

# **PUBLIC DISCLOSURE**

March 31, 2008

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**LAFAYETTE AMBASSADOR BANK  
RSSD – 140018  
EASTON, PENNSYLVANIA**

**FEDERAL RESERVE BANK OF PHILADELPHIA  
TEN INDEPENDENCE MALL, PHILADELPHIA, PA**

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of the entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. 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 Reserve Bank of Philadelphia concerning the safety and soundness of this financial institution.

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## INSTITUTION'S RATING

### INSTITUTION'S CRA RATING

Lafayette Ambassador Bank is rated **OUTSTANDING**.

### TABLE OF PERFORMANCE TEST RATINGS

The following table indicates the performance level of Lafayette Ambassador Bank with respect to the lending, investment, and service tests.

| <b>PERFORMANCE TEST MATRIX</b> |               |                 |              |
|--------------------------------|---------------|-----------------|--------------|
| Performance Levels             | Lending Test* | Investment Test | Service Test |
| Outstanding                    |               | <b>X</b>        | <b>X</b>     |
| High Satisfactory              | <b>X</b>      |                 |              |
| Low Satisfactory               |               |                 |              |
| Needs to Improve               |               |                 |              |
| Substantial Noncompliance      |               |                 |              |

\*Note: The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

### SUMMARY OF MAJOR FACTORS SUPPORTING RATING

Major factors contributing to this rating include:

- A substantial majority of the bank's loans are made inside its assessment area;
- The geographic distribution of loans reflects good penetration throughout the assessment area;
- The distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different sizes;
- The bank exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its assessment area, low-income individuals, and very small businesses, consistent with safe and sound banking practices;
- The bank has made an excellent level of community development loans;
- The bank has an excellent level of qualified community development investments and grants; and
- The bank is a leader in providing community development services.

## INSTITUTION

### DESCRIPTION OF INSTITUTION

Lafayette Ambassador Bank (Lafayette), headquartered in Easton, Northampton County, Pennsylvania, is state-chartered as a full-service commercial bank. Through 25 branch locations in Northampton and Lehigh counties in the Allentown-Bethlehem-Easton Metropolitan Statistical Area (ABE-MSA), the bank offers a variety of consumer and commercial banking services. Lafayette is a subsidiary of Fulton Financial Corporation, (Fulton Financial) a \$15.9 billion multi-bank holding company headquartered in Lancaster, Pennsylvania. Fulton Financial operates ten banking subsidiaries in Pennsylvania, New Jersey, Delaware, and Maryland.

The following table details the locations of Lafayette's branches.

| Metropolitan Statistical Area  | County             | Number of Branches |
|--------------------------------|--------------------|--------------------|
| Allentown-Bethlehem-Easton MSA | Lehigh County      | 8                  |
| Allentown-Bethlehem-Easton MSA | Northampton County | 17                 |
| <b>Total Branches</b>          |                    | <b>25</b>          |

As of December 31, 2007, Lafayette reported \$1.4 billion in total assets, of which \$1.0 billion, or 73%, were loans. On a dollar volume basis, commercial loans, which include commercial mortgages and commercial and industrial loans, are the most material product offered by the bank. The second most significant product is loans secured by residential property.

The composition of the bank's loan portfolio is presented in the following table:

| LOANS as of 12/31/2007                           | \$000              | %           |
|--------------------------------------------------|--------------------|-------------|
| Real Estate Secured                              |                    |             |
| Construction & Land Development                  | 93,528             | 9.2         |
| Secured by Farm Land & Other Loans to Farmers    | 3,966              | 0.4         |
| Secured by Residential Property (Open-End)       | 34,121             | 3.4         |
| Secured by Residential Property (Closed-End)     | 243,903            | 24.0        |
| Multi-Family Property                            | 40,118             | 3.9         |
| Commercial Mortgages                             | 399,048            | 39.3        |
| Commercial and Industrial Loans                  | 95,769             | 9.4         |
| Consumer Loans                                   | 51,912             | 5.1         |
| Obligations of States and Political Subdivisions | 39,746             | 3.9         |
| Lease Financing Receivables                      | 6,730              | 0.7         |
| Other Loans                                      | 7,397              | 0.7         |
| <b>GROSS LOANS</b>                               | <b>\$1,016,238</b> | <b>100%</b> |

Source: Consolidated Reports of Condition and Income for the period ending December 31, 2007 (Schedule RC-C)

### **DESCRIPTION OF ASSESSMENT AREA**

For purposes of CRA, Lafayette has designated one assessment area in Pennsylvania, which consists of Lehigh and Northampton counties in the ABE-MSA, and the southern portion of Monroe County.<sup>1</sup> Monroe County is adjacent to Northampton County and is located in the East Stroudsburg Micropolitan Statistical Area, a non-metropolitan area.

The bank's assessment area was determined to comply with the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income census tracts. The bank's asset size and financial condition indicate that it has the ability to meet the credit needs of its assessment area effectively. There are no legal or other impediments that would hamper the bank's ability to meet community credit needs.

### **SCOPE OF EXAMINATION**

Lafayette's CRA performance was evaluated for the period from January 24, 2006, through March 31, 2008. The lending, investment, and service tests were applied in assessing the bank's performance under CRA, pursuant to the Interagency Procedures and Guidelines for Large Retail Institutions. Under the lending test, loan products evaluated included home-purchase and home-improvement loans and refinancing of such loans (collectively titled HMDA loans), small business loans, and other loans that qualified as community development. Home Mortgage Disclosure Act (HMDA) and small business lending activity covers data reported from January 1, 2006 through September 30, 2007.

For purposes of evaluating the geographic distribution of loans, census tracts were classified on the basis of 2000 U.S. Census data. The distribution of loans to borrowers of different income levels was based upon annually adjusted median family income data made available by the U.S. Department of Housing and Urban Development (HUD). The most recent year for which family income data were available is 2007. All other demographic indices and statistics presented throughout this evaluation are based on 2000 U.S. Census data unless otherwise noted.

Lafayette's HMDA and small business loans were compared to the aggregate of all lenders in the bank's assessment area reporting HMDA loans pursuant to HMDA, and small business loans pursuant to CRA. These data are reported annually, and the most recent year for which information was available is 2006.

Written documentation of interviews conducted with community representatives, prepared by the Federal Reserve and other regulatory agencies, was reviewed during the course of the examination.

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<sup>1</sup> A map of the bank's assessment area is located in Appendix C of this Public Evaluation.

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### **COMPLIANCE WITH FAIR LENDING LAWS**

No credit practices were identified that violated the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act, the Home Mortgage Disclosure Act (Regulation C), or any other relevant agency regulations pertaining to the nondiscriminatory treatment of credit applicants.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS**

Situated in the eastern Pennsylvania area known as the Lehigh Valley, the ABE-MSA includes Lehigh, Northampton and Carbon Counties in Pennsylvania, and Warren County in New Jersey. Lafayette's assessment area comprises Lehigh and Northampton Counties, which include the cities of Allentown, Bethlehem and Easton. The assessment area also includes the southern portion of Monroe County which is a non-metropolitan area adjacent to Northampton County.

There are 139 census tracts in Lafayette's assessment area, 9 of which are low-income and 28 moderate-income. Of the 9 low-income census tracts, 6 are located in the city of Allentown and 3 are in the city of Bethlehem. Of the assessment area's 28 moderate-income census tracts, 15 are in the city of Allentown, 3 in the city of Bethlehem, and 5 in the city of Easton. The remaining 5 moderate-income tracts are located in Fullerton, Bangor, West Easton, Northampton and Catasauqua. There are no low- or moderate-income census tracts in Monroe County. Overall, 22% of the assessment area's population resides within the low- and moderate-income census tracts.

Lafayette's performance was evaluated in terms of the demographic and business context in which the bank operates. According to the Federal Deposit Insurance Corporation's (FDIC) Summary of Deposits as of June 30, 2007, there were 26 depository institutions operating in the bank's assessment area. These institutions maintained a total of 237 branches holding \$10.4 billion in deposits. Lafayette, with 24 branches at the time, ranked 3<sup>rd</sup> with \$990 million in deposits, or 9% of the retail deposit market. Wachovia Bank holds the largest share of deposits with 28% of the market.

Lafayette's home mortgage loans were compared to the aggregate of all lenders in the assessment area reporting real estate loans pursuant to HMDA. The market for home mortgage lending in the ABE-MSA is highly competitive. Of the 573 HMDA reporters in the assessment area in 2006, Lafayette is the 8<sup>th</sup> largest HMDA loan originator with 2% of all such loan originations and purchases. CountryWide Home Loans ranked 1<sup>st</sup>, with 11% of the market. Keystone Nazareth Bank and Trust, located in Bethlehem, PA, ranked highest among local banks at 4<sup>th</sup>, holding 5% of the market.

Lafayette's small business lending was compared to the aggregate of all lenders operating in the assessment area. The bank ranked 13<sup>th</sup> among the small business reporters in the area, with 2% of the market, and was ranked highest of all local banks. American Express Bank, FSB, ranked 1<sup>st</sup> with 26% of the market. There were a total of 90 small business reporters in the assessment area in 2006.

## **ECONOMIC CHARACTERISTICS**

The ABE-MSA is located in eastern Pennsylvania, strategically situated between the cities of Philadelphia and New York. The MSA is the fastest-growing major metropolitan area in Pennsylvania. Overall strengths in the local economy include its close proximity to the more expensive New York City and Philadelphia metropolitan divisions and its rapidly expanding population base. Weaknesses include below-average educational attainment, continued dependence on a shrinking manufacturing industry, and an increasing cost of living.

Strong and above average growth in Allentown's core employment sectors (education/health services and professional/business services) is buoying the local labor market. These two sectors represent over 30% of total jobs in the MSA. In addition, the transportation sector has accelerated its hiring over the past few months in response to an increasing demand for Pennsylvania and U.S. exports.

The residential housing market in the MSA has expanded in recent years, with people moving from more urban areas (primarily New York, northern New Jersey and Philadelphia) to the Lehigh Valley in search of more affordable housing. However, recent weaker demand is now weighing on house-price growth, which is advancing at a third of the pace seen in 2006. According to Moody's Economy.com, the average home in the ABE-MSA cost was \$266,400 in 2007, 7% higher than 2006. The most significant house-price growth occurred from 2000, when the average home cost was \$114,800, versus 2006 when the average home cost was \$249,100.

The major employers include hospital centers, educational centers, and other service-related entities, including Lehigh Valley Hospital, St. Luke's Hospital, Air Products and Chemicals, PPL Corporation, Giant Food Corporation, and Lehigh University. Although federal, state, and local governments provide employment throughout the area, Northampton County relies more on this source of employment than Lehigh County, with the county and federal governments, and local school districts among the top ten employers. Banking in the assessment area is competitive. Local community banks, particularly Keystone Nazareth Bank and Trust, are strong competition for Lafayette. In addition, super-regionals Wachovia Bank and PNC Bank have a significant presence in the market.

The Lehigh and Northampton County unemployment rates were in line with the state in 2007, but rates were higher in Monroe County and in the cities of Allentown, Bethlehem and Easton. The 2007 and 2006 unemployment rates for the assessment area are presented in the following table.

| <b>Locations</b>               | <b>2007<br/>Unemployment Rate</b> | <b>2006<br/>Unemployment Rate</b> |
|--------------------------------|-----------------------------------|-----------------------------------|
| Commonwealth of Pennsylvania   | 4.4                               | 4.6                               |
| Lehigh County                  | 4.4                               | 4.5                               |
| Northampton County             | 4.4                               | 4.5                               |
| Allentown-Bethlehem-Easton MSA | 4.3                               | 4.6                               |
| Monroe County                  | 4.9                               | 5.2                               |
| City of Allentown              | 5.9                               | 6.3                               |
| City of Bethlehem              | 5.1                               | 5.3                               |
| City of Easton                 | 5.2                               | 5.4                               |

The Community Affairs Department of the Federal Reserve Bank of Philadelphia published a report titled “*Community Profile for Lenders: Allentown-Bethlehem-Easton MSA.*” The report provides information and insights into the perceived credit needs and opportunities in the MSA. Information in the report was obtained from interviews and contacts with bankers, community organizations, and local government officials. The report also includes pertinent demographic and economic data regarding the MSA, as well as the cities of Allentown, Bethlehem and Easton.

When asked about credit needs in the assessment area, community leaders identified the following: (1) affordable housing, particularly for senior citizens; (2) loans for small businesses, including Hispanic-owned businesses; (3) mortgage assistance and foreclosure counseling; and (4) affordable mortgage products for first-time homebuyers.

## **HOUSING**

Lafayette’s assessment area contains 257,248 housing units, of which 67% are owner-occupied and 27% are rental units. In low-income census tracts, the owner-occupancy rate is just 24%, while rental housing accounts for 62% of all housing located in these tracts. In moderate-income census tracts, the owner-occupancy rate is 48%, while rental housing accounts for 44% of all housing. The overall owner-occupancy rate in the ABE-MSA is 67%, compared to 65% in the state.

Single family units comprise 75% of the total housing units, while two-to-four family units comprise 10%, multi-family units comprise 12% and mobile homes just 3%. The median age of the housing stock is 40 years, compared to a median age of 43 years in the state.

Median rent in the assessment area is \$586, with 36% of renters paying more than 30% of their income for housing. Median rent in the ABE-MSA is \$589, with 35% of renters paying more than 30% of their income for housing. In the state, median rent is lower at \$531, with 35% of renters paying more than 30% of their income for housing.

According to the 2000 census, the median housing value in the assessment area was \$116,653, with a large disparity between the median housing values in the upper-income census tracts (\$152,974) and the moderate-income (\$73,232) and low-income (\$58,297) census tracts. Of the total owner-occupied housing units in the assessment area, 38% are valued at less than \$100 thousand. In the ABE-MSA as a whole, 39% of housing units are valued at less than \$100 thousand. Housing in the assessment area is less affordable than housing in the state as a whole, where 54% of housing units are valued at less than \$100 thousand.

Although the cost of housing in the Lehigh Valley remains relatively low compared to other northeastern metropolitan areas, the cost is increasing. According to Moody’s Economy.com, in 2007, the average home in the ABE-MSA cost \$266,400, 7% higher than in 2006.

The percentage of owner-occupied housing units contained within designated census tracts is used as a proxy to estimate demand for residential mortgage lending within such tracts. An analysis of owner-occupied housing units, compared to the number of total available housing units for each census tract designation, reveals that the majority of owner-occupied housing units (52%) are located in the assessment area’s middle-income census tracts.

Just 1% of owner-occupied units are in low-income census tracts and 13% are in moderate-income tracts. Thirty-four percent of owner-occupied units are located in upper-income tracts.

### **BORROWER INCOME DATA**

For purposes of evaluating the distribution of loans to borrowers of different income levels, incomes were classified based upon annually adjusted median family income data made available by HUD. According to 2000 Census data, the median family income for the bank's assessment area was \$53,370, compared to \$53,852 for the ABE-MSA as a whole, and \$49,184 for the state. In 2007, the adjusted median family income for the MSA increased to \$65,800, compared to the state adjusted income of \$49,800.

Of the total number of families in Lafayette's assessment area, 18% are designated as low-income and 19% are designated as moderate-income. Families living below the poverty level represented 6% of total families. In Pennsylvania, 8% of families live below the poverty level, as compared to 6% of families in the ABE-MSA.

### **GEOGRAPHIC BUSINESS DATA**

The percentage of businesses located within designated census tracts is used as a proxy to estimate demand for small business credit within such census tracts. Dun and Bradstreet's 2007 business data show that in Lafayette's assessment area the percentage of businesses located in low- and moderate-income census tracts is well below the percentage of businesses in middle- and upper-income census tracts. Just 5% of businesses are located in low-income tracts and 14% are in moderate-income tracts. The substantial majority of businesses (81%) are located in middle- and upper-income tracts.

The demographics used to assess the performance context in which Lafayette operates are detailed in the following exhibit.

| Lafayette Ambassador Bank<br>Assessment Area Demographics<br>Lehigh, Northampton and Monroe Counties in Pennsylvania |                                        |                                    |                          |                  |                                                    |                      |                           |              |
|----------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------------------------------|--------------------------|------------------|----------------------------------------------------|----------------------|---------------------------|--------------|
| Income Categories                                                                                                    | Tract Distribution                     |                                    | Families by Tract Income |                  | Families < Poverty Level as % of Families by Tract |                      | Families by Family Income |              |
|                                                                                                                      | #                                      | %                                  | #                        | %                | #                                                  | %                    | #                         | %            |
| Low-income                                                                                                           | 9                                      | 6.5                                | 5,063                    | 3.0              | 1,721                                              | 34.0                 | 30,291                    | 18.1         |
| Moderate-income                                                                                                      | 28                                     | 20.1                               | 26,624                   | 15.9             | 3,885                                              | 14.6                 | 31,496                    | 18.9         |
| Middle-income                                                                                                        | 72                                     | 51.8                               | 82,798                   | 49.6             | 3,515                                              | 4.2                  | 38,396                    | 23.0         |
| Upper-income                                                                                                         | 30                                     | 21.6                               | 52,567                   | 31.5             | 1,251                                              | 2.4                  | 66,869                    | 40.0         |
| Unknown income                                                                                                       | 0                                      | 0.0                                | 0                        | 0.0              | 0                                                  | 0.0                  | 0                         | 0.0          |
| <b>Total Assessment Area</b>                                                                                         | <b>139</b>                             | <b>100.0</b>                       | <b>167,052</b>           | <b>100.0</b>     | <b>10,372</b>                                      | <b>6.2</b>           | <b>167,052</b>            | <b>100.0</b> |
|                                                                                                                      | Housing Units by Tract                 | Housing Types by Tract             |                          |                  |                                                    |                      |                           |              |
|                                                                                                                      |                                        | Owner-occupied                     |                          |                  | Rental                                             |                      | Vacant                    |              |
|                                                                                                                      |                                        | #                                  | %                        | %                | #                                                  | %                    | #                         | %            |
| Low-income                                                                                                           | 9,898                                  | 2,405                              | 1.4                      | 24.3             | 6,159                                              | 62.2                 | 1,334                     | 13.5         |
| Moderate-income                                                                                                      | 47,070                                 | 22,771                             | 13.3                     | 48.4             | 20,514                                             | 43.6                 | 3,785                     | 8.0          |
| Middle-income                                                                                                        | 128,985                                | 88,756                             | 51.7                     | 68.8             | 34,421                                             | 26.7                 | 5,808                     | 4.5          |
| Upper-income                                                                                                         | 71,295                                 | 57,800                             | 33.7                     | 81.1             | 9,554                                              | 13.4                 | 3,941                     | 5.5          |
| Unknown income                                                                                                       | 0                                      | 0                                  | 0.0                      | 0.0              | 0                                                  | 0.0                  | 0                         | 0.0          |
| <b>Total Assessment Area</b>                                                                                         | <b>257,248</b>                         | <b>171,732</b>                     | <b>100.0</b>             | <b>66.8</b>      | <b>70,648</b>                                      | <b>27.5</b>          | <b>14,868</b>             | <b>5.8</b>   |
|                                                                                                                      | Total Businesses by Tract              | Businesses by Tract & Revenue Size |                          |                  |                                                    |                      |                           |              |
|                                                                                                                      |                                        | Less Than or = \$1 Million         |                          | Over \$1 Million |                                                    | Revenue Not Reported |                           |              |
|                                                                                                                      | #                                      | %                                  | #                        | %                | #                                                  | %                    | #                         | %            |
| Low-income                                                                                                           | 1,059                                  | 4.5                                | 877                      | 4.2              | 143                                                | 6.2                  | 39                        | 5.7          |
| Moderate-income                                                                                                      | 3,408                                  | 14.4                               | 2,923                    | 14.1             | 380                                                | 16.6                 | 105                       | 15.5         |
| Middle-income                                                                                                        | 11,810                                 | 49.8                               | 10,488                   | 50.6             | 976                                                | 42.6                 | 346                       | 51.0         |
| Upper-income                                                                                                         | 7,432                                  | 31.3                               | 6,452                    | 31.1             | 791                                                | 34.5                 | 189                       | 27.8         |
| Unknown income                                                                                                       | 0                                      | 0.0                                | 0                        | 0.0              | 0                                                  | 0.0                  | 0                         | 0.0          |
| <b>Total Assessment Area</b>                                                                                         | <b>23,709</b>                          | <b>100.0</b>                       | <b>20,740</b>            | <b>100.0</b>     | <b>2,290</b>                                       | <b>100.0</b>         | <b>679</b>                | <b>100.0</b> |
|                                                                                                                      | <b>Percentage of Total Businesses:</b> |                                    |                          | <b>87.5</b>      |                                                    | <b>9.7</b>           |                           | <b>2.9</b>   |

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The lending test evaluates an institution's lending activities based on the following characteristics:

- Geographic distribution of loans, including loans originated in low- and moderate-income census tracts;
- Distribution of loans to borrowers of different income levels, including low- and moderate-income borrowers and small businesses;
- Overall responsiveness to credit needs of highly economically disadvantaged areas, low-income persons, and very small businesses; and
- Community development lending activities.

Lafayette's performance under the lending test is high satisfactory.

**Assessment Area Concentration**

An analysis was performed to determine the volume of loans extended inside and outside of the bank’s assessment area. The analysis consisted of an evaluation of Lafayette’s HMDA loans and small business loans. As the following table illustrates, a substantial majority of loans were made within the bank’s assessment area.

| <b>Lafayette Ambassador Bank<br/>Lending Inside and Outside the Assessment Area</b> |               |             |                  |             |                |             |                 |             |
|-------------------------------------------------------------------------------------|---------------|-------------|------------------|-------------|----------------|-------------|-----------------|-------------|
|                                                                                     | <b>Inside</b> |             |                  |             | <b>Outside</b> |             |                 |             |
|                                                                                     | <b>#</b>      | <b>%</b>    | <b>\$(000s)</b>  | <b>%</b>    | <b>#</b>       | <b>%</b>    | <b>\$(000s)</b> | <b>%</b>    |
| Home Improvement                                                                    | 679           | 97.4        | \$26,908         | 94.9        | 18             | 2.6         | \$1,441         | 5.1         |
| Home Purchase                                                                       | 427           | 85.9        | \$79,155         | 84.5        | 70             | 14.1        | \$14,496        | 15.5        |
| Home Purchase – FHA                                                                 | 1             | 100.0       | \$158            | 100.0       | 0              | 0.0         | \$0             | 0.0         |
| Multi-Family Housing                                                                | 11            | 91.7        | \$5,682          | 96.3        | 1              | 8.3         | \$220           | 3.7         |
| Refinancing                                                                         | 748           | 95.4        | \$77,076         | 90.6        | 36             | 4.6         | \$7,954         | 9.4         |
| <b>Total HMDA Loans</b>                                                             | <b>1,866</b>  | <b>93.7</b> | <b>\$188,979</b> | <b>88.7</b> | <b>125</b>     | <b>6.3</b>  | <b>\$24,111</b> | <b>11.3</b> |
| Small Business                                                                      | 938           | 96.0        | \$189,928        | 95.2        | 39             | 4.0         | \$9,639         | 4.8         |
| <b>Total Small Business Loans</b>                                                   | <b>938</b>    | <b>96.0</b> | <b>\$189,928</b> | <b>95.2</b> | <b>39</b>      | <b>4.0</b>  | <b>\$9,639</b>  | <b>4.8</b>  |
| Small Farm                                                                          | 4             | 57.1        | \$571            | 45.8        | 3              | 42.9        | \$675           | 54.2        |
| <b>Total Small Farm Loans</b>                                                       | <b>4</b>      | <b>57.1</b> | <b>\$571</b>     | <b>45.8</b> | <b>3</b>       | <b>42.9</b> | <b>\$675</b>    | <b>54.2</b> |
| <b>TOTAL LOANS</b>                                                                  | <b>2,808</b>  | <b>94.4</b> | <b>\$379,478</b> | <b>91.7</b> | <b>167</b>     | <b>5.6</b>  | <b>\$34,425</b> | <b>8.3</b>  |

**Geographic Distribution of Lending**

An analysis of the geographic distribution of loans was conducted to determine the dispersion of loans among different census tracts within the assessment area. The analysis reflects good penetration throughout the assessment area, including low- and moderate-income census tracts.<sup>2</sup>

**Home Mortgage Lending**

The percentage of owner-occupied housing units contained within designated census tracts is used as a proxy to estimate demand for residential mortgage lending within such tracts. A lower level of owner-occupied units limits the bank’s lending opportunities in those census tracts. In the bank’s assessment area, 1% of all owner-occupied housing units are located in low-income census tracts. By comparison, Lafayette’s HMDA lending shows that 2% of its home mortgage loans were originated in low-income tracts.

<sup>2</sup>The information used to evaluate Lafayette’s lending activity is detailed in the **CRA LOAN DISTRIBUTION TABLES** contained in Appendix. B.

Lafayette's home mortgage lending was compared to all lenders operating in the assessment area. The aggregate of all HMDA lenders originated 3% of home mortgage loans in low-income tracts, indicating the bank performed below the aggregate lending level, but exceeded the housing proxy in the assessment area. The bank's performance reflects good geographic penetration in low-income census tracts, despite the limited amount of owner-occupied housing.

In the assessment area, 13% of all owner-occupied housing units are located in moderate-income tracts. By comparison, Lafayette's HMDA lending shows that 12% of the bank's home mortgage loans were originated in moderate-income tracts. The aggregate of all HMDA lenders originated 16% of home mortgage loans in moderate-income tracts, indicating the bank performed below the aggregate lending level and the housing proxy in this assessment area.

Although bank lending reflects good penetration in moderate-income tracts, the geographic distribution of loans may have been impacted by Lafayette's lack of a branch presence in the low- and moderate-income tracts in the cities of Allentown and Bethlehem, where 73% of the assessment area's low- and moderate-income tracts are located. A branch presence increases a bank's opportunity to lend. For example, Lafayette operates two branches in moderate-income census tracts in the city of Easton, and 59% of the bank's HMDA loans originated in low- and moderate-income census tracts were originated in Easton.

For a discussion of the bank's efforts to address the affordable housing needs of the cities of Allentown, Bethlehem and Easton, see the **Community Development Lending** and **INVESTMENT TEST** sections of this Evaluation, beginning on page 12.

### **Small Business Lending**

An analysis of the geographic distribution of small business loans was conducted to determine the dispersion of these loans among different census tracts within the bank's assessment area. Penetration throughout the assessment area was excellent in both low- and moderate-income tracts.

Lafayette originated 938 small business loans, in an aggregate amount of \$190 million, during the evaluation period. A comparison of the number of small business loans originated in each type of census tract to the number of businesses located in those tracts demonstrates the bank's commitment to making credit available to its entire community.

Business demographics revealed that there were a total of 23,709 businesses within the assessment area. Lafayette's extension of credit to these businesses shows that low-income census tracts received 4% of small business loans, while 5% of businesses are located in these tracts. Moderate-income census tracts received 18% of small business loans, while 14% of businesses are located in these tracts. Middle-income census tracts received 43% of small business loans for their 50% of businesses and upper-income census tracts received 35% of small business loans for their 31% share of businesses.

Lafayette's small business lending was compared to all lenders operating in the assessment area. The aggregate of all small business lenders originated 3% of small business loans in low-income census tracts and 12% in moderate-income tracts. Lafayette performed better than the aggregate lending levels in both low- and moderate-income tracts in the assessment area.

### **Distribution of Loans by Borrower Income Level and Revenue Size of the Business**

An analysis of HMDA and small business lending data was conducted in conjunction with a review of the demographic and economic characteristics of the assessment area to ascertain the extent of lending to borrowers of different income levels and to businesses of different sizes.

#### **Lending to Borrowers of Different Income Levels**

Home mortgage lending was analyzed to determine the dispersion of the bank's loans among borrowers of different income levels within the assessment area. The analysis reflected good dispersion, including lending to low- and moderate-income borrowers.

Of the 167,052 families in the bank's assessment area, 18% are designated as low-income and 19% are moderate-income. By comparison, 8% of Lafayette's home mortgage loans were originated to low-income borrowers and 17% to moderate-income borrowers. Lafayette's home mortgage lending was also compared to all other lenders operating in the assessment area. An analysis of aggregate loan data shows that 6% of all home mortgage loans were made to low-income borrowers and 18% were made to moderate-income borrowers. This comparison shows that Lafayette performed better than the market with low-income borrowers, but below the market with moderate-income borrowers.

The distribution of bank loans reflects good penetration among retail customers of different income levels, even though the distribution of loans to low- and moderate-income borrowers does not correspond to the percentage of these families in the assessment area. The bank's level of penetration to these borrowers is considered good given the credit needs of the low- and moderate-income segment of the population can be difficult to address through conventional loan products, presenting a significant obstacle to home ownership. In particular, 35% of renters in the assessment area pay more than 30% of their income for housing, making it difficult to save for a down payment on a house.

Lafayette's participation in innovative and flexible lending programs which address the specific credit needs of low- and moderate-income borrowers enhances its home mortgage lending profile. Most notably, the bank offers Fannie Mae Flexible 100 and Flexible 97 mortgages for single-family, owner-occupied residences. The primary benefit of this product is the low down payment (Flexible 97) or no down payment (Flexible 100) feature. Although these products are not restricted to low- or moderate-income borrowers, they primarily serve this market. Fannie Mae has expanded underwriting flexibility, enabling the bank to originate loans to borrowers who were originally outside its traditional underwriting criteria. During the evaluation period, Lafayette originated 20 mortgages under the programs, aggregating \$4.0 million.

#### **Lending to Businesses of Different Sizes**

An analysis of the distribution of loans to businesses determined that lending to small businesses reflects good penetration among businesses of different sizes. For the purpose of this evaluation, a small business is defined as a business with gross annual revenues of \$1 million or less. A small business loan is defined as a commercial loan with an origination amount of \$1 million or less.

Schedule RC-C Part II (Loans to Small Farms and Small Businesses) of the bank's Consolidated Reports of Condition and Income (as of June 30, 2007) indicates that 39% of Lafayette's commercial loans were designated as small business loans, as detailed in the following chart.

| <b>LAFAYETTE AMBASSOR BANK<br/>COMMERCIAL LOAN PORTFOLIO</b>                  |                                                       |                |
|-------------------------------------------------------------------------------|-------------------------------------------------------|----------------|
|                                                                               | <b>AMOUNT OUTSTANDING<br/>AS OF 06/30/2007(\$000)</b> | <b>PERCENT</b> |
| <b>Loans with original amounts of \$100,000 or less</b>                       | \$20,507                                              | 4%             |
| <b>Loans with original amounts of more than \$100,000 through \$250,000</b>   | \$40,207                                              | 8%             |
| <b>Loans with original amounts of more than \$250,000 through \$1,000,000</b> | \$140,998                                             | 27%            |
| <b>TOTAL SMALL BUSINESS LOANS</b>                                             | <b>\$201,712</b>                                      | <b>39%</b>     |
| <b>Loans with original amounts of greater than \$1,000,000</b>                | \$310,756                                             | 61%            |
| <b>TOTAL COMMERCIAL LOANS</b>                                                 | <b>\$512,468</b>                                      | <b>100%</b>    |

A further analysis of small business lending data was conducted to ascertain the extent of lending to businesses of different sizes, including small businesses. Lafayette's distribution of loans during the evaluation period reflected good penetration. Of the 938 small business loans originated by the bank, 447, or 48%, were originated to small businesses. In addition, 467 loans, or 50%, were extended in an amount of \$100 thousand or less. Since smaller size loans are generally commensurate with the borrowing needs of smaller businesses, Lafayette's lending activity demonstrates that the bank is adequately meeting the credit needs of such businesses.

To enhance its efforts in addressing the credit needs of small businesses in its assessment area, Lafayette participates as a U.S. Small Business Administration (SBA) lender. As of February 29, 2008, Lafayette's total SBA loans aggregated \$3.7 million.

Lafayette also offers financing opportunities for start-up businesses and expansion funding for existing small businesses by participating in the Lehigh Valley Regional Loan Pool. The loan pool, administered by the Lehigh Valley Economic Development Corporation, consists of several area financial institutions and Lehigh University. The loan pool was formed to aid business development in the cities of Bethlehem, Easton and Allentown and to support the creation and retention of jobs by providing an incentive for businesses to locate, expand or remain in the cities. Since the previous evaluation, the bank originated 21 loans through this pool, aggregating \$1.4 million.

### **Community Development Lending**

Lafayette originated an excellent number of community development loans in its assessment area during the examination period. The bank originated nine community development loans, totaling \$10.8 million. Of the total loan dollars, 70% supported economic development, 21% supported affordable housing, and 9% community development services in the bank's assessment area.

The bank's loans included a \$2.5 million commercial mortgage to the local redevelopment authority to acquire a vacant industrial site. The redevelopment of the site is part of the city of Easton's ongoing Bushkill Creek Corridor Revitalization Project aimed at facilitating economic development and improving access to urban green space. Additional funding was provided through a Redevelopment Assistance Capital Program grant from the Commonwealth of Pennsylvania.

Lafayette originated a \$5 million loan to an urban school district in the bank's assessment area to finance a capital improvement plan. The school district is comprised primarily of low- and moderate-income census tracts and low- and moderate-income families. The loan is considered community development because school improvement can be a core neighborhood revitalization strategy, along with other neighborhood efforts such as housing development, economic development, workforce investment, and anticrime strategies.

Lafayette provided two lines of credit, aggregating \$1.3 million, to Habitat For Humanity of the Lehigh Valley. These lines financed a 27-unit housing project for low-income households in Bethlehem. In addition to providing loans for this project, the bank is administering a \$500 thousand grant from the Federal Home Loan Bank of Pittsburgh's Affordable Housing Program.

Lafayette also originated four community development loans, totaling \$1 million, for the purchase, refinance, or improvement of multi-family dwellings located in moderate-income census tracts. These multi-family dwellings provide affordable rental housing alternatives to low- and moderate-income families and individuals while helping to stabilize the neighborhoods in which they are located. In addition, the bank originated a \$1 million loan to an organization offering services to low- and moderate-income seniors living in senior housing facilities in Lehigh County.

## **INVESTMENT TEST**

The investment test evaluates a financial institution's level of qualified investments that serve low- or moderate-income areas or individuals, together with the innovativeness and complexity of such investments. Qualified investments made prior to the previous evaluation, which are still outstanding, are considered under the test. For purposes of CRA, the term qualified investment has been defined to include: a lawful investment; deposit; membership share or grant; including a donation, or in-kind contribution of property, that has, as its primary purpose, community development.

Performance under the investment test is assessed as outstanding.

## **Volume of Investment and Grant Activity**

A review of investment activity revealed that Lafayette has an excellent level of qualified community development investments and grants. In context of the bank's asset size and overall operating capacity, the present dollar volume of investments is excellent. Ninety-five percent of total qualified investments, aggregating \$7.5 million, support affordable housing. The remaining 5% of investments support community development services and economic development.

Lafayette's qualified investments consist of grants and contributions to local organizations that routinely provide community and economic development services that benefit low- and moderate-income people and census tracts within its assessment area. During the period evaluated, the bank made \$366 thousand in qualified grants. These grants included \$150 thousand in contributions to the city of Easton's West Ward Project. Lafayette has committed \$1 million to the project over ten years. The funds will be used for housing rehabilitation, small business loans, and other projects in this primarily moderate-income area. The investment receives tax credits under the Pennsylvania Department of Community Affairs' Neighborhood Assistance Program.

Lafayette also made grants to The State Theatre Center for the Arts, located in a moderate-income census tract in Easton. Local community contacts indicated that this economic development project created business and employment opportunities in downtown Easton, helping to revitalize a moderate-income area.

Lafayette also holds ten equity investments, recognized in previous evaluations, which remain outstanding. These investments, totaling \$7.1 million, supported the construction of affordable housing for low- and moderate-income senior citizens and families in the bank's assessment area. Lafayette provided financing for these projects in the form of both equity investments and loans. These complex investments help address a specific demographic need in the assessment area by providing affordable housing for seniors.

### **Responsiveness to Credit and Community Development Needs**

Lafayette has demonstrated an excellent responsiveness to credit and community development needs through the use of investments to support community development initiatives. The large majority of the bank's qualified investments support affordable housing, mainly for the elderly, in an area with a large portion of residents over the age of 65.

### **SERVICE TEST**

The service test evaluates the financial services provided by a financial institution using the following characteristics:

- The accessibility of delivery mechanisms within an assessment area, including the distribution of an institution's branch offices and alternative delivery mechanisms;
- The impact of changes in branch locations upon low- and moderate-income areas and/or low- and moderate-income persons in the assessment area;
- The reasonableness of business hours and services in meeting assessment area needs; and
- The extent to which an institution provides community development services.

Performance under the service test is assessed as outstanding based primarily on Lafayette's excellent level of community development services.

## Retail Services

### Accessibility of Delivery Systems

The bank's delivery systems are reasonably accessible to essentially all portions of its assessment area, including low- and moderate-income areas. Lafayette operates 25 branches, of which 2, or 8%, are located in moderate-income areas. In contrast, the percentage of the assessment area population located in low- and moderate-income tracts is 22%.

The bank's hours and services are tailored to the needs and convenience of the assessment area, including low- and moderate-income areas. All of the bank's 25 branches in the assessment area have evening hours and 19 branches have Saturday hours, including the two branches located in moderate-income census tracts.

Lafayette operates 27 automated teller machines (ATMs) providing electronic access to banking services through a network of ATMs. Twenty-five of the ATMs are maintained at current branch locations and two are remote locations in Northampton County (a cash dispensing ATM located in a middle-income tract at Easton Hospital and a full-service ATM in a middle-income tract at Lafayette College.) Of the 27 ATMs in its assessment area, just 2 ATMs, or 7%, are located in low- or moderate-income tracts.

The following table details the locations of Lafayette's branch and ATM locations.

| Geography       | Number of Branches | Percent     | Number of ATMs | Percent     |
|-----------------|--------------------|-------------|----------------|-------------|
| Low-income      | 0                  | 0           | 0              | 0           |
| Moderate-income | 2                  | 8           | 2              | 7           |
| Middle-income   | 15                 | 60          | 17             | 63          |
| Upper-income    | 8                  | 32          | 8              | 30          |
| <b>Totals</b>   | <b>25</b>          | <b>100%</b> | <b>27</b>      | <b>100%</b> |

To supplement traditional banking services, Lafayette provides both online banking services and telephone banking services free of charge to customers. *Personal Online Banking* allows customers to review account transactions, monitor account balances, transfer funds between accounts, and place stop payments. In addition, bank customers can pay bills and apply for loan products via the bank's website (lafambank.com). Lafayette's *Bank By Phone* service allows customers to check account balances, transfer funds between accounts, place stop payments, and obtain recent account histories.

### Change in Branch Locations

The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income census tracts or to low- and moderate-income people. Since the previous evaluation, Lafayette has opened two new branches located at:

- 1137 Chestnut Street, Emmaus, Lehigh County, PA, a middle-income census tract.
- 317 East Landis Street, Coopersburg, Lehigh County, PA, a middle-income census tract.

Lafayette relocated two of its existing Northampton County branches in 2006.

- The branch located at 60 West Broad Street, Bethlehem, PA, was moved to New Street and Broad Street in Bethlehem. The new branch location is in the same middle-income tract.
- The branch located at 1700 Sullivan Trail, Easton, was moved to 1945 Sullivan Trail, Easton. The new branch location is in the same upper-income tract.

In April 2008, Lafayette closed its branch at 2201 Northampton Street, Easton, PA. This branch was located in a middle-income census tract in Northampton County.

### **Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

Services, including business hours, do not vary among branch offices in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income census tracts or individuals. Banking services are offered in a uniform and consistent manner among all branches.

### **Community Development Services**

Lafayette is a leader in providing community development services in its assessment area. Most notably:

- Bank officers provide a significant level of support to the Neighborhood Assistance Program/West Ward Partnership Program. The partnership, which includes Lafayette, the city of Easton, Easton Hospital, and The Community Action Committee of the Lehigh Valley, is spearheading a ten-year neighborhood revitalization program supporting housing rehabilitation, small business lending, and other community projects in Easton. Lafayette's contributions include serving on the steering committee and providing technical support.
- Lafayette is a member of the Federal Home Loan Bank of Pittsburgh (FHLB) and an active participant in its Affordable Housing Program (AHP). The purpose of the AHP is to provide subsidies for projects that finance homeownership for low- and moderate-income households, or projects which finance rental housing where at least 20% of the units will be occupied by (and affordable for) low-income households. Only member institutions of the FHLB can submit AHP applications. Therefore, nonprofit agencies, local governments, and community development organizations must obtain the support of member institutions to apply for AHP funds.

Lafayette is currently administering a \$500 thousand grant on behalf of Habitat for Humanity of the Lehigh Valley. The grant supports the Minsi Ridge Project, a 27- unit housing project for low- and moderate-income households in Bethlehem. This project also received a HOME grant through the city of Bethlehem. In addition to sponsoring the application, Lafayette is responsible for ensuring that the affordable housing project is consistent with its approved program objectives.

- A bank employee serves as president of the Allentown Development Corporation (ADCO), an affiliate of the Lehigh Valley Economic Development Corp. A second employee serves as its secretary. ADCO supports business development in the city of Allentown.
- A bank employee serves on the board of directors of ACORN Housing. ACORN is a national non-profit organization which provides free housing counseling to low- and moderate-income homebuyers. The organization offers HUD-certified, Fannie Mae-approved housing counseling across the United States, including Allentown, in an effort to help clients achieve homeownership.
- A bank employee serves on the board of directors of Neighborhood Housing Services of the Lehigh Valley (NHS). NHS is a non-profit community organization established to provide affordable housing services to low- and moderate-income families and individuals.
- A bank employee serves on the loan committee of the Bethlehem Economic Development Corporation (BEDCO). BEDCO's purpose is to create new employment opportunities, retain and expand Bethlehem businesses, revitalize urban areas, and build public-private partnerships.
- A bank employee serves on the advisory board and the curriculum committee of Community Action Financial Services (CAFS). CAFS is the consumer credit counseling service arm of The Community Action Committee of the Lehigh Valley, a non-profit organization focused on eliminating poverty through education, affordable housing, and other programs.
- A bank employee serves on the board of directors and the finance committee of the Lehigh Valley Economic Development Corporation (LVEDC). A second employee serves on the loan committee. LVEDC is a regional economic development group representing Lehigh and Northampton Counties and the cities of Allentown, Bethlehem and Easton. LVEDC promotes the economic prosperity of the Lehigh Valley through business attraction, retention and expansion.
- A bank employee serves on the finance and rental housing sub-committees of Bi-County Affordable Housing Policy Advisory Committee. The committee is a regional task force established by Lehigh and Northampton Counties to promote affordable housing initiatives.
- A bank employee serves on the advisory board of The Lehigh Valley Coalition on Affordable Housing (LVCAH). LVCAH's mission is to ensure that everyone in the Lehigh Valley has housing that is affordable and safe. LVCAH also coordinates the data collection and publication of the annual Lehigh Valley Shelter Census, a survey of the community's homeless population.
- A bank employee serves on the board of directors and the finance committee of the Greater Easton Redevelopment Partnership. The partnership was developed with the purpose of stimulating downtown economic development through the business community. The Committee manages the "Main Street Program" to develop economic opportunities in the city of Easton.

Additional bank officers and employees serve in various capacities on boards and committees of numerous community development organizations. These organizations include:

- Allentown Economic Development Committee
- Allentown Rescue Mission
- Bethlehem Salvation Army
- Easton Area Neighborhoods Committee
- Habitat for Humanity of the Lehigh Valley
- Lehigh Valley Workforce Investment Board
- Nazareth Downtown Association
- Safe Harbor Easton
- Third Street Alliance
- Valley Youth House of the Lehigh Valley
- Victory House
- Wilson Borough Revitalization Committee

### **Bank Products**

- Lafayette's free checking account has no minimum balance requirement and no monthly service fee. This account can be opened with any size deposit and comes with free online banking. Free Checking allows low- and moderate-income consumers greater access to banking services.
- Lafayette's small business checking account caters to businesses with a limited number of transactions each month and modest account balances. The account is free with a minimum account balance of \$1,000 (a \$15 monthly fee is charged if the balance falls below \$1,000). The account also allows 200 items per statement cycle (in any combination) and the account includes free *CashLink* Online Banking. The account provides greater access to banking services for small businesses.
- Lafayette offers the Family Savings Account (FSA) Program, a matched savings program funded by the Pennsylvania Department of Economic and Community Development. Clients save a minimum of \$10 per week for up to three years. Account holders may use the accumulated savings, plus a 100% match from the state, for a specific, pre-determined use (home purchase, home improvements, advanced education, or small business start-up). To qualify for the program, depositors must meet income guidelines that effectively reserve the program for low- and moderate-income families. The bank had five FSA accounts as of March 5, 2008.

**CRA APPENDICES**

## CRA APPENDIX A: GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Block numbering area (“BNA”):** A statistical subdivision of a county for grouping and numbering blocks in nonmetropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Full review:** Performance under the lending, investment and service tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity and responsiveness).

**Geography:** A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

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

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited review:** Performance under the lending, investment and service tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Metropolitan area (“MA”):** Any primary metropolitan statistical area (“PMSA”), metropolitan statistical area (“MSA”) or consolidated metropolitan statistical area (“CMSA”) as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small loan(s) to business(es):** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income ("Call Report") and the Thrift Financial Reporting ("TFR") instructions. These loans have original amounts of \$1 million or less and typically are either secured by non-farm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by non-farm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

**Small loan(s) to farm(s):** A loan included in "loans to small farms" as defined in the instructions for preparation of the Call Report. These loans have original amounts of \$500 thousand or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

**CRA APPENDIX B: HMDA LOAN DISTRIBUTION TABLE**

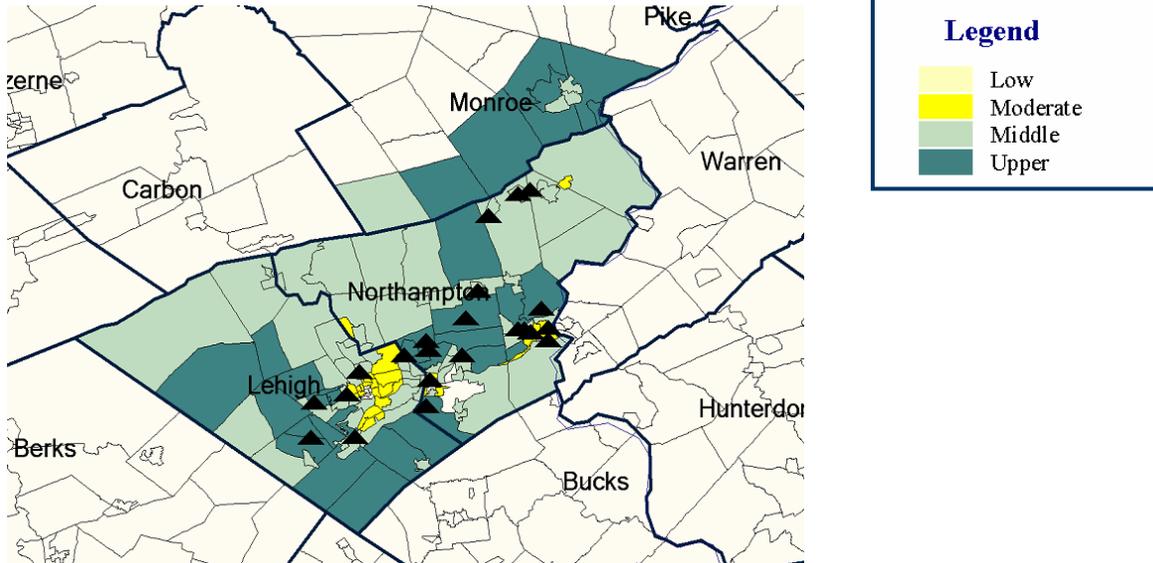
**LOAN DISTRIBUTION TABLE (2006 – 2007)**

| Income Categories | HMDA                    |               |                |               |                    |               |                |               |
|-------------------|-------------------------|---------------|----------------|---------------|--------------------|---------------|----------------|---------------|
|                   | By Tract Income         |               |                |               | By Borrower Income |               |                |               |
|                   | #                       | %             | \$(000s)       | %             | #                  | %             | \$(000s)       | %             |
|                   | <b>Home Purchase</b>    |               |                |               |                    |               |                |               |
| Low               | 13                      | 3.0%          | 1,514          | 1.9%          | 21                 | 4.9%          | 2,101          | 2.6%          |
| Moderate          | 38                      | 8.9%          | 4,591          | 5.8%          | 51                 | 11.9%         | 6,196          | 7.8%          |
| Middle            | 210                     | 49.1%         | 36,780         | 46.4%         | 97                 | 22.7%         | 14,098         | 17.8%         |
| Upper             | 167                     | 39.0%         | 36,428         | 45.9%         | 219                | 51.2%         | 49,069         | 61.9%         |
| <b>Total</b>      | <b>428</b>              | <b>100.0%</b> | <b>79,313</b>  | <b>100.0%</b> | <b>428</b>         | <b>100.0%</b> | <b>79,313</b>  | <b>100.0%</b> |
|                   | <b>Refinance</b>        |               |                |               |                    |               |                |               |
| Low               | 13                      | 1.7%          | 1,554          | 2.0%          | 64                 | 8.6%          | 3,734          | 4.8%          |
| Moderate          | 96                      | 12.8%         | 5,773          | 7.5%          | 142                | 19.0%         | 10,450         | 13.6%         |
| Middle            | 343                     | 45.9%         | 32,423         | 42.1%         | 181                | 24.2%         | 13,432         | 17.4%         |
| Upper             | 296                     | 39.6%         | 37,326         | 48.4%         | 319                | 42.6%         | 40,572         | 52.6%         |
| Unknown           | 0                       | 0.0%          | 0              | 0.0%          | 42                 | 5.6%          | 8,888          | 11.5%         |
| <b>Total</b>      | <b>748</b>              | <b>100.0%</b> | <b>77,076</b>  | <b>100.0%</b> | <b>748</b>         | <b>100.0%</b> | <b>77,076</b>  | <b>100.0%</b> |
|                   | <b>Home Improvement</b> |               |                |               |                    |               |                |               |
| Low               | 4                       | 0.6%          | 240            | 0.9%          | 73                 | 10.8%         | 1,631          | 6.1%          |
| Moderate          | 82                      | 12.1%         | 2,906          | 10.8%         | 120                | 17.7%         | 3,396          | 12.6%         |
| Middle            | 331                     | 48.7%         | 12,533         | 46.6%         | 173                | 25.5%         | 6,288          | 23.4%         |
| Upper             | 262                     | 38.6%         | 11,229         | 41.7%         | 295                | 43.4%         | 14,791         | 55.0%         |
| Unknown           | 0                       | 0.0%          | 0              | 0.0%          | 18                 | 2.7%          | 802            | 3.0%          |
| <b>Total</b>      | <b>679</b>              | <b>100.0%</b> | <b>26,908</b>  | <b>100.0%</b> | <b>679</b>         | <b>100.0%</b> | <b>26,908</b>  | <b>100.0%</b> |
|                   | <b>Multi-Family</b>     |               |                |               |                    |               |                |               |
| Low               | 0                       | 0.0%          | 0              | 0.0%          | 0                  | 0.0%          | 0              | 0.0%          |
| Moderate          | 4                       | 36.4%         | 1,015          | 17.9%         | 0                  | 0.0%          | 0              | 0.0%          |
| Middle            | 5                       | 45.5%         | 3,934          | 69.2%         | 0                  | 0.0%          | 0              | 0.0%          |
| Upper             | 2                       | 18.2%         | 733            | 12.9%         | 0                  | 0.0%          | 0              | 0.0%          |
| Unknown           | 0                       | 0.0%          | 0              | 0.0%          | 11                 | 100.0%        | 5,682          | 100.0%        |
| <b>Total</b>      | <b>11</b>               | <b>100.0%</b> | <b>5,682</b>   | <b>100.0%</b> | <b>11</b>          | <b>100.0%</b> | <b>5,682</b>   | <b>100.0%</b> |
|                   | <b>HMDA Totals</b>      |               |                |               |                    |               |                |               |
| Low               | 30                      | 1.6%          | 3,308          | 1.8%          | 158                | 8.5%          | 7,466          | 4.0%          |
| Moderate          | 220                     | 11.8%         | 14,285         | 7.6%          | 313                | 16.8%         | 20,042         | 10.6%         |
| Middle            | 889                     | 47.6%         | 85,670         | 45.3%         | 451                | 24.2%         | 33,818         | 17.9%         |
| Upper             | 727                     | 39.0%         | 85,716         | 45.4%         | 833                | 44.6%         | 104,432        | 55.3%         |
| Unknown           | 0                       | 0.0%          | 0              | 0.0%          | 111                | 5.9%          | 23,221         | 12.3%         |
| <b>Total</b>      | <b>1,866</b>            | <b>100.0%</b> | <b>188,979</b> | <b>100.0%</b> | <b>1,866</b>       | <b>100.0%</b> | <b>188,979</b> | <b>100.0%</b> |

**SMALL BUSINESS LOAN DISTRIBUTION TABLE (2006 – 2007)**

|                                                     | SMALL BUSINESS |               |                |               | SMALL FARM |               |            |               |
|-----------------------------------------------------|----------------|---------------|----------------|---------------|------------|---------------|------------|---------------|
|                                                     | #              | %             | \$(000s)       | %             | #          | %             | \$(000s)   | %             |
| <b>By Tract Income</b>                              |                |               |                |               |            |               |            |               |
| Low                                                 | 35             | 3.7%          | 9,141          | 4.8%          | 0          | 0.0%          | 0          | 0.0%          |
| Moderate                                            | 169            | 18.0%         | 35,838         | 18.9%         | 0          | 0.0%          | 0          | 0.0%          |
| Middle                                              | 402            | 42.9%         | 76,166         | 40.1%         | 1          | 25.0%         | 75         | 13.1%         |
| Upper                                               | 332            | 35.4%         | 68,783         | 36.2%         | 3          | 75.0%         | 496        | 86.9%         |
| Unknown                                             | 0              | 0.0%          | 0              | 0.0%          | 0          | 0.0%          | 0          | 0.0%          |
| <b>Total</b>                                        | <b>938</b>     | <b>100.0%</b> | <b>189,928</b> | <b>100.0%</b> | <b>4</b>   | <b>100.0%</b> | <b>571</b> | <b>100.0%</b> |
| <b>By Revenue</b>                                   |                |               |                |               |            |               |            |               |
| Total \$1 Million or Less                           | 447            | 47.7%         | 74,641         | 39.3%         | 1          | 25.0%         | 75         | 13.1%         |
| Over \$1 Million                                    | 466            | 49.7%         | 113,823        | 59.9%         | 3          | 75.0%         | 496        | 86.9%         |
| Not Known                                           | 25             | 2.7%          | 1,464          | 0.8%          | 0          | 0.0%          | 0          | 0.0%          |
| <b>Total</b>                                        | <b>938</b>     | <b>100.0%</b> | <b>189,928</b> | <b>100.0%</b> | <b>4</b>   | <b>100.0%</b> | <b>571</b> | <b>100.0%</b> |
| <b>By Loan Size</b>                                 |                |               |                |               |            |               |            |               |
| \$100,000 or less                                   | 467            | 49.8%         | 24,576         | 12.9%         | 3          | 75.0%         | 221        | 38.7%         |
| \$100,001 - \$250,000                               | 237            | 25.3%         | 44,573         | 23.5%         | 0          | 0.0%          | 0          | 0.0%          |
| \$250,001 - \$1 Million (Bus) - \$500k (Farm)       | 234            | 24.9%         | 120,779        | 63.6%         | 1          | 25.0%         | 350        | 61.3%         |
| Over \$1 Million (Bus) – \$500k (Farm)              | 0              | 0.0%          | 0              | 0.0%          | 0          | 0.0%          | 0          | 0.0%          |
| <b>Total</b>                                        | <b>938</b>     | <b>100.0%</b> | <b>189,928</b> | <b>100.0%</b> | <b>4</b>   | <b>100.0%</b> | <b>571</b> | <b>100.0%</b> |
| <b>By Loan Size and Revenue \$1 Million or Less</b> |                |               |                |               |            |               |            |               |
| \$100,000 or less                                   | 256            | 57.3%         | 12,640         | 16.9%         | 1          | 100.0%        | 75         | 100.0%        |
| \$100,001 - \$250,000                               | 100            | 22.4%         | 18,372         | 24.6%         | 0          | 0.0%          | 0          | 0.0%          |
| \$250,001 - \$1 Million (Bus)- \$500k (Farm)        | 91             | 20.4%         | 43,629         | 58.5%         | 0          | 0.0%          | 0          | 0.0%          |
| Over \$1 Million (Bus)- \$500k (Farm)               | 0              | 0.0%          | 0              | 0.0%          | 0          | 0.0%          | 0          | 0.0%          |
| <b>Total</b>                                        | <b>447</b>     | <b>100.0%</b> | <b>74,641</b>  | <b>100.0%</b> | <b>1</b>   | <b>100.0%</b> | <b>75</b>  | <b>100.0%</b> |

**CRA APPENDIX C: ASSESSMENT AREA MAP<sup>3</sup>**



<sup>3</sup> Lafayette's assessment area includes Northampton and Lehigh Counties in the Allentown-Bethlehem-Easton MSA and parts of Monroe County in the East Stroudsburg Micropolitan Statistical Area.