

Northeastern District
1114 Avenue of the Americas, Suite 3900
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PUBLIC DISCLOSURE

May 5, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Eagle National Bank
Charter Number: 21118
8045 West Chester Pike
Upper Darby, PA 19082**

**Office of the Comptroller of the Currency
Philadelphia Field Office
3325 Street Road
Bensalem, PA 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 Community Reinvestment Act (CRA) performance of **Eagle National Bank** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of May 5, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

This overall rating is supported by the following factors:

- ! The bank's average loan to deposit ratio over the past five quarters was 72%.
- ! The bank's lending performance reflects a reasonable distribution of credit to borrowers of different income levels and businesses of different sizes.
- ! The bank's lending performance reflects an adequate distribution of credit to borrowers residing in low- and moderate- income geographies.
- ! The bank exhibits a good record of lending to small businesses.

DESCRIPTION OF INSTITUTION

Eagle National Bank (ENB) is a \$52 million institution headquartered in Upper Darby, Pennsylvania. Since the last examination, the bank has added a branch office in Lansdowne, Pennsylvania, bringing the total branch locations to two. Both locations have proprietary automated teller machines (ATMs).

ENB's asset size has grown tremendously since the last CRA examination. Over the past 15 months, total assets have increased 49% from \$35 million as of December 31, 1997 to \$52 million as of March 31, 1999. Most of the asset growth resulted from the addition of the Lansdowne Branch.

A significant portion of ENB's new loan volume is sold on the secondary market. Specifically, all residential mortgages and the guaranteed portion of all SBA loans are sold. In addition, ENB processes a significant volume of small consumer loans which have an average term of two weeks. ENB's primary business focus over the past 15 months has been on small consumer loans and residential mortgages, as demonstrated by their loan originations. During 1998, ENB booked approximately \$172 million in loans: 54% were small consumer loans, 40% were residential mortgages, 5% were commercial loans, and 1% were other miscellaneous loans. During the first quarter of 1999, ENB booked approximately \$47 million in loans: 60% were small consumer loans, 36% were residential mortgages, 3% were commercial loans, and 1% were other miscellaneous loans.

Area competition includes branches of several national, state and savings institutions, including First Union, Mellon, Alliance Bank, Bryn Mawr Trust, Keystone Bank, and Commonwealth Bank. Most of ENB's competitors are significantly larger institutions. There are no known legal or financial impediments to prevent ENB from meeting the credit needs of its community.

ENB's last CRA assessment was performed on April 6, 1998. The bank received a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

ENB's assessment area consists of five whole counties: Delaware, Chester, Philadelphia, Bucks and Montgomery. The assessment area comprises 964 census tracts (CTs) within MSA 6160. Of the 964 CTs, 9% are designated low-income, 17% are moderate-income, 41% are middle-income, 30% are upper-income, and 3% are "not available."

The population of the assessment area is approximately 3.7 million individuals. Updated median family income for the area is \$52,900. Median housing value for the area is \$107,640 and median age of the housing stock is 46 years. Owner occupied housing is 64% of the total, and rental occupied housing is 29% of the total. Vacant housing units equal 7% of the total units.

The local economy is relatively stable. Major industries include service, retail trade, and construction. The area's unemployment rate for the first quarter of 1999 averaged 4.1%.

Management indicated that primary credit needs in their area are small business loans, home equity products, residential mortgages, and student loans. One community contact was made with an Upper Darby Councilman. He agreed with management's assessment of primary credit needs, and praised ENB's commitment to flexible underwriting and community involvement to help meet those needs.

ENB's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income CTs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

For the purposes of this analysis, the examination period covers loan activity from January 1, 1998 to March 31, 1999.

LOAN TO DEPOSIT RATIO

ENB's loan to deposit ratio meets the standards for satisfactory performance. The bank's quarterly average loan to deposit ratio was 72% from January 1, 1998 to March 31, 1999. This level of lending performance exceeds the national peer average of 67%. In the examination period, ENB originated \$85.2 million in residential mortgage loans. Although these loans are "pre-sold" at closing, they are recorded on ENB's balance sheet for approximately one month until they are transferred to the investor.

LENDING IN ASSESSMENT AREA

In order to evaluate ENB's lending within its assessment area, we computed in/out ratios for the bank's three major loan products: mortgage and home improvement loans, business/commercial loans, and Cash 'Til Payday loans. While the mortgage, home improvement, and business loans were substantially made within the bank's assessment area, the Cash 'Til Payday loans were made exclusively outside the assessment area. Due to the very high volume of the Cash 'Til Payday loan activity, the bank does not meet the standard for satisfactory performance for lending in its assessment area.

Home Mortgage Disclosure Act (HMDA) Reportable Loans

We reviewed the bank's HMDA loan application register (LAR) to determine the location of loan originations. A majority of ENB's HMDA reportable loans are originated within the assessment area, as indicated in the table below.

TABLE 1			
LENDING WITHIN THE ASSESSMENT AREA (AA)			
HMDA Loan Originations during 1996 and 1997			
Year	# of Loans		% in AA
	In AA	Out of AA	
1998	495	277	64%
1Q99	80	61	57%
TOTAL	575	338	63%

Most of the loans originated outside the assessment area were residential mortgages that were referred to the bank by Realtors and loan brokers. The majority of these applications came from geographies surrounding the assessment area including: Allentown, Harrisburg, Lancaster and the New Jersey Shore area.

Business Loans

To determine ENB's business lending patterns, we reviewed the geographic location of every business loan booked during 1998 and the first quarter of 1999. The significant majority of ENB's business loans were originated within the assessment area, as indicated in the table that follows.

TABLE 2			
LENDING WITHIN THE ASSESSMENT AREA (AA)			
Business Loan Originations during 1998 and 1Q99			
Year	# of Loans		% in AA
	In AA	Out of AA	
1998	59	7	89%
1Q99	30	1	97%
TOTAL	89	8	91%

Cash 'Til Payday Loans

ENB does a significant volume of Cash 'Til Payday loans through Dollar Financial Group. The Cash 'Til Payday product was introduced in late 1995, with a significant increase in volume during the past

two years. None of these loans are made within the bank's five county assessment area. Loans have an average term of two weeks, which explains the high number of loans appearing on the table below (each renewal beyond the two week maturity is counted as a new origination).

TABLE 3			
LENDING WITHIN THE ASSESSMENT AREA (AA)			
Cash 'Til Payday Loan Originations during 1998 and 1Q99			
Year	# of Loans		% in AA
	In AA	Out of AA	
1998	0	476,668	0%
1Q99	0	125,900	0%
TOTAL	0	602,568	0%

Despite the large number of loans booked, ENB deposit dollars used to support these loans were relatively low. During 1998, the average deposit dollars used to support the Cash 'Til Payday portfolio averaged \$2 million per month, which represents less than 5% of ENB's core deposit base. During the first quarter of 1999, that average decreased to \$1.9 million per month. Management and the Board have established an internal limit of \$2.5 million in aggregate outstanding loans for the Cash 'Til Payday product.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

Lending patterns for borrowers of different income levels and businesses of different sizes are considered satisfactory. The bank's record of lending to borrowers of different income levels was evaluated using HMDA reportable loans originated in 1998 and the first quarter of 1999. We also reviewed every business loan originated during the same period in order to assess the bank's record of lending to businesses of different sizes. We placed more weight on HMDA lending since business lending activity is fairly minimal at ENB, accounting for less than 5% of total dollars lent during 1998 and first quarter of 1999.

Our review of HMDA reportable loans revealed reasonable lending patterns during the examination period, and is presented within the following table.

**TABLE 4
LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS**

HMDA LOANS - 1998 and 1Q99					
	1998		1Q99		
Income level	\$ Amount	# of	\$ Amount	# of	Total Families
Low	6%	16%	3%	8%	21%
Moderate	16%	23%	7%	11%	18%
Middle	21%	22%	14%	20%	23%
Upper	47%	31%	48%	35%	38%
Not Avail.	10%	8%	28%	26%	--
Total	100%	100%	100%	100%	100%

The first quarter of 1999 lending to low- and moderate-income borrowers is somewhat low, due to the seasonal fluctuations in HMDA lending. Traditionally, the first quarter has reduced activity. In reviewing full year performances for 1996, 1997, and 1998, ENB has performed satisfactorily.

At the time of our examination, no market share data was available for 1998 or 1999.

Small Business Loans

ENB exhibits a good record of lending to small businesses. According to the most recent demographic data, approximately 75% of all businesses located within ENB's assessment area are defined as "small" (total annual revenues \$1 million or less). Given these demographics, ENB's business lending patterns over the past 15 months have been favorable, and demonstrate their commitment to flexible underwriting to aid the small business community. During 1998, 82% of the number of commercial loans originated were to small businesses. In the first quarter of 1999, 84% of the number of commercial loans originated were to small businesses. Total commercial loan originations for 1998 were \$9.4 million. For the first quarter of 1999, commercial loan volume totaled \$1.6 million.

ENB is also an active Small Business Administration (SBA) lender. From January 1, 1998 thru March 31, 1999, the bank originated \$2 million in SBA loans.

**TABLE 5
LENDING TO BUSINESSES OF DIFFERENT SIZES
WITHIN THE ASSESSMENT AREA**

Annual Revenue	1998		1Q99	
	# of Loans	% of Total	# of Loans	% of Total
\$0 - \$250,000	36	61%	13	44%
\$250,000 - \$500,000	10	17%	9	31%
\$500,000 - \$750,000	1	2%	1	1%
\$750,000 - \$1,000,000	2	3%	3	10%
Subtotal (Small Bus)	49	83%	26	86%
\$1,000,000 +	10	17%	4	14%
TOTAL	59	100%	30	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic dispersion of HMDA reportable loans throughout the bank's assessment area is reasonable as depicted in Table 6.

**TABLE 6
GEOGRAPHIC LOAN DISTRIBUTION OF HMDA LOANS WITHIN ASSESSMENT
AREA**

Income level of Census Tract	1998		1Q99		% Owner Occupied Housing
	\$ Amount of Loans	# of Loans	\$ Amount of Loans	# of Loans	
Low	2%	7%	0%	0%	6%
Moderate	10%	22%	6%	15%	18%
Middle	35%	38%	26%	36%	44%
Upper	53%	33%	68%	49%	32%
Total	100%	100%	100%	100%	100%

The demographic data shows the majority of HMDA loan penetration exists within upper-income CTs. Lending within low-income CTs is somewhat reduced due to the fact that only 6% of housing units in low-income CTs are owner occupied (14% are renter occupied 23% of units are vacant and 56% of units are boarded up). Furthermore, the majority of the low-income CTs are not proximate to ENB's two branch locations. Only ten of the 86 low-income CTs in the assessment area are within a five mile radius of ENB's branch locations. All ten low-income CTs are located within the Philadelphia city limits, where competition for retail loan customers from regional banks is strong.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

A fair lending review was performed in conjunction with this CRA examination. All denied black applicants seeking refinancings during the first quarter of 1999 were compared to approved white applicants to test for discrimination on a prohibited basis. No disparate treatment was noted. In addition, no violations of the substantive provisions of antidiscrimination laws and regulations were identified.