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CASCADE

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Susquehanna Patriot Bank: Where Relationships Build Strong Communities

By Dede Myers, Vice President and Community Affairs Officer

When senior management believes in community reinvestment, good things happen. This is the case at Susquehanna Patriot Bank (SPB), which has received top grades for its Community Reinvestment Act (CRA) performance.

Susquehanna Patriot Bank (SPB) is a \$2.1 billion bank headquartered in Marlton, New Jersey. It is a wholly owned subsidiary of Susquehanna Bancshares, a \$7.3 billion, multistate holding company. It serves six Pennsylvania and New Jersey counties in the Philadelphia metropolitan area and three counties in the Reading and Allentown-Bethlehem-Easton metropolitan areas. SPB has a total of 36 branches: 22 in Pennsylvania and 14 in New Jersey.

Ellen Crain, senior vice president and CRA Officer for SPB, credits Michael Quick, former president of Equity Bank, and now executive vice president of Susquehanna Bancshares, with leading the charge at SPB. He was responsible for implementing a CRA process that included the entire bank. And the new president, David Swoyer, has kept that process in place. All department officers and lenders must demonstrate that they are meeting credit needs in low- and moderate-income communities within their individual business lines. Even SPB's board is involved in community reinvestment,



Part of Baldwin's Run, a development of 493 units in Camden, NJ, developed by St. Joseph's Carpenter Society and Pennrose Properties Inc. Financing sources include federal HOPE VI revitalization grants and low-income housing tax credits, State of New Jersey assistance, and funding from the Federal Home Loan Bank of New York's Affordable Housing Program (AHP). Susquehanna Patriot Bank has provided SJCS with a line of credit for housing development, while Commerce Bank, N.A., applied for the AHP funds.

Crain says, primarily by introducing SPB officers to people in the community.

SPB's major business lines include commercial loans and mortgages and residential lending. It also provides construction and land development loans and, at a

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CASCADE derives its name from *White Cascade*, a large mobile designed by Alexander Calder that revolves in the Philadelphia Fed's atrium.

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Message From the Community Affairs Officer

In the last few months, there has been a great deal of discussion of the community reinvestment activities of banks as the Federal Reserve System's Board of Governors, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) considered changes to the regulation covering the Community Reinvestment Act (CRA). A large part of the discussion was about how to examine smaller community banks, particularly those with assets over \$250 million and under \$1 billion.

This "conversation" started us thinking about how well Third District banks were doing in meeting their community reinvestment obligations. We knew that the very large banks had special units devoted entirely to community development lending, investment, and services, and they had outstanding CRA ratings. But what about banks that were not part of the top 50 nationally? Only a handful of the Third District's 274 banks and thrifts are part of the largest 50.

What we discovered was a very interesting mix of banks with outstanding records of community involvement. Despite having fewer resources, all seemed admirable in their responsiveness to community needs. We chose to highlight seven "smaller" banks based on our review of CRA performance evaluations from 2003 and 2004. They represent a cross-section of banks, not necessarily the best of the best. They

are a geographically diverse group, and their asset sizes range from \$247 million to just over \$2 billion. One is a wholesale bank, some are part of larger holding companies, and others are small community banks.

As you read the stories we have written about each bank, we hope that one of two things happens: Bankers, we hope you find some ideas that help you respond to community development needs in ways you had not previously considered. Community developers and government officials, we hope that you realize it doesn't take a large bank to respond to local credit needs. Your community banks can also help.

In other news, the CRA regulation was changed in July by the Federal Reserve, the OCC, and the FDIC. Those changes, which are described on page 10, concern a new category of intermediate small banks with new exam procedures and contain provisions related to distressed or underserved rural areas and designated disaster areas. The article includes the URL for the Federal Register notice. The Office of Thrift Supervision (OTS) has not changed its regulation to match that of the other three supervisory agencies. Since 2004, the OTS defines a large bank for the purposes of the CRA exam as one having assets of \$1 billion or more. All other thrifts are examined under the small bank test.

Delaware Wholesale Bank Resourceful in Its Community Development Lending

By Amy B. Lempert, Community Development Advisor and Manager

How does a wholesale bank without any branches, retail deposit products, or consumer, small-business, or real estate lending meet the Community Reinvestment Act-related needs of its assessment area?

Lorraine deMeurisse, vice president for community development at Deutsche Bank Trust Company Delaware, explains that the wholesale bank has found a CRA niche for itself by “making it known that we are open to listening to the needs of community developers and gaining a reputation for addressing these needs in nontraditional products.”

In 1999, Deutsche Bank Aktiengesellschaft (Deutsche Bank, A.G.) purchased Bankers Trust Corporation along with its subsidiaries, including Bankers Trust Delaware, which had initially been chartered by the state in 1985. In 2002, the Delaware bank changed its name to Deutsche Bank Trust Company Delaware (Deutsche Bank Delaware).

The business strategy of Deutsche Bank Delaware is to concentrate on wholesale banking that serves a national clientele of large corporations and their subsidiaries, financial institutions, governments, and high net worth individuals. The bank has 39 employees in one office in Wilmington and well over \$700 million in assets. Like many similar special purpose banks, it is located in Delaware because of the state’s favorable business environment.

With limited functions and products, Deutsche Bank Delaware qualifies for designation as a wholesale or special-

purpose bank under the Community Reinvestment Act of 1977 as Amended (CRA) and is examined under the Community Development Test under the act, pursuant to 12CFR Section 228.25(a). According to that test, the bank is assessed on “its record of helping to meet the credit needs of its assessment areas(s) through its community development lending, qualified investments, or community development services.” Deutsche Bank Delaware has selected New Castle County as its assessment area in conformance with the CRA regulations.

In one of its first steps toward meeting CRA requirements in the early 1990s, the bank reached out to state agencies such as the Delaware State Housing Authority and intermediaries such as the First State Community Loan Fund and the Delaware Community Investment Corporation. In forming its strategy

In forming its strategy for meeting its CRA obligations, the bank also sought out other institutions, many of which were limited-purpose and wholesale banks in the same situation.

for meeting its CRA obligations, the bank also sought out other institutions, many of which were limited-purpose and wholesale banks in the same situation, deMeurisse said. “Given our size, we knew we

would have to join forces with other lenders on most transactions and that has continued to be the case.”

It isn’t a coincidence that most often Deutsche Bank Delaware’s partners are other wholesale or limited-purpose banks. “In some cases, being a wholesale bank without a real estate department makes it easier for us to do some complicated, out-of-the-box, or higher risk transactions that other banks with retail or real estate operations don’t typically do,” deMeurisse said. “And since we don’t have the products that retail banks have, such as mortgage loans or home improvement loans, we have the option to do nontraditional transactions.”

Deutsche Bank Delaware recently made a \$250,000 loan to a local community development financial institution as part of a \$750,000 loan pool to create a property acquisition and rehabilitation fund for a nonprofit community development organization in Wilmington. The pool provided flexible financing to the group for the acquisition and rehabilitation of more than 50 deteriorating houses in a selected neighborhood. Deutsche Bank Delaware’s chief credit officer performed the underwriting and structured the loan terms to meet the specific financial and cash flow constraints of the organization. This included flexible criteria such as below-market financing, loan-to-value ratios of up to 80 percent, quarterly interest payments, reduced fees, and interest rate rebates.

“The nonprofits know that Deutsche Bank Delaware has the flexibility to

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Community Bank Strategy Flourishes in Rural Pennsylvania

By Keith L. Rolland, Community Development Advisor

For more than 40 years, Citizens and Northern Bank (CNB), a \$1.1 billion bank in rural north-central Pennsylvania, has had decentralized branches that operate much like community banks. Its strategy seems prescient at a time when numerous community banks are prospering amid very large institutions.

CNB's 19 branch managers have authority to approve home-mortgage loans of up to \$200,000 and secured small-business loans of \$100,000 and are active on local nonprofits and community efforts. Composed of nine former independent community banks, CNB is the deposit market leader in its primary service area of Tioga, Bradford, and Sullivan counties, according to CNB officials.

Craig G. Litchfield, president, CEO, and chairman of CNB, explained:

"Our approach has always been to centralize the back-office processes such as data processing, human

resources, and investments, but leave the direct customer-contact processes at the branch level. While our people know they are part of a bigger team, our customers feel that their local branch is their community's bank and the branch manager, to them, is the bank president, because our branch managers are vested with a great deal of authority."

Reinforcing its local ties, CNB has 16 local advisory boards of business and community leaders

who identify opportunities and provide contacts. Litchfield noted that members of CNB's board of directors also bring different, valuable perspectives. The 13-member board includes three women (an attorney, a certified public accountant, and a hospital CEO).

CNB officials explain that in addition to

The decentralized community-bank approach presents some challenges in terms of internal controls and compliance review, since many loans are approved and underwritten at the branches.

its decentralized approach, the bank can be somewhat flexible in its lending criteria. When a young couple is buying a house, CNB will sometimes accept a parent's or grandparent's house as collateral. Also, since there are many seasonal tourism-related businesses in Tioga County, the bank requires larger payments when income is higher and interest-only payments in the off-season.

The decentralized community-bank approach presents some challenges in terms of internal controls and compliance review, since many loans are approved and underwritten at the branches, Litchfield explained. It also may be more expensive than a centralized model because staff must be hired and trained in the branches to underwrite loans and prepare loan documents, he said.

Litchfield started as a loan collector at a CNB predecessor 33 years ago and worked in consumer and commercial lending and compliance before becoming president and CEO in 1997.

CNB's headquarters are located on the main street of Wellsboro, Pennsylvania (population 3,328), the Tioga County seat near the New York border. Founded in 1806 by

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Citizens and Northern Bank in Wellsboro, PA, obtained financing through a Federal Home Loan Bank of Pittsburgh program for the renovation of the Arcadia theater. The renovation prevented the closure of the Arcadia, which is in the heart of Wellsboro's downtown.

Roma Bank: A CRA Success Story

By Barry J. Zadworny, Senior Vice President and CRA Compliance Officer, Roma Bank, Trenton, NJ

Roma Bank, a \$760 million mutual thrift institution based in Mercer County, New Jersey, was founded in 1920 by a group of Italian immigrants who settled in the Chambersburg section of Trenton. They formed the Roma Building and Loan Association. The object of the founders was simple: to encourage the promotion of savings and use the deposits to make mortgage loans to its members and the community.

After the Community Reinvestment Act became law, Roma Bank took the bold step of assigning priority to CRA compliance. Rather than complaining about CRA rules and the burden of compiling extensive compliance documentation, Roma Bank took the position that the law was not going to go away and financial institutions had to learn to integrate the CRA and its supporting regulations into everyday operations. From the beginning, the goal of Roma Bank was to strive for nothing less than an outstanding CRA rating.

and services. The bank also uses the talents of its marketing department to promote community awareness of its lending and savings products.

The CRA committee of Roma Bank embraces the use of loan geocoding to track changes in lending patterns. Roma Bank generates quarterly data that contain the number and dollar amount of loans originated in the bank's CRA-defined assessment area of Mercer County and northern Burlington County. These data are compared against the results of lending patterns generated by the CRA compliance examiners of the Office of



Members of Roma Bank's CRA committee at a recent meeting. Seated (from left) are Margaret T. Norton, senior vice president; Barry J. Zadworny, senior vice president and CRA compliance officer; New Jersey State Senator Peter A. Inverso, president and CEO; and Maurice T. Perilli, executive vice president and chairman of the board. Standing are John Weber, mortgage servicing supervisor, and John W. Hain, first vice president, lending.

was developed in partnership with the Federal Home Loan Bank of New York (FHLB-NY). The FHC matches savings deposits made by qualified participants on a three-to-one basis up to \$5,000. The FHC's objective is that sav-

The First Home Club (FHC) matches savings deposits made by qualified participants on a three-to-one basis up to \$5,000. The FHC's objective is that savings deposits coupled with the Federal Home Loan Bank of New York matching grants will generate sufficient funds to be applied toward a first-time purchase of a home.

Since the early days of CRA, Roma Bank's CRA Committee — consisting of the bank's president, chairman of the board, two senior vice presidents, the vice president of lending, and the supervisor of mortgage servicing — has met as often as necessary and at least quarterly. The thrust of the committee's work has been to develop new and innovative approaches to providing CRA products

Thrift Supervision (OTS). If the data point to an adverse change, the CRA committee discusses potential ways of addressing it.

The key to a successful CRA compliance examination and an outstanding rating is innovation. For example, Roma Bank was the founding Mercer County member of a First Home Club (FHC) that

ings deposits coupled with the FHLB-NY matching grants will generate sufficient funds to be applied toward a first-time purchase of a home.

Since the inception of the FHC in 2001, Roma Bank has made 23 home-mortgage loans totaling \$1,842,000 to 23 first-time home buyers. Another 46 active participants are in various stages

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Community Bank Takes Lead in Downtown Revitalization Project

By Keith L. Rolland, Community Development Advisor

In 1990, leaders of Orrstown Bank, a community bank in Shippensburg, Pennsylvania, and other businesses decided something had to be done with two vacant buildings near the bank's headquarters on the town's main street.

Following demolition of the properties in 1994, Orrstown Bank was the lead lender in a \$4 million hotel construction project, which involved public and private financing and enjoyed widespread community support. The 57-bed Shippen Place Hotel and restaurant that opened in 1997 have provided a downtown anchor and helped revitalize downtown Shippensburg.

A private for-profit corporation was formed to build and manage the hotel, but the business struggled in its early years. It is now owned and overseen by the Main Street Non-Profit Redevelopment Corporation. Kenneth R. Shoemaker, president and CEO of Orrstown Bank, was the founder of the nonprofit corporation and is its president.

Shoemaker said that Orrstown is a community bank and the bank's leadership in the project "was the right thing to do."

James McMullen, senior managing director of the Shippen Place Hotel, said that visitors traveling to and from major area businesses or Shippensburg University often stay at the hotel. He said it is a challenge to operate small-town hotels, especially if they are not located near major highways. Occupancy at the Ship-

pen Place Hotel averaged approximately 58 percent last year, enabling the hotel to pay for all expenses and capital improvements, he said.

In its primary banking activity, Orrstown Bank is an active residential mortgage lender in the Shippensburg area and also makes business loans, primarily to businesses with revenues of \$1 million or less.

The bank participates in the Federal Home Loan Bank of Pittsburgh's Affordable Housing Program (AHP) and administers AHP funds for six projects. In addition, an Orrstown Bank investment enabled a library in Mechanicsburg, Pennsylvania, to be renovated as apartments for low-income, mentally disabled residents. The bank works closely with the Housing and Redevelopment Authority of Cumberland County and the Franklin County Area Development Corporation on economic development and housing developments.

Orrstown Bank's products include a basic checking account with no minimum balance requirements, no monthly service fees, and unlimited check writing. About half of the bank's officers are on the boards of community reinvestment-related nonprofits.



Orrstown Bank was the lead lender in a \$4 million project that eliminated two vacant structures in downtown Shippensburg, PA, and replaced them with the 57-bed Shippen Place Hotel.

The bank, which opened in 1919 in Orrstown, Pennsylvania, moved its headquarters in 2002 to Shippensburg (population 5,586) in Cumberland County, southwest of Harrisburg. Shippensburg was settled in 1730 by Scotch-Irish farmers in an area still occupied by Native Americans, and further populated after the Revolutionary War by German settlers.

For information, contact Sondra K. Mellinger, compliance, security, and CRA officer at Orrstown Bank, at (717) 530-2502 or smellinger@orrstown.com; www.orrstown.com/index.htm.

Community Bank Thrives in Competitive Bank Market

By Keith L. Rolland, Community Development Advisor

Nittany Bank, a community bank established in 1998, has prospered in a competitive banking environment in State College, Pennsylvania. In just seven years it has become one of the most active home-mortgage lenders in the area.

Nittany, a federal stock savings bank, is one of 15 banks and credit unions with offices in State College. It has 54 full-time equivalent employees and assets that have grown from \$15 million at its inception to \$69 million in 2000, \$179 million in 2002, and \$326 million at the end of June 2005.

Reflecting the bank's emphasis on personal service, four of Nittany's five offices have no teller lines. Instead, there are offices where customers sit down to talk to one of the customer representatives. Each office has a senior executive with lending authority.

Richard Barrickman, senior vice president of lending and CRA officer

at Nittany, said that to him CRA means "taking care of people in the community who need home-mortgage loans." He says, "I find out the character of the individual. Sometimes there are reasons behind a problem situation. I dig in to help someone who deserves it and try to make the deal work."

He recalled working with a customer who had financial difficulties following major surgery and with a single mother who had credit problems related to a divorce.

The bank normally makes fixed-rate loans of up to 15 years and variable-rate loans of up to 30 years, but accommodates first-time homebuyers by participating in programs of the State College Borough First-Time Home Buyer

Program, the State College Community Land Trust, Pennsylvania Housing Finance Agency (PHFA), Fannie Mae, and Freddie Mac. Nittany has made 52 loans totaling \$4 million since it became active with PHFA in September 2004 and has made 12 loans totaling \$1 million through the two

State College programs, Barrickman said.

Similarly, Nittany became a certified lender with the U.S. Small Business Administration (SBA), enabling the bank to make small-business loans in situations where collateral was inadequate. Since it became active in

Since it became active in the Small Business Administration program in 2003, Nittany has made about 41 loans totaling \$4 million.

the SBA program in 2003, Nittany has made about 41 loans totaling \$4 million, Barrickman said.

In addition, the bank started a Nittany Neighbors Real Estate Loan Fund to provide below-market loans of up to \$500,000 to State College-area nonprofits for the purchase and construction of buildings and refinancing. According to Barrickman, it has made four such loans totaling \$1.4 million in that program since 2002.

About half of the bank's officers and managers serve on boards of either CRA-related nonprofits or other charitable organizations, Barrickman said. The bank has a CRA assessment area of Centre County.

For information, contact Richard C. Barrickman at (814) 238-2721 or rbarrickman@nittanybank.com; www.nittanybank.com.



Michele Bush, assistant vice president and U.S. Small Business Administration lender at Nittany Bank, congratulates John Holobinko, owner of Holobinko Consortium, LLC, on the growth of his business. The Bellefonte, PA, firm, which is engaged in commercial and residential cleaning services, received an SBA loan from the bank.

Bank Leadership in Consortium Builds on Tradition of Community Involvement

By Keith L. Rolland, Community Development Advisor

Univest Corporation tries to maintain the traditional beliefs and community involvement that dates back to its original bank, founded in 1876, even as it has expanded into financial planning, insurance, investments, and brokerage services.

Univest Corporation, with assets of \$1.7 billion, is a financial holding company that owns Univest National

who left Germany seeking religious freedom.

Karen E. Tejkl, vice president of compliance and CRA at Univest Corporation and UNB, said that Univest's core values of tradition, integrity, excellence, community, and spirituality are derived from Univest's long history of service.

At least 50 Univest Corporation management and staff are participating in approximately 70 community development activities, Tejkl said. In addition, William S. Aichele, chairman, president, and CEO of Univest Corporation, serves on the boards of directors of seven educational, art, and hospital organizations and has had a prominent long-term leadership position with the North Penn United Way.

In examples of its community involvement, Univest Corporation provides speakers for community-organization events, and some employees teach budgeting and credit counseling in many different settings. The

corporation's public relations and marketing department organizes Helping Hands, an annual event in which the staffs of 30 nonprofits promote awareness of their activities and recruit volunteers.

A preferred SBA lender, UNB rec-

ognizes outstanding area businesses through an annual small business achievement award. Branch managers regularly meet with small-business lending prospects as part of Univest's OneOnOne™ banking program.

UNB made 687 small-business loans totaling \$117.3 million in 2003 and 769 small-business loans totaling \$109.4 million in 2004, Tejkl said. Patricia J. Kratz, vice president of SBA administration and commercial lending at Univest Corporation and UNB, received the SBA's financial services advocate of the year award for the SBA's Philadelphia district in 2001.

In perhaps the best example of Univest Corporation's community involvement, it took a leading role in organizing the Community Lenders Community Development Corporation (CLCDC), a multibank CDC. Different staff members were active in CLCDC's management, credit administration, and business development. Univest Corporation has donated office space for CLCDC since the consortium's inception.

Diane Koehler, executive vice president and chief risk officer at Univest Corporation, said: "Univest was already active with the affordable-housing nonprofits in our communities. Through my involvement with Community Housing Services, Indian Valley Housing Corporation, and others, I was aware of how difficult it is for these organizations to obtain the financing needed to develop transitional and long-term affordable-housing facilities.

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Univest National Bank and Trust Co. made an SBA-guaranteed loan to the Towne Restaurant, a landmark built in 1905 in Telford, PA. The building previously contained a barber shop, meat store, apartments, the Telford Post Office, general store, and hotel.

Bank and Trust Co. (UNB), a primarily commercial and home-mortgage lender in Bucks and Montgomery counties, Pennsylvania. Headquarters of Univest Corporation and UNB are located in Souderton, Pennsylvania (population 6,730), which was settled in the 1870s by Mennonites

UNB made 687 small-business loans totaling \$117.3 million in 2003 and 769 small-business loans totaling \$109.4 million in 2004.

Community-Bank Lending Consortium Expands Financing and Membership

By Keith L. Rolland, Community Development Advisor

A bank-lending consortium launched six years ago with volunteer assistance from its community-bank members is enjoying a surge in bank membership and steady lending growth, with no defaults or delinquencies.

The nonprofit consortium, Community Lenders Community Development Corporation (CLCDC), has closed 25 loans totaling \$10.5 million for the development of 379 rental housing units and 11 nonprofit facilities in Bucks, Chester, Delaware, and Montgomery counties, Pennsylvania. It has made additional financing commitments totaling \$3.7 million.

Seven of CLCDC's 21 members have joined in the past year. Another five banks are considering membership. The consortium is obtaining bank commitments for a \$6.5 million third loan pool and will be seeking commitments for its fourth loan pool next year.

Joseph F. Murphy, executive director of CLCDC and previously regional community reinvestment officer for

M&T Bank, said that the consortium was attracting new members because it is a successful, viable entity and banks can obtain CRA-related credit by providing loans and operating grants and participating on CLCDC's board of directors and loan committee. CLCDC is attracting community banks from Chester and Delaware

counties, which it began serving in 2003-04, as well as others from its original service area of Bucks and Montgomery counties, he added.

Murphy said that CLCDC's excellent loan performance stems from its underwriting criteria. Following his own analysis, loan requests are reviewed by a loan committee of 14 to 16 experienced lenders. If the committee approves the request, the board of directors makes the final decision.

CLCDC primarily provides permanent long-term financing for rental-housing development, nonprofit facilities and offices, and mixed-use housing-office properties. Some examples of the consortium's financing are:

Villas at Red Hill, Montgomery County — 68 one-story rental units for tenants aged 55 and older,

a community building for resident activities and supportive services, and on-site administrative maintenance and offices.

Sharon Hill

Commons, Delaware County — 40 new and renovated rental units for low-income families; offices; and conference, laundry, and community rooms.

Indian Creek Foundation, Souderton, Montgomery County — acquisition of a building to



The Community Lenders Community Development Corporation provided permanent financing for Sharon Hill Commons, a renovated property in Delaware County, PA, including new construction of townhouses and duplexes totaling 40 rental units. The complex is targeted to low-income families. Supportive services are provided on site and in the community.

provide office space and services for a nonprofit that works with the developmentally disabled.

Murphy explained that all of CLCDC's loans are designed to meet one or more of the four traditional criteria under the CRA-related definition of community development: affordable housing for low- and moderate-income (LMI) households; community services for LMI individuals; activities that promote economic development by financing qualified businesses or farms; and activities that revitalize or stabilize LMI geographies.

Member banks have the opportunity

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CLCDC primarily provides permanent long-term financing for rental-housing development, nonprofit facilities and offices, and mixed-use housing-office properties.

New CRA Test for Intermediate Small Banks

Recent amendments to the CRA regulations of the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency provide for a new category of “intermediate small banks” with assets between \$250 million and \$1 billion. Intermediate small banks are exempt from collecting and reporting CRA small-business and small-farm data.

Intermediate small banks will be evaluated under a streamlined lending test and a flexible community development test. The community development test will be applied flexibly to permit the banks to apply their resources strategically to the types of community development activities (loans, investments, and services) that are most responsive to community needs, even when those activities are not necessarily innovative, complex, or new, the amendments say. There are approximately 60 intermediate small banks in the Third Federal Reserve District.

Holding-company affiliation is no longer a factor in determining which CRA evaluation standards apply to a bank.

Two amendments pertain to all banks regulated by the three agencies. One revises the regulation’s definition of community development and expands the number of eligible geographies to include distressed or underserved rural areas and designated disaster areas.

More specifically, the amendment revises the “revitalize or stabilize” category of the definition of community development to allow activities that revitalize or stabilize areas designated by the agencies as “distressed or underserved nonmetropolitan middle-income geographies” to qualify as community development activities. A list of distressed or underserved rural areas will be listed on the Federal Financial Institutions Examination Council’s web site (www.ffiec.gov/cra).

Disaster areas may be designated by federal or state governments. Examiners will give significant weight to the extent to which a bank’s revitalization activities in disaster areas benefit low- or moderate-income individuals, the amendments said.

The second amendment pertaining to all banks regulated by the three agencies says that evidence of discrimination or credit practices that violate an applicable law, rule, or regulation will adversely affect an agency’s evaluation of a bank’s CRA performance, regardless of whether the practices involve loans in the bank’s assessment area. A bank’s CRA evaluation is also adversely affected by evidence of discrimination or other illegal credit practices by any affiliate in connection with loans inside the bank’s assessment area(s), if any loans of that affiliate have been considered in the bank’s CRA evaluation, according to the amendments.

The agencies will issue for comment a question-and-answer document addressing the amendments and related issues. The amendments were approved in July and became effective September 1, 2005.

To see the Federal Register notice about the amendments, go to www.gpoaccess.gov/fr. Indicate 2005 (Volume 70), page 44256, 12 CFR Part 25.

PHFA Launches Affordable Apartment Search Tool

The Pennsylvania Housing Finance Agency (PHFA) has developed a web-based search tool to help consumers find affordable apartments and assist property managers and developers in the marketing of their affordable vacant units.

The tool, the Pennsylvania Affordable Apartment Locator, contains

information about apartment locations, rental prices, accessibility features, development amenities, current vacancies, and the status of waiting lists.

The locator currently contains properties financed or overseen by PHFA but will be expanded to include public housing and other

affordable apartments in Pennsylvania.

At present, the locator includes information for more than 47,000 apartments in Pennsylvania.

For information, contact Linda Case at (717) 780-1808 or lcase@phfa.org; www.phfa.org/pal.

Susquehanna Patriot Bank: Where Relationships Build Strong Communities

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smaller level, loans for multifamily properties. All of these major business lines dovetail with the needs of low- and moderate-income people and communities.

SPB has an extensive record of meeting commercial and residential lending needs in its market area. The specifics are detailed in its 2004 CRA performance evaluation, but three or four community development efforts are indicative of how responsive SPB is to community credit needs. All of the loans, services, and investments were developed in conjunction with nonprofit partners.

For example, for five years SPB worked closely with organizations like St. Joseph's Carpenter Society, a nonprofit community development corporation (CDC) working in east Camden, New Jersey, to stabilize the neighborhood, improve the housing stock, and increase homeownership. As individuals or families graduated from St. Joseph's homeownership education and counseling courses, and renovated properties were available for sale, SPB provided mortgages to the prospective home buyers.

To meet the needs of these and other home buyers, SPB offers an array of mortgage products, including the Fannie Mae Flexible 97 and Flexible 100 programs for borrowers who have little or no funds available for down payment and closing costs. SPB also has participated in the Home Buyer Equity Fund of the Federal Home Loan Bank of Pittsburgh (FHLB-P). Home buyers receive a \$3 match for every \$1 they contribute toward the home

purchase. All home buyers must participate in homeownership counseling before being eligible for the FHLB-P program.

In addition to these programs, SPB offers its own community development mortgage that provides flexible underwriting, low down payments (3 percent), and rate reductions (of ½ to 1 percent). SPB holds these loans in portfolio. Homeownership counseling is required, but there is no private mortgage insurance and SPB does not use FHLB-P's Home Buyer Equity Fund to match the borrowers' savings.

The relationship with St. Joseph's has led to a new opportunity for SPB and the nonprofit. To assist St. Joseph's in continuing its plans to acquire scattered-site properties and renovate and sell them to low-income families, SPB has provided the nonprofit with a \$1 million line of credit. Pilar Hogan Closkey, executive director of St. Joseph's, reports that this credit facility allows the CDC to act quickly when properties are available and keep construction going as it lines up the subsidy funds to make the units affordable to the target market.

In other metropolitan areas, SPB has financed the acquisition and rehabilitation of small multifamily properties that provide affordable housing for low- and moderate-income families and help stabilize the neighborhoods in which they reside. For example, SPB provided a local housing authority with financing to purchase a 10-unit rental property.

But if asked to pick her favorite community development activity, Ellen Crain talks of SPB's new relationship with Open Hearth, a nonprofit in Chester County, Pennsylvania, that is promoting asset-building by low- and moderate-income families. The Commonwealth of Pennsylvania has an individual development account program that provides a match for low-income savers, but it does not do the same for moderate-income families. To rectify this situation, SPB has decided that it would offer the match



A mother and daughter who have just come from settlement with the keys to their new home in Baldwin's Run.

for moderate-income families, and if more money is needed to match more savers, SPB will consider additional funding or ask its fellow bankers to contribute to the pool.

Susquehanna Patriot Bank has demonstrated that building relationships with community partners and having senior-management support for community reinvestment breeds high levels of success for itself and the community.

For information, contact Ellen Crain at (856) 478-2642, ext. 21030 or ellen.crain@susquehanna.net.

Delaware Wholesale Bank Resourceful in Its Community Development Lending ...continued from page 3

make these kinds of loans. As other limited-purpose and wholesale banks are also interested in these loans, putting together financing like this with a handful of banks is generally quick and easy," DeMeurisse said. She was quick to add that the more traditional retail banks are in no way excluded from these loan pools. Rather, it seems to be a self-selection process with one particular retail bank often participating.

"Don't get me wrong; while Deutsche Bank Delaware may have flexibility with these deals, we still have rigorous underwriting, and a credit committee

and legal counsel need to approve each transaction and its documentation," explained deMeurisse. Over time, Deutsche Bank Delaware has developed a credit policy that has components of the credit policies of other lines of business, such as cash flow and collateral requirements and maximum exposure limits. To date, Deutsche Bank Delaware reports having no losses on its CRA loan portfolio.

Unlike banks with retail lines of business, Deutsche Bank Delaware doesn't need the public's good favor to win consumer deposits or other

business. Nevertheless, deMeurisse explained that Deutsche Bank Delaware always aims for an outstanding CRA rating: "Striving for excellence is part of our culture from the top down." Not only does deMeurisse take leadership positions in the community, but Deutsche Bank Delaware's chief credit officer and president are on several boards of directors of community development organizations in Delaware.

For more information, contact Lorraine deMeurisse at (302) 636-3320, or lorraine.demeurisse@db.com.

Community Bank Strategy Flourishes in Rural Pennsylvania ...continued from page 4

New England colonists, Wellsboro has a wide main street with shade trees and is a destination for outdoor enthusiasts and tourists en route to Pennsylvania's Grand Canyon 10 miles away.

CNB played an important role in the renovation of the Arcadia movie theater on Wellsboro's main street, obtaining loans totaling \$675,000 from the Community Investment Program of the Federal Home Loan Bank of Pittsburgh (FHLB-P). CNB received the FHLB-P's Pillars of the Community Award in 1999 for its role in the renovation, which created a four-screen theater and prevented the Arcadia's closure.

John M. Reber, vice president, director of risk management, and CRA officer at CNB, said, "The theater

has helped revitalize Wellsboro's downtown. There is street traffic on a Friday night until about 9:30, whereas otherwise it would stop at 6."

A CNB loan in the 1980s enabled the Ward Foundry (now Ward Manufacturing Inc.), a pipe-fitting manufacturer in Blossburg, Tioga County, to remain open. That facility, and a Ward-related company established later in nearby Lawrenceville, provide 722 full-time jobs — a large number in a rural county.

CNB penetrated the Williamsport-area market after bank mergers created opportunities for community banks. CNB did so by opening a branch in Muncy (near Williamsport), pursuing trust business, and

purchasing a large bank building in Williamsport in 2003.

"We've always served our community," Litchfield said. "As long as we can make a loan that's likely to be repaid, we do. Our success in CRA has been in doing our regular business — in being ourselves as a community bank." He noted that it has been difficult to comply with the CRA investment test because there are few investment opportunities in its rural service area.

For information, contact John M. Reber at (570) 724-0233 or johnr@cnbankpa.com; www.cnbankpa.com.

Roma Bank: A CRA Success Story ...continued from page 5

of the application process. While the dramatic rise in housing prices has become a formidable barrier to pre-qualifying participants in the FHC, Roma Bank eases some of the financial burden by waiving the mortgage-application fee and assuming a portion of the application expense, such as the cost of the appraisal.

Roma Bank has established a specific set of lending guidelines that include extended repayment terms (provided the term does not exceed the estimated useful life of the asset securing the loan), reduced debt coverage ratio for owner-occupied property (occupancy of the property by the owner is at least 51 percent), and consideration of start-up financing for small, women-owned, and minority-owned businesses located in low- to moderate-income communities.

Roma Bank deems it important that start-up businesses have a sound business plan, the principals have a stable and continuing history of

employment or experience in a similar or related field with the ability to generate income sufficient to service debt, and the loan is collateralized. Graduation from an entrepreneurial training program recognized by the bank is a positive compensating factor for limited history of employment or experience. If necessary, Roma Bank may require the borrower to retain a business consultant and accountant throughout the life of the loan.

Roma Bank has responded to the needs of Trenton's Hispanic population by developing its mortgage application forms in English and Spanish and hiring a Spanish-speaking customer service representative in its Chambersburg office in Trenton.

In another dimension of the bank's community involvement, seven Roma Bank officers and directors are represented on nonprofit boards and committees, many of

which directly benefit low- to moderate-income neighborhoods. The president of Roma Bank, New Jersey State Senator Peter A. Inverso, is also a board member of Angel's Wings, a nonprofit that provides respite care for at-risk children under the state's care.

Rising house prices have contributed to a slowdown in new home purchases in all of Roma's assessment area. The challenge is to develop strategies to maintain the bank's market share in new loan originations, especially in loans secured by residential housing units in low- and moderate-income neighborhoods. This challenge is one that confronts almost every financial institution located in a major urban market. Through its CRA committee, Roma Bank will continue to seek innovative CRA lending opportunities.

For information, contact Barry J. Zadworny at barry.zadworny@romabank.com; www.romabank.com

Bank Leadership in Consortium Builds on Tradition of Community Involvement ...continued from page 8

"Along with several other bankers I knew well, I began to talk up the concept of establishing a CDC that would help these nonprofits and for-profit developers by providing lower-interest, fixed-rate loans with 20- and 30-year terms. Others became interested, meetings were held, and the concept evolved into reality."

Univest loaned Kratz to serve as CLCDC's executive director during

the consortium's first 18 months. She formulated application and underwriting guidelines, obtained servicing software, met applicants, analyzed applications, and made recommendations to the CDC's loan committee. Kratz, who currently chairs CLCDC's loan committee, observed that "starting a consortium was like starting a bank!"

UNB's money and time investment in CLCDC helped increase UNB's visibility and reinforce its community focus, Kratz said.

For information, contact Karen E. Tejkl at (215) 721-8397 or tejkl@univest.net; www.univest.net.

Community-Bank Lending Consortium Expands Financing and Membership

...continued from page 9

nity to provide construction loans, mortgages to home buyers, and other financing not provided by CLCDC. The member banks have generated many of the loans made by the consortium, which works with both nonprofit and for-profit developers.

Banks that join pay a membership fee of \$15,000 payable over three years and agree to a lending commitment of between \$250,000 and \$500,000. Members participate in each loan funded by the consortium in an amount that reflects that institution's percent of the total loan pool.

Working closely together, the member banks developed CLCDC's loan-underwriting guidelines and oversee loan-committee functions. Doris Schnider, executive director of the Delaware Community Investment Corporation, consulted in the consortium's formative stages.

Diane Koehler, chief risk officer of Univest Corporation and a founding member of CLCDC, reflected on the consortium's experience and observed: "The original purpose of the CLCDC was to provide commu-

nity banks with more community development opportunities, since the larger banks had an advantage over community banks in being able to acquire tax-credit projects that provided affordable housing. Our smaller joint venture enabled us to all learn together and we enjoyed seeing the projects come to fruition.

"On the other hand, we discovered that some of the community banks became larger banks anyway through mergers and acquisitions. Perhaps structuring the loan pool differently and pricing the membership in the CDC in the beginning according to asset size to accommodate larger banks would have provided us more equity to support a full-time staff. We also learned that our geographic territory was too limited; it has



Community Lenders Community Development Corporation provided a \$400,000 permanent loan to the Police Athletic League (PAL) of Norristown Inc., which offers after-school and weekend activities to young people in this newly renovated building. The young people play sports, do homework, and use creative skills in this PAL facility, which includes classrooms, an art center, and a 28-station computer center.

more than doubled from our original boundaries. However, the ultimate goal is what's important and the CDC has certainly accomplished its mission."

For information, contact Joseph F. Murphy at (215) 799-1340 or executive.director@clcdc.org; www.clcdc.org.

2004 Home Mortgage Disclosure Act Data Released

The Federal Financial Institutions Examination Council (FFIEC) has announced the availability of 2004 data on mortgage lending transactions at 8,853 financial institutions covered by the Home Mortgage Disclosure Act (HMDA).

The data reflect new information collected for the first time in 2004, including information on loan pric-

ing, whether a loan or application relates to manufactured housing, and whether a loan is secured by a first or subordinate lien or is unsecured.

An analysis of the 2004 data is contained in an article in the *Federal Reserve Bulletin* entitled "New Information Reported under HMDA and Its Application

in Fair Lending Enforcement." The article can be found at www.federalreserve.gov.

The FFIEC's press release may be seen at www.ffiec.gov/press.htm. Disclosure statements and aggregate reports are available at www.ffiec.gov/hmda.

DISTRICT NEWS

Wachovia Corporation is designating a substantial portion of its allocation of federal new markets tax credits (NMTC) for redevelopment in the Gulf Coast region in response to the destruction caused by Hurricane Katrina. Wachovia is setting aside \$30 million of its current \$90 million third-round NMTC allocation for redevelopment in Louisiana,

Alabama, Mississippi, and Florida...**Gloria Guard**, president of People's Emergency Center (PEC) and executive director of People's Emergency Center Community Development Corporation, has received the 2005 Philadelphia Award, which is presented annually to a

resident of the Philadelphia region who during the preceding year has acted and served on behalf of the best interests of the community. Guard has been president for 23 years of PEC, a comprehensive social service agency for homeless women, teenagers, and their children. She is at gguard@pec-cares.org...

Karen L. Whitehill has been promoted to senior vice

president, CRA officer, and real estate services manager at Keystone Nazareth Bank and Trust Company in Bethlehem, PA. She has managed the bank's retail lending division for the past 10 years and has been involved in CRA activities for more than 15 years. She is at karen.whitehill@knbt.com...**Lynn C. Buchanan**, previously vice president

of community development and CRA officer at Wilmington Savings Fund Society, FSB, has become vice president and director of marketing at the Delaware Community Investment Corporation. In her new position, she is responsible for financial



Gloria Guard

analysis and underwriting loan requests, business development, and marketing. She is at lynnbuchanan@comcast.net...The **National Foundation for Credit Counseling** (NFCC) said that its members expect to provide more

than twice as many counseling sessions as previously in the next 12 months as a result of the new federal bankruptcy law. NFCC said that all of its 115 member agencies plan to seek government approval to provide bankruptcy-related counseling and education services in conjunction with the new law. It added that to meet the increased demand NFCC agencies must expand their infrastructure, develop new course materials, and hire and train more than 1,050 additional financial counselors...**Community First Fund** (CFF) has received awards from the U.S. Small Business Administration and the Commonwealth of Pennsylvania for its small-business lending. CFF, which is based in Lancaster, PA, plans to open a new office in Chester County...**NCALL Research, Inc.**, in Dover, DE, has provided homeownership counseling in group and



Lynn C. Buchanan

individual sessions to 5,000 Delawareans who have become homeowners...**YWCA Delaware** celebrated the fact that 3,000 buyers bought houses during the past 10 years with assistance from the nonprofit's homeownership education program...**DataPlace**, part

of Fannie Mae Foundation's KnowledgePlex®, provides extensive housing and demographic data at www.dataplace.org...A **Federal Reserve Fiscal Impact Tool** (FIT) estimates the effect of proposed economic development projects on local sales and property tax revenues and on costs to local government. FIT, an automated process in the form of an Excel workbook, is intended for use by economic and community development professionals, primarily in small and mid-size communities.

For information, go to www.federalreserve.gov/community.htm and click on fiscal impact tool...An article by **Judith Rodin**, president of the Rockefeller Foundation and past president of the University of Pennsylvania, entitled "The 21st Century Urban University: New Roles for Practice and Research," appeared in the summer 2005 issue of the *Journal of the American Planning Association*...Smart growth advocates can sign up for a newsletter containing news around the country and obtain resources and publications through Smart Growth America's web site at www.smartgrowthamerica.org...**FDIC Consumer News'** guide to money management for young adults may be found at www.fdic.gov/consumers/consumer/news.

Calendar of Events

Pennsylvania Rural Summit

Public officials and representatives of government agencies, corporations, developers, and other entities will develop strategies and policy recommendations on opportunities and concerns in rural Pennsylvania. Topics to be discussed include housing, education, health, infrastructure, community and economic development, and environmental resources. Keynote speaker is Mark Drabenscott, vice president of the Federal Reserve Bank of Kansas City and director of the Center for the Study of Rural America.

October 25-26, Seven Springs Conference Center, Champion, PA

For information, contact the Pennsylvania Rural Development Council at (717) 705-0431; www.ruralpa.state.pa.us.

Insights for Teaching and Motivating Adults on Personal Finance

This meeting of the Financial Education Network of Southeastern Pennsylvania features Karen Gross, professor at New York Law School, a specialist in bankruptcy, consumer finance, and financial management education. She is the author of *Failure and Forgiveness: Rebalancing the Bankruptcy System* and president of the Coalition for Consumer Bankruptcy Debtor Education.

November 2, 2005, 8:45 a.m. to 12 noon, Federal Reserve Bank of Philadelphia

For information, contact Yvette Cooper at (215) 574-6037 or yvette.cooper@phil.frb.org.

Private Sector Innovations in Asset Building

Co-sponsored by the Federal Reserve System and CFED (formerly the Corporation for Enterprise Development). One of a series of regional forums, this invitation-only event is targeted to practitioners in the asset-building field.

December 8, 8 a.m. to 5 p.m., at the Federal Reserve Bank of New York

For information, contact Amy Lempert at (215) 574-6570 or amy.lempert@phil.frb.org.

Reinventing America's Older Communities

A national conference that will feature best practices and ways to create vibrant urban communities.

SAVE THE DATE April 5-7, 2006, Hyatt Regency Philadelphia at Penn's Landing

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