jersey market during 1995 are in LMI census tracts.

Table 4 also contains the bank’s percentage share of total residential loans originated by all lenders in the market for all areas (“Overall Market Share %”), and for LMI areas (“LMI Market Share %”). For the combined markets, FUNB has a 4% share of residential loan originations in LMI census tracts, almost equal to its 5% share of residential loans for all areas. This places the bank as the fourth largest originator of residential loans in LMI census tracts. The Philadelphia market had equal percentages for its share of loan originations in LMI areas and in all areas, and the bank ranks as the fifth largest originator of residential loans in LMI census tracts. The remaining markets have slightly lower percentage shares of loan originations in LMI areas. In the New Jersey market the bank is the largest originator of residential loans in LMI census tracts and ranks third in the Northeastern Pennsylvania market and tenth in the New York market.

Table 4 - RESIDENTIAL LENDING by Income Level of Census Tract (CT) - 1995						
MARKETS:	% of Owner Occupied in LMI CTs	% of Loans in LMI CTs	Overall Market Share %	LMI Market Share %	Loans in LMI CTs #	Loans in LMI CTs \$(000s)
New Jersey	35%	8%	6%	4%	725	42,424
Philadelphia	52%	15%	4%	4%	542	15,812
NE Pennsylvania	46%	5%	7%	4%	108	3,237
New York	12%	2%	4%	2%	17	1,364
Total Markets	38%	9%	5%	4%	1,392	62,837

Table 5 - RESIDENTIAL LENDING by Income Level of CT - 1996 (12 mos. ending Oct-31-96)						
MARKETS:	% of Owner Occupied in LMI CTs	% of Loans in LMI CTs	Overall Market Share %	LMI Market Share %	Loans in LMI CTs #	Loans In LMI CTs \$(000s)
New Jersey	35%	17%	NA	NA	464	22,084
Philadelphia	52%	21%	NA	NA	242	6,207
NE Pennsylvania	46%	12%	NA	NA	103	3,442
New York	12%	4%	NA	NA	16	1,170
Total Markets	38%	17%	NA	NA	825	32,903

NA - market share data is not available

Table 6 presents data on residential loans originated in 1995 to borrowers having low- and moderate-incomes (note: 1996 loan data is not yet available for analysis in this format). For the combined markets, 26% of the bank’s loan originations were to LMI borrowers. In comparison, lenders in aggregate reported 24% of loan originations to LMI borrowers. Among the bank’s markets, Philadelphia has the highest percentage (32%) of its loans to LMI borrowers, slightly higher than the aggregate for all lenders in this market of 31%. With 26% of its loans originated to LMI borrowers, the New Jersey market exceeds the aggregate percentage for all lenders of 22%. The bank’s percentage of loans originated to LMI borrowers compared favorably to LMI population statistics for each market, except New York.

For the combined markets, FUNB has a 6% share of residential loan originations to LMI borrowers which slightly exceeds its overall share of 5%. This places the bank as the largest originator of residential loans to LMI borrowers. In all markets, except Northeastern Pennsylvania, the bank’s percentage share of loan originations to LMI borrowers equals its market share overall. In the New Jersey market, the bank is the largest originator of residential loans to LMI borrowers, and ranks fourth in Philadelphia, third in Northeastern Pennsylvania, and fifth in New York.

Table 6 - RESIDENTIAL LENDING by Income Level of <i>Borrower</i> - 1995						
MARKETS:	% LMI Population	% of Loans to LMI Borrowers	Overall Market Share %	LMI Market Share %	Loans to LMI Borrowers #	Loans to LMI Borrowers \$(000s)
New Jersey	18%	26%	6%	6%	2,199	84,019
Philadelphia	21%	32%	4%	4%	1,142	32,243
NE Pennsylvania	17%	22%	7%	6%	434	9,948
New York	18%	8%	4%	4%	79	3,065
Total Markets		26%	5%	6%	3,854	129,275

We reviewed the FUNB analysis of 1995 lending patterns for each of the bank’s markets. The following comments provide highlights from the analysis.

New Jersey Market

Management determined that most of the LMI census tracts had some volume of lending with no conspicuous gaps noted. For most counties, the percentages of lending to LMI borrowers was comparable to or better than LMI population percentages. Significant lending was found in areas

with a relatively low percentage of home ownership (e.g., Essex, Passaic and Union counties).

Philadelphia Market

Management found strong loan penetration across all census tract and borrower income levels. No conspicuous gaps in lending in LMI census tracts were identified and favorable lending levels were reported in comparison to home ownership rates in some LMI census tracts.

Northeastern Pennsylvania Market

Management identified strong lending in LMI census tracts in proportion to home ownership rates in most counties. No conspicuous gaps in lending in LMI census tracts were identified. Lending to LMI borrowers corresponded well to LMI population percentages, with explainable exceptions noted in Lackawanna and Luzerne counties.

New York Market

Management found that the frequency of loans in LMI census tracts corresponded favorably with the ratio of LMI census tracts in the market. Lending penetration was determined to be strong in all census tract income levels, considering home ownership rates and branch coverage. Bronx County was especially noteworthy for lending penetration in LMI census tracts with no conspicuous gaps. In addition, lending to LMI borrowers was considered very good, notably in Dutchess and Orange counties.

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

- **The FUNB branch locations provide reasonable access to all segments of the delineated communities.**
- **Branch closings have not adversely affected the availability of services in LMI areas.**

The bank provides services through FUNB's 547 branches placed throughout the assessment area. FUNB's branch network includes a significant presence in LMI areas. Many branches have extended weekday hours and approximately 52 percent of the branches have Saturday hours of operation. Of the bank's 547 branch locations, 429 provide ATM services. Additionally, 31 stand-alone ATMs are in New Jersey, three in Pennsylvania, and three in New York. All ATMs also provide access to services for Spanish and Korean language customers.

Bank analysis of branch locations shows that 285 branches, or 52% of the total, include LMI census tracts in their respective service areas. The **Additional Information** section of this document contains more data about the bank's branches.

During this period of evaluation, FUNB closed and/or consolidated 58 branches within the assessment area. Of that number, 47 were closed in 1995 and 11 were closed in 1996. Of the total number of branches closed, three were in low-income areas and 13 were in moderate-income areas. The closings did not adversely affect any community. The vast majority of the closings were the consolidation of branches within proximity to each other.

The bank's branch closing policy is comprehensive and consistent with regulatory guidelines. The branch closing policy provides for a review and analysis process and detailed procedures. Among other things, before the closing of a branch, the policy requires that community impact studies be conducted; alternative available services are considered; and that proper customer notifications are provided. A sample review of files showed that management follows all aspects of the bank's branch closing policy.

The bank also provides alternative delivery systems to the entire customer base. These include telephone banking (Direct Bank), reconfigured branches to provide a full menu of financial products, external sales forces to develop new business from small business and consumer clients, and the use of technology to conduct business once done at a teller window. The bank is "on-line" through the Internet, and customers can open checking and savings accounts, verify balances and review statements. Management is planning to provide enhancements to this system that will permit customers to pay bills, transfer funds, apply for credit or access account information. The most significant alternative service provided to LMI customers is the deployment of Urban Mortgage Representatives to meet with prospective LMI home buyers to provide assistance in the mortgage application process. We also discuss this in **Assessment Factor B**.

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).

- **The bank solicits credit applications from all segments of the community, including low- and moderate-income areas.**
- **We did not find any practices intended to discourage credit applications on a prohibited basis.**

FUNB actively solicits applications from all segments of its delineated communities, including low- and moderate-income areas. The Board and management have developed a number of programs to ensure compliance with fair lending laws and provide equal access to credit.

Management committees have been formed to oversee the bank's fair lending initiatives. Major departments of the bank are represented on these committees, including a corporate department which was created to manage the overall fair lending activities of the company.

Detailed, formal policies, procedures and training programs have been developed to help assure the institution does not illegally discourage or pre-screen applicants. First Union has developed and provided a fair lending training program for its employees to ensure they understand the legal requirements as well as bank policies and procedures. The company uses videos, formal training sessions, and on-the-job training to ensure employees become familiar with the fair lending laws and regulations. In addition, the bank conducts diversity training sessions for its employees.

FUNB has established several processes to ensure applicants are treated fairly. These processes include, but are not limited to, a "second review" program and a comparative analysis of loan files. The bank conducts a second review on proposed denials of loans subject to the Home Mortgage Disclosure Act (HMDA). This review occurs prior to the issuance of a denial or adverse action notice to the applicant(s). The comparative loan review process, applied on a regular basis, enables the bank to monitor compliance with fair lending laws and to assess the effectiveness of its fair lending programs. The process includes activities to evaluate actions for fair treatment of all applicants.

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

- **We noted no evidence of discrimination or other illegal credit practices.**

We performed an examination for compliance with the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA) in conjunction with this CRA examination. We reviewed the bank's policies and procedures for conformance with these laws and regulations, and conducted tests to check for any areas of noncompliance. Our comparative file analyses for racial and gender discrimination did not detect any instances of illegal disparate treatment or discrimination.

The comparative file review of HMDA applications received during 1995 tested First Union actions to determine if any instances of racial discrimination occurred. We reviewed and compared 368 denied minority transactions to 645 approvals for white applicants sampled from all national banks within First Union plus its mortgage company. This total includes 315 minority denials and 502 white approvals originated by all of the individual First Union national banks. The remaining applications represented 53 minority denials and 143 white approvals received by

FUMC. In accordance with OCC procedures, minorities selected for comparison purposes represented American Indian, African American, and Hispanic applicants.

The other aspect of our testing included a comparative file review for gender discrimination. For automobile loans through one of the corporation's significant lending units, we reviewed and compared 124 denied female applicants to 226 approved male applicants.

V. COMMUNITY DEVELOPMENT

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

- **FUNB is very aware of, and responsive to community economic development needs.**
- **The bank's participation in community development and redevelopment projects and programs through loans and investments is significant.**

FUNB continues its involvement in many community development initiatives. The bank's First Fidelity Urban Investment Corporation (Urban Investment Corp.) is a subsidiary and an OCC chartered community development corporation (CDC). The CDC underwrites and participates in housing and economic development loans. Many of these are funded and carried as assets by FUNB. The CDC can make equity investments, purchase low-income housing tax credits, and participate in small business lending pools.

For 1996, the Urban Investment Corp. has funded 22 projects and 20 loans from loan pools with total commitments of \$13.6 million within its delineated communities. Outstanding balances were \$7.7 million at year end. In 1995, the bank originated 64 loans totaling \$5.2 million.

To qualify as CRA related, a community development loan must help improve a low- or moderate-income area, or support affordable housing or small business development. It also qualifies if a community-based not-for-profit organization, or a minority- or women-owned business is provided credit. During this period of evaluation, management reports the origination of 41 community development loans totaling \$51 million that qualify as CRA related. These were loans originated in both the bank and Urban Investment Corp. portfolios. The following table shows that based on its presence in each of its markets, the bank has generated a significant amount of community development lending in each of its delineated communities.

Table 7 - Community Development Loans (1/95-2/97)		
Community	Number	Amount
New Jersey	18	\$25,814,061
Philadelphia MSA	8	13,067,000
Northeastern Pennsylvania	11	8,907,000
New York	4	3,180,547
Total	41	\$50,968,608

The following are examples of some community development efforts FUNB has helped fund throughout its market areas.

New Jersey Market

Lutheran Social Ministries - This is an affordable housing project in Brick Township, N.J. that will contain 184 senior citizen housing units. FUNB granted a construction loan of \$6.3 million and has committed to an equity investment of \$15.4 million. To date, the bank has funded \$795 thousand of the equity investment.

Toms River Renewal Project - This is a loan program for downtown improvements in a small town. Originally the bank committed \$500 thousand, but the demand for loans was such that it increased the commitment to \$1 million. In addition, the bank contributed \$100 thousand to a fund to help the renewal program.

New Jersey Housing Opportunity Fund - FUNB was the first investor in this fund, which uses corporate investments to finance affordable housing projects with nonprofit sponsors. The fund’s sponsor intends that the housing will be for the homeless, battered women, seniors, and people with disabilities. The bank has made a \$5 million equity commitment, but none of this has been funded at this time.

HANDS (Housing and Neighborhood Development Services) - The bank made a \$240 thousand construction loan to construct new affordable housing units for low- and moderate-income home buyers in Orange, N.J. The bank is also providing home purchase financing to prospective buyers.

Urban Movie Corporation (UMC) - UMC is a nonprofit corporation formed for the purpose of developing and owning a multiplex movie house in the Central Ward of Newark. This is the first

movie theater to operate in Newark in many years and is a source of community revitalization. The bank granted a \$3.9 million construction loan for this project, and subsequently issued a \$3.8 million letter of credit in support of a bond offering.

Philadelphia Market

Philadelphia Housing Development Corporation - A \$3 million line of credit was approved to finance short term receivables. This organization is the primary developer/renovator of low-income housing in the city. This funding will eliminate the lag between the corporation's request for reimbursement and actual payment to subcontractors.

Collaborative Lending Initiative (CLI) - CLI is a separate corporation created the Delaware Valley Community Reinvestment Fund to finance development projects greater than \$250 thousand. The Urban Investment Corp. approved a \$500 thousand commitment to CLI; other banks are also participating in this program.

Philadelphia Plan - The Philadelphia Plan is a unique community program the bank committed to two years ago. Through the Plan, corporations establish partnerships with non profit community development corporations for 10 years. During the term of the partnership each corporation provides grant funding of \$250 thousand for operations and projects. In exchange the corporations receive a 75% state tax credit. The bank is working with two organizations, the Hispanic Association of Contractors and Engineers (HACE) and the Women's Community Revitalization Project (WCRP).

Yorktown Arms - This is a 56-apartment development for senior citizens in North Philadelphia. The bank's real estate department made a construction loan of \$2.8 million, and the Urban Investment Corp. provided equity of \$3.4 million, of which \$378 thousand is extended.

Orianna Street LTD Partnership - The WCRP sponsors this development that consists of 23 rental units for low-income families in North Philadelphia. The Urban Investment Corp. made a construction loan of \$1.9 million. At the end of construction, FUNB made a \$2.3 million equity commitment, with \$279 thousand funded to date.

Northeastern Pennsylvania Market

Washington Apartments Associates - This is a project of the Valley Housing Development Corp. in Northampton, Pa. The project involves the conversion of a hardware store to 14 apartments for low-income families at affordable rates. The bank provided a construction loan of \$400 thousand and an equity investment of \$580 thousand.

Southside Bethlehem Comfort Suites - The bank made a \$5 million loan to a hotel group in Bethlehem, Pa., and the proceeds refinanced mortgages from the Bethlehem Economic Development Corp. (BEDCO) and the City of Bethlehem. Not only did this transaction free up BEDCO's capital to foster other redevelopment projects, but the hotel's location in a redevelopment zone provides employment opportunities for neighborhood residents.

New York Market

Equitable Realty Associates - This is a New York Limited Partnership formed to rehabilitate, own and operate 34 apartment units for LMI persons in Yonkers, N.Y. The project serves the needs of homeless families and those who receive public assistance, and qualifies for federal low-income housing tax credits. The bank provided \$2.6 million in construction financing.

Grand Avenue - This is a New York Limited Partnership to rehabilitate an apartment building with 92 apartments in the Bronx. All the units are reserved for LMI residents. The bank invested \$2.9 million in tax credits after providing a \$2.1 million construction loan.

Beaumont Avenue - This is a limited partnership with Beaumont Housing Development Fund Company to construct a 56-apartment building in the Bronx for the elderly. The bank made a permanent construction loan of \$1.1 million and an interim construction loan of \$3.5 million. The bank will also make an equity investment of up to \$4.2 million.

Cranford Avenue - This is a partnership to construct a 56-apartment building in the Bronx that qualified for low-income housing tax credits. The bank will invest up to \$4.3 million as a limited partner, and provide a permanent construction loan of \$1.1 million and interim construction loan of \$3.5 million.

Other Activities

During this evaluation period the bank made 13 tax credit investments with total commitments of more than \$51 million. To date, it has funded \$14.5 million. These investments support the development of 703 affordable housing units in all four of the bank's markets. The largest is a \$15 million commitment in Brick Township, N.J.; this was a recent equity investment and is the largest tax credit investment to date for any bank in First Union Corporation.

The bank is very active in direct government lending. During this evaluation period the bank has identified 13 loans that qualify as CRA development lending because of the location of the community, the demographics of the community, and the type of project financed. These loans constituted total originations of \$90.5 million. Among the types of projects financed were schools, municipal buildings, park and recreation developments, liquidity and credit enhancements, and public improvement projects.

FUNB has provided support to various municipalities throughout the market area with security investments. As of September 30, 1996, the bank's municipal bond portfolio contained \$9.2 million in housing bonds and \$3 million in education bonds of state and municipal jurisdictions within its delineated communities.

FUNB continues to provide lending expertise and technical support in working with state and local governments to develop innovative financing tools for small and growing businesses. One way management accomplishes this is by establishing small business loan pools. These public-private partnerships use government and bank cooperation to provide economic development financing. These loans are very difficult to arrange because the borrower typically does not have experience in applying for credit. The loan officers generally try to extract the necessary information by reconstructing the applicants' records. During this evaluation period, the bank reflects participation in 16 different loan pools with \$7.4 million committed for 68 loans. As of December 1996, the total outstanding loan amount was \$2.5 million.

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.

- **Consistent with its size and financial condition, FUNB is a leader in developing projects that promote economic growth and revitalization.**
- **The bank participates in loans and investments to help meet community credit needs.**

FUNB is financially capable of helping to meet the credit needs in its delineated communities. Based on deposits in its two primary markets, it has the second largest market share in New Jersey and fourth largest share in the Philadelphia market. The bank ranks fourth among bank competitors in the Northeastern Pennsylvania market. In its New York market, the bank's presence is heavily concentrated in Westchester County where it has 40 branches and is generally ranked second in that area. The local economy has been improving and offers no impediments to loan growth. No legal constraints exist which would impair its expansion and ability to serve the public.

The merger of FFB into First Union Corporation to form FUNB has helped expand the product line in some areas, and generally enhances the bank's CRA performance.

Bank and Community Profile sections of this evaluation contain more detailed information concerning the environment in which FUNB operates, its deposit and loan structure, and the nature of its business.

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.

- **Management is making other significant contributions of technical assistance, financial grants, and investments to help meet the credit needs of the bank's communities.**
- **These efforts supplement the FUNB direct lending activity.**

Bank personnel are very involved in community related activities and provide technical support and assistance to many groups and organizations. As noted previously in **Assessment Factor H**, FUNB has also provided technical and other assistance in the establishment of small business loan pools. It has also made equity investments through the purchase of tax credits on several projects, and is a large underwriter and distributor of municipal financing issues.

During this evaluation period, FUNB underwrote \$682 million in municipal securities for jurisdictions within the delineated communities, and acted as distributor in the secondary markets for \$613 million. In addition, the bank made a \$455 thousand computer equipment lease to a local board of education.

An example of the bank's initiative and leadership occurred in 1994 when a gas explosion destroyed Gross Towers, a senior citizen housing facility in Allentown. More than 100 residents were left homeless. The bank responded quickly with a commitment of \$100 thousand. It made a grant of \$85 thousand for temporary housing in a vacant hotel. The bank was also a leader in organizing corporations to raise additional funds for food and other supplies, and fulfilled its commitment by contributing \$15 thousand to the disaster relief fund.

Management periodically conducts Minority Business Opportunity Fairs in Newark and Philadelphia. Sometimes the bank participates with other financial institutions; but most often FUNB is the host to these affairs on its own. This is part of an initiative to develop a Minority Enterprise Vendor Opportunity Program so the bank can work with these companies. Management designs such events to help firms become familiar with FUNB purchasing procedures. The bank attempts to increase the amount of products and services it purchases from minority and women vendors, and sets goals for this activity.

Management continues to provide technical support to City National Bank, a minority-owned bank in Newark. The bank also invested 4.9% in the common stock of City, and in the past has helped recapitalization efforts and has sold City participations in some loans. FUNB also has a \$250 thousand investment in United Bank, a minority-owned bank in Philadelphia. Management has also deposited \$50 thousand in each of two Philadelphia credit unions that serve lower income

areas. New Horizons Credit Union serves the Kensington section of the city, and Borinquen Credit Union serves a Hispanic community.

The bank makes charitable contributions to a variety of civic, nonprofit, religious, and community-based organizations. Approximately 25% of the total contributions budget goes to organizations that promote community development activities that are relevant to CRA. In 1995, these community-based contributions totaled \$1.2 million and in 1996 amounted to \$1 million. The predominant portions of these go to organizations in the New Jersey and Philadelphia markets, although Northeastern Pennsylvania and New York receive amounts commensurate with the bank's presence in those markets.

ADDITIONAL INFORMATION

DEMOGRAPHIC INFORMATION

(1990 Census Data and 1994 HUD Median Family Income)

(Bank data for branches is as of 12/31/96)

Demographic Information	Delineated Communities			
	New York	New Jersey	Northeastern Pennsylvania	Philadelphia
Population	2,535,534	7,592,135	1,305,998	3,728,909
Median Family Income	\$46,817	\$45,288	\$31,832	49,300
Census Tracts				
Low-income	9%	7%	6%	9%
Moderate-income	12%	17%	12%	17%
Middle Income	28%	48%	69%	41%
Upper-income	49%	24%	15%	30%
Owner-Occupied Housing Units	50%	58%	62%	63%
Vacant Housing Units	6%	9%	12%	7%
FUNB Branches	59	324	59	105
Branches in LMI Census Tracts	(10%) 6	(25%) 82	(24%) 14	(25%) 26
FUNB Stand-alone ATMs	3	31	1	2

ADDITIONAL INFORMATION (continued)

Demographic Information	New York/Lower Hudson Valley Delineated Community MSA and Non-MSA Areas			
	Orange	*New York	Dutchess	Non-MSA Ulster County
Population	307,647	1,789,219	261,722	165,304
Median Family Income	\$45,852	\$49,942	\$48,519	39,516
Census Tracts				
Low-income	3%	11%	6%	0%
Moderate-income	18%	12%	16%	4%
Middle-income	32%	80%	65%	40%
Upper-income	30%	57%	3%	56%
Owner-Occupied Housing Units	61%	46%	62%	58%
Vacant Housing Units	8%	4%	10%	15%
FUNB Branches	3	47	6	3
FUNB Stand-alone ATMs	0	2	1	0

***Includes portions of NY MSA Number 5600: Putnam, Rockland, Westchester Counties and 155 census tracts in Bronx County**

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ADDITIONAL INFORMATION (continued)

Demographic Information	New Jersey Delineated Community MSAs							
	Bergen/ Passaic	Jersey City	Middlesex/ Hunterdon/ Somerset	Newark	Monmouth/ Ocean	Trenton	Atlantic/ Cape May	*Philadelphia
Population	1,278,440	553,099	1,109,835	1,915,928	986,327	325,824	319,416	1,193,226
Median Family Income	\$52,659	\$35,250	\$55,147	\$50,047	\$46,615	\$48,490	\$39,034	\$41,098
Census Tracts								
Low-Income	8%	2%	2%	13%	4%	11%	4%	5%
Moderate-Income	17%	19%	15%	23%	20%	20%	20%	10%
Middle-Income	49%	60%	62%	38%	46%	44%	58%	59%
Upper-Income	26%	19%	21%	26%	30%	25%	18%	26%
Owner-Occupied Housing Units	60%	29%	67%	56%	64%	62%	42%	69%
Vacant Housing Units	9%	9%	4%	5%	16%	5%	36%	5%
FUNB Branches	56	13	44	92	51	9	16	43
FUNB Stand-alone ATMs	2	1	5	9	6	0	5	3

* Includes only the four New Jersey Counties of Salem, Gloucester, Burlington, and Camden

ADDITIONAL INFORMATION (continued)

Demographic Information	Northeastern Pennsylvania Delineated Community MSA and Non-MSA Areas			
	Allentown/ Bethlehem	*Scranton/ Wilkes- Barre	Non MSA Monroe County	Non MSA Wayne County
Population	595,081	575,264	95,709	163,619
Median Family Income	\$36,433	\$29,567	\$36,587	\$31,953
Census Tracts				
Low-income	3%	1%	0%	0%
Moderate-income	15%	12%	0%	11%
Middle-income	63%	76%	36%	63%
Upper-income	17%	11%	64%	24%
Owner-Occupied Housing Units	67%	63%	47%	40%
Vacant Housing Units	6%	7%	37%	47%
FUNB Branches	37	16	4	2
FUNB Stand-alone ATMs	1	0	0	0

*Portion of MSA (excludes Columbia County)

ADDITIONAL INFORMATION (continued)

Demographic Information	Philadelphia Delineated Community (Philadelphia MSA)				
	Philadelphia County	Bucks County	Chester County	Delaware County	Montgomery County
Population	1,585,577	541,174	376,396	547,651	678,111
Median Family Income	\$30,925	\$46,557	\$48,942	\$42,125	\$50,333
Census Tracts					
Low-income	22%	1%	1%	4%	0%
Moderate-income	34%	3%	7%	15%	4%
Middle-income	31%	57%	39%	47%	45%
Upper-income	35%	36%	48%	31%	51%
Owner-Occupied Housing Units	55%	72%	71%	69%	69%
Vacant Housing Units	10%	4%	4%	4%	4%
FUNB Branches	30	10	16	26	23
FUNB Stand-alone ATMs	1	0	0	0	1

Corporate and Local CRA Programs

FUNB has access to the Corporate CRA staff based in Charlotte, North Carolina, which coordinates CRA activities throughout the corporation. The Corporate CRA staff provides various types of support which include analytical tools and the platform for communication across the company. Since several aspects of the bank's CRA activities have been influenced by the parent company, the remainder of this section summarizes basic components of the corporate program.

CRA Policy

The First Union Community Reinvestment Policy has been updated to reflect the recent changes in CRA and has been distributed to all of the individual banks. The policy was designed to provide overall guidance to the Corporation, its Directors, management and all employees to continually renew the First Union dedication and commitment to serve credit needs of all its communities. Administration of the policy remains a corporate-wide responsibility under the overall direction of the Board of Directors for First Union and each state.

CRA Organization Structure

The Board of Directors has identified committees and individuals to focus on CRA activities and to receive periodic reports to help keep the Directors informed. The Board receives administrative support for CRA through committees, local advisory boards, officer positions and teams that work closely with CRA related activities.

The corporate and bank Audit Committees monitor compliance for their respective Boards and report to the Directors at least quarterly. The Audit Committees receive quarterly reports from the Director of Community Reinvestment at the corporate level or from the appropriate Regional CRA Coordinator at the bank level.

The Corporate CRA Steering Committee has overall responsibility to implement the policy throughout First Union. This committee monitors and supervises compliance with the policy on behalf of the Board of Directors. The Vice Chairman of the corporation chairs the committee which includes executive officers from major department areas and bank presidents for each state.

Regional CRA Self-Assessment Committees (SAC) have the overall responsibility to implement the policy in the states and to assess compliance with policy relative to performance. For each region, this committee reviews and analyzes the ascertainment efforts as well as the results to address community credit needs. The state President chairs this committee.

The Corporate CRA Staff has the responsibility to interface with the CRA committees to implement the policy throughout the corporation. Included as part of this staff, a senior level officer serves as the Corporate Director of Community Reinvestment. The ongoing activities relative to CRA are undertaken by other officers who serve as Assistant Director of Community

Reinvestment, CRA Lending Manager, Fair Lending/Home Mortgage Disclosure Act Manager, Communications Manager, Regional CRA Coordinators and Community CRA Coordinators.

Regional CRA Coordinators have the responsibility to interface with the Corporate CRA Staff and the appropriate state CRA committee to implement the policy in each state. The state coordinators receive support from the various local area coordinators.

CRA Reporting

The policy requires no less than quarterly reports to the Board of Directors, or committees thereof. First Union also uses quarterly data for most reports as it implements the policy and monitors community reinvestment performance focusing on results.

Board Reviews

In addition to periodic reports, the Board reviews other CRA related material. Annually, the Board reviews and adopts the bank's CRA statement (no longer required with the latest regulatory revision) and the local community delineations. The Board also approves the CRA plan which contains policies and procedures for implementing CRA.

CRA Plans

FUNB updates the formal CRA Plan that directs its CRA activities and includes changes to reflect the revised regulation. The plan serves to affirm the company's commitment to help meet the needs of low- and moderate-income individuals in communities serviced by the First Union banking operations. The plan also highlights the overall process to implement the Community Reinvestment Policy.

CRA Self-Supervision

First Union and its subsidiary banks have established a system to ensure compliance with the basic technical requirements of the Act. The corporation relies upon the Internal Audit Division and the Regulatory Compliance Division to monitor performance and test compliance under the Act. In addition, the Branch Operations area has the responsibility to monitor compliance with the technical requirements of the Act.

Regional Self-Assessments

First Union has implemented a process to evaluate its own performance under the Act. Regional self-assessments of performance have been made on an annual basis. The Regional CRA Self-Assessment Committee receives reports on the evaluation results. Each bank uses other, more frequent reviews in the interim to monitor the progress of each community.

CRA Training

Board of Directors and senior management have supported CRA training for bank and corporate personnel. The CRA related training conducted in 1996 adequately covered the technical and regulatory requirements of the Act, CRA reform, and a reemphasis on roles and responsibilities.

Throughout First Union, training was provided to the Board of Directors, senior management, area presidents, CRA coordinators, Self-Assessment Committee members, branch managers, lending officers, tellers, and customer service representatives. Computer based training was also provided to new and existing employees. The CRA Manual used in the training sessions, which is in process of being updated to reflect the regulatory revisions, serves as a reference tool at the branch levels. First Union also included training sessions directed to promote fair lending throughout the corporation.

CRA Public File

We encourage the readers of this Performance Evaluation to contact the bank to review information contained in the public file.