



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

**March 20, 2000**

# **Community Reinvestment Act Performance Evaluation**

**Union National Bank and Trust Company  
Charter Number: 2333**

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**NOTE: This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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## General Information

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the CRA performance of **Union National Bank and Trust Company, Souderton, Pennsylvania** prepared by the **Office of the Comptroller of the Currency (OCC)** the institution's supervisory agency, as of March 20, 2000. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

## **Definitions and Common Abbreviations**

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate**- Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Block Numbering Area (BNA)** Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

**Census Tract (CT)** Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

**Community Development (CD)** Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Full-Scope Review** Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography**- A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA)** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

**Home Mortgage Loans** Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Limited-Scope Review** Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

**Low-Income**- Income levels that are less than 50% of the median family income.

**Median Family Income (MFI)** The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Statistical Area (MSA)**Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** -Income levels that are at least 80% and less than 120% of the MFI.

**Moderate-Income** Income levels that are at least 50% and less than 80% of the MFI.

**Small Business Loans** Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Farm Loans** Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland, or (2) to finance agricultural production and other loans to farmers.

**Tier 1 Capital**- The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income**- Income levels that are 120% or more of the MFI.

## Overall CRA Rating

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

The following table indicates the performance level of **Union National Bank and Trust Company**(UNB) with respect to the Lending, Investment, and Service Tests:

Performance Levels	Union National Bank and Trust Company Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory		X	
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- ❑ Community development lending activity reflects an excellent responsiveness to community credit needs, and has a positive impact on the bank's Lending Test rating. The bank was innovative and took a leadership role in the development of a community development corporation.
- ❑ Overall, UNB's lending levels reflect an excellent responsiveness to community credit needs.
- ❑ The distribution of loans by the income level of the borrower is good.
- ❑ UNB effectively uses flexible credit products to meet the needs of their assessment area. The use of these products had a positive impact on the bank's Lending Test rating.
- ❑ UNB is a leader in providing community development services, some of them innovative and complex.
- ❑ The level of investment activity is good and responsive to the needs in the community, given the limited opportunities in the assessment area.

## Description of Institution

UNB is an intrastate community bank with \$968 million in total consolidated assets as of December 31, 1999. UNB is headquartered in Souderton, PA, approximately 25 miles north of Philadelphia, PA. The bank was chartered in 1876 and is a full service bank offering a wide array of loan and deposit products. UNB is a wholly owned subsidiary of Univest Corporation of Pennsylvania, a \$1.2 billion bank holding company. The bank has no operating subsidiaries. Univest owns one other state chartered community bank, Pennview Savings Bank (Pennview)

Pennview's total assets as of December 31, 1999 were \$145 million. The strategy of the holding company is that Pennview is known in the community primarily as a mortgage lender and UNB is known in the community primarily as a business lender. Pennview's assessment area is contained within UNB's assessment area. As of December 31, 1999, Pennview's loan portfolio totaled approximately \$101 million in mortgage loans and \$34 million in consumer loans. Commercial loans totaled \$4 million (3% of total loans) as of the same date. There are no legal or financial impediments impacting the bank's ability to meet community credit needs. UNB received an outstanding rating at their last CRA performance evaluation dated February 23, 1998.

UNB operates 27 full-service branches throughout Bucks and Montgomery counties. The bank offers automated teller machines (ATMs) and drive-through facilities at 31 locations. One supermarket branch was opened since the last evaluation period and no branches were closed.

As of December 31, 1999 the institution had total loans approximating \$615 million, representing 64% of total assets. The composition of the loan portfolio consists of commercial and commercial real estate loans at 55%, residential real estate loans at 24% and consumer loans at 7%. UNB also carries \$13 million in student loans. A mixture of construction and municipal loans makes up the remaining 14% of the loan portfolio. The bank does not make small farm loans. In 1998, UNB originated approximately \$39 million in mortgage loans, of which they

sold 37% or \$14 million. In 1999, UNB originated approximately \$32 million in mortgage loans of which they sold 22% or \$7 million.



## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The evaluation period for the lending test for HMDA and Small Business loan activity covers January 1, 1998 through December 31, 1999. Consumer loans were reviewed at the request of the bank and this loan activity covers the period January 1, 1999 through December 31, 1999. Community development loan activity was reviewed for the time period January 1, 1998 through March 20, 2000. For the investment and service tests, we considered qualified investment activity and their record of providing retail and community development services from January 1, 1998 through March 20, 2000.

### Data Integrity

We reviewed the accuracy of the bank's HMDA records and CRA data collection of small business loans. Our sample consisted of fifty-five HMDA records and twenty business loans from the CRA data. We reviewed the procedures and processes in place to collect the required information and internal procedures used to test the accuracy of the data. We determined that the information represented in the HMDA and CRA small business data is accurate for the period reviewed. Internal bank procedures to collect and verify the accuracy of information are satisfactory.

We did not perform a data integrity review of consumer loan information during this examination. However, based on the analysis provided by the bank and our review of such information indicates that the consumer loan information presented is accurate for evaluation period discussed above.

### Selection of Areas for Full-Scope Review

UNB has one assessment area that includes portions of Montgomery and Bucks counties. This area received a full-scope review and our ratings are based on the results of this review. Refer to the table in Appendix A for more information.

### Other

During our examination, we contacted one housing organization to discuss the credit needs in Montgomery County. The contact indicated needs for the community are; mortgage products that are easier to access for low- and moderate-income applicants, a greater variety of mortgage products for low- and moderate-income individuals and better pricing for low- and moderate-income borrowers. The contact was not familiar with non-housing related credit needs of the community.

We reviewed two community contacts made by other regulatory agencies during the past two years. These contacts included two county government agencies.

One agency is designed to assist Montgomery county townships and boroughs in stimulating economic revitalization; and to aid in providing housing for low- and moderate-income individuals and families. This contact stated that community needs are for affordable home improvement products to assist in improving the quality of aging housing stock. Additionally, first time home buyer programs with flexible underwriting criteria are needed in the six neediest communities of the county, three of which are in the bank's assessment area. The second agency is designed to assist individuals and small businesses that wish to start a business in Montgomery County. This contact noted the need for flexible underwriting criteria for small business loans.

We also held discussions with management regarding community credit needs. Management stated that those needs primarily included affordable housing stock and associated programs, and start-up capital for small businesses and ongoing guidance and support for those small businesses. Identified needed services include affordable health and daycare, crisis intervention and public transportation.

## **Fair Lending Review**

A fair lending examination was performed in conjunction with this CRA examination. We tested for discrimination on a gender basis by comparing loan terms of approved female borrowers to approved male borrowers for home improvement loans. We selected a sample of 63 home improvement loans originated during 1999. We also reviewed bank policies and procedures used to comply with requirements of fair lending regulations. Our analysis detected no evidence of disparate treatment and found satisfactory systems in effect to support the bank's fair lending compliance efforts. No violations of the substantive provisions of antidiscrimination laws and regulations were identified.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

Based on the full-scope review in the bank's assessment area, the bank's performance under the Lending Test is rated **"outstanding"**. UNB's mortgage and small business loans are primary products for the bank and thus were weighed more heavily than consumer lending. Also, small business loans and affordable housing loans are a primary credit need in the assessment area. In addition, UNB's leading role in the community development corporation, the bank's level of community development loans, and small business lending activity were weighed heavily in our assessment of the bank's performance under the lending test. UNB's community development lending had a positive impact on the bank's Lending Test rating.

#### Lending Activity

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

Overall, UNB's lending levels reflects an excellent responsiveness to community credit needs. This conclusion is based on the bank's record in HMDA related, small business, community development and consumer lending activities.

In the bank's assessment area, approximately 70% were small loans to businesses, 29% were home mortgage loans and 1% were community development loans. Consumer loans totals are not included in this calculation as they are evaluated separately. Agricultural lending is not a business product of UNB. Primary credit needs of the community were identified as small business loans, affordable housing loans and related services, and affordable home improvement loans. The bank's lending activity address the identified needs.

Of the home mortgage loan originations/purchases, approximately 54% were for home improvement, 30% for the purpose of refinancing, and 15% for home purchase. One community contact noted that affordable home improvement loans were a credit need for the older homes in the community. Additionally, the average age of the housing stock in the assessment area is 30 years, based on 1990 census information. The bank's levels of originated home improvement loans addresses this identified need.

UNB's assessment area consists of portions of Montgomery and Bucks Counties. As of June 30, 1999, UNB's deposit market shares are 4.7% and 2.67% for Montgomery and Bucks Counties respectively. The bank is ranked seventh in Montgomery County behind four very large regional banking institutions and two large community banks that are competitors of UNB's. In Bucks County, the bank is ranked tenth behind five very large regional banking institutions and three large community banks that are competitors of UNB's and whose markets are primarily in Bucks County.

#### Home Mortgage Loans

During the evaluation period, UNB originated a moderate amount of home mortgage loans in the assessment area. Home improvement loans comprise the majority of UNB's total mortgage originations. The bank is ranked fifth in their assessment area for this product with an overall market share of 6.7%. The competition for mortgage lending is very strong in the bank's assessment area. Market share data for all mortgage products indicates they are ranked 16th out of 350 mortgage lenders in the assessment area with a market share of 1.63%; eight mortgage companies, four very large regional banking institutions and three direct competitors are all ranked higher than UNB for all mortgage-related products. UNB's major competitors in this market are Harleysville NB, Quakertown NB, Commonwealth Bank, First Savings Bank of Perkasie and numerous large mortgage companies and regional banks.

#### Small Business Loans

UNB has originated a significant amount of small business loans. Small business market share reports for 1998 reflect that UNB had a 19.9% share of the market in dollar volume of loans and 9.7% of the market in number of loans in their assessment area. This level of activity placed UNB first and fourth in ranking for dollar volume and number of loans respectively; performance which well exceeds the performance of their primary bank competitor in this market, Harleysville NB & Trust Company (HNB). HNB has approximately 3% of the market in this category. Two non-bank companies have over 30% of the market share for the same time period with much smaller average loan balances and much higher numbers of loans. The lending activity of these types of companies impacts the data that is analyzed in evaluating the performance of traditional banks. A lower ranking is reflected for traditional banks when considering the non-bank companies in the market share analysis.

Consumer Loans

UNB originates a significant volume of consumer loans. In 1999, UNB originated 2,095 loans totaling \$30 million. Loan types included in this category are motor vehicle, home equity, other secured, and other unsecured. The dollar volume of consumer loan originations during the evaluation period comprises approximately 74% of UNB's Tier I capital as of December 31, 1999. There is no market share data available for this category, however comparing the volume to the bank's Tier I capital provides perspective on the significant size of this lending activity.

**Distribution of Loans by Income Level of the Geography**Home Mortgage Loans

Refer to Tables 2, 3 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The overall geographic distribution of loans is adequate based on performance context issues due to limited opportunities and strong competition for loan products.

*Performance Context Issues*

An analysis of geographic distribution of HMDA related loans is not meaningful for mortgage related products due to low opportunities for mortgage activity in the moderate-income tracts. Only 2% of owner-occupied housing units are located in moderate-income tracts and there are no low-income-tracts in the assessment area.

Competition for mortgage products is strong. The area (Norristown) containing four of the five moderate-income tracts is heavily banked by 31 branches of other financial institutions. Fourteen of these branches represent the two most dominant financial institutions in Norristown. Also, UNB's nearest branches to these moderate-income tracts are approximately eight miles (20 minutes) and eleven miles (25 minutes) in distance. Additionally, these four tracts are very small; in total they cover one and two-tenths square miles. A regional transportation center, and the county courthouse and related facilities are contained within these four tracts. Thus the opportunities for lending in these tracts are further minimized.

The area containing the one other moderate-income tract is banked by thirteen (13) branches of other financial institutions. Competition in this area is also strong. UNB's nearest branches are approximately fourteen miles (35 minutes) and eleven miles (29 minutes) in distance. The size of this tract is relatively small and covers just less than one square mile in area.

Small Loans to Businesses

Refer to Table 5 in Appendix C for the facts and data used to evaluate the

geographic distribution of the bank's origination and purchase of small loans to businesses.

The distribution of small business lending activity is adequate based on limited opportunities and strong competition in the bank's moderate-income tracts in the assessment area. An analysis of the geographic distribution of small business lending activity was not meaningful for the time period evaluated based on low opportunities and strong competition in the moderate tracts.

Market share reports reflect that there are a total of 133 lenders competing for small loans to businesses in the moderate-income tracts in the bank's assessment area. Additionally, only three percent of all small businesses are in moderate-income tracts; this equates to 535 small businesses in those tracts.

There are no low-income census tracts in the assessment area and UNB made seven loans in three moderate-income tracts during the evaluation period. This lending activity placed them 11<sup>th</sup> for number of loans made and 7<sup>th</sup> for dollar volume in the five moderate tracts in their assessment area. Lenders ranked above UNB for number of loans made, include two non-bank companies, six very large regional banking companies and two direct competitors. Lenders ranked above UNB for dollar volume of loans made include three very large regional banking companies and three direct competitors. This data is based on a total of 133 lenders that conduct business in the moderate-income tracts in the bank's assessment area

#### Consumer Loans

Refer to Table 14 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

UNB does not have any low-income tracts in their assessment area. For 1999, eight consumer loans were made in two moderate-income tracts. While no market share data for consumer lending activity is available, comments made regarding competition in the discussions regarding mortgage and small business lending activity are pertinent for this discussion as well. Competition is fierce, and only three percent of the assessment's area population are within the moderate-income tracts. Thus a further analysis of the geographic distribution of consumer lending activity is not meaningful.

Additionally, UNB originated some of its Community Development loans in moderate- income geographies.

Also see the discussion on performance context issues in the home mortgage loans section of the geographic analysis.

### Lending Gap Analysis

There are no unexplained conspicuous gaps in UNB's lending.

### Inside/Outside Ratio

UNB makes a substantial majority of its lending in their assessment area. The volume of loans made in the assessment area during 1999 and 1998 are as follows: HMDA reportable mortgage loans - 85% and 90%, loans to small businesses - 93% and 93%, and consumer loans for 1999 only 87%. The overall percentage of loans made within the assessment area for both 1999 and 1998 totaled 91%. The Inside/Outside ratio indicates that UNB is very responsive to their assessment area.

## **Distribution of Loans by Income Level of the Borrower**

UNB's overall borrower distribution is good.

### Home Mortgage Loans

Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Our analysis revealed that overall lending to low- and moderate-income borrowers for home mortgage products is excellent.

The distribution of home improvement lending is excellent. For the evaluation period, the bank's percentage of lending to low-income borrowers at 12% is greater than the percentage of low-income families in the area of 10%. The bank's percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families in the area. The 1998 market shares of 11% and 10% for low- and moderate-income borrowers are well above the bank's overall home improvement market share of 7%.

UNB's borrower distribution of home refinance lending is good. The bank's record of lending to low- and moderate-income borrowers is 5% and 17% respectively in comparison to the percentage of families in the area of 10% and 16%. Market share data for 1998 reflects that UNB's overall share of the market for this product is 1%. UNB's market shares for low- and moderate-income borrowers are 2% for each category, which significantly exceeds their overall market share for this product.

Borrower distribution of home purchase lending is excellent. UNB's record of lending to moderate-income borrowers at 28% significantly exceeds the percentage of moderate-income families of 16%. Lending to low-income borrowers is near the



percentage of low-income families in the assessment area. The 1998 market shares of both low- and moderate-income borrowers at 2% and 1% respectively, exceed the overall market share of one-half of one percent for this product.

### Small Business Loans

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

We analyzed the bank's distribution of small business loan originations by calculating the percentage of loans made to small businesses. UNB's record was compared to the percentage of small businesses in the assessment area and to the percentage of small business loans made by all lenders in the assessment area. We also evaluated the bank's distribution of loans by original amount regardless of business size.

The distribution of small business loans is adequate. UNB's percentage of loans to small businesses at 51% adequately compares to the 72% of businesses in the assessment area and exceeds the 43% of loans made to small businesses by all lenders in the area. UNB's market share of small loans to small businesses exceeded its overall market share for all business loans.

Additionally, 1998 market share data for "Small Loans to Small Businesses" reflects that UNB is ranked first for total dollars lent with a 16.3% market share, and ranked third with a 10.0% market share for number of loans. Total number of lenders for these calculations is 131. The distribution by size of loan shows that a majority (61%) of loan originations are for \$100,000 or less, with an average size of \$45 thousand. This is another indication that UNB's business lending is primarily to small businesses. UNB's market share of lending to small businesses is near their overall small business loan market share of 10%.

### Consumer Loans

Refer to Table 14 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

The distribution of consumer loans to low- and moderate-income borrowers is excellent. The distribution substantially exceeds the percentage of low- and moderate-income families in the assessment area. Forty-four percent of consumer loans were made to low- and moderate-income individuals. During the evaluation period the percentage of consumer loans extended to low- and moderate income individuals significantly exceeded the percentage of low-and moderate- income families in the assessment area

## **Community Development Lending**

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

UNB's community development lending activity demonstrates an excellent responsiveness to the needs of the community and has a positive impact on the bank's overall assessment of lending activity during this evaluation period.

#### Community Development Corporation (CDC)

The CRA Officer was innovative in the development of a multi-bank CDC, and the process to create this CDC was complex. This CDC is the first in the community designed to meet the housing and related needs of low- and moderate-income residents in the bank's assessment area. Prior to the establishment of this CDC, the community did not have the capacity to address all of the community credit needs that have been met by the lending activities of the CDC. The CDC is designed to make loans to organizations, and participate in tax credit projects, that serve low- and moderate-income individuals and families of Montgomery and Central and Upper Bucks Counties. During our examination, this area was expanded to include all of Bucks County.

The CRA Officer chaired the effort to form a multi-bank CDC, and eventually brought together thirteen banks for discussion and commitment to form a non-profit multi-bank CDC. The formation of the CDC was approximately a seven-month process that commenced during late 1998. Throughout 1999, the CRA Officer spent approximately 30% of her time bringing the CDC to fruition, and conducting the necessary business development efforts to bring the actual projects to closing.

Current binding loan commitments from all participating banks total \$4.1 million. UNB's portion of this binding commitment is \$250 thousand (6%).

UNB is the lead bank and provides the ongoing servicing for all of the loans that have been extended since the inception of the CDC. To date, UNB has initiated all loans that the CDC has funded. A UNB loan officer is also responsible for structuring the loans and preparing related loan approval and presentation packages. Detailed below are the four projects, totaling \$794 thousand, that have been completed since the beginning of the organization in July 1999. UNB's portion of the current outstanding balances total \$48 thousand which is included on Table 1 in Appendix C.

A **\$488,000** loan was funded to purchase a 17-unit apartment building. The units will be rented so that 82% will be occupied by families with annual incomes at or below 80% of median income for the Philadelphia region as established by HUD.

A **\$150,500** loan was extended to acquire a property to house a non-profit agency's offices, meeting rooms, thrift shop and food pantry. This center will be used to serve low- and moderate-income residents of Montgomery County. The

space will be used for a variety of purposes including, client/caseworker meetings, life skills training, literacy programs, basic education, computer training, resource library, thrift shop and other activities. This organization provides a variety of services to low- and moderate-income ethnic minorities and immigrants. Services include public transportation, clothing, language courses and aid in applying for public assistance.

The CDC made a ***\$80,500*** loan to provide permanent funding for the acquisition costs of a property to be used as a free health and wellness center for underserved low- to moderate-income residents of Montgomery County. This health center is being constructed in cooperation with the nonprofit leader in Montgomery County in providing affordable housing and related services to low- and moderate-income families.

A ***\$75,000*** loan was made to purchase a property that will be used to relocate office space to another building to free up the current office space to accommodate additional shelter residents. This is a non-profit agency that is both a shelter and a full service agency delivering programs to meet the needs of low- to moderate-income abused women and their children. The organization offers counseling, support groups, and other services to help those in need. This organization also operates transitional housing facilities. This organization is located in a moderate-income census tract.

Additionally, the CDC has *formally committed* to fund a *\$475 thousand* permanent mortgage for a project being developed for low-income senior residents. This project will rehabilitate a vacant railroad structure into a community asset. Sixty rental units will be made available through this project which is expected to commence in summer, 2000.

#### Community Development Loans

In addition to the CDC loans discussed above, UNB originated a total of twenty-nine community development loans to eleven different organizations serving low- and moderate-income individuals and families located within their assessment area during the evaluation period. Loan originations to these organizations totaled \$915 thousand and \$860 thousand during 1999 and 1998 respectively. The following is a discussion of the loans made to each organization. Lending activities demonstrate responsiveness to the identified needs of the community which are affordable housing and related services, affordable health and daycare facilities, crisis intervention services, and small business loans.

In 1999 five loans totaling ***\$374 thousand*** were extended to the nonprofit leader in Montgomery County for affordable housing and related services to low- and moderate-income families. Loan purposes were to purchase property to establish a free health center and to refinance a transitional housing building. This agency offers both transitional housing and a lease-purchase program. Other services

include homeownership counseling, job training, community education and emergency housing. An SVP of UNB is the President of this organization and almost daily contact is maintained with their office.

In 1999 two loans totaling ***\$350 thousand*** and in 1998 five loans totaling ***\$175 thousand*** were extended to an organization that provides nutritional support, educational, exercise and health programs, Meals on Wheels, and social services to senior members of the community who are primarily low- and moderate-income individuals. The Meals on Wheels program serves only low-income individuals and the day care facility is for low-income disabled persons.

In 1999 two loans totaling ***\$9 thousand*** were extended to a community development corporation that is designed to provide housing opportunities to low- and moderate-income individuals.

In 1999 one loan for ***\$42 thousand*** was made to an organization that provides safe shelter for disadvantaged women and children leaving domestic violence. This organization has one shelter and two transitional housing facilities in the community and primarily serves low- and moderate-income individuals and their children. The organization provides budgeting, skills training, life skills and self-esteem training for women. This organization is located in a moderate-income census tract.

In 1999 one ***\$25 thousand*** loan was made to an organization that provides emergency shelter for the homeless, counseling for low-income individuals, and assistance in obtaining transitional housing. Referrals are also made to other agencies for transitional housing.

In 1999 one ***\$10 thousand*** loan was made to an organization that serves the housing needs of low-income households by providing emergency and transitional housing for the homeless. Currently, this organization has six units of transitional housing. Budget and credit counseling is also offered.

In 1999 three loans totaling ***\$55 thousand*** and in 1998 three loans totaling ***\$55 thousand*** were made to an organization that provides a wide variety of programs to assist low-income residents of Montgomery County. Its sole purpose is to assist low-income families in transitioning from poverty to self-sufficiency. Services include emergency shelter assistance (food, clothing, shelter, rental/mortgage assistance, utility subsidies, and etc.); housing services; life skills, values and motivational training; budget education; food resource center; and summer day camps for children from low-income families. This organization is located in a moderate-income census tract.

In 1999 one loan totaling ***\$50 thousand*** and in 1998 one loan totaling ***\$25 thousand*** were extended to an organization that provides a variety of services to ethnic minorities, immigrants and those who are economically and educationally

disadvantaged, primarily low- and moderate-income individuals. Services provided include transportation, clothing, needs assessment, housing referrals to other agencies and aiding in completing applications for public assistance.

In 1998 two loans totaling ***\$430 thousand*** were made to an organization that provides housing and training for low-income developmentally disabled persons, to assist them in achieving independent living situations. Services include group homes and vocational opportunities. This organization also has a developmental training center and on-site training at places of employment.

In 1998 one ***\$125 thousand*** loan was made to an organization that constructs homes on empty lots that are subsequently sold for profit. The profits from the sales are used to assist low- and moderate-income individuals and families that are in need of hunger relief.

In 1998 one ***\$50 thousand*** loan was made to an agency that is designed to help children from low-income families with behavioral and school problems, family conflicts, drug and alcohol problems and other issues. The program includes group homes for boys and girls, basic life training, medical testing, and services to help children still living at home. The purpose of the group homes is to help those children who cannot return to home to achieve a successful independent living situation.

## **Product Innovation and Flexibility**

UNB use of flexible loan programs in serving the mortgage credit needs of the assessment area had a positive impact on the bank's Lending Test rating. Among these are an affordable mortgage program offered by the bank; a new home buyer grant program offered through the FHLB for closing cost and down payment assistance; and, a bank-offered program of 100% loan-to-value home equity loan program.

The affordable mortgage program offers first time home buyers up to 97% loan-to-value with no points and reduced fees. Borrowers income cannot exceed the HUD updated median family income. In 1999 UNB originated 17 loans totaling \$1.5 million. And, in 1998, UNB originated 18 loans totaling \$1.4 million. UNB committed \$2 million per year for 1998 and 1999, and has extended the same commitment for 2000. This product meets the identified community credit need of affordable housing loan products.

The first time home buyer grant program offered through the FHLB provides up to \$5 thousand in down payment and closing cost assistance using a three-to-one ratio (FHLB offers three times what the borrower has accumulated towards these costs). Borrowers income cannot exceed the HUD updated median family income. UNB facilitated the receipt of two grants in 1998 totaling \$10 thousand and two

grants in 1999 totaling \$8 thousand. All loans were made to low- and moderate-income individuals. This product meets the identified community credit need of affordable housing loan products.

UNB also offers a 100% loan-to-value home equity loan product. In 1998, UNB originated 74 loans totaling \$1.1 million. In 1999, 114 loans were originated totaling \$1.7 million. This product benefits all customers regardless of income level.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

Based on the full-scope review, the bank's performance in their assessment area under the Investment Test is rated "High Satisfactory".

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Overall investment opportunities in the assessment area are very limited. Discussions with management and our own internal research indicate that limited community development opportunities are available. Specifically, tax credit projects are limited and infrequent in number. And, private investors and larger regional banking companies provide very strong competition for tax credit projects. Additionally, the process to obtain tax credit status for projects is competitive and difficult to achieve. Other investment opportunities such as housing bonds are available on a statewide basis, but do not necessarily target communities within the bank's assessment area.

The majority of investment opportunities in the assessment area are grants and donations to many non-profit organizations that serve housing and related needs, and many other services for low- and moderate-income individuals and families.

As of the examination date, UNB has a good level of qualified investments and grants. The investments exhibit a good level of responsiveness to the primary needs in the assessment area, given the limited opportunities. The equity investment portion of qualified investment activity is from prior periods.

The types and dollar amounts of qualified investments are as follows:

1. Equity Investments	\$ 795,518
2. Community Grants and Donations	\$ 475,111
3. Property Donation	\$ 3,214
4. CDC Investment	<u>\$ 8,000</u>
	<u>\$1,281,843</u>

1. The equity investments include two tax credit projects. UNB was the lead bank for one project to build 15 low-income rental units. UNB participated in the other project to build 24 low-income, single-family homes. Both of these projects were completed prior to this evaluation period.
2. The community grants are qualifying donations to 97 affordable housing, economic development, and community service organizations in the assessment area. For example, donations were made to organizations that provide affordable housing and related services to low- and moderate-income families, to an organization that provides adult day care for low- and moderate-income people, and to organizations that provide training, mentoring, and small loans for start up small businesses throughout the assessment area, including moderate-income geographies.
3. UNB regularly provides various community-based, non-profit organizations with assorted furnishings and equipment. These organizations are designed to meet the identified needs of low- and moderate-income individuals in the assessment area.
4. UNB was the lead bank establishing a CDC whose primary mission is to finance low- and moderate-income housing and community development projects in Montgomery and Bucks counties. CLCDC was incorporated in July 1999 and has funded over \$790 thousand in community development loans to date. CLCDC is equally owned by thirteen area financial institutions. Also see the discussion under community development lending for more information on this CDC.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

Based on the full-scope review, UNB's performance in their assessment area under the Service Test is rated "Outstanding".

## Retail Banking Services

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

There are no low- income census tracts in the assessment area. UNB has no branch offices located in the five moderate-income census tracts that consist almost entirely of the Norristown area (four tracts) located on the fringes of the bank's assessment area. This area is extremely well served by 31 branches of other financial institutions. The area containing the one other moderate-income tract is banked by thirteen (13) branches of other financial institutions. Competition in this area is also strong. The size of this tract is relatively small and covers just less than one square mile in area. Additionally, only three percent of the population of the assessment area is located in moderate-income tracts, further minimizing the opportunities to serve the residents of those communities.

UNB's service delivery systems are readily accessible to individuals and geographies of different income levels in the assessment area. UNB provides banking services throughout the main trade areas within its assessment area with 27 full-service banking facilities, and 31 automated teller machines. Twenty of the 27 offices are open for full-service on Saturday mornings, with the supermarket branches open weekday evenings until 8:00 P.M. and Saturdays until either 6:00 P.M. or 8:00 P.M., depending on the location. All traditional offices have extended hours on Thursday and Friday evenings. Additionally, weekday hours on Monday through Wednesday were extended during the evaluation period as many locations are now open until either 5:00 P.M, 6:00 P.M., or 7:00 P.M., compared to prior closing times of 3:00 P.M. or 4:00 P.M. Twenty branch offices are located in middle-income census tracts and seven are located in upper-income census tracts. In addition to the full-service banking facilities discussed above, UNB provides a limited banking service consisting of one-half day per week at twelve retirement/nursing facilities. Three of these facilities act entirely as low-income subsidized housing.

One branch office, the Hilltown Supermarket Branch, was opened in 1999. No other branches were opened or closed during the evaluation period. The Hilltown branch serves predominantly middle-income census tracts. Based on our discussions with management during the examination, the bank is not contemplating closing any offices.

UNB continues to offer a variety of products and services that are targeted to the needs of the low- and moderate-income population. The bank provides a low cost "basic" checking account that requires no minimum balance and no monthly service fee. The only charge associated with this account is a \$.30 cents per check fee.



Senior citizens, 62 and over, are provided with a free checking account if they have direct deposit. Additionally, statement and passbook savings accounts are available with no minimum balance requirements.

UNB offers three types of alternative delivery systems; these systems are equally accessible by all bank customers, including low- and moderate-income customers.

**We did not place significant weight on these alternative delivery services when determining our conclusions since management has no method to determine if these services benefit low-and moderate-income geographies or individuals.**

- *"AnyTime Banking"* allows customers to check account balances, verify electronic deposits, transfer funds between accounts, make loan payments, and inquire about deposit rates, locations and hours. *"AnyTime Banking"* by telephone allows an applicant to call the bank and complete an application for a loan (including consumer loans) over the phone, or request that the form be faxed to them.
- *"AnyTime Loan"*, beginning in April of 2000, will allow for loan approvals within ninety seconds, twenty-four hours a day, seven days a week. UNB's borrower distribution of consumer loans to low- and moderate-income borrowers is 21% and 23% in 1999, and 22% and 22% in 1998 respectively. The percentage of low- and moderate-income families in the assessment area is 10% and 16% respectively. This product should help the bank maintain strong lending patterns.
- *Internet Banking* was also introduced during the evaluation period. This service allows customers to view accounts, make transfers between accounts, make loan and bill payments, and submit loan applications.

UNB has tailored its services by providing bilingual employees at several branch locations where demographic information support this need. The bank continues to prepare translations of banking services in Spanish and Asian languages to better serve this segment of the population. Additionally, tellers and customer service representatives use multilingual flash cards when serving customers with questions such as "What is your account number?" "May I see some identification?" etc. The bank employs several individuals that speak either Spanish or Hindi/Indian as a second language. This service is beneficial at UNB's Hatfield and Montgomery Union branches as a large portion of the bank's customers at these locations are of Indian descent. In turn, UNB has stationed a full-time Hindi/Indian-speaking employee at each of these branch locations. UNB also opened a successful check-cashing branch in the cafeteria of a local meat packing company with a large Hispanic workforce to accommodate their banking needs. This service also helps familiarize otherwise unbanked individuals with basic banking products and services.

We determined services do not vary in any way that inconvenience low- and

moderate-income individuals living within the assessment area. Low- and moderate-income families comprise 25.79% of total families living within UNB's assessment area. As noted earlier in this evaluation, no branch offices are located within UNB's moderate-income census tracts; however, only 3% of the population resides in moderate-income tracts. This does not materially impact low- and moderate-income individuals living within these segments of the assessment area as these areas are well banked by other financial institutions. Furthermore, the effectiveness of UNB's other alternative delivery systems mitigates the lack of branches in moderate-income geographies.

## **Community Development Services**

UNB remains a leader in providing community development services within its assessment area. Numerous bank employees are actively engaged in providing technical and financial assistance that benefit many low- and moderate-income individuals, promote homeownership and affordable housing, and aid small businesses. Many community development services continue to exhibit innovative practices; five of these services have been identified as innovative and complex.

The majority of the services discussed are responsive to the identified needs of the community regarding affordable housing, including home improvement loans, and related services, and small business lending initiatives.

The following are qualified community development services provided by UNB in 1998, 1999, and through March 31, 2000:

- The CRA Officer is the current chairperson of the CDC that was discussed earlier in this evaluation. This is the only CDC in the community and without this organization, many of the needs that are met through the CDC's activities, would not be addressed. Approximately 15% of her time is spent on CDC projects. The bank provides the meeting room for all CDC Board meetings. This is an innovative and complex service.
- Additionally, the bank has loaned a commercial lender to the CDC for the first year to serve as executive director. This individual reviews all project applications submitted, including appraisals, while also formulating the necessary write-ups for the CDC loan committee. This individual also developed the loan servicing system via purchased software and provides ongoing loan servicing. The loan officer spends approximately 30% of her time on CDC related activities through formulating loan presentation sheets and ongoing servicing of the loans. Without the loan officer's efforts, loan servicing would not be completed. This is an innovative and complex service.
- Several bank employees continue to provide extensive technical assistance and fund-raising aid to Community Housing Services (CHS) in various capacities.

CHS is the nonprofit leader in Montgomery County in providing affordable housing and related services to low- and moderate-income families. The bank's CRA Officer has served on CHS's Board of Directors for a number of years, and was elected President of this organization in 1999. The bank assists on various committees and special event functions, provides counseling for prospective lease-purchase clients, and provides the leadership for strategic planning efforts of the organization.

- Innovative and complex efforts relating to CHS are as follows. The CRA Officer led efforts to start a free Health Center for low-income individuals by bringing together five local banks to fund the purchase of a building in Lansdale. This is the first free health care center for low- and moderate-income individuals in the community. Without the efforts of the CRA Officer, this transaction would not have occurred at that time. The CRA Officer also obtained funding from the Montgomery County Department of Housing Services on CHS's behalf while working with the Zoning Hearing Board to satisfy American Disabilities Act requirements, fire code, and parking problems. Satisfying these regulatory requirements is a timely and complex process. The CRA Officer assisted CHS in planning and conducting a half-day "congressional tour" of affordable housing projects in Montgomery County held in conjunction with CHS's fifteenth anniversary. The CRA Officer spent extensive time in planning CHS's Silent Auction fundraiser. The CRA Officer attended a meeting of the Housing Review Board of Montgomery County in order to obtain funding for both the Steps Program and Ezra House affordable housing projects on behalf of CHS.
- As a non-profit organization, CHS has been challenged financially on an ongoing basis. The CRA Officer continues to lend financial expertise in an effort to guide CHS through these problems. Specifically, the CRA Officer coordinated a meeting between the County Department of Housing Services and CHS aimed to address the lack of operational funds for non-profits, and the need to institute a pay cut for CHS employees. In subsequent meetings, the County Commissioners approved funds to help CHS with operational expenses and re-institute the pay cuts.
- UNB, in conjunction with Univest Corporation, continues to hold an annual Home Buyer Seminar. Though these seminars are open to the public, specific programs are established which solely target, and are available to, low- and moderate-income individuals.
- UNB sponsored and participated in two additional Home Buyer Seminars during the evaluation period. Specifically, home buyer's fairs were held at both the Montgomery County Community College (MCCC) and Abington Friends School. Once again, these seminars were open to the public, but specific programs were established solely for the benefit of low- and moderate-income individuals. Regarding the event at MCCC, three members of bank management assisted the

Montgomery County Partners for Homeownership by serving on its Steering, Marketing, and Housing Fair Committees in conjunction with this initiative.

- In both 1998 and 1999, lending personnel participated in the Open Line's "Organizing Your Life" workshop which is designed primarily for low-income welfare recipients who are ready to re-enter the work force. Advice from UNB lending staff centers on the subject of money management. The Open Line is a non-profit, multi-service agency serving the Upper Perkiomen Valley segment of Montgomery County.
- During the evaluation period, lending personnel performed three counseling sessions with residents of Dock Village on the subject of proper money management and budgeting. Dock Village is a low-income subsidized housing project located in Kulpsville, Montgomery County.
- An employee of the bank makes bi-monthly presentations on money management and budgeting to clients of Emergency Outreach Quakertown, Pennridge, Palisades (EQPP), which is a homeless shelter in the Quakertown-Milford area. This organization also provides counseling for low-income individuals and assistance in obtaining or maintaining adequate housing, including long-term housing.
- Lending personnel held two workshops entitled Money Management and Basic Banking at Liberty Ministries, which is a halfway house for recently paroled prisoners, who are low-income individuals. Additionally, ongoing counseling sessions covering the same topics are held on a quarterly basis.
- Bank management participated in and organized the Central Bucks Chamber of Commerce Women in Business fall seminar in October of 1999. This seminar specifically benefited women-operated small businesses.
- UNB lending staff held a money management workshop in June of 1998 for the Women's Resource Opportunity Council, which benefits women/minority-owned small businesses.
- Two members of UNB senior management act as President of the Board and Treasurer, respectively, for Indian Valley Housing Corporation (IVHC). Both provide this organization with financial assistance regarding bookkeeping and preparing financial reports. IVHC exists to serve the housing needs of low-income households in the greater Indian Valley area by providing emergency and

transitional housing for homeless households; offering housing counseling which focuses on homelessness prevention; and working with local churches, businesses, and service clubs.

- One member of senior management works closely with Indian Valley Opportunity Center (IVOC). This individual provides ongoing assistance through needs assessments, referrals, and in conjunction with two housing organizations, IVHC and CHS, both previously mentioned. Additionally, a loan officer currently serves on the Board of this organization and was instrumental in helping IVOC acquire their current permanent building through offering advice on applying for a loan. IVOC is an organization that provides a variety of services to low- and moderate-income ethnic minorities and immigrants. Services include public transportation, clothing, language courses and aid in applying for public assistance.
  
- A member of UNB's management team chaired a major fundraiser, and also coordinated advertising efforts regarding this initiative, for the Laurel House. This organization provides a safe shelter for abused women and their children. The organization offers counseling, support groups, and other services to help low-income individuals and victims of abuse make a new start. Laurel House also operates transitional housing facilities.
  
- Three members of UNB's management team, one as both Treasurer and member of the Board, provide ongoing credit counseling and guidance regarding money management for Nehemiah's Way. This organization is a non-profit agency that aids victims of domestic abuse after they leave the mandatory stay at a shelter. The organization also provides transitional housing and counseling services for low-income individuals. Nehemiah's Way works closely with the Laurel House.
  
- A bank employee leads fundraising efforts, and an annual Christmas "Toys for Tots" campaign, for the Penn Foundation for Mental Health. This organization provides group homes for low-income families through HUD subsidies. All of the residents are low-income, and many were previously homeless.
  
- A bank employee is currently working closely with two non-profit organizations regarding a possible merger; another bank employee brought the possibility of the merger to this individual's attention. This is a complex and sensitive issue to resolve. One of the organizations is experiencing financial problems and may not be able to act as a viable independent organization in the future. The

organization experiencing financial difficulties bridges the gap between sources of supplies and low-income individuals who need them by providing furniture, household supplies, child care products, and emergency funds for rent, utilities, or other needs. The bank also works with this agency on an ongoing basis in fundraising efforts.

- A member of UNB's lending staff conducted a Basic Banking and Bank Products Workshop in July, 1999 for the Bucks County Opportunity Council (BCOC). The bank also works with the BCOC by assisting its Adopt-a-Family (low-income) program during the Christmas season. This organization offers many different programs and services including the following: economic self-sufficiency programs providing focused, motivational case management services to low-income families and individuals at or below 150% of federal poverty guidelines; family self-sufficiency programs in conjunction with the Bucks County Housing Authority to move eligible clients holding a Section 8 certificate into home ownership; and rental assistance programs which address emergency housing needs for low-income individuals.
  
- A Univest Board member currently serves as the Treasurer of the Senior Adult Activity Center of Indian Valley. This organization provides nutritional support, education, exercise and health programs, Meals on Wheels and social services to primarily low- and moderate-income seniors of the Indian Valley community. A senior manager of the bank worked with the Executive Director of this organization on needs assessment issues as part of the North Penn United Way campaign. The Meals on Wheels program is specifically targeted to low-income persons, and the adult daycare facility is specifically targeted to low-income disabled persons.
  
- Two members of UNB's Board of Directors co-chaired a capital fund-raising campaign for LifePath during 1998. Both also provide ongoing supervision over the budget and expenses. This non-profit organization provides group homes and other services to low-income individuals with mental disabilities.
  
- A senior manager of UNB assisted the Helpline Center (c/o Children's Aid Society) in their needs assessment in the North Penn United Way Campaign. This agency is designed to help low-income children and their families with behavioral and school problems, family conflicts, drug and alcohol problems, counseling and health services, and group home situations. The purpose of the group home is to achieve a successful independent living situation for youth that cannot return to their family homes.

- Bank management worked with the Women's Opportunities Resource Center in conjunction with a state-sponsored program for low-income families known as the "Family Savings Account Initiative". UNB developed a "Family Savings Account" with special one-year certificate of deposit (CD) rates, and also waived the \$500 minimum CD deposit for this organization that benefits women-owned small businesses.
- Bank employees participated in Governor Ridge's "Second Inaugural Food Harvest" in January of 1999 that targeted needy low-income families. The bank developed and distributed new releases and other marketing materials promoting the event while also volunteering branches as collection centers.
- UNB, in conjunction with its parent company Univest, sponsors a fundraising initiative for Indian Creek Foundation (ICF) on an annual basis. ICF provides housing and training for developmentally disabled persons, primarily low- and moderate-income, to achieve independent living situations. Services include providing group homes for living arrangements and vocational training opportunities. Univest and UNB have employed an ICF client in their mailroom for the past 12 years.
- UNB, in conjunction with its parent company, Univest, authors and distributes a community newsletter that contains information on affordable housing programs, budgeting workshops, homeownership assistance, current regulatory initiatives and a community calendar. This newsletter is distributed four to five times per year to over 40 non-profit community organizations that the bank and corporation work with on a regular basis. These organizations primarily provide housing and related services for community development purposes.
- UNB has recently established a Small Business Development Unit in conjunction with the Small Business Development Center of Lehigh University. This program is designed to provide training and certifications for small businesses to improve business management skills. The program's first initiative was held during the examination. This is the first small business development corporation of its kind in the community, and would not have been developed without UNB's efforts. Thus his program is considered innovative and complex.





## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term  $\Delta$ Full-Scope $\Delta$ ) and those that received a less comprehensive review (designated by the term  $\Delta$ Limited-Scope $\Delta$ ).

<b>Time Period Reviewed</b>	Lending Test: January 1, 1998 to December 31, 1999 Consumer Loans: January 1, 1999 to December 31, 1999 CD Loans: January 1, 1998 to March 20, 2000 Investment Test: January 1, 1998 to March 20, 2000 Service Test: January 1, 1998 to March 20, 2000	
<b>Financial Institution</b>		<b>Products Reviewed</b>
Union National Bank and Trust Company Souderton, PA		Residential mortgages, small business loans, consumer loans, community development loans.
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
NA	NA	NA
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Portions of Montgomery and Bucks counties, MSA 6160	Full Scope	None

## Appendix B: Market Profiles for Full-Scope Areas

### Philadelphia MSA/Bucks and Montgomery Counties

Demographic Information for Full-Scope Area: Philadelphia MSA/Bucks and Montgomery Counties						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	156	0%	3%	52%	44%	1%
Population by Geography	551,358	0%	3%	48%	48%	1%
Owner-Occupied Housing by Geography	145,502	0%	2%	47%	51%	0%
Businesses by Geography	27,008	0%	3%	49%	48%	0%
Farms by Geography	976	0%	1%	50%	49%	0%
Family Distribution by Income Level	146,964	10%	16%	26%	48%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	37,903	0%	6%	60%	34%	0%
Median Family Income HUD Adjusted Median Family Income for 1999 Households Below the Poverty Level	= \$41,908 = \$55,600 = 3.84%	Median Housing Value Unemployment Rate, Montgomery County				= \$147,482 = 1.7%

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 U.S. Census, and 1999 HUD updated MFI.

#### Description of Assessment Area

UNB has defined one assessment area including portions of Montgomery and Bucks counties (MSA 6160). The assessment area comprises 156 census tracts within the Philadelphia-Wilmington-Atlantic City CMSA. The assessment area complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income census tracts. All market share data discussed in this Public Evaluation is in reference to the bank's market share within the assessment area, rather than in any larger geographic area.

Several larger interstate and regional banking companies, and thrift institutions provide strong competition. In addition to the regional banks and thrifts, major competitors include Harleysville National Bank and Trust Company, National Penn Bank, Keystone Bank and Quakertown National Bank.

The bank's assessment area encompasses a diverse economic base including a mixture of service, small and mid-sized retail related businesses, and light manufacturing. Based on discussions with management, the bank's trade area has experienced steady economic growth over the past decade. Major employers include Merck & Co., Ford Electronics, Moyer Packing Co., Hatfield Packing Co., Unisys, Wampler Foods Inc., and Rhone-Poulenc Rorer Pharmaceutical.

The assessment area contains no low-income census tracts and five moderate-income census tracts, which are located in Norristown, Montgomery County (four moderate-income census tracts) and Warminster, Bucks County (one moderate-income census tract). The four census tracts in Montgomery county are relatively small in size; in total they cover one and two-tenths of a square mile. The one moderate-income tract in Bucks County is relatively small in size and covers just less than one square mile in area.

Based on 1990 census data, UNB's assessment area has a population of 551,358, which includes 146,964 total families. As indicated in the above table, approximately 3% of total population in the assessment area are located in moderate-income census tracts.

The average of the MSA's updated median family income per Department of Housing and Urban Development (HUD) guidelines is \$55,600. The census median family income is \$41,908. Of the 208,380 total housing units, 82% are one-to-four family units. Owner-occupied housing and rental occupied housing represent 70% and 26% of the total housing units available respectively. Vacant housing units represent the remaining 4% of the total housing units. The average age of housing units in the assessment area is thirty-five years and the average cost of these units is \$147,482.

The assessment area's predominant industry types are service, retail trade and manufacturing.

Overall investment opportunities in the assessment area are very limited. Discussions with management indicate that limited community development opportunities are available. Specifically, tax credit projects are limited and infrequent in number. And, private investors and larger regional banking companies provide very strong competition for tax credit projects. Additionally, the process to obtain tax credit status for projects is competitive and difficult to achieve. Other investment opportunities such as housing bonds are available on a statewide basis, but do not necessarily target communities within the bank's assessment area. The majority of investment opportunities are grants and donations to many non-profit organizations that serve housing and related needs, and many other services for low- and moderate-income individuals and families.

Credit needs of the community were determined during this examination through discussions with management, an interview with a representative from a community based agency serving the needs of low- and moderate-income communities throughout Montgomery County, and two community contacts made prior to this examination. All contacts indicated that primary credit needs are affordable housing loans, including home improvement products, and readily available small business loans.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the  $\Delta$  bank include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of Home Purchase Loans** Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Farms** The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the

percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 7. Borrower Distribution of Home Purchase Loans** Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small business reporters in the bank's AA to businesses with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small farm reporters in the bank's AA to farms with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

- Table 12. Qualified Investments** Presents the number and dollar amount of qualified investments made by the bank in each MSA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must have been reported on schedule RC-L of the Call Reports as an off-balance sheet item.
- Table 13. Distribution of Branch Delivery System and Branch Openings/Closings** Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography in each MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.
- Table 14. Geographic and Borrower Distribution of Consumer Loans** For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of the population within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage of households by income level in each MSA/assessment area.

**Table 1. Lending Volume**

LENDING VOLUME												
Evaluation Period 01/01/1998 TO 12/31/1999												
MSA/Assessment Area	% of Rating Area Deposits in AA*	Home Mortgage		Small Business		Small Farm		Community Development		% of Rating Area Loans in AA (% of #)		
		#	\$(000's)	#	\$(000's)	#	\$(000's)	#	\$(000's)			
UNB	100	982	60,764	2,392	373,916	0	0	33	1,823	3,3747	436,505	100.00
<b>Full Scope</b>												

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE																	
Evaluation Period 01/01/1998 TO 12/31/1999																	
MSA/Assessment Area	Low Income Geographies			Moderate Income Geographies			Middle Income Geographies			Upper Income Geographies			Overall Market Rank*				
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans						
Full Scope	Market Share by Geography*			Market Share by Geography*			Market Share by Geography*			Market Share by Geography*			Total Home Purchase Loans				
	Low	Mod	Upp	Low	Mod	Upp	Low	Mod	Upp	Low	Mod	Upp		#	% of Total**		
UNB Souderton	0	0	2	0	0	47	74	51	26	50	0.5	0.0	0.0	0.8	0.2	152	100

Table 1 - \* Deposit Data as of June 30, 1999.

Table 2 - \* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

Table 2 - \*\* Home purchase loans within an MSA/AA as a percentage of all home purchase loans in the rating area.

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT																
Evaluation Period 01/01/1998 TO 12/31/1999																
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography			Total Home Improvement Loans % of Total**			
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod		Upp		
	Full Scope															
UNB Souderton	0	0	2	0	47	70	51	30	5	6.7	0.0	0.0	8.6	4.9	534	100

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE																
Evaluation Period 01/01/1998 TO 12/31/1999																
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography			Total Home Mortgage Refinance Loans % of Total**			
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod		Upp		
	Full Scope															
UNB Souderton	0	0	2	0	47	72	51	28	24	1.0	0.0	0.0	1.7	0.5	296	100

Table 3. \* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

Table 3. \*\* Home improvement loans within an MSA/AA as a percentage of all home improvement loans in the rating area.

Table 4. \* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

Table 4. \*\* Refinance loans within an MSA/AA as a percentage of all refinance loans in the rating area.



**Table 5. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL BUSINESS		Evaluation Period 01/01/1998 TO 12/31/1999														
MSA/Assessment Area	Low Income Geographies	Moderate Income Geographies	Middle Income Geographies	Upper Income Geographies	Overall Market Rank*	Market Share by Geography*				Total Small Business Loans						
	% of Businesses	% of Businesses	% of Businesses	% of Businesses		Overall	Low	Mod	Mid		Upp	#	% of Total**			
UNB Souderton	0	0	3	0	49	73	26	48	4	9.7	0.0	2.0	15.8	4.8	2,392	100

**Full Scope**

**Table 6. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL FARM		Evaluation Period 01/01/1998 TO 12/31/1999														
MSA/Assessment Area	Low Income Geographies	Moderate Income Geographies	Middle Income Geographies	Upper Income Geographies	Overall Market Rank*	Market Share by Geography*				Total Loans Small Farm Loans						
	% of Farms	% of Farms	% of Farms	% of Farms		Overall	Low	Mod	Mid		Upp	#	% of Total**			
UNB Souderton	0	N/A	1	N/A	50	N/A	49	N/A	131	N/A	N/A	0.0/N/A	N/A	N/A	N/A	N/A

**Full Scope**

Table 5. \* Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.  
 Table 5. \*\* Small Business loans within an MSA/AAA as a percentage of all Small Business loans in the rating area.  
 Table 6. \* Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.  
 Table 6. \*\* Small Farm loans within an MSA/AAA as a percentage of all Small Farm loans in the rating area.

**Table 7. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HMDA HOME PURCHASE																
Evaluation Period 01/01/1998 TO 12/31/1999																
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share by Borrower Income*			Total Home Purchase Loans			
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod		Upp	#	% of Total
<b>Full Scope</b>	10	9	16	28	26	24	49	39	50	0.5	2.0	1.1	0.5	0.4	152	100
UNB Souderton																

**Table 8. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT																
Evaluation Period 01/01/1998 TO 12/31/1999																
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share By Borrower Income*			Total Home Improvement Loans			
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod		Upp	#	% of Total
<b>Full Scope</b>	10	12	16	20	26	30	49	38	5	6.7	10.7	9.7	7.5	5.0	534	100
UNB Souderton																

Table 7 - \* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.  
 Table 7 - \*\* As a percentage of loans with borrower income information available.  
 Table 8 - \* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.  
 Table 8 - \*\* As a percentage of loans with borrower income information available.

**Table 9. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE		Evaluation Period 01/01/1998 TO 12/31/1999														
MSA/Assessment Area	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Overall Market Rank*	Market Share by Borrower Income*				Total Loans		
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid		Upp	#
<b>Full Scope</b>	10	5	16	17	26	30	49	48	24	1.0	1.8	1.9	1.8	0.9	296	100
UNB Souderton																

**Table 10. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL BUSINESS		Evaluation Period 01/01/1998 TO 12/31/1999								
MSA/Assessment Area	Businesses With Revenues of \$1 million or less		% Distribution of Loans by Original Amount of Business Size		Market Share****	Total Small Business Loans				
	% of Businesses*	% UNB Loans**	\$100,000 or less	> \$100,000 to \$250,000			Rev \$ 1 Million or Less	#		
<b>Full Scope</b>	722	100	43	61	10020	10019	9.7	10	2,392	100
UNB Souderton										

Table 9 - \* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.  
 Table 9 - \*\* As a percentage of loans with borrower income information available.

Table 10 - \* As a percentage of businesses with known revenues.  
 Table 10 - \*\* As a percentage of loans with revenue information available. No income information was available for 5% of loans originated by UNB.  
 Table 10 - \*\*\* The market consists of all other Small Business reporters in UNB's assessment area and is based on 1998 Aggregate Small Business Data only.  
 Table 10 - \*\*\*\* Based on 1998 Aggregate Small Business Data only.

**Table 11. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL FARM		Evaluation Period 01/01/1998 TO 12/31/1999					
MSA/Assessment Area	Businesses With Revenues of \$ 1 million or less		% Distribution Loans by Original Amount Regardless of Farm Size		Market Share*		Total Small Farm Loans
	% Farms**	% Bank Loans***	\$100,000 or less	> \$100,000 to \$250,000	Rev \$ 1 Million or Less	#	
					All		
<b>Full Scope</b>							
UNB Souderton	92	N/A	68	0	N/A	N/A	N/A

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS		Evaluation Period 01/01/1998 TO 3/31/00					
MSA/Assessment Area	Prior Period Investments*		Current Period Investments		Total Investment	Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)			% of Total
<b>Full Scope</b>							
UNB Souderton	2	796	97	486	0	100	0

Table 11 - \* The market consists of all other Small Farm reporters in UNB's assessment area and is based on 1998 Aggregate Small Business Data only.

Table 11 - \*\* As a Percentage of Farms with known revenues.

Table 11 - \*\*\* As a percentage of loans with borrower income information available.

Table 12 - \* "Prior Period Investments" means investments made in a previous evaluation period that remains outstanding as of the examination date.

Table 12 - \*\* "Unfunded Commitments" means legally binding commitments reported on Report of Condition Schedule L - "Off-Balance Sheet Items".

**Table 13. Distribution of Branch and ATM Delivery System**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM															
Evaluation Period 01/01/1998 TO 03/31/2000															
MSA/Assessment Area	Deposits		Branches				Branch Openings/Closings			Population					
	% of Total Bank Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)			# of Branch Closings	# of Branch Openings	Net gain(+) / loss(-) of branches due to openings/closings						
				Low (%)	Mod (%)	Upp (%)			Low	Mod	Upp	Low	Mod	Upp	
UNB Souderton	0.00	027	100	0.00	0.0074	26	0	1	0.00	0.00	0.00+1	0.00	2.86	48.66	47.70

\* The percentage of the population in the MSA/AA that resides in these geographies.

**Table 14. Geographic and Borrower Distribution of Consumer Loans**

Geographic and Borrower Distribution: CONSUMER LOANS																	
State: PA Evaluation Period: January 1, 1999 to December 31, 1999																	
MSA/Assessment Area:	Geographic Distribution						Borrower Distribution										
	Low-Income Geographies	Moderate-Income Geographies	Middle-Income Geographies	Upper-Income Geographies	Low-Income Borrowers	Moderate-Income Borrowers	Middle-Income Borrowers	Upper-Income Borrowers	Total Consumer Loans	% of Total ***							
										% of Pop*	% Bank Loans	% of families	% Bank Loans**	#	% of Total ***		
UNB Souderton	00	00	3	00	52	77	44	23	10	21	16	23	24	49	20	2,095	100%

\* The percentage of the population in the MSA/assessment area that resides in these geographies.

\*\* As a percentage of loans with borrower income information available. No information was available for 11% of loans originated by Bank.

\*\*\* Consumer loans originated and purchased in the MSA/AA as a percentage of all consumer loans originated and purchased in the rated area.