



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

September 11, 1997

First National Bank of West Chester
Charter Number: 148
9 North High Street
West Chester, Pennsylvania 19381

Office of the Comptroller of the Currency
Eastern Pennsylvania Field Office
Four Greenwood Square, Suite 120
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Bensalem, Pennsylvania 19020

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

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 **The First National Bank of West Chester** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 11, 1997**. 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 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 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated **Satisfactory** based upon the following factors:

- A majority of loans are made within the assessment area.
- The geographic distribution of loans is reasonable.
- A good distribution of loans among borrowers of different income levels and businesses of different sizes.
- An adequate level of investments within the assessment area.
- Service delivery systems are accessible to geographies and individuals of different income levels, and there is an acceptable level of community development services.

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

Performance Levels	Name of Financial Institution Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory			
Low satisfactory	X	X	X
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating

Scope of Review:

The bank's previous CRA Performance Evaluation is dated September 7, 1995. This evaluation addresses the bank's performance from January 1, 1996 through September 11, 1997. All Home Mortgage Disclosure Act (HMDA) related, small business, and community development loans originated during the review period were evaluated. This review was assisted by bank management's compilation of data as required by the regulation.

Description of Institution

The First National Bank of West Chester (FNB) is the largest independent bank in Chester County and is a wholly-owned subsidiary of First West Chester Corporation. FNB is engaged in the business of commercial, retail and trust banking and currently operates five full-service banking offices and ten ATM locations. As of June 30, 1997, total bank assets were \$418 million, including loans at \$301 million, \$74 million in investments and total deposits of \$363 million. A breakdown by loan type reflects 1- 4 family residential mortgages 34%, commercial loans 53% and consumer loans 13%. There are no impediments, legal or otherwise, which would impact on the bank's ability to help meet the credit needs of its assessment area.

Competition continues to be provided from larger regional banking institutions as well as peer sized banks, local savings and loans, and credit unions. There is also increasing

competition from non-bank entities such as brokerage houses and mutual funds, and insurance companies. FNB is an approved lender in the Small Business Administration Program (SBA).

Description of Assessment Area (AA)

FNB’s assessment area comprises portions of Chester (eastern, central and southeastern) and Delaware (southwestern) counties. These counties are part of the Philadelphia Metropolitan Statistical Area (MSA 6160). Included are the Boroughs of West Chester, Downingtown, Kennett Square, and Avondale along with the following townships: Caln, East Caln, East Brandywine, Upper Uwchlan, West Whiteland, East Goshen, West Goshen, East Bradford, West Bradford, Newlin, Pocopson, Westtown, Thornbury, Birmingham, Pennsbury, East Marlborough, Kennett, New Garden, Edgemont, and Concord. Outside the four (4) boroughs listed above, the delineated area is largely rural and agricultural. There are 43 census tracts in the AA. The AA meets regulatory guidelines and does not arbitrarily exclude any low-and moderate- income (LMI) areas. As reflected in the table below, the majority of tracts (93%) are middle or upper income. The population of the moderate income census tracts includes students attending West Chester University.

Assessment Area Demographics			
# Census Tracts	% of Total Tracts	Designation	% of Families in Income Category
0	0	Low	8
2	5	Moderate	12
10	23	Middle	20
30	70	Upper	60
1	2	Income Not Available	-
43	100	Totals	100

Based on 1990 census data, FNB's assessment area has a population of 171,622 that includes total families of 45,668. The median family income for the assessment area is \$41,908. Housing units total 64,097 of which 81% is 1- 4 family units. The region has a

diversified and growth oriented employment base . Major employers include retailers (QVC, large shopping centers), medical/health care providers (Chester County Hospital, Brandywine Health System), pharmaceuticals (Wyeth-Ayerst Laboratories), utilities (PECO Energy), and investment/financial services (Vanguard Group). West Chester University, located in the center of the assessment area, also provides employment opportunities for area residents.

Management has determined that the primary credit needs throughout its assessment area are affordable housing, primarily 1-4 family, and small business lending.

Conclusions with Respect to Performance Tests

Lending Test

Performance Criteria:

Lending Activity - FNB originates the majority of its loans within its assessment area. The following tables provide a breakdown of HMDA related and small business loan activity between January 1, 1996 to June 30,1997. During the review period, an average of 72% of number and 70% of the dollar amount of HMDA related and small business originations were within the assessment area.

Ratio of HMDA and Small Business Loans Within the Assessment Area - 1996			
	HMDA Loans	Small Business Loans	Total
Number of Loans in AA	173	190*	363
Total Number of Loans	227	281	508
%of loans Inside AA	76%	68%	72%
Dollars (\$000)			
\$ Amt. of Loans in AA	\$8,890	\$26,399	\$35,289
Total \$ of Loans	\$14,527	\$37,416	\$51,943
% of \$ Amt. in AA	61%	70%	68%

*includes one farm loan.

Ratio of HMDA and Small Business Loans Within the Assessment Area January 1, 1997 Through June 30, 1997
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	HMDA Loans	Small Business Loans	Total
Number of Loans in AA	116	130	246
Total Number of Loans	154	188	342
% of Loans Inside AA	75%	69%	72%
Dollars (\$000)			
\$ Amt. of Loans in AA	\$4,890	\$20,587	\$25,477
Total \$ of Loans	\$7,958	\$27,872	\$35,830
% of \$ Amt. in AA	61%	74%	71%

Between September 30, 1995 and June 30, 1997, FNB's loan-to-deposit (LTD) ratio averaged 75.035 over the eight quarter period. The national peer group average for the same time period was 74.28%. The bank's LTD ratio has increased steadily over the past year due in part to the inception of the lease finance product line.

Geographic Distribution

FNB's loans are reasonably distributed throughout its assessment area. This level of loan distribution approximates the demographic characteristics of the census tracts in the assessment area. The assessment area comprises 0% low, 5% moderate, 23% middle, 70% upper and 2% N/A census tracts. For the review period, approximately 0%, 7%, 24%, 69% and 0% of HMDA related and business loans originations within the AA were in the aforementioned census tracts, respectively.

Borrower Characteristics

FNB's HMDA lending patterns reflect reasonable distribution among borrowers of different income levels. The data presented in the following table shows that the percentage of loans to borrowers of different income levels in the assessment area reasonably approximated the percentage of families in these income categories. HMDA related originations by income level of the borrower are presented below for the review period. The table also presents data on the percentage of families in the bank's assessment area that are low-, moderate-, middle- and upper-income.

HMDA Loans	Low		Moderate		Middle		Upper		NA	
	#	%	#	%	#	%	#	%	#	%
1996	16	9	29	17	48	28	78	45	2	1
1997	13	11	24	21	29	25	47	40	3	3
Total Families	8%		12%		20%		60%			

As presented above, an average of 29% of HMDA related loans originated during the review period were to low-and moderate income borrowers. Overall 20% of all families located within the assessment area have incomes that would classify them as low or moderate. The remainder of the loans are reasonably distributed throughout the assessment area.

Small Business Lending

The distribution of small business and small farm loans based on borrowers characteristics are reasonable. As the table below indicates, during the review period, the majority of small business, and small farm loans originated were to businesses with revenue of less than \$1 million.

Loans to Small Businesses and Small Farms with Revenues less than \$1 Million January 1, 1996 through June 30, 1997				
Type of Loan	#	% of Total	\$Origination	% of Total
Small Business	185	58	\$25,244	54
Small Farms	1	100	\$40	100

Based upon our analysis of the Small Business and Small Farm Collection Register, FNB's distribution of loans to small businesses and farms is reasonable. As the table

below reflects, approximately 57% of loans originated were in amounts less than \$100,000.

Original Loan Amounts	Small Business Loans	Farm Loans
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	#	\$(000's)	#	\$(000's)
Less than \$100,000	183	8,060	1	40
\$100,000 to \$250,000	84	13,612		
Greater than \$250,000	52	25,274		
Total	319	46,946	1	40

Community Development lending

Based upon our review of bank records, we identified one loan originated during the review period that qualifies as community development lending. This loan totaled \$3,950 million and was extended to facilitate housing for low income families and the elderly. The subject housing development will benefit FNB's AA.

Investment Test

FNB's qualified investments are adequate. A total of \$2,028,020 of investments was made during the review period. Below is a breakdown by type of investment:

Investments in the Portfolio	\$2,000,000
SCBC Micro Fund	\$ 10,000
Other Grants and Donations	<u>\$ 18,020</u>
Total	\$2,028,020

FNB purchased two \$1,000,000 Pennsylvania Housing Finance Agency Bonds. The proceeds are used to provide mortgage funding for targeted census tracts in Pennsylvania which benefit families with annual income of 80% or less of the statewide median income (\$34,500). This investment is a statewide program which includes the bank's assessment area.

The Suburban Community Banks Council (SCBC) Micro Fund is designed to assist small businesses within the bank's assessment area. Comprising nine local banking institutions, the SCBC can extend small business term loans up to \$25,000.

The grants and donations listed above represent various contributions to social services, youth programs, affordable housing and other organizations supporting activities essential to LMI individuals or geographies.

Service Test

Retail Banking Services

The delivery systems are reasonably accessible to all portions of the bank's assessment area. There have been no new branching activity nor branch closings during the review period.

The bank's five branch offices are located in middle- or upper-income census tracts. The main office location is adjacent to the AA's moderate income census tracts and is easily accessible to area residents. FNB has ten ATMs, six are located at the branch offices, and one is at the operations office. Three of the bank's ATMs are located at other sites, West Chester University, Chester County Hospital and the Sheller Oil Company.

Office hours meet the convenience and needs of the community and include extended weekday and Saturday hours at all offices. The bank provides alternative systems for delivering retail banking services to its community, including bank by phone and bank by mail. Bank by phone services includes consumer loan rates and applications, as well as deposit products, rates and account balances.

Community Development Services

Senior management and staff actively participate in the administration of affordable housing and social services organizations within the assessment area. These organizations include Habitat for Humanity, Salvation Army, West Chester Area Day Care Center.

Fair Lending Analysis

Our concurrent fair lending examination did not detect any evidence of discriminatory or other illegal credit practices.