



**Comptroller of the Currency
Administrator of National Banks**

Northeastern District Office
1114 Avenue of the Americas
Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

August 31, 1996

**PNC Bank, National Association
Charter Number: 1316**

**1 PNC Center
Fifth and Wood Streets
Pittsburgh, Pennsylvania 15272**

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 **PNC Bank, National Association** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agent.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **August 31, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

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

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

Basis for the Rating

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

ASSIGNMENT OF RATING

Identification of Ratings

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

Outstanding record of meeting community credit needs.

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

Satisfactory record of meeting community credit needs.

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

Needs to improve record of meeting community credit needs.

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

Substantial noncompliance in meeting community credit needs.

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

ABBREVIATIONS

| | |
|--------------------------------|-----------|
| PNC Bank Corp. | PNC Corp. |
| PNC Bank, National Association | PNC |
| PNC Mortgage Bank, N.A. | PNCMC |
| Automated Teller Machine | ATM |
| Block Number Area | BNA |
| Board of Directors | Board |
| Census Tract | CT |
| Community Affairs Officer | CAO |
| Community Reinvestment Act | CRA |
| Federal Housing Administration | FHA |
| Home Mortgage Disclosure Act | HMDA |
| Low-to-Moderate Income | LMI |
| Metropolitan Statistical Area | MSA |
| Small Business Administration | SBA |
| Veterans Administration | VA |

DEFINITIONS

| | |
|--|--|
| Low Income Census Tract - | Census Tracts in the community, with income levels between 0% and 49% of the median family income of the area. |
| Moderate Income Census Tract - | Census Tracts in the community, with income levels between 50% and 79% of the median family income of the area. |
| Middle Income Census Tract - | Census Tracts in the community, with income levels between 80% and 119% of the median family income of the area. |
| Upper Income Census Tract - | Census Tracts in the community, with income levels over 120% of the median family income of the area. |
| LMI (Low - Moderate Income Census Tract) | Census Tracts in the community, with income levels between 0% and 79% of the median family income of the area. |

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

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

Evaluation Period: The bank's previous Public Disclosure is dated July 15, 1994. The current disclosure contains an evaluation of the bank's performance from July 15, 1994 through August 31, 1996.

Bank Profile:

PNC is a wholly-owned subsidiary of PNC Corp., a \$69 billion diversified financial services company headquartered in Pittsburgh, Pennsylvania. PNC, with \$44 billion in assets, is a full service bank which operates in six markets: Central (PA) [60 branches], Northeastern (PA) [81 branches], Northwestern (PA) [45 branches], New Jersey [79 branches], Philadelphia [72 branches], and Pittsburgh [130 branches].

PNC has a substantial share of the market in Pittsburgh and Philadelphia, the two largest urban areas within the delineated communities. Residential mortgages are originated by the affiliate PNC Mortgage Corporation of America. Residential mortgage loans originated in PNC's delineated community by the mortgage corporation are credited to this bank and evaluated in this institution's CRA examination. The bank's loan to deposit ratio as of December 31, 1995 is 108.07% (i.e., PNC loans out \$1.08 for every \$1 of deposits it receives). This compares favorably to banks of similar size across the country which, on average, lend only 91 cents of every dollar of deposits received. During this examination PNC acquired Midlantic Banks, Inc. a New Jersey-based bank holding company.

Community Profile

PNC has delineated its service community into the six markets. The following table defines each market by MSA and County. : Those counties that the bank delineates in full are **highlighted**.

| TABLE 1: PNC COMMUNITY DELINEATION | | |
|------------------------------------|---------|---|
| MARKET | MSA # | COUNTY |
| PITTSBURGH | 6280 | Allegheny , Beaver, Butler, Fayette, Washington, Westmoreland |
| | 3680 | Cambria, Somerset |
| | NON MSA | Indiana, Jefferson |
| NORTHWEST | 2360 | Erie |
| | 7610 | Mercer |
| | NON MSA | Crawford, Elk, Forest , McKean, Warren |
| CENTRAL | 8050 | Centre |
| | 3240 | Cumberland , Dauphin, Lebanon, Perry |
| | 4000 | Lancaster |
| | 9140 | Lycoming |
| | 9280 | York |
| | 0720 | Carroll* |
| | 8840 | Frederick* |
| PHILADELPHIA | NON MSA | Adams , Clearfield, Franklin, Huntingdon, Juniata |
| | 6160 | Bucks , Chester , Delaware , Montgomery , Philadelphia |
| NORTHEAST | 6680 | Berks |
| | 0240 | Carbon , Lehigh , Northampton |
| | 7560 | Columbia , Lackawanna, Luzerne |
| | 5660 | Pike |
| | NON MSA | Monroe , Susquehanna, Wayne |
| NEW JERSEY | 6160 | Burlington , Camden , Gloucester |
| | 0560 | Atlantic , Cape May |
| | 8760 | Cumberland |
| | 5015 | Hunterdon , Middlesex , Somerset |
| | 8480 | Mercer |
| | 5640 | Morris, Sussex , Warren |

The following table highlights the demographics of the delineated communities.

| Table 2: Market Demographics | | | | | |
|------------------------------|---------------------|-------------------------|------------|---------------------------------|---------------------|
| Markets | Total Census Tracts | Total LMI Census Tracts | Population | Population in LMI Census Tracts | Unemployment Levels |
| Pittsburgh | 729 | 219 | 2,317,518 | 520,125 | 6.49 |
| Northwest | 127 | 24 | 482,675 | 72,695 | 6.63 |
| Central | 238 | 46 | 1,101,521 | 146,664 | 4.70 |
| Philadelphia | 964 | 255 | 3,728,909 | 1,079,017 | 5.92 |
| Northeast | 355 | 52 | 1,344,249 | 158,713 | 6.30 |
| New Jersey | 791 | 140 | 3,139,975 | 502,072 | 6.26 |

Source: 1994 United States Bureau of Labor Statistics

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.

- PNC has an excellent record of ascertaining the credit needs of its regional markets, especially low- and moderate-income (LMI) communities.**

PNC has developed credit ascertainment programs tailored to meet the unique characteristics of its regional markets. PNC Corp. developed a CRA Model Program which is designed to ensure a uniform commitment to CRA in all markets. Ascertainment efforts are centered in outreach calls to a range of entities with knowledge of community credit needs. These entities include community-based organizations; state and local government agencies; community development corporations; and housing and economic development groups. Outreach calls are conducted by community development officers and business line officers. The outreach calls are augmented by participation on numerous boards of community organizations, workshops, and seminars.

Although the markets are different, credit needs center around small business loans, residential housing financing, community development loans, and consumer loans. PNC has responded to those needs and has tailored products to meet perceived credit needs. Examples include the Neighborhood Mortgage Program, the Housing Recovery Program, the Facade Loan Program and the Women's Enterprise Resource Center program.

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 are actively involved in CRA policy making and performance review.**

CRA Oversight Committees have been established in each market and centrally in Corporate Headquarters. Their function is to ensure corporate-wide compliance with the model program. Members include senior management representing functional areas of the bank relevant to CRA policy and programs. Each Committee meets on a regular basis to discuss CRA issues, review strategies and monitor and evaluate progress. Also, results from analyses performed by market research regarding geographic distribution of loans and fair lending practices are reviewed periodically. The Board of Directors' CRA Policy Committee reviews reports from management concerning the market's CRA programs and performance and reports on these activities to the full Board of Directors. This Committee meets quarterly to review market updates on community development activities including lending issues and

accomplishments, special programs for targeted groups, and internal and external training. Ongoing CRA training is required for all customer contact personnel.

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 credit services offered by the institution.

- **PNC Bank has established an effective marketing program that informs all segments of the community of products and services available.**

PNC markets its credit products and services primarily through advertising in regional, local, and minority newspapers. In addition, the Bank utilizes radio, and billboards. PNC also markets its products and services through direct contact and outreach. An extensive officer calling program for each of the six markets has been established. Through this program, calls are made to customers, realtors, community leaders, nonprofit organizations, and government officials. The calling program keeps the community informed of products and services offered by the Bank.

The Bank develops marketing plans for each of its six markets for advertising CRA products (i.e., Neighborhood Mortgage, Open Door Mortgage, Budget Checking, Community Partnership and Action home improvement loans). CRA products are advertised through minority newspapers, radio, community newsletters, and billboards. These advertisements are targeted directly to low- and moderate-income individuals. Additionally, a significant amount of time is spent making personal contact with community based, religious and social service organizations informing them of the products and services available at the Bank.

PNC also markets its products and provides significant financial education through workshops and seminars. Several of the markets have developed unique methods to educate the consumer and market its products. The Pittsburgh market developed an innovative educational program for the Arlington Heights Public Housing Project residents. Program courses are geared toward educating consumers on how to transition from public housing to a private residence. The Pittsburgh market also sponsors the Micro Business Advisory educational program with the Minority Enterprise Corporation. The program provides business development training and financial assistance to help minority and women entrepreneurs. The program includes management support, financial assistance and mentoring from experienced professionals. The Northwest and New Jersey markets provide weekly information on credit, mortgage and small business lending issues, and general banking services through local radio stations. In the New Jersey market the Bank in partnership with the Entrepreneurial Training Institute received an award for a training program that assists women, minorities, and recent immigrants who desire to start a small business in a low or moderate income area.

The Bank actively sponsors credit counseling programs. The Pittsburgh market has recently established an in-house mortgage counseling program for residents of the Mon Valley, Beaver County and Pittsburgh. The program was established to service targeted low- to moderate-income communities located outside of Pittsburgh. It complements services provided by Community Lender Credit Program (CLCP) that operates within the City. The CLCP is a community-based credit counseling program that was developed by PNC and Pittsburgh Community Redevelopment Group. Bank personnel have also trained a group of concerned citizens for the purpose of assisting the home owners in the Mon Valley.

In the Philadelphia market, PNC participated in more than 60 workshops and seminars during this evaluation period. Over 6,000 people attended one bank fair that was sponsored by ACORN.

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.

- **PNC Bank has an excellent record of originating housing and small business loans within its delineated communities.**

PNC offers a variety of loan products for its six delineated communities. Products include residential mortgages, home improvement loans, and loans for small business and agricultural purposes. The CRA Statements accurately reflect the products offered.

The majority of PNC's loans are made within its delineated communities based on an analysis conducted by the Marketing Research Department. The chart below identifies the amount and percentage of deposit and loans within the delineated communities as of June 30, 1996. We have not included the New Jersey Market since it is too new.

| Table 3: Percent of Loans and Deposit in Delineated Communities | | | | |
|--|------------------------|--------|---------------------|--------|
| Market | Retail Deposits | | Retail Loans | |
| Pittsburgh | 5,965,232 | 77.63% | 2,551,155 | 66.31% |
| Northwest | 996,170 | 73.12% | 645,276 | 68.63% |
| Northeast | 2,338,248 | 79.78% | 1,089,098 | 59.07% |
| Central | 1,148,576 | 78.88% | 850,306 | 54.97% |
| Philadelphia | 2,632,625 | 77.64% | 1,654,803 | 66.84% |

Source: PNC June 1996 Assessment Area Analysis

Note: dollars in thousands

The bank's performance for HMDA reportable loans in each of its delineated communities is detailed in the table below:

| Table 4: 1995 PNC HMDA Loan Activity | | | |
|---|---------------|------------------------------|------------------|
| Market | Originations | Amount Originated (000's) | Market Ranking** |
| Pittsburgh | 4,993 | 245,101 | 1st |
| Philadelphia | 2,773 | 195,422 | 5th |
| Northwest | 976 | 55,192 | 1st |
| Northeast | 1,615 | 65,700 | 3rd |
| Central | 1,483 | 99,575 | 1st |
| TOTAL | 11,840 | 660,990 | 2nd |

Source: HMDA-LAR

* The New Jersey market was added in 1996 as a result of an acquisition and is not included above.

** Ranking is based on the number of originations

The Bank is overall the second largest lender of home purchase, home improvement, multi-family, and home improvement loans for its six delineated communities. If we add the 1995 Midlantic National Bank originations to the above number, PNC moves from 5th to 2nd in the Philadelphia market.

Lending volumes for home purchase, home improvement, refinanced mortgages, and multi-family is strong. Year-to-date 1996 lending performance is consistent with 1995 performance.

| Table 5: PNC Housing Related Lending | | | | | | |
|---|-------------------------------------|-------|-------------------------------------|-------|--|-------|
| Purpose | 1994 (000's) Amount Volume | | 1995 (000's) Amount Volume | | YTD 6/30/96 (000's) Amount Volume | |
| Residential Mortgages | 534,654 | 7,296 | 459,340 | 6,155 | 274,230 | 3,601 |
| Refinanced Mortgages | 227,940 | 3,340 | 135,978 | 1,606 | 160,253 | 1,938 |
| Multi-Family | 22,701 | 45 | 15,515 | 30 | 885 | 10 |

| | | | | | | |
|------------------|---------|--------|---------|--------|---------|-------|
| Home Improvement | 78,916 | 5,144 | 50,157 | 4,049 | 38,736 | 2,232 |
| Total | 864,211 | 15,825 | 660,990 | 11,840 | 474,104 | 7,781 |

Source: HMDA-LAR

Note: The New Jersey market was added in 1996 and the Jun-96 numbers include this market.

PNC has developed products to address the credit needs of low- and moderate-income residents and small businesses. Those products include loans for home purchase, personal loans, and home improvement loans. PNC also participates in government-sponsored lending programs directed to consumer, small business and community development. (Refer to *Assessment Factor J* for additional details).

Each market has developed lending products that meet the needs of its residents. For example, all the markets have created an affordable mortgage program. Since 1994, PNC has originated 5,703 affordable mortgages for total of \$288 million. The Northwest and Philadelphia markets have developed home improvement loan programs with below market interest rates and extended loan terms. The Pittsburgh market has a Family Loan Program that provides financing at rates significantly below market for loans needed to maintain employment (i.e., car, uniforms, and tools). The programs identified above are a few of many programs that PNC has developed to meet the special credit needs of the community.

PNC actively solicits and originates loans to small businesses. Small businesses are defined by the Bank as companies with annual sales of \$5 million or less. The Bank originated 6,539 small business loans in the amount of \$462.6 million in 1995. As of June 30, 1996, 4,400 loans were originated in the amount of \$305.6 million. The table below identifies the number and amount of loans outstanding by origination size.

Table 6: JUNE 30, 1996 PNC SMALL BUSINESS LOANS

| ORIGINAL LOAN BALANCE | # LOANS | \$ OUTSTANDING | AVERAGE LOAN AMOUNT |
|-----------------------|---------------|------------------|---------------------|
| < \$100,000 | 14,162 | 375,320 | 27 |
| \$100,000-\$250,000 | 3,842 | 445,652 | 116 |
| \$250,001-\$1,000,000 | 3,106 | 972,799 | 313 |
| TOTAL | 21,111 | 1,793,771 | 85 |

Note: Dollars are in thousands. Numbers are actual data.

The bank employs a full time CRA business lender in Pittsburgh. This individual is responsible for facilitating the loan approval process for commercial loans and community development projects in CRA targeted neighborhoods with emphasis on minority and female-owned businesses. Opportunities to provide agricultural loans are limited to three markets

(Pittsburgh, Northwest, and Central). Those three markets originated a total of 143 loans for \$10.7 million and 58 loans for \$7 million in 1995 and 1996, respectively.

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

- **PNC is an active participant in government-related loan programs.**

The Bank continues to actively seek opportunities to address credit needs by combining its resources with those of federal, state, and local government agencies. PNC participates in government programs designed to promote affordable housing, community revitalization, and business development. Some of the government-guaranteed loan programs in which PNC participates include SBA programs, FHA/VA mortgage loans, and Pennsylvania Housing Finance Agency. All markets participate in local government-sponsored programs where available.

Market Highlights

- PNC-Pittsburgh remains one of the leading SBA lenders in the region. The Bank has maintained the SBA designations of Preferred Lender and Certified Lender since the inception of these programs by the SBA. The Bank was presented the Million Dollar Award for the 21st consecutive year in 1995.
- PNC-Pittsburgh was one of the first banks approved to participate in the LowDoc Program in 1994. The LowDoc Program was developed to streamline the paperwork and decrease the time required to close SBA loans less than \$100 thousand. In 1995, 51 LowDoc loans were approved which accounted for 68% of PNC's SBA loan volume.
- In 1994 and 1995, PNC-Philadelphia originated the largest number and dollar amount of loans in the City Home Improvement Loan Program among all participating lenders. The 137 loans closed in 1995 for \$1.8 million was a record high for program volume.
- The Bank closed 214 loans for \$9.7 million under the PHFA program in 1994 and 1995.

The following chart summarizes federal government-related lending for housing and small business from 1994 to the present.

Table 7: FEDERAL GOVERNMENT-RELATED LOAN ORIGINATIONS

| PRODUCT | 1994 | | 1995 | | 1996 | |
|---------|------|----------|------|----------|------|----------|
| | # | \$ (000) | # | \$ (000) | # | \$ (000) |
| FHA/VA | 305 | 18,700 | 489 | 38,200 | 572 | 42,100 |
| SBA | 78 | 13,880 | 158 | 19,670 | 118 | 10,100 |

Source: Bank prepared data. 1996 volume figures are as of 6-30-96.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- PNC's delineated community is reasonable. No low- and moderate-income areas are arbitrarily excluded from the community.**

PNC has delineated the geographic areas serviced by its branch offices for purposes of the CRA. These areas include the vast majority of the bank's customers. The delineated community comprises five distinct markets in Pennsylvania, a small portion of northern Maryland and parts of New Jersey. Separate community delineations exist within markets to reflect noncontiguous areas. Refer to the Community Profile section in the introduction of this evaluation for a further description of PNC's delineated community.

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

- Our analysis of lending patterns indicates that there is reasonable penetration of loans in all segments of the bank's delineated communities, including low- and moderate-income areas.**
- PNC's process of analyzing the distribution of loans within its delineated communities is sophisticated and effective.**

Using HMDA data, we reviewed loan applications and originations in PNC's communities with an emphasis on activity in LMI areas. Our analysis compared the percentage of total loan applications/originations from LMI areas for PNC and PNCMC combined ("the banks"), to all institutions that reported loan activity in PNC's delineated community. For 1994, 20.7% of the total number of applications and 16.4% of the total number of originations reported by the banks were attributed to LMI census tracts in PNC's delineated communities. These percentages increase to 24.8% for applications and 19.5% for originations in 1995. Compared to all lenders, the banks had a substantially higher percentage of total loan applications/originations in LMI census tracts for both 1994 and 1995. These trends also occurred for each market as illustrated in the following tables, with minor exceptions noted for the Central Market's origination of LMI area loans relative to all lenders in 1994 and the Northeast Market's percentage origination of LMI loans which declined from 1994 to 1995. We also reviewed lending market shares in LMI areas and determined that the banks rank second among all reporting lenders with a market share of 8.5%.

Table 8: LENDING ACTIVITY IN LMI COMMUNITY - APPLICATIONS

| | 1994 | | 1995 | | YTD 6/30/96* |
|----------------------|-------------|-------------|-------------|-------------|--------------|
| | PNC & PNCMC | ALL LENDERS | PNC & PNCMC | ALL LENDERS | PNC & PNCMC |
| <i>PENNSYLVANIA:</i> | | | | | |
| PITTSBURGH | 22.3% | 17.3% | 24.4% | 21.0% | 21.7% |
| NORTHWEST | 13.1% | 11.5% | 18.7% | 15.5% | 14.9% |
| CENTRAL | 8.0% | 11.0% | 14.9% | 12.0% | 12.8% |
| PHILADELPHIA | 30.5% | 19.3% | 38.3% | 23.8% | 38.3% |
| NORTHEAST | 10.7% | 10.2% | 11.4% | 10.8% | 8.3% |
| <i>NEW JERSEY</i> | NA | NA | NA | NA | 7.7% |
| TOTAL | 20.7% | 16.3% | 24.8% | 19.5% | 20.7% |

* - Data is not yet available for all lenders

NA - New Jersey was not part of PNC's delineation in 1994 and most of 1995

Table 9: LENDING ACTIVITY IN LMI COMMUNITY - ORIGINATIONS

| | 1994 | | 1995 | | YTD 6/30/96* |
|----------------------|-------------|-------------|-------------|-------------|--------------|
| | PNC & PNCMC | ALL LENDERS | PNC & PNCMC | ALL LENDERS | PNC & PNCMC |
| <i>PENNSYLVANIA:</i> | | | | | |
| PITTSBURGH | 20.0% | 15.0% | 21.1% | 16.8% | 17.6% |
| NORTHWEST | 11.1% | 9.7% | 14.9% | 11.5% | 12.3% |
| CENTRAL | 7.2% | 9.7% | 11.7% | 9.4% | 9.5% |
| PHILADELPHIA | 20.1% | 14.9% | 28.3% | 17.6% | 30.5% |
| NORTHEAST | 10.4% | 9.4% | 9.8% | 9.8% | 7.9% |
| <i>NEW JERSEY</i> | NA | NA | NA | NA | 12.9% |
| TOTAL | 16.4% | 13.3% | 19.5% | 14.9% | 16.8% |

* - Data is not yet available for all lenders

NA - New Jersey was not part of PNC's delineation in 1994 and most of 1995

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

- **Branch offices are reasonably accessible, and provide needed banking services to all segments of the community. Branch office closings have not hindered the accessibility of banking services to the community.**

PNC offers a full range of financial services at all branch office locations and limited services at drive-up banking facilities. The bank has 462 branch offices widely disbursed throughout its delineated communities. Several of the branches are located in or adjacent to low- and moderate-income areas; however, management could not provide an exact number. Also, a number of banking centers offer Saturday drive-up or lobby hours. Extended weekday drive-up hours are provided at several banking centers based on customer requests. In addition to the branch network, PNC operates 960 Automatic Teller Machines. To further increase access to the bank's services, PNC established a telephone banking service called "Direct Bank." This telephone service provides access to account information, investment and loan calculations and allows customers to apply for loans on a 24 hour a day basis. The bank also offers Personal Computer On-line banking services. To efficiently and better serve its community, PNC has relocated or consolidated 43 branches since the previous examination. There were no branch openings since our previous examination. The table below provides an overview of branching activity by market area.

Table 10: PNC BRANCH ACTIVITY

| MARKET | BANK BRANCHES as of 6/30/96 | BANK BRANCHES CLOSED |
|-------------------|-----------------------------------|----------------------------|
| PENNSYLVANIA : | | |
| Northwest | 45 | 6 |
| Pittsburgh | 130 | 3 |
| Central | 58 | 14 |
| Philadelphia | 72 | 8 |
| Northeast | 79 | 6 |
| NEW JERSEY | 77 | 3 |
| TOTAL | 461 | 40 |

When closing a branch office, PNC is guided by a Corporate Policy which conforms to regulatory requirements. This policy requires that responsible bank officers assess the potential adverse impact of the closing on the branch's local community. Factors to be considered in a branch closing decision include the makeup of the surrounding community, other banking alternatives and input solicited from community groups. As a result of following policy guidelines, branch closings have not adversely impacted any community.

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).

- **PNC accepts credit applications from all segments of the community. Our examination found no evidence of practices intended to discourage applicants from seeking credit.**

A Fair Lending examination did not disclose any indication of prohibited basis practices or activities that would discourage credit applicants or potential credit applicants. Policies and training programs in place are comprehensive and are complemented by internal controls that ensure that efforts to attract applications from all segments of its community are effective.

Loan application patterns are analyzed periodically to uncover disparate patterns.

Management's commitment to compliance with Fair Lending Laws and regulations is strong.

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

- **We found no evidence of discrimination, on a prohibited basis, during a concurrent fair lending examination.**

The bank was found to be in compliance with all antidiscrimination laws and regulations.

There was no evidence of any prohibited discriminatory practices. The necessity of compliance with such laws and regulations is emphasized at many points of the credit application and origination process. Systems in place provide for equal treatment of all credit applicants and are supplemented by ongoing monitoring and review procedures.

V. COMMUNITY DEVELOPMENT

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

- **The bank is aware of and, actively participates in, community development projects and programs in all their regional markets.**

PNC actively participates in community development projects, often in a leadership role, throughout their Pennsylvania and New Jersey delineated communities. These economic development projects effectively compliment PNC's housing initiatives to the benefit of the low and moderate income populations in both rural and urban areas. Each project meets at least one of the following objectives of management's overall community development strategy:

- Rehabilitation of blighted real estate and conversion to a useful purpose.
- Creation of affordable for-sale or rental housing units.
- Creation or retention of jobs, especially in economically depressed areas.

The following table depicts the number and amount of community development loan originations in the six regional markets since the prior evaluation in July 1994.

| Table 11: COMMUNITY DEVELOPMENT LOANS | | |
|---------------------------------------|------------|-----------------|
| Regional Market | # of Loans | Amount (000) |
| Pittsburgh | 42 | \$10,500 |
| Philadelphia | 120 | \$49,500 |
| Central | 19 | \$ 9,100 |
| Northeast | 13 | \$ 8,800 |
| Northwest | 3 | \$ 554 |
| New Jersey * | 21 * | \$ 7,100 * |
| Total | 218 | \$85,554 |

(*) Includes loans originated since January 1, 1996.

As the table indicates, the volume of community development activity is highest in the urban areas where the needs are greatest. Historically, opportunities have been very limited in the Northwest, Central and Northeast markets, but proactive ascertainment efforts in those markets, most notably in the Northeast region, have resulted in several beneficial initiatives. A brief recap of community development activity in each regional market is provided as

follows. The listing of activities is not all inclusive and merely highlights more notable projects.

Pittsburgh Region

PNC is an active leader in this market in community revitalization efforts, particularly in housing development projects in conjunction with various local government and private organizations. Participation includes loans and equity investments for redevelopment projects, technical assistance programs, grants and monetary donations. The following are several examples of projects which had a significant impact to the community.

- Crawford Square Phase II - PNC provided a \$2 million loan for a \$4.5 million construction development project for low income housing in the Hill District of Pittsburgh. The project resulted in the move toward stabilization of this neighborhood.
- East Allegheny Community Council - PNC provided a \$450,000 loan for the construction and rehabilitation of several homes in a low income census tract. The bank also provided a \$21,000 predevelopment loan, a \$10,000 grant and donated three of the properties to the organization.
- GalvTech Plant - PNC provided 50% of a \$30 million loan package for the renovation of a vacant industrial facility in a low income census tract that resulted in the regeneration of taxes and 75 new jobs.

Philadelphia Region

PNC has become increasingly active in community development lending in the five county MSA. Strong relationships with local CDC's, nonprofit and for-profit developers, as well as local government agencies have resulted in numerous projects which led to the revitalization of low income neighborhoods. The following is a list of the more significant projects.

- Chinatown North Development Corporation - PNC committed to a \$4.3 million construction loan in conjunction with the Philadelphia Office of Housing and Development for the Chinatown North housing project. This major affordable housing initiative will both revitalize and stabilize the Chinatown community.
- Philadelphia Bankers Development Initiative - PNC participation represents \$2 million of a \$14 million loan pool for LMI - first time home buyers in the city of Philadelphia.
- Liberty Knoll - PNC made a \$4.2 million construction loan for a 76 unit "affordable housing" development in Montgomery County targeted for moderate income individuals. PNC Mortgage Corp. will finance most of the purchases using an adaptation of the Delaware Valley Mortgage Plan product.
- Norris Square Civic Association - PNC recently completed its second year partnership with a low income Hispanic community as part of the Philadelphia Plan. The bank contributes \$250,000 annually for revitalization projects. In addition, PNC provided \$300,000 in construction/bridge loans for low income housing in this neighborhood.

Central Region

PNC has steadily increased its participation in community development activities in this region since the previous evaluation. Due to the demographics of this geographically large

region, few community development opportunities exist. Although PNC branches are concentrated in the south central portion of this region, developmental financing is provided throughout the region. The following are more significant examples lending initiatives.

- Weightman Block Apartments - PNC provided a \$2.7 million loan for the construction of 63 LMI rental units in the city of Williamsport. The project converted an abandoned warehouse in a low income census tract to a multi-unit apartment building.
- Park Crest Terrace Apartments - PNC provided a \$5 million letter of credit and a \$2 million bridge loan for the construction of 240 affordable housing rental units in State College.
- Susquehanna Apartments - PNC provided a \$1.3 million interim construction loan for LMI low income rental units in Duncannon. Rental housing is a significant need in this predominantly low income elderly community.

Northeast Region

Our meetings with community groups disclosed that PNC enjoys a growing reputation as a leader in providing community development funding in this large geographic region that contains several medium-sized cities that are now being confronted with problems associated with deteriorating business districts and neighborhoods. Management is effectively leveraging available resources to assist in the revitalization of these communities. Examples are:

- Northampton Street Shared Living Facility - PNC provided a \$250,000 loan for the renovation of a vacant building into 21 units for low income individuals with special needs. The renovation helped stabilize a deteriorating neighborhood section of Wilkes Barre. The project was subsequently awarded the Federal Home Loan Bank's "Pillars of the Community Award."
- North Catasauqua Apartments - PNC provided a \$1.1 million construction/permanent loan for low income rental units for the elderly. This type of housing represented a significant need in this community where waiting lists for public housing are extensive.
- Mulberry Neighborhood CDC - The bank provided \$100,000 in initial funds to this nonprofit corporation for the renovation of a vacant building into apartment units for LMI residents. The renovation project is part of a neighborhood plan to eliminate "urban blight" from the community.

Northwest Region

There are very few community development opportunities in this market; however, PNC has been recognized as an active leader in seeking out and working with local community organizations. Some examples of projects in this area are:

- Royal Homes I - a \$350,000 construction/term loan for 15 housing units for low income homeowners. PNC was instrumental in leveraging funds for the financing of this project and offering very flexible financing terms.
- Vallonia Industries - PNC provided \$137,000 for the renovation of a building to provide job-related training for low income individuals with special needs.

- Quality of Life Learning Center - This represents a \$66,500 term loan for the renovation of a vacant grocery store into a training center that provides basic education and job skills for low income individuals. A day care center also operates on site. The project was effective in eliminating the onset of blight in this neighborhood.

New Jersey

New Jersey represents a new market for PNC that resulted from the purchase of the branch system of another large regional institution. Only results from January 1, 1996, are included in this evaluation. In this short time, PNC has made great strides in providing community development financing. Examples are:

- North Camden Compact - PNC provided a total of \$1.9 million to this revitalization project. Four banks are part of an alliance that assists this area of Camden with housing renovation and construction, job creation and commercial development.
- Vailsburg Improvement Program - funding consists of an \$865,000 construction revolver loan for the renovation of properties for LMI families in the Vailsburg section of the city of Newark. In addition, the bank funded a day care center, a \$100,000 working capital line of credit and \$86,500 for a lease-purchase mortgage fund for down payment purposes.
- E.T. Bowser Housing Complex - PNC provided a \$1.7 million construction loan for the development of a 44-unit rental property for low income families also in the city of Newark.

Other Investments:

The following is a brief summary of additional other investments made by the bank in the six regional markets:

- Pittsburgh - Additional investment of \$500,000 to the Keystone Minority Capital Fund (PNC total \$1 million) for minority small businesses. PNC also provided \$5 million, representing the largest contribution to the Strategic Development Fund. This fund is used to support revitalization efforts in the nine county area.
- Philadelphia - This market has extensive experience with innovative equity and tax credit investments. PNC has committed \$4.2 million equity funds, of which \$1.5 million have been funded. Loan pool deposits total \$2.4 million, with an additional \$200,000 deposited in local credit unions.
- Central - Three equity investments totaling \$4.1 million benefitting low income rentals and small business.
- Northeast - Two equity investments totaling \$1.1 million benefitting low income individuals and downtown revitalization.
- Northwest - \$335,000 Shyrock low income housing tax credit investment in 1992. The building must be held for low income rental for at least 15 years for tax credit eligibility.
- New Jersey - Six equity investment totaling \$7.9 million which includes \$5 million in National Equity Funds. All benefit low income families and affordable rental housing.

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

- **PNC has taken a leadership role in promoting economic revitalization and growth, primarily through its mortgage origination activity and community development loans.**

PNC has sufficient resources to meet the credit needs of its community. There are no legal impediments or other factors which limit the bank's efforts. (Refer to *Bank and Community Profiles* sections of this evaluation for additional information.)

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.

- **PNC actively engages in other activities to help meet the credit needs of its community.**

PNC is a generous contributor of time and resources to community development related endeavors throughout all the regional markets. This includes charitable contributions, grants and donated properties, all to the benefit of LMI neighborhoods. As the bank continues to expand geographically, management decided to create a new Corporate Community Development Department that will provide a more unified framework for all community development activities. Each CRA Market Manager participates in the creation of the Corporate CRA Strategic Plan to ensure that all regions are effectively served in a manner that best suits the individual needs of the respective market.

PNC's Foundation Community Investment Grants support the economic development and revitalization of LMI neighborhoods. These grants support the rehabilitation and construction of affordable housing, assist with credit counseling and home purchase programs, assist business development in LMI census tracts and, in general, improve the quality of life in the distressed neighborhoods. Approximately \$1,500,000 in grants were awarded in 1995 and 1996.

ADDITIONAL INFORMATION

None