



Comptroller of the Currency
Administrator of National Banks

Large Bank Supervision
Washington, DC 20219

Public Disclosure

November 26, 1997

Community Reinvestment Act Performance Evaluation

**Mellon Bank, N.A.
Charter Number 6301
One Mellon Bank Center
Pittsburgh, PA 15258-0001**

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Large Bank Supervision
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NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency, when examining financial institutions subject to its supervision, to use its authority to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon the examination's conclusion, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Mellon Bank, N.A.** (Mellon) prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 26, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the bank's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: This institution is rated **Outstanding**.

- A substantial portion (88 percent) of HMDA reportable and small business loans were originated within the assessment areas.
- Among bank lenders in its assessment areas, Mellon is the fourth largest HMDA reportable lender.
- Reportable business loans increased by 50 percent during this evaluation period.
- Market share of home purchase loans for 1996 was 1.92 percent. Market share for low income census tracts was 5.2 times the total market share. Moderate income market share was twice the total market share.
- Market share for home purchase loans to low income borrowers was 3.3 times the total market share and 1.6 times the total market for moderate income borrowers.
- Qualified investments extended during the evaluation period were \$87 million, representing 3.2 percent of Mellon's equity capital.
- Mellon established a Small Business Investment Corporation in 1996 to help provide funding for expansion of small businesses and provided \$49 million in equity capital.
- Delivery systems are accessible to essentially all portions of the assessment areas.

- Telephone banking is available 24 hours a day for all retail customers. This service also allows access to a customer service representative.
- A wide range of workshops are available to retail and business customers. Mellon offered 264 workshops during the evaluation period.

The following table indicates the performance level of **Mellon Bank, N.A.** with respect to the lending, investment and service tests.

Performance Levels	Mellon Bank, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	
High Satisfactory			X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

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

Description of Institution

Mellon Bank, N.A. (Mellon) is a wholly owned subsidiary of Mellon Bank Corporation, a bank holding company with \$43 billion in assets. Mellon Bank Corporation is a major financial services company headquartered in Pittsburgh, Pennsylvania. The corporation's two core businesses are providing investment and banking services. Among the banking services provided are a full array of consumer and small business loans, and private banking in the mid-Atlantic region. The bank offers an affordable mortgage product of its own. Corporate and institutional banking are offered nationally and internationally.

Credit cards are offered through an affiliated bank in Delaware and mortgages are offered nationally through the mortgage company located in Texas. AFCO Credit Corporation, a financing affiliate, offers small business financing nationally. Mellon Bank Community Development Corporation (MBCDC), a subsidiary of the holding company, makes investments and loans in the bank's markets that do not normally meet the bank's underwriting guidelines.

Mellon serves most of Pennsylvania and a small portion of southern New Jersey. There are no legal or financial impediments which would affect the bank's ability to help meet the financial needs of its entire community.

Mellon had assets of \$38 billion as of June 30, 1997. This included \$24 billion in domestic deposits and \$23 billion in domestic loans resulting in a domestic loan to deposit ratio of 96 percent. Major components of the loan portfolio are commercial loans (40 percent), real estate loans (28 percent), consumer loans (9.5 percent), and lease financing (10 percent). Tier I capital of the bank was \$2,675 million as of the June 30, 1997, Call Report. The bank has a significant branch network consisting of 392 offices and 651 ATMs. Many offices are in supermarkets. Mellon did not make any major banking acquisitions during the evaluation period.

Description of Assessment Areas

As previously mentioned, Mellon serves most of Pennsylvania and a small portion of southern New Jersey. This area includes 21 assessment areas and has a population of 10.6 million. Ten percent of the population is below the poverty level. The table below provides further demographic information for the total assessment areas.

DEMOGRAPHICS FOR THE ASSESSMENT AREAS

Census Tract Income Level	# of Census Tracts	% of Total Tracts	Owner-Occupied Units	Families within each Income Category
Low	171	6	3%	19%
Moderate	489	17	13%	18%
Middle	1,497	52	58%	24%
Upper	616	22	26%	39%
Not applicable	82	3	--	--
Total	2,855	100	100%	100%

Community Contacts

During the examination, the OCC reviewed 41 community contact forms that representatives of the OCC, Federal Reserve Banks, Federal Deposit Insurance Corporation, and Office of Thrift Supervision had prepared. The contacts were made in 16 of the bank's 21 assessment areas, and included local community-based organizations, state agencies, and municipal officials. Among the more prominently identified community needs were affordable housing, neighborhood community development, small business lending, credit counseling, and social services. For the most part, Mellon was commended by the organizations and their officials. The bank was generally cited as being among the more active participants in organizational funding, providing services, and supporting special loan programs.

Conclusions with Respect to the Performance Tests

LENDING TEST

Lending Activity

Mellon offers a variety of real estate, consumer and small business loans and widely distributes these throughout its various assessment areas. The volume of originations and purchased loans demonstrates that Mellon has been exceptionally responsive to the assessment areas' credit needs.

From January 1, 1996, to June 30, 1997 the bank originated 26,843 home mortgages loans totaling \$1.4 billion. It ranked eleventh among all mortgage lenders in its assessment area and fourth among bank-related lenders. During the same period, Mellon originated 152,225 consumer loans for \$1.5 billion, and 12,963 reportable small business and farm loans for \$1.6 billion. Mellon is a leading small business lender and the level of lending is very responsive to the credit needs of the communities served. From June 30, 1995, to June 30, 1997, the outstanding balances of reportable business loans increased from \$515 million to \$773 million, an increase of 50 percent. For 1996, Mellon was first among all banks for number of reportable small business loans filed and third overall.

Assessment Area Concentration

A substantial majority of the bank's lending is originated within the bank's assessment areas. During the evaluation period, Mellon originated 86 percent of the home mortgages and 91 percent of small business and farm loans within its assessment areas. During the same period, 76 percent of the dollar volume of home mortgages and 82 percent of the dollar volume of small business loans were originated within the assessment areas.

Geographic Distribution

Mellon has an excellent loan distribution among census tracts. This conclusion is based upon the strong market share for home mortgages in low and moderate income census tracts and the strong penetration of small business loans in these tracts.

Home Mortgage Lending

Mellon's pattern of loan distribution among low, moderate, middle, and upper income census tracts is consistent with the number of owner-occupied homes in these census tracts. The bank's lending performance shows excellent penetration rates and higher market share in low and moderate income census tracts than in the assessment area as a whole. In 1996, Mellon made mortgage loans in most of the census tracts in their assessment areas.

The total percentage of loans made in low and moderate income census tracts in 1997 decreased. There were two primary reasons. The bank tightened its underwriting standards for its affordable mortgage product and lending decreased overall as interest rates increased. The percentages of loans made, as measured by the number of owner-occupied housing units, were consistent among the four income levels.

The following chart shows that the bank made 7 percent of its home purchase loans in low income census tracts in 1996, and these areas contained only 3 percent of the owner-occupied housing units in the bank's assessment area. Similarly, it made 19 percent of these loans in moderate income census tracts that contained only 13 percent of the owner-occupied units. These percentages declined in the first half of 1997, but remained consistent with level of owner-occupied housing.

HMDA Reportable Home Purchase and Home Improvement Loans
Percentage of Loans Made in Census Tracts Within Mellon Bank Assessment Areas

	Low Income		Moderate Income		Middle Income		Upper Income	
	1996	6-30-97	1996	6-30-97	1996	6-30-97	1996	6-30-97
Home Purchase	7%	3%	19%	11%	47%	55%	27%	31%
Home Improvement	3%	3%	12%	12%	56%	55%	29%	30%
Percent of Owner-Occupied Housing	3%		13%		58%		26%	

Bank penetration ratios are measured by the number of loans made within a certain census tract type divided by the number of owner-occupied units in the census tracts. In 1996, these ratios were 0.5 percent in low income census tracts, 0.6 percent in moderate income census tracts, 0.7 percent in middle income census tracts, and 0.8 percent in upper income census tracts. As of June 30, 1997, the penetration ratios were 0.2 percent low income census tracts, 0.2 percent in moderate income census tracts, 0.3 percent in middle income census tracts, and 0.3 percent in upper income census tracts.

The most recent year for which aggregate market data is available is 1996. Within its entire assessment area Mellon ranked eleventh for HMDA reportable home purchase loans. However, it was the second leading lender in low income census tracts and third in moderate income census tracts. The bank's market share in all census tracts was 1.92 percent. However, the market share was 9.94 percent in low income census tracts and 3.98 percent in moderate income census tracts.

Small Business and Farm Lending

In the past few years, Mellon has substantially increased its small business lending within its assessment areas. Five percent of the businesses in the bank's assessment areas are in low income census tracts, and 14 percent are in moderate income census tracts. The following table shows that small business lending in low income census tracts exceeds the percentage of businesses and in moderate income census tracts it is marginally under the percentage of businesses. As of June 30, 1997, the bank made 20 percent of its loans in combined low and moderate income census tracts. Business loans continue to penetrate low and moderate income areas at a rate consistent with the numbers of known businesses. For 1996, Mellon's market share for reportable small business loans was 7.86 percent. However, the market share was 11.70 percent in low income census tracts and 8.16 percent in moderate income census tracts.

Small Business Loans

Percentage of Loans Made in Census Tracts Within Mellon Bank Assessment Areas

Low Income		Moderate Income		Middle Income		Upper Income	
1996	6-30-97	1996	6-30-97	1996	6-30-97	1996	6-30-97
6%	7%	12%	13%	47%	48%	35%	32%
Small Businesses and Farms located in Census Tracts							
5%		14%		51%		30%	

Similarly, the bank's small business loan penetration in low and moderate income census tracts is proportionate to the penetration of all census tracts. The penetration ratio is measured by the number of loans made within a census tract type divided by the number of known businesses in the census tracts and the number of loans. In 1996, these ratios were 2.2 percent in low income census tracts, 1.8 percent in moderate income census tracts, 1.8 percent in middle income census tracts, and 2.2 percent in upper income census tracts. As of June 30, 1997, the penetration ratios were 1.3 percent in low income census tracts, 0.9 percent in moderate income census tracts, 0.9 percent in middle income census tracts, and 1 percent in upper income census tracts.

Borrowers' Distribution

Mellon's loan distribution for home loans to borrowers of various income levels is excellent when compared to the distribution of families of various income levels. The distribution of lending to business customers of different sizes demonstrates a strong commitment to small business lending.

Home Mortgage Lending

The level of home purchase loans to low or moderate income families exceeded the percentage of families that were at low or moderate income levels during 1996. Originations to low income borrowers represented 21 percent of total home purchase originations while 19 percent of the area's families were at low income levels. This is especially strong considering that 10 percent of all households are below the poverty level which significantly reduces that number of families that would qualify for mortgages. Originations to moderate income borrowers represented 26 percent of the originations while 18 percent of the families were at moderate income levels. The volume of home purchase lending to low income borrowers declined to 12 percent during the first two quarters of 1997 due to changes in underwriting guidelines, however, lending to moderate income borrowers increased to 30 percent of total originations. For 1996, Mellon's market share for home purchase loans was 1.92 percent. However, the market share to low income borrowers was 6.40 percent and 3.05 percent to moderate income borrowers.

The lending distribution of home improvement loans to moderate income borrowers is consistent with the percentage of families in the income category for both years. Lending to low income borrowers is one half of the percentage of families that were low income. This lower figure is explained by the high percentage of low income families that are below the poverty level. Also, Mellon does not offer

indirect home improvement loan programs, which are frequently targeted toward low or moderate income borrowers.

Home Purchase and Home Improvement Loans
Percentage of Loans Made to Borrowers of Different Income Levels

	Low Income		Moderate Income		Middle Income		Upper Income	
	1996	6-30-97	1996	6-30-97	1996	6-30-97	1996	6-30-97
Home Purchase	21%	12%	26%	30%	24%	25%	29%	33%
Home Improvement	10%	9%	18%	17%	26%	27%	46%	47%
Family Distribution	19%		18%		24%		39%	

Small Business and Farm Lending

Mellon’s lending pattern to small businesses demonstrates a commitment to making small loans to small businesses. Within the entire area where Mellon operates, 88 percent of all businesses have revenues less than one million dollars. Mellon does not collect revenue data for a large portion of small business loans, however 63 percent of the originated loans with known revenues were to small businesses. In total, 2,972 small business loans totaling \$152 million were originated during the evaluation period. In addition, 87 percent of all reportable small business loans were for amounts less than \$100 thousand. The table below indicates the size distribution of the loans originated for small businesses.

Small Business Loans
Distribution of Loans Made to Businesses with Revenues less than \$1 Million

Loan Size	1996	1997
<= \$100 M	87%	87%
\$100M - \$250M	11%	10%
\$250M - \$1,000M	2%	3%
Total	100%	100%

Community Development Lending

Mellon has been active in community development lending. Community development loans are those that do not meet the definition of home mortgage, small business, or small farm loans but that provide funds for affordable housing, economic development and loan funds, or support community development (CD) services. During the evaluation period, Mellon originated 143 loans for \$56.5 million throughout the assessment areas. This amounts to 2.1 percent of equity capital.

Type	Number of Loans	Amount of Loans
Affordable Housing	74	\$11.9 million
CD Services	48	\$13.5 million
Economic Development	18	\$29.2 million
Loan Pools	3	\$1.9 million

Mellon has demonstrated leadership in affordable housing. For example, during the evaluation period, community organizations and financial institutions combined to produce 530 housing units in the Pittsburgh market. Mellon had a commanding share of this housing production with 50% of the total. This performance is more striking, considering that Mellon is third in market share (as measured by deposits) in this market.

Mellon is a strong supporter of community development services directed toward low and moderate income individuals. The support is displayed in the table above and through grants, sponsorships and investments as discussed in the *Investment Test* comments of this performance evaluation. Many of these loans are unsecured loans to non profit organizations for the purpose of job training for unemployed, disabled or homeless individuals. Loans to support community services are found throughout the assessment areas.

Loan pools are another important way to provide loan funds but to minimize risk to individual banks. Mellon participates in a loan fund in the Wilkes-Barre market which supports revitalization of the downtown area. In addition, there are two loan pools in the Philadelphia market supporting the development of small businesses.

Innovative or Flexible Lending Practices

Mellon offers many loan programs that feature flexible credit underwriting practices and/or are innovative responses to identified community credit needs. The bank offers some of these to customers in all its assessment areas, and several are designed for specific communities.

Residential Real Estate Lending

Mellon participates in programs in individual communities that provide affordable home purchase loans, subsidized home improvement loans, and housing rehabilitation loans. These are described in the specific state or MSA rating comments within this performance evaluation. The bank offers the following programs throughout its assessment areas or in Pennsylvania.

FHA Title I Home Improvement Loans, which have no income restrictions, no closing costs or appraisal fees, and no equity requirements, are offered bank-wide. During the evaluation period the bank made 112 loans for \$1.3 million.

The Neighborhood Mortgage Loan Program provides below-market interest rates, low fees, and more flexible underwriting standards for low and moderate income home buyers or for those individuals purchasing in targeted low and moderate income census tracts. In 1996 and YTD 1997, Mellon originated approximately 2 thousand mortgages under this program for more than \$130 million.

In Pennsylvania, Mellon participates in the Pennsylvania Housing Finance Authority State Bond Program. This program provides purchase money for low and moderate income buyers, and offers low interest rates, low down payments, and up to 97 percent financing. During the evaluation period, the bank originated 221 loans for \$11.3 million.

Small Business Lending

Mellon offers innovative small business credit programs that address local needs, as well as the needs of its assessment areas. As the result of focus group meetings with small businesses during 1995, several barriers to small business lending were identified. These barriers were addressed with several new small business products. One of the most popular is the Business Builder Line of Credit. This was designed to provide a simple application requiring only basic financial information. It provides loans up to \$250 thousand, and the bank offered a special incentive rate of Prime minus one percent for the first six months of a loan. Through June 30, 1997, Mellon approved 1,701 loans with commitments of \$105 million and \$46 million outstanding.

In 1996, Mellon's Business Banking Group created a 15 year fixed rate, commercial real estate mortgage for loan amounts less than \$250 thousand. This allows small business borrowers to finance real estate for an extended period with no rate risk or short term balloon payments. During this evaluation period, the bank originated 547 loans for \$66 million.

Mellon established a \$2 million CRA Rate Concession program in order to help provide loans to businesses in low or moderate income areas. Standard pricing is reduced by as much as 200 basis points for these loans. During this evaluation period, the bank made 13 loans with current outstanding balances of \$1.8 million.

In Pennsylvania, Mellon participates with five other banks in the Pennsylvania Department of Commerce Penncap Program. The banks provide a loan loss reserve fund, which allows loans to be made that would not otherwise qualify under conventional credit standards. Mellon has made 8 loans in the amount of \$164 thousand under this program.

Consumer Lending

The Basic Installment Loan features no origination fee, minimal monthly payments, and a 50 basis point discount for permitting direct debits from bank accounts. The loans are for a maximum of \$5 thousand, and can be as low as \$1 thousand. The bank made 183 loans during the evaluation period for \$356 thousand.

INVESTMENT TEST

Mellon has demonstrated an excellent record of providing community development investments to its assessment areas.

Mellon uses several channels within the corporation to make qualified investments. These channels include direct investment or grants by the bank, MBCDC, and capital contributions to Mellon SBIC (a bank subsidiary). During the evaluation period, Mellon extended \$87 million, or 3.2 percent of equity capital, which is a significant amount. These investments included capital contributions for the SBIC, numerous investments in innovative or complex instruments, and grants or contributions. Amounts of these investments are detailed below.

	Commitments during Period	Extended* during period	Book Value as of 6/30/97
Bank - Investments	\$81,728,250	\$82,777,620	\$60,779,756
Bank - Grants	\$2,996,962	\$2,996,962	N/A
CDC	\$2,363,669	\$1,048,228	\$1,620,520
Total	\$87,088,881	\$86,822,910	\$62,400,276

* Seven commitments made prior to this evaluation period had funds extended during this period.

Investments consist of low income housing tax credits (LIHTC) projects, small business revolving loan funds, deposits in low-income and community credit unions, and capital contributions into Mellon owned entities. This mix of housing and small business projects mirrors the stated needs of assessment areas. Mellon's leadership and use of complex and innovative measures to help meet these needs are demonstrated in the following examples.

Philadelphia MSA

In a joint effort to support business and economic development in Philadelphia, Mellon and the Community Reinvestment Fund (CRF) collaborated to securitize a portion of the Philadelphia Industrial Development Corporation's (PIDC) loan portfolio. The portfolio was initially funded through Block Grant funds and targeted economic development. This was the first loan securitization that CRF completed in the Commonwealth of Pennsylvania. Since the pool of loans was made up of small business loans to various types of small businesses with limited information, the required analysis was complex. The \$3.9 million investment in CRF's bonds provided monies for PIDC to make additional loans available in Philadelphia to help manufacturing and industrial companies who want to start up, move into, or to expand in the city.

Pittsburgh MSA and surrounding area

In 1996, Mellon invested \$2 million in the Strategic Investment Fund Partnership. The primary focus of this fund is development projects located in blighted areas that will provide employment and housing opportunities for low income or other disadvantaged individuals. Projects selected for

investment by the Fund will be located within the nine county area of southwestern Pennsylvania. Preference is given to catalytic commercial, industrial, retail and residential projects that will involve Fund participation between \$500 thousand and \$4 million. Investments may be in the form of mortgages, loan guarantees, letters of credit , revenue participation certificates, equity investments or combinations. The core investment strategy is driven by quantifiable goals designed to support housing, office and industrial space and retail outlets.

The project is a very significant partnership of public and private resources. The Fund represents the private sector investment in an overall plan that includes the Pittsburgh Development Fund and the Allegheny County Development Fund. This collaborative effort will produce approximately \$160 million in total to be used in the development and revitalization of communities and business areas of southwestern Pennsylvania. Mellon's Chairman Cahouet is a board member of the conference which initiated the Strategic Investment Fund Partnership.

Harrisburg MSA

In March 1997, Mellon participated as both a lender and equity investor in the John Crain Kunkel Center, formerly the Sylvan Heights Project in Harrisburg, PA. This project effected the relocation of the City's YWCA residential and service programs and created 48 low income tax credit qualified housing units. Included in this facility are single room occupancy and multi-family units as well as an emergency shelter. Social services to be provided include assistance in locating permanent housing, day care, training and counseling. Mellon took a leadership role in structuring the final financing package through preparation of the investment documentation, partnership structure and closing agreements.

Entire Assessment Area

In 1996, Mellon established a SBIC. Since banks cannot hold equity interests in small businesses, the SBIC was established to provide capital for small businesses in an expansion phase. Few banks have established these entities and the bank has contributed significant dollars in the form of capital for this SBIC. Capital contributions are provided as needed for specific equity or debt investments to be made by the SBIC. During the evaluation period, \$49 million was contributed as capital for investment in small businesses.

SERVICE TEST

Mellon's delivery systems are accessible to essentially all portions of the assessment areas. The bank maintains 392 branch offices within the assessment areas. Mellon maintains 19 percent of its branches and 19 percent of its stand alone ATM's in low or moderate income census tracts. Low and moderate income census tracts comprise 22 percent of all census tracts and 20 percent of the population of the assessment areas lives in low or moderate income tracts.

During the evaluation period, 29 branches were closed, 22 were consolidated, 6 were sold and 46 were opened. Three branches were opened and ten were closed in low or moderate income census

tracts. Eight branches were consolidated in low or moderate income census tracts. These changes in offices were mainly to implement Mellon's reconfiguration strategy and expand availability of services through supermarket banking.

Mellon has tele-banking services available to consumer and business customers. Mellon's *Bank-by-Phone* allows customers access to fully automated services, 24 hours a day, seven days a week. Through this service, customers can also access customer service representatives during extended hours and seven days a week. A similar service is provided business customers through Mellon's *Business Bank-by-Phone*. This service allows business customers access to their accounts seven days a week and 24 hours a day. Customer service help can be accessed through the Business Telephone Center during extended business hours.

Another innovative service that Mellon has instituted recently is Video Banking, which is currently available in 280 branches. It allows customers at branches with limited staff to access loan originators via a video terminal. Customer service representatives assist the customers until they feel comfortable with the process. The video connection offers real time discussions with staff to open deposit accounts, apply for consumer, small business or mortgage loans, open investment accounts or purchase insurance.

Basic banking products are offered to low or moderate income individuals with limited check writing needs. In addition, a checking account is available for elderly customers who have direct deposit. Mellon has also established a program for direct delivery of welfare checks and cashes these checks free of charge with proper identification.

Mellon offers a full range of retail products to customers and small business owners. Branch hours vary based on location and customer traffic patterns. In the bank's move to supermarket branches, extended hours are offered in the newer branches. Tele-banking hours supplement branch hours.

Throughout the assessment areas, employees of Mellon volunteer and serve on boards of community organizations which help provide community development services. This participation includes involvement at the highest levels of the corporation, such as the chairman and vice chairmen. Workshops to educate the public on various aspects of Mellon's products and services were presented 264 times during the evaluation period. The workshops offered were: Home Buying; Consumer Credit; Neighborhood Banking; Family Budgeting; Business Financing; and Banking for Kids. In addition, the staff of the MBCDC often extend technical or managerial assistance to organizations seeking loans from MBCDC or the bank.

FAIR LENDING REVIEW

In conjunction with the CRA evaluation, we performed concurrent fair lending and compliance examinations. We found the bank in compliance with anti-discrimination laws and regulations. These included the Equal Credit Opportunity Act (ECOA), the Fair Housing Act (FHA) and the Home Mortgage Disclosure Act (HMDA). There was no evidence in the fair lending examination to indicate any discriminatory practices had occurred against protected classes in Mellon's lending activities.

MULTI-STATE MSA RATING

CRA Rating for Philadelphia MSA:	Outstanding
The lending test is rated:	Outstanding
The investment test is rated:	Outstanding
The service test is rated:	High Satisfactory

- The volume of lending in low and moderate income census tracts in the Philadelphia MSA was significant.
- The bank's market share for home purchase loans in low income census tracts is more than six times that of its overall market share.
- Mellon's market share in moderate income census tracts is 2.4 times greater than its overall market share.
- Mellon's market share for home purchase loans to low income borrowers was 4 times that of the total market share and 1.4 times the market share for moderate income borrowers.
- Mellon provided \$7.8 million in investments to this MSA and \$74 million which benefit the entire assessment area.
- Delivery systems are accessible to all portions of the area and many community development services are provided.

Description of Institution's Operations in Philadelphia MSA

The Philadelphia MSA represents a significant portion of the bank's market. This multi-state MSA consists of the city of Philadelphia and four counties adjacent to it in Pennsylvania, and four counties in New Jersey. The bank's assessment area includes the whole MSA except Salem County, New Jersey. The assessment area has 30 percent of the bank's home mortgage, consumer and commercial loans. Mellon is known in the Philadelphia area as Mellon PSFS. The business focus is similar to that of the rest of the bank, and 136 branches serve the area. Mellon ranks fourth overall in the Philadelphia banking market. However, the bank only recently entered the New Jersey portion of the market, and it does not yet have a significant presence there. It ranks second in the Pennsylvania portion of the MSA.

The population of this assessment area is nearly five million which comprises 45 percent of the total population of all the bank's assessment areas. The assessment area contains 1,254 census tracts. Eight percent of the census tracts are low income and sixteen percent are moderate income.

Ten percent of the households are living below the poverty level and 64 percent of housing is owner occupied. The 1997 median family income for this MSA is \$51,300. Twenty percent of the families are considered low income and 18 percent are moderate income.

Philadelphia's economy has strengthened and job growth has accelerated. A new convention center has spurred the hotel and retail markets. Near-term job losses will probably result from a few major corporate mergers. In the longer term, the high cost of doing business, continuing consolidation of health care services, and subdued housing activity are challenges that constrain economic growth. As a provider of financial services, Mellon encounters strong competition from two other large interstate banking institutions in the Philadelphia MSA.

Conclusions with Respect to Performance Tests in Philadelphia MSA

LENDING TEST

Lending Activity

From January 1, 1996, to June 30, 1997, Mellon originated 8,904 home mortgages loans totaling \$517 million. During the same period, the bank originated 64,896 consumer loans for \$596 million, and 5,332 small business and farm loans for \$478 million. Mellon is a leading small business lender and the level of lending is very responsive to the credit needs of the MSA. The volume of originated loans shows that the bank has been exceptionally responsive to the assessment area credit needs.

Geographic Distribution

Mellon has excellent loan distribution among all census tracts. This is based on the bank's very strong market share for home mortgages in low and moderate income census tracts and the volume of small business lending in these census tracts.

Home Mortgage Lending

The bank's lending performance shows excellent penetration ratios and higher than peer lending in low and moderate income census tracts. Mellon's pattern of loan distribution among low, moderate, middle and upper income census tracts is consistent with the numbers of owner-occupied homes in these census tracts within the Philadelphia MSA. In 1996, Mellon originated home mortgages loans in most of the assessment area's census tracts. The total percentage of loans made in low and moderate income census tracts in 1997 decreased slightly. Two primary reasons were more stringent underwriting standards for the affordable mortgage product and decreased lending overall as interest rates increased.

The percentages of loans made, as measured by the number of owner-occupied housing units, were consistent among the four income levels. The following chart shows that the bank made 13 percent of its home purchase loans in low income census tracts in 1996. These tracts contained only 5 percent of the owner-occupied housing units in the bank's assessment area. Similarly, it made 25 percent of these loans in moderate income census tracts that contained only 16 percent of the owner-occupied units. These percentages declined in the first half of 1997, but remained above the percentage of owner-occupied housing.

HMDA Reportable Home Purchase and Home Improvement Loans
Percentage of Loans Made in Census Tracts Within Philadelphia MSA

	Low Income		Moderate Income		Middle Income		Upper Income	
	1996	6-30-97	1996	6-30-97	1996	6-30-97	1996	6-30-97
Home Purchase	13%	6%	25%	13%	33%	45%	29%	36%
Home Improvement	6%	6%	17%	17%	44%	40%	33%	37%
Percent of Owner-Occupied Housing	5%		16%		47%		32%	

Penetration ratios are measured by dividing the number of loans made in certain census tracts by the number of owner-occupied units in those census tracts. In 1996, the ratios were 0.5 percent in low income census tracts, 0.6 percent in moderate income census tracts, 0.5 percent in middle income census tracts, and 0.5 percent in upper income census tracts. As of June 30, 1997, the penetration ratios were 0.2 percent in each type of census tract.

The most recent year for which aggregate market data is available is 1996. Within the Philadelphia MSA Mellon ranked eleventh among HMDA reportable home purchase lenders. However, it was the second leading lender in low income census tracts and third in moderate income census tracts. The bank's market share in all census tracts was 1.87 percent. However, it had a 12 percent market share in low income census tracts, and a 4.56 percent market share in moderate income census tracts.

Small Business and Farm Lending

In the past few years Mellon has significantly increased small business lending in this MSA. Six percent of the businesses in the MSA are located in low income census tracts, and 12 percent are in moderate income census tracts.

The following table shows that small business lending in low income census tracts exceeds the percentage of businesses and in moderate income census tracts it is marginally under the percentage of businesses. As of June 30, 1997, the bank made 18 percent of its loans in combined low and moderate income census tracts. The bank continues to make business loans in low and moderate income areas at a rate consistent with the numbers of businesses.

Small Business Loans

Percentage of Loans Made in Census Tracts Within Philadelphia MSA

Low Income		Moderate Income		Middle Income		Upper Income	
1996	6-30-97	1996	6-30-97	1996	6-30-97	1996	6-30-97
8%	7%	11%	11%	38%	39%	43%	43%
Small Businesses and Farms located in Census Tracts							
6%		12%		44%		38%	

Similarly, the bank's small business loan penetration in low and moderate income census tracts is proportionate to the penetration of all census tracts. Penetration ratios are determined by dividing the number of loans made by the number of known businesses in each census tracts. In 1996, these ratios were 2.1 percent in low income census tracts, 1.8 percent in moderate income census tracts, 1.6 percent in middle income census tracts, and 2.0 percent in upper income census tracts. As of June 30, 1997, the penetration ratios were 0.9 percent in low income census tracts, 0.8 percent in moderate income census tracts, 0.7 percent in middle income census tracts, and 0.8 percent in upper income census tracts.

Borrowers' Distribution

Mellon's loan distribution for home loans to borrowers of various income levels is excellent when compared to the distribution of families of various income levels. The distribution of lending to businesses of different sizes demonstrates a commitment to small business lending.

Home Mortgage Lending

Overall, home purchase lending to low income borrowers exceeded the percentage of low income families for the evaluation period. During 1996, thirty-one percent of home purchase loans were to low income borrowers which significantly exceeded the demographic distribution which indicates that 20 percent of families are at low income levels. This is especially strong considering demographic information indicates that 10 percent of the households within this MSA are below the poverty level. This significantly decreases the potential number of low income families who could qualify for mortgages.

Originations to moderate income borrowers represented 26 percent of the total originations, while 18 percent of the families were at moderate income levels. During 1997, this level of home purchase lending to low income borrowers declined to 15 percent. However home mortgage lending to moderate income borrowers increased to 33 percent. During 1996, Mellon's market share to low income borrowers was 4 times that of its overall market share of 1.87 percent. In addition, the market share for moderate income borrowers was 1.5 times its overall market share.

Mellon's level of home improvement lending to low income borrowers within the Philadelphia MSA was reasonable relative to the demographic distribution of low income families. This is explained by the high percentage of low income families that are below the poverty level. The level of loans to moderate income borrowers is consistent with the percentage of moderate income families.

Home Purchase and Home Improvement Loans

Percentage of Loans Made to Borrowers of Various Income Levels Within Philadelphia MSA

	Low Income		Moderate Income		Middle Income		Upper Income	
	1996	6-30-97	1996	6-30-97	1996	6-30-97	1996	6-30-97
Home Purchase	31%	15%	26%	33%	18%	21%	25%	31%
Home Improvement	17%	13%	22%	20%	24%	25%	37%	41%
Family Distribution	20%		18%		24%		38%	

Small Business and Farm Lending

Mellon’s lending pattern to businesses demonstrates a commitment to making small loans to small businesses. Within its assessment areas, 88 percent of all businesses have revenues less than one million dollars. Mellon does not collect revenue data for a large portion of small business loans, however 60 percent of the originated loans with known revenues were to small businesses. In total, 1,349 small business loans for \$59 million were originated during the evaluation period. In addition, 80 percent of all reportable small business loans were for amounts less than \$100 thousand. The table below indicates the size distribution of the loans originated for small businesses.

Small Business Loans
Distribution of Loans Made to Businesses with Revenues less than \$1 Million

Loan Size	1996	1997
<= \$100 M	89%	86%
\$100M - \$250M	8%	12%
\$250M - \$1,000M	2%	3%
Total	100%	100%

Community Development Lending

Mellon has been active in the origination of community development loans in the Philadelphia MSA. During the evaluation period, 44 loans for \$15.8 million were originated. The bank is a leader in providing funds for affordable housing with loans to groups such as Greater Germantown Housing, Philadelphia Housing Development and Kensington Action Now. In addition, Mellon was active in other areas of community development through loans to community service organizations, micro loan funds for small businesses and economic development loans to relocate businesses to an enterprise zone within Philadelphia.

Innovative or Flexible Lending Practices

Mellon offers many loan programs that feature flexible credit practices and/or are innovative responses to identified credit needs. The following are offered only in the Philadelphia market.

Residential Real Estate Lending

Mellon participates in the Philadelphia Home Improvement Loan Program which provides home improvement loans to low and moderate income home owners at an interest rate of three percent for up to 20 years. The maximum loan amount is \$25 thousand. During the evaluation period the bank made 33 loans totaling \$483 thousand.

The Philadelphia Homeownership Rehabilitation Program is a city-sponsored program to acquire and rehabilitate vacant houses for sale to low and moderate income, first-time home buyers. These are financed by the combination of a bank loan and city subsidy to offset rehabilitation costs. During this evaluation period, the bank originated one loan for \$31 thousand.

Small Business Lending

The Special Credit Allocation Pool is a program funded with \$5 million for CRA business loans which are considered higher than average risk. This program is available in Philadelphia and Pittsburgh. In 1997, Mellon originated 15 loans for \$4.5 million in the Philadelphia area.

The Philadelphia Micro Loan Pool, in which Mellon participates with other banks, provides up to \$25 thousand for small businesses. The loans are used for several purposes including acquisition of business assets, real estate, and working capital. The lending criteria for collateral and experience are relaxed from the bank's usual underwriting standards for these programs. The bank has committed \$200 thousand and originated 19 loans for \$47 thousand. A similar program assists small businesses in Chester County in the Coatesville area in which the bank has committed \$150 thousand, but no loans have been extended.

Mellon entered an agreement with the University of Pennsylvania on April 24, 1997, to provide financing for small business, commercial and housing developments in the neighborhoods adjacent to the University City area. The initiative is the university's commitment to rebuilding its community and the bank has committed up to \$15 million in consumer and commercial loans to support this strategy. No loans have yet been extended.

Mellon participates in the Collaborative Lending Initiative with other area banks to provide bridge financing for low income housing projects in the Delaware Valley area. The bank committed \$250 thousand each to the New Jersey and Pennsylvania programs, and has made one loan in each state for a total of \$200 thousand.

INVESTMENT TEST

Mellon has demonstrated an excellent record of providing community development investments in the Philadelphia MSA. Mellon uses several channels within the corporation to make qualified investments. These channels include direct investment or grants by the bank, MBCDC and capital contributions to Mellon Ventures, an SBIC and bank subsidiary. Examples of Mellon's leadership and use of complex and innovative measures to help meet the needs of this assessment area were discussed previously in the overall rating.

During the evaluation period, Mellon provided a significant number and dollar volume of qualified investments. These included \$7.8 million in investments and grants for organizations within the MSA and an additional \$74 million for statewide investments which also benefited this area. Amounts of these investments are detailed below.

	Commitments during Period	Extended* During Period	Book Value as of 6/30/97
Bank - Investments	\$5,985,000	\$6,935,420	\$6,092,064
Bank - Grants	\$900,950	\$900,950	N/A

CDC	0	0	\$475,000
Area-wide Investments	\$74,557,000	\$74,557,000	\$49,557,000
Total	\$81,444,950	\$82,393,370	\$56,124,064

* Three commitments made prior to this evaluation period had funds extended during this period.

SERVICE TEST

Mellon's delivery systems are readily accessible to essentially all portions of the assessment area. The bank maintains 136 branch offices within this area. Eighteen percent of Mellon's branches and stand alone ATMs are located in low or moderate income census tracts. Low and moderate income census tracts comprise 22 percent of all census tracts and 25 percent of the population of the assessment area live in low or moderate income tracts.

During the evaluation period, 7 branches were closed, 11 were consolidated and 19 were opened. One branch was opened and one was closed in moderate income census tracts. Six were consolidated in moderate income census tracts. None were closed in low income tracts. The changes in office location were mainly to implement Mellon's supermarket banking strategy.

All products and services are consistent throughout Mellon's assessment area. Mellon offers a full range of retail products to customers and small business owners. Branch hours vary based on needs of the location. In the bank's move to supermarket branches, extended hours are offered in the newer branches. Extended hours of tele-banking complement branch hours.

Throughout the assessment area, employees of Mellon volunteer and serve on boards of community organizations which help to provide community development services. For example: Mellon associates provide technical assistance to the staff of Genesis Housing; and are board members of Mt. Holly 2000, the Affordable Housing Coalition of Burlington County, and Cooperative Business Assistance Corporation. Associates participate on the loan committees of the South Jersey Micro Loan Fund and the Cooperative Business Assistance Corporation. In addition, the staff of the CDC often extend technical or managerial assistance to organizations seeking loans from the CDC or the bank.

Workshops to educate the public on various aspects of Mellon's products and services are offered frequently. Seventy of the following workshops were offered during the evaluation period: Home Buying; Consumer Credit; Neighborhood Banking; Family Budgeting; Business Financing; and Banking for Kids.

STATE RATING

CRA Rating for The Commonwealth of Pennsylvania: **Outstanding**

The lending test is rated: Outstanding

The investment test is rated: Outstanding
The service test is rated: High Satisfactory

- Lending patterns reflect wide geographic distribution, good penetration ratios, and a high level of lending compared with peers.
- The bank's market share for home purchase loans in 1996 in low income census tracts was 2.4 times that of its overall market share and 1.7 times the overall market share for moderate income census tracts.
- Similarly, its market share to low income borrowers was 2.4 times that of its overall market share and 1.7 times the overall market share for moderate income borrowers.
- Mellon is the leading provider of affordable development housing financing in the Pittsburgh market.
- Delivery systems are accessible to all portions of the area and many community development services are provided.

Description of Institution's Operations in Pennsylvania

This rating area encompasses all of Mellon's assessment areas in Pennsylvania, excluding the Philadelphia Multi-state MSA. Within this portion of the state, the bank has designated 16 assessment areas, which include 11 MSAs and 10 counties not in MSAs. For administrative purposes Mellon separates the area into five regions. It has a population of 5.4 million which represents about 50 percent of the bank's entire assessment area. The business focus is similar to that of the rest of the bank and 250 branches serve the area. Four percent of the census tracts are low income and 18 percent are moderate income. The median family incomes vary between the MSA's and non-MSA areas comprising this rating area. Nineteen percent of the families are low income and 18 percent are moderate income. The largest MSA in the rating area is Pittsburgh, and it dominates the demographic and lending statistics. Lending within the Pittsburgh MSA is 32 percent of the bank's total lending and 49 percent of the lending for this rating area.

Pennsylvania has an improving economy, but significantly lags the nation as a whole. The state will under-perform the nation in both the near and long term. The exception is Harrisburg, whose growth trend is closer to the national norms.

The state has a high housing-affordability index compared to other northeastern states. This is partially offset by the age and condition of the existing housing stock which provides opportunities for home improvement lending. In 1997 personal bankruptcies are expected to increase over 50 percent; borrowers who are overextended but current in their accounts are filing prior to collection activity. This trend may result in curtailing aggressive and flexible credit programs designed to reach the lower income consumer. Also, Pennsylvania has an aging population, especially in Pittsburgh. This impacts lending opportunities as credit demand decreases among older residents. Pittsburgh has

a declining population, and housing activity is subdued. The demographic trends suggest that the city's economy will not perform as well the rest of the nation.

Conclusions with Respect to Performance Tests in the Commonwealth of Pennsylvania

LENDING TEST

Lending Activity

From January 1, 1996, to June 30, 1997, Mellon originated 17,828 home mortgages loans for \$874 million. It ranked fifth among all mortgage lenders in these assessment areas. During the same period the bank originated 86,849 consumer loans for \$941 million, and 7,385 small business and farm loans for \$1.2 billion. Mellon is a leading small business lender and the level of lending is very responsive to the credit needs of the area. The volume of originated loans shows that the bank has been responsive to credit needs.

Geographic Distribution

Mellon has excellent market share in low and moderate income census tracts. Lending in low income census tracts was strong and reasonable in moderate income census tracts. Home improvement lending in low and moderate income census tracts was not as strong as mortgage lending. Small business lending is responsive to the needs of this area.

Home Mortgage Lending

Mellon's pattern of loan distribution among low, moderate, middle and upper income census tracts is consistent with the numbers of owner-occupied homes in these census tracts. In 1996, Mellon originated home mortgages loans in most of the assessment areas' census tracts. The total percentage of loans made in low and moderate income census tracts in 1997 decreased slightly. Two primary reasons for this were tightened underwriting standards for its affordable mortgage product and decreased overall lending as interest rates increased.

The percentages of loans made, as measured by the number of owner-occupied housing units, were consistent among the four income levels. The following chart shows Mellon made 2 percent of its home purchase loans in low income census tracts in 1996, and these tracts contained 1 percent of the owner-occupied housing units in the bank's assessment areas. Similarly, it made 14 percent of these loans in moderate income census tracts that contained 11 percent of the owner-occupied units. These percentages declined in the first half of 1997, but remained consistent with the percentage of owner-occupied housing.

HMDA Reportable Home Purchase and Home Improvement Loans
 Percentage of Loans Made in Census Tracts Within Pennsylvania Assessment Areas

	Low Income		Moderate Income		Middle Income		Upper Income	
	1996	6-30-97	1996	6-30-97	1996	6-30-97	1996	6-30-97

Home Purchase	2%	1%	14%	9%	58%	63%	26%	27%
Home Improvement	1%	1%	9%	9%	63%	64%	27%	26%
Percent of Owner-Occupied Housing	1%		11%		68%		20%	

Penetration ratios are measured by dividing the number of loans made in certain census tracts by the number of owner-occupied units in those census tracts. In 1996, these ratios were 0.6 percent in low income census tracts, 0.7 percent in moderate income census tracts, 0.8 percent in middle income census tracts, and 1.2 percent in upper income census tracts. As of June 30, 1997, the penetration ratios were 0.2 percent in low income census tracts, 0.3 percent in moderate income census tracts, 0.3 percent in middle income census tracts, and 0.4 percent in upper income census tracts.

The most recent year for which aggregate market data is available is 1996. Within these Pennsylvania assessment areas Mellon ranked fifth among HMDA reportable home purchase loans, although it was the third leading lender in both low income and moderate income census tracts. The bank's market share for all census tracts was 2.08 percent. However, it had a 4.96 percent share in low income census tracts, and a 3.48 percent share in moderate income census tracts.

Small Business and Farm Lending

In the past few years Mellon has significantly increased small business lending throughout Pennsylvania. Three percent of the businesses in the assessment areas are in low income census tracts, and 15 percent are in moderate income census tracts.

The following table shows that small business lending in low income census tracts exceeds the percentage of businesses located in those census tracts. In moderate income census tracts, it is marginally under the percentage of businesses. As of June 30, 1997, the bank made 20 percent of its loans in combined low and moderate income census tracts. It continues to make loans in low and moderate income areas at a rate consistent with the number of known businesses.

Small Business Loans

Percentage of Loans Made in Census Tracts Within Pennsylvania Assessment Areas

Low Income		Moderate Income		Middle Income		Upper Income	
1996	6-30-97	1996	6-30-97	1996	6-30-97	1996	6-30-97
5%	6%	13%	14%	53%	55%	29%	25%
Small Businesses and Farms located in Census Tracts							
3%		15%		58%		24%	

Similarly, the bank's small business loan penetration in low and moderate income census tracts is proportionate to the penetration of all census tracts. Penetration ratios are measured by dividing the number of loans made by the number of known businesses in the census tracts. In 1996, these ratios were 2 percent in low income census tracts, 2 percent in moderate income census tracts, 2 percent in middle income census tracts, and 3 percent in upper income census tracts. As of June 30, 1997, the penetration ratios were 2 percent in low income census tracts and only 1 percent in the other tracts.

Borrowers' Distribution

Mellon has an excellent record of providing home loans to low and moderate income borrowers. The distribution of lending to businesses of different sizes demonstrates a commitment to small business lending.

Home Mortgage Lending

In 1996, originations to low income borrowers represented 12 percent of the total home purchase originations compared to 18 percent of the families at low income levels. The level of lending to low income borrowers declined to 10 percent in 1997, due to changes in underwriting guidelines. This performance is very good considering that 11 percent of all households in this area are below the poverty level. Lending to moderate income borrowers significantly exceeded the percentage of moderate income families both years, with 27 percent and 28 percent of home purchase originations, respectively as compared to 19 percent of the families at moderate income levels.

The market share for Mellon within this rating area was 2.08 percent for home purchase loans in 1996. Mellon's market share for low income borrowers was 4.96 percent and for moderate income borrowers it was 3.56 percent.

The lending distribution of home improvement loans to moderate income borrowers is reasonably consistent with the percentage of moderate income families for both years. Lending to low income borrowers is one third of the percentage of families at low income levels. This is explained by the high percentage of low income families that are below the poverty level.

Home Purchase and Home Improvement Loans
 Percentage of Loans Made to Borrowers of Various Income Levels Within Pennsylvania
 Assessment Areas

	Low Income		Moderate Income		Middle Income		Upper Income	
	1996	6-30-97	1996	6-30-97	1996	6-30-97	1996	6-30-97
Home Purchase	12%	10%	27%	28%	28%	27%	33%	35%
Home Improvement	6%	6%	16%	15%	26%	29%	52%	50%
Family Distribution	18%		19%		25%		38%	

Small Business and Farm Lending

Mellon's lending pattern to small businesses demonstrates a commitment to making small loans to small businesses. Within this rating area, 89 percent of all businesses have revenues less than one million dollars. Mellon does not collect revenue data for a large portion of small business loans, however 63 percent of the originated loans with known revenues were to small businesses. In total, 1,553 small business loans for \$91 million were originated during the evaluation period. In addition, 87 percent of all reportable small business loans were for amounts less than \$100 thousand. The following table indicates the size distribution of the loans originated for small businesses.

Small Business Loans

Distribution of Loans Made to Businesses with Revenues less than \$1 Million

Loan Size	1996	1997
<= \$100 M	85%	87%
\$100M - \$250M	13%	10%
\$250M - \$1,000M	2%	3%
Total	100%	100%

Community Development Lending

Mellon has been active in community development lending in the Commonwealth of Pennsylvania. During the evaluation period, Mellon originated 98 loans for \$41 million. As already mentioned in the performance discussion of the entire bank, Mellon is the leader in lending for affordable housing in the Pittsburgh market. Throughout the assessment areas, the bank provides community development loans to many affordable housing projects and groups, providers of community development services, and organizations providing economic development. The table below demonstrates the distribution of community development loans throughout the state and includes only MSA's where there community development lending occurred.

Community Development Loans by MSA Within the Pennsylvania Market

MSA	Number of Loans	Amount of Loans in 000's
Altoona	4	\$739
Erie	3	\$656
Harrisburg	5	\$3,579
Lancaster	1	\$97
Pittsburgh	74	\$32,589
Scranton	9	\$2,873
York	2	\$289

Innovative or Flexible Lending Practices

Mellon offers many loan programs that feature flexible credit practices and/or are innovative responses to identified community credit needs. Several of these are designed for specific communities throughout Pennsylvania.

Residential Real Estate Lending

Home Improvement Loan Programs are offered in various parts of the state including Pittsburgh, Allegheny County and Altoona. These loans have interest rates that are lower than conventional loans, and can be reduced further when payments are automatically deducted from a Mellon deposit account. Income restrictions apply to the applicants, but there is no minimum loan amount. The bank made 11 loans under the Pittsburgh program for \$171 thousand during the evaluation period. The IMPAC program in Allegheny County resulted in 29 loans being made for \$277 thousand. The Altoona program has 0 to 3 percent interest rates, and the bank made 7 loans for \$62 thousand for the entire evaluation period.

Mellon responded to a 1997 flood situation with a new loan program. The Pitcairn Flood Victims Loan Program was created in response to a flash flood in this community. Responding to requests, the bank offered an FHA home improvement loan at a 7.5 percent rate for 15 years. Costs and fees were waived. Two loans have been made for a total of \$30 thousand.

Several programs in the Pittsburgh area are designed to promote affordable home purchases. Among these are: the Pittsburgh Homeownership Program; Housing Recovery Program; Housing Opportunities, Inc.; Community Options, Inc.; and Homeownership for Less. Mellon extended 68 loans under these programs for \$3.7 million during the evaluation period. Similar affordable housing programs were established in Harrisburg, Erie, Williamsport, and Centre County. During this evaluation period the bank extended 12 loans for \$467 thousand.

Small Business Lending

The Special Credit Allocation Pool is a program funded with \$5 million for CRA-related business loans which are considered higher than average risk. This program is available in Pittsburgh. In 1997 the bank made 20 loans for \$3.4 million.

Mellon participates in several commercial loan pools in smaller communities throughout Pennsylvania. These are designed to help new or existing small businesses by providing subsidized interest rates and the payment of soft costs. These programs include the Commercial Revolving Loan Program - Lock Haven, Lock Haven Enterprise Zone Program, Venango County Loan Consortium, Redevelopment Authority of the City of Wilkes-Barre, Lackawanna County Small Business Pool, and the Beaver County Loan Pool. Several of these programs are recent and have not generated much loan volume. In total, Mellon has originated 12 loans for \$1.5 million under these programs during this evaluation period.

MBCDC

MBCDC has been involved in several programs that provide flexible and/or innovative responses to community development needs. MBCDC invested in a package of nine mortgages totaling \$214 thousand from the portfolio of the Pittsburgh Habitat for Humanity. This is the first time a bank has invested in this organization's mortgages.

MBCDC formed a partnership with Pittsburgh History and Landmarks Foundation to establish the Comprehensive Neighborhood Development Initiative. This is a funding and advisory source for not-for-profits involved in neighborhood revitalization. In 1996, the Initiative closed three loans for \$609 thousand that supported 28 new housing units for low and moderate income residents in the inner city of Pittsburgh.

Mellon is one of seven banks helping the Housing Authority of Beaver County develop an affordable housing program. Local agencies are involved as is the Federal Home Loan Bank. MBCDC extended a \$500 thousand loan in 1997.

INVESTMENT TEST

Overall, Mellon has demonstrated an excellent record of providing community development investments in this rating area. Mellon uses several channels within the corporation to make qualified investments. These channels include direct investment or grants by the bank, Mellon CDC and capital contributions to Mellon SBIC, a bank subsidiary. Examples of Mellon's leadership and use of complex and innovative measures to help meet the needs of this assessment area were discussed in the overall performance rating.

During the evaluation period, Mellon provided a significant number and dollar volume of qualified investments. These included investments and grants to organizations within the areas, and in statewide groups which also benefit the bank's entire assessment areas. Amounts of these investments are detailed in the following table.

	Commitments during Period	Extended* during period	Book Value as of 6/30/97
Bank - Investments	\$1,186,250	\$408,300	\$1,629,373
Bank - Grants	\$2,096,012	\$2,096,012	N/A
CDC	\$2,363,669	\$1,048,228	\$1,145,520
Area-wide Investments	\$74,557,000	\$74,557,000	\$49,557,000
Total	\$80,202,931	\$78,109,540	\$52,331,893

* Two commitments made prior to this evaluation period had funds extended during the period.

SERVICE TEST

Mellon's delivery systems are readily accessible to essentially all portions of the assessment areas. The bank maintains 250 branch offices within this rating area. Mellon maintains 21 percent of its branches and 19 percent of its stand alone ATMs in low or moderate income census tracts. Low and moderate income census tracts comprise 22 percent of all census tracts and 15 percent of the population of the assessment area live in low or moderate income tracts.

During the evaluation period, 23 branches were closed, 11 were consolidated, 6 were sold and 21 were opened. One branch was opened and eleven were closed in low or moderate income census tracts. Two branches were consolidated in moderate income tracts. The changes in office location were mainly to implement Mellon's supermarket banking strategy.

All products and services are consistent throughout Mellon's assessment area. Mellon offers a full range of retail products to customers and small business owners. Branch hours vary based on needs of the location. In the bank's move to supermarket branches, extended hours are offered in the newer branches. Extended hours of tele-banking complement branch hours.

Throughout the assessment areas, employees of Mellon volunteer and serve on boards of community organizations which help to provide community development services. The staff of the CDC often extend technical or managerial assistance to organizations seeking financing. In the Commonwealth of Pennsylvania, technical assistance has been provided to local economic development corporations within each region and numerous affordable housing organizations. An example is Mellon's involvement with Capital Region Economic Development Corporation (CREDC) in Harrisburg. The bank's regional president is a board member for CREDC.

Mellon assisted this group in establishing an entrepreneurial development center and the regional CRA officer remains on the advisory board of this organization. In addition, CREDC established a loan fund to finance micro loans for small businesses and the regional CRA officer is the chairman of the loan committee.

Workshops to educate the public on various aspects of Mellon's products and services are offered frequently. The workshops which were presented 194 times during the evaluation period were: Home Buying; Consumer Credit; Neighborhood Banking; Family Budgeting; Business Financing; and Banking for Kids.

STATE RATING

CRA Rating for State of New Jersey:	Satisfactory
The lending test is rated:	High Satisfactory
The investment test is rated:	Low Satisfactory
The service test is rated:	Low Satisfactory

- Lending patterns reflect even geographic distribution and good penetration ratios.
- Lending and investments are low compared with the bank's other markets because of the limited market presence.
- Market share for home purchase loans in low income census tracts is twice that of its overall market share; in moderate income census tracts, market share is 1.4 times the overall market share.
- Market share for home purchase loans to low income borrowers is equal to the total market share and for moderate income borrowers, market share is 1.6 times that total market share.
- Investments specific to the rating area are limited to grants of \$26 thousand.
- Delivery systems are generally accessible to all portions of the assessment areas and some community development services are offered.

Description of Institution's Operations in New Jersey

This area includes all of Mellon's assessment areas in New Jersey, excluding three counties in the Philadelphia Multistate MSA. The bank has designated four assessment areas, which include portions of three MSAs. Administratively, this rating area operates as part of the bank's Mellon PSFS Region in Philadelphia. The designated areas have a population of 298 thousand. The business focus is similar to that of the rest of the bank and six branches serve this part of the state. Mellon has only recently entered the New Jersey markets and has a very small presence in the state. In one assessment area, part of the Atlantic-Cape May MSA, three branches opened in supermarkets in March through May 1997. This evaluation does not include any financial data from these branches, nor the assessment area. One assessment area includes part of the Trenton MSA, and the other two are in portions of the Vineland-Millville-Bridgeton MSA. The assessment areas within these two MSA's contain 61 census tracts, of which 7 are low income and 17 are moderate income.

The economy in New Jersey has improved in the past year, primarily because of its growing services, trade, and communication and transportation industries. Some demographic trends suggest longer term weaknesses. The jobless rate is only 5.5 percent, but the population has suffered a net migration loss. The state's population growth is half the national average. This, combined with one of the highest cost structures in the Northeast, suggests that economic performance will under-perform the nation as a whole.

Conclusions with Respect to Performance Tests in New Jersey

LENDING TEST

Lending Activity

From January 1, 1996, to June 30, 1997, Mellon originated 111 home mortgage loans totaling \$8 million. It ranked twentieth among all mortgage lenders in its assessment areas. During the same period the bank originated 480 consumer loans for \$3 million, and 249 small business and farm loans for \$3 million. Mellon is a recent entrant into the New Jersey market and has a minor presence. The volume of lending is comparatively low.

Geographic Distribution

Mellon's market shares in low and moderate income census tracts are good and penetration ratios are reasonable.

Home Mortgage Lending

Mellon's pattern of loan distribution among low, moderate, middle and upper income census tracts is consistent with the numbers of owner-occupied homes in the New Jersey assessment areas. In 1996, Mellon originated home mortgage loans in many of the assessment areas' census tracts. The total percentage of loans made in low and moderate income census tracts in 1997 decreased. Two primary reasons for this were tightened underwriting standards for its affordable mortgage product and decreased lending overall as interest rates increased. However, the small volume of lending in New Jersey caused wide statistical variations.

The percentages of loans made, as measured by the number of owner-occupied housing units, were consistent among the four income levels. The following chart shows Mellon made 5 percent of its home purchase loans in low income census tracts in 1996 and these tracts contained only 3 percent of the owner-occupied housing units in the bank's assessment area. Similarly, it made 19 percent of these loans in moderate income census tracts that contained 18 percent of the owner-occupied units. No home purchase or home improvement loans were originated during the first half of 1997 in low or moderate income census tracts.

HMDA Reportable Home Purchase and Home Improvement Loans
Percentage of Loans Made in Census Tracts Within New Jersey Assessment Areas

	Low Income		Moderate Income		Middle Income		Upper Income	
	1996	6-30-97	1996	6-30-97	1996	6-30-97	1996	6-30-97
Home Purchase	5%	0%	19%	18%	67%	59%	9%	23%
Home Improvement	0%	0%	29%	20%	57%	80%	14%	0%
Percent of Owner-Occupied Housing	3%		18%		59%		20%	

Bank penetration ratios are measured by dividing the number of loans made by the number of owner-occupied units in each income level of the census tracts. In 1996 and as of June 30, 1997, these ratios were 0.1 percent in each type of census tract.

The most recent year for which aggregate market data is available is 1996. Within its New Jersey assessment areas Mellon ranked thirty-second among HMDA reportable home purchase lenders. However, it was the twenty-third leading lender in low income census tracts and twenty-ninth in moderate income census tracts. The bank's market share for all census tracts was 0.72 percent. However, it had a 1.09 percent share in low income census tracts, and a 1.45 percent share in moderate income census tracts.

Small Business and Farm Lending

Eleven percent of the businesses in the bank's assessment areas are in low income census tracts, and 20 percent are in moderate income census tracts. The following table shows that small business lending in all income-level census tracts very closely matches the geographic distribution of small businesses. As of June 30, 1997, the bank made 31 percent of its loans in combined low and moderate income census tracts. Business loans continue to penetrate low and moderate income areas at a rate consistent with the number of known businesses.

Small Business Loans
Percentage of Loans Made in Census Tracts Within Mellon Bank Assessment Areas

Low Income		Moderate Income		Middle Income		Upper Income	
1996	6-30-97	1996	6-30-97	1996	6-30-97	1996	6-30-97
11%	12%	18%	19%	46%	50%	25%	19%
Small Businesses and Farms located in Census Tracts							
11%		20%		50%		19%	

Similarly, the bank's small business loan penetration in low and moderate income census tracts is proportionate to the penetration of all census tracts. Penetration ratios are measured by dividing the number of loans made by the number of known businesses in each type of census tracts. In 1996, the penetration ratios were 1.8 percent in low income census tracts, 1.2 percent in moderate income census tracts, 1.3 percent in middle income census tracts, and 2.4 percent in upper income census tracts. As of June 30, 1997, the penetration ratios were 0.9 percent in low income census tracts, 0.7 percent in moderate income census tracts, 0.8 percent in middle income census tracts, and 0.7 percent in upper income census tracts.

Borrowers' Distribution

Mellon's lending performance within the State of New Jersey was good, particularly considering characteristics of the market area combined with Mellon's limited presence and only recent entrance.

The distribution of lending to businesses of different sizes demonstrates a commitment to small business lending.

Home Mortgage Lending

Mellon’s distribution of lending to individuals of different income levels was good. In 1996, originations to low income borrowers represented 9 percent of home purchase loans compared to 20 percent of the families. For the first six months of 1997, the percentage of loans originated was 10 percent. This distribution was reasonable considering that 8 percent of all households are below the poverty level. Lending to moderate income borrowers exceeded the percentage of families in both years. For 1996, Mellon only attained a market share for this rating area of 0.72 percent. Mellon’s market share to low income borrowers was 0.7 times that of its overall market share. Market share for moderate income borrowers was 1.6 times that of its market share overall.

Distribution of home improvement lending was reasonable. Volumes for these loans were small due to the recent opening of branches and small changes resulted in significant percentage changes.

Home Purchase and Home Improvement Loans
 Percentage of Loans Made to Borrowers of Various Income Levels Within New Jersey
 Assessment Areas

	Low Income		Moderate Income		Middle Income		Upper Income	
	1996	6-30-97	1996	6-30-97	1996	6-30-97	1996	6-30-97
Home Purchase	9%	10%	29%	19%	29%	43%	33%	28%
Home Improvement	14%	0%	14%	60%	29%	20%	43%	20%
Family Distribution	20%		18%		23%		39%	

Small Business and Farm Lending

Mellon’s lending pattern to small businesses demonstrates a commitment to making small loans to small businesses. Within the entire area where Mellon operates, 88 percent of all businesses have revenues less than one million dollars. Mellon does not collect revenue data for a large portion of small business loans, however 78 percent of the originated loans with known revenues were to small businesses. In total, 68 small business loans for \$671 thousand were originated during the evaluation period. In addition, 100 percent of all reportable small business loans were for amounts less than \$100 thousand.

Community Development Lending

Mellon has not originated any community development loans in New Jersey. The bank recently entered this market and has not developed the partnerships necessary to provide this type of lending effectively. In addition, Mellon’s overall presence in this market is limited.

Innovative or Flexible Lending Practices

Mellon offers several loan programs that feature flexible credit practices and/or are innovative responses to identified community credit needs. Mellon participates in one program which is offered only in the New Jersey market. This is the South Jersey Micro Loan Fund, which provides financing up to \$30 thousand for small businesses in the south New Jersey market. Participating banks lend on a “Round-Robin” basis. The program was started in mid-1996 and the bank has not made any loans during the evaluation period.

INVESTMENT TEST

Mellon has an adequate level of investments which benefit this rating area. Since Mellon has only recently entered this market, little activity occurred specifically within this market. There were investments which benefited the entire bank market that included this area. The investments which benefited the entire bank market totaled \$74 million during this period. In addition, grants totaling \$26 thousand were made during this period which benefited specifically the New Jersey market.

SERVICE TEST

Mellon’s delivery system is accessible to essentially all portions of the assessment areas. The bank maintains six branch offices and three ATMs within this rating area. None of Mellon’s branches or ATMs are located in low or moderate income census tracts. Low and moderate income census tracts comprise 41 percent of all census tracts and 31 percent of the population of the assessment areas live in low and moderate income tracts.

During the evaluation period, six branches were opened and none were closed. All of the branches opened were in middle or upper income census tracts. The bank has recently entered this market as a de nova bank and branch locations were selected to effect Mellon’s supermarket banking strategy.

All products and services are consistent throughout Mellon’s assessment areas. Mellon offers a full range of retail products to customers and small business owners. Branch hours vary based on needs of the location. In the bank’s move to supermarket branches, extended hours are offered in the newer branches. Extended hours of tele-banking complement branch hours.

While new to the rating area, Mellon maintains relationships with several community development organizations providing affordable housing and other services. These groups include New Jersey Rural Opportunities, Tri-County Community Action, AHOME, Bootstraps, Affordable Housing Network of New Jersey and New Jersey Community Loan Fund.

Information on Assessment Areas Reviewed

Charts to support the conclusions of the performance in each Metropolitan Statistical Area where Mellon operates and the Nonmetropolitan Areas of Pennsylvania are found in Appendix A.

METROPOLITAN STATISTICAL AREAS

Description of Institution's Operations in Altoona, PA MSA

This MSA consists of Blair County, Pennsylvania, which has a population of 130 thousand. It has 36 census tracts; one is low income and four are moderate income. The population is declining and the housing stock is deteriorating. The economy was based on heavy manufacturing and railroads but has been in decline for several decades. Demographic data shows 50,325 households with 14 percent residing in low or moderate income census tracts. In addition, 19 percent of the families are classified as low income and 19 percent are moderate income. The median family income for this MSA is \$33 thousand. This data also shows 5,248 small businesses and an additional 592 businesses with sales more than \$1 million. Strong local financial institutions and statewide banking organizations provide competition.

Conclusions with Respect to Performance Tests in Altoona, PA

LENDING TEST

Lending performance for HMDA reportable loans and small business loans is generally consistent with the bank's overall performance and demonstrates a strong commitment to serving the whole community. Given that 14 percent of the families are below the poverty income level, and that the one low income census tract has only 0.4 percent of the owner-occupied housing units, the lack of home purchase loans in this tract is understandable. Lending to the moderate income census tracts is commensurate with the area's level of owner-occupied housing, and Mellon was a leading lender in these tracts. The distribution of HMDA reportable loans to individuals of different income levels is reasonable. As expected, considering the higher than average poverty level, home purchase and home improvement loans to low income and moderate income individuals were below the percentage of low and moderate income families and lower than the bank's overall performance. Small business lending has been substantial and is geographically dispersed. Mellon developed a special home improvement loan program for the city of Altoona. It has interest rates of 0 percent to 3 percent, and the bank has made seven loans for \$62 thousand. Mellon also made four community development loans for \$730 thousand during this evaluation period.

INVESTMENT TEST

Considering the bank's limited presence in this market, performance is consistent with overall performance. Mellon's investments in this MSA are limited to grants of \$65 thousand made during the evaluation period and one investment which remains on the books for \$28 thousand. Area-wide investments also benefited this MSA and totaled \$74 million.

	Commitments during Period	Extended during period	Book Value as of 6/30/97
Bank - Investments	0	0	\$28,025
Bank - Grants	\$65,992	\$65,992	N/A
Area-wide Investments	\$74,557,000	\$74,557,000	\$49,557,000
Total	\$74,622,992	\$74,622,992	\$49,585,025

SERVICE TEST

Performance is consistent with the overall service test performance of the bank. Nine banking offices serve the MSA, one is located in a low income census tract and one in a moderate income census tract. There are also two stand alone ATMs located in moderate income tracts. This provides good access to the whole community, as 22 percent of the branches are located in low or moderate income census tracts while 14 percent of the population resides in these tracts. The bank provides the same array of products offered in all its markets. One branch is in a supermarket that provides extended hours of operation. No changes have occurred in branch locations in the last two years. Mellon officers provide technical and financial assistance to several community development partners. For instance, the bank provided technical assistance to the city when it established a subsidized home improvement program.

Description of Institution's Operations in Erie, PA MSA

This MSA consists of Erie County which has a population of 275 thousand. It has 69 census tracts; 5 are low income and 11 are moderate income. Population growth is modest and 64 percent of the housing stock is owner-occupied. The economy relies on heavy manufacturing which declined over several years. However, the health care and service industries are growing. Unemployment is 5.8 percent of the labor force. Demographic data shows 101,652 households with 19 percent residing in low or moderate income census tracts. The median family income for this MSA is \$36 thousand with 19 percent of the families low income and 18 percent moderate income.

The city of Erie, similar to other urban areas, has a critical housing need for very low income individuals and families. There are 10,897 small businesses and an additional 1,349 businesses with sales exceeding \$1 million. Competitively, Mellon is in the second tier of financial institutions in this market and ranks fifth in market share.

Conclusions with Respect to Performance Tests in Erie, PA

LENDING TEST

Lending performance for HMDA reportable loans, small business loans, and consumer loans is consistent with the bank's overall performance except for borrower distribution, which is lower than the bank's overall performance. Mortgage lending is evenly distributed among the various types of census tracts. In 1996, Mellon ranked fourteenth among the mortgage lenders, and had a market share of 1.08 percent. However, its market share in low income census tracts was 2.47 percent, and its market share in moderate income census tracts was 2.32 percent. The distribution of HMDA reportable loans to individuals of different income levels is lower for LMI individuals than in other MSA's within the bank's assessment areas. Home purchase and home improvement loans to low and moderate income individuals were below population percentages. In 1996, Mellon's market share of loans to low income borrowers (2.56 percent) exceeded its total market share. Market share to moderate income borrowers (0.6 percent) was less than its total share. Small business lending has been substantial and is geographically dispersed. The bank also made three community development loans for \$656 thousand.

INVESTMENT TEST

The investment performance was slightly lower than Mellon's overall performance considering the extent of operations. Mellon's investments in this MSA are limited to grants made during the period of \$72 thousand. Area-wide investments also benefited this area and totaled \$74 million for the evaluation period.

SERVICE TEST

Performance in the service test is consistent with overall performance. Thirteen banking offices serve the community, with one located in a low income census tract and one in a moderate income census tract. Nineteen ATMs supplement the branching system. This provides good access to the whole county, with 18 percent of the population and 17 percent of the branches located in low or moderate income census tracts. Two branches were consolidated and three were opened. All changes occurred in middle income census tracts. Mellon provides the same array of products offered in all its markets. The bank maintained relationships with many community development groups, and sponsored 13 home buyer and consumer credit budgeting workshops for low- and moderate-income individuals. It also conducted six financial management seminars in partnership with a small business development center.

Description of Institution's Operations in Harrisburg, PA MSA

The entire MSA consists of Cumberland, Dauphin, and Lebanon counties in Pennsylvania. The bank's assessment area encompasses only Cumberland and Dauphin counties which have a population of 433 thousand. This assessment area has 89 census tracts; four are low income and 14 are moderate income. The population is growing and 63 percent of the housing stock is owner-

occupied. The economy overall has performed better than the state as a whole. Unemployment is 3 percent. The economy has a broad industry base and transportation has recently become more important. Harrisburg is the state capital. Demographic data shows 168,629 households with 12 percent residing in low or moderate income census tracts. The median family income for this MSA is \$43,400 with 16 percent of the families low income and 19 percent moderate income. The housing market is weak in the cities where industries departed, and the residents who remain are predominantly low or moderate income. Census data shows 21,135 small businesses and an additional 2,200 businesses with sales exceeding \$1 million. Competitively, the bank ranks second in this market.

Conclusions with Respect to Performance Tests in Harrisburg, PA

LENDING TEST

Lending performance for HMDA reportable loans and small business loans is even stronger than the bank's overall performance and demonstrates a strong commitment to serving the whole community. Mortgage lending is evenly distributed among the various types of census tracts relative to the owner occupancy levels. In 1996, Mellon ranked seventh among the mortgage lenders, and had a market share of 2.89 percent. However, its market share in low income census tracts was 5.95 percent, and its market share in moderate income census tracts was 3.37 percent. The distribution of HMDA reportable loans to individuals of different income levels is good. Home purchase loans to low income individuals exceeded population percentages, and home purchase and home improvement loans to moderate income individuals significantly exceeded the percentage of population levels.

In 1996, Mellon's market share of loans to low income applicants (8.97 percent) and to moderate income applicants (6.98 percent) substantially exceeded its total market share. Small business lending has been substantial and the penetration ratio is weighted slightly to moderate and upper income census tracts; however the greater numbers of small businesses are located in those tracts. The bank also made five community development loans totaling \$3.6 million.

INVESTMENT TEST

Performance in providing investments to this market is consistent with the strong performance of the bank overall. Mellon provided a \$1 million commitment to the John Crain Kunkel Center, formerly the Sylvan Heights project, during the evaluation period. This investment was discussed in the overall bank rating as an example of a complex investment which required more than normal efforts to provide. In addition, \$133 thousand was provided in grants to this area. Area-wide investments also benefited this area and totaled \$74 million for the evaluation period.

	Commitments during Period	Extended* during period	Book Value as of 6/30/97
Bank - Investments	\$1,186,250	\$196,250	\$196,250
Bank - Grants	\$133,482	\$133,482	N/A
Area-wide Investments	\$74,557,000	\$74,557,000	\$49,557,000
Total	\$75,876,732	\$74,886,732	\$49,753,250

SERVICE TEST

Performance is consistent with overall bank performance. Fifteen banking offices serve the assessment area with two in moderate income census tracts. This provides good access to the whole area, as 12 percent of the population reside in low or moderate income census tracts and 11 percent of the branches are located in these tracts. Management reconfigured its branch network and three offices were consolidated. These were all within two miles of each other and located in the same towns. Three branches were closed with one of these branches located in a moderate income census tract. The bank provides community development services to several community organizations such as the Capital Region Economic Development Corporation, South Central Pennsylvania Housing Development Foundation, and the Susquehanna Employment and Training Corporation. Also, home buyer education programs are held monthly.

Description of Institution's Operations in Lancaster, PA MSA

This MSA consists of Lancaster County, Pennsylvania, which has a population of 423 thousand. It has 94 census tracts; two are low income and 11 are moderate income. The population is growing and 66 percent of the housing stock is owner-occupied. The economy has performed better than the state as a whole. Unemployment is low.

The economic base is retail trade, manufacturing and service businesses. Demographic data shows 151,352 households with 11 percent residing in low or moderate income census tracts. The median family income is \$43,400 with 15 percent of the families low income and 19 percent moderate income. The housing market is strong; however there is an issue of affordability as higher income families are moving into the area from Philadelphia. The data also shows 19,978 small businesses and an additional 2,455 businesses with sales exceeding \$1 million. Competitively, the bank ranks ninth in this market.

Conclusions with Respect to Performance Tests in Lancaster, PA

LENDING TEST

Lending performance for HMDA reportable loans and small business loans is consistent with the bank's overall performance and demonstrates a strong commitment to serving the whole community. Mortgage lending is very evenly distributed among the various types of census tracts relative to the owner occupancy rates. In 1996, Mellon ranked twenty-ninth among the mortgage lenders and had a market share of 0.83 percent. However, its market share in low income census tracts was four times its total market share at 3.39 percent and its market share in moderate income census tracts was 1.28 percent. The distribution of HMDA reportable loans to individuals of different income levels is good. Home purchase loans to low income individuals exceeded the percentage of families and home purchase and home improvement loans to moderate income individuals significantly exceeded the percentage of population levels. In 1996, Mellon's market share of loans to low income borrowers (3.54 percent) substantially exceeded its total market share. Market share for moderate income borrowers (1.58 percent) also exceeded its total market share. Small business and consumer lending volumes are low which reflect the bank's small market presence. One community development loan for \$97 thousand was originated during the evaluation period.

INVESTMENT TEST

Mellon's investment performance in this MSA is consistent with overall performance. Mellon provided \$229 thousand to fund a prior commitment to two projects during the evaluation period. In addition, \$133 thousand was provided in grants to this area. Area-wide investments also benefited this area and totaled \$74 million for the evaluation period

	Commitments During Period	Extended During Period	Book Value as of 6/30/97
Bank - Investments	0	\$645,800	\$591,098
Bank - Grants	\$133,482	\$133,482	N/A
Area-wide Investments	\$74,557,000	\$74,557,000	\$49,557,000
Total	\$74,690,482	\$75,336,282	\$50,148,098

SERVICE TEST

Performance is consistent with overall performance. Ten banking offices serve the assessment area, with one located in a moderate income census tract. This gives adequate access to the whole county, as 10 percent of the population reside in LMI census tracts which matches the branch distribution. Management reconfigured the branch network; one was closed and one office was consolidated. These were all within two miles of each other and located in the same towns. The same services and products are offered as in all of Mellon's markets. The bank and MBCDC are active in providing

community development services to such groups as the Lancaster Housing Opportunity Partnership, Economic Development Corporation, and the Housing Development Corporation. The bank also participates in a coalition that provides home buyer education programs monthly.

Description of Institution's Operations in Newburgh, NY MSA

This MSA consists of Pike County, Pennsylvania and Orange County, New York. The bank's assessment area includes only Pike County, which has a population of 28 thousand. It has nine census tracts; four are moderate income and five are middle income. Although the population is sparse, it is growing with an influx of new residents from greater New York and northern New Jersey. The median family income and housing prices are higher than in the rest of northeastern Pennsylvania. Only 28 percent of the housing stock is owner-occupied as many of the residences are vacation or second homes. The county is rural and new housing has the greatest impact on the economy. Demographic data shows 10,544 households with 27 percent residing in LMI census tracts. The median family income is \$51,400 with 26 percent of the families low income and 24 percent moderate income. The housing market is growing and there is an issue of affordability because of the migration from New York and New Jersey. The data also shows 1,679 small businesses and an additional 94 businesses with sales exceeding \$1 million.

Conclusions with Respect to Performance Tests in Newburgh, NY

LENDING TEST

The volume of lending for HMDA reportable loans and small business loans is lower than the bank's overall performance. The small size of the market makes statistical comparisons difficult. Penetration ratios for consumer and business loans in moderate and middle income census tracts are comparable. Mortgage lending is evenly distributed among the various types of census tracts relative to the owner occupancy rates. The distribution of HMDA reportable loans to individuals of different income levels is good. The level of home purchase and home improvement loans to low income individuals is adequate. The level of home purchase loans to moderate income individuals was reasonable. There were no community development loans originated during the evaluation period.

INVESTMENT TEST

Mellon's investment performance in this MSA is lower than that overall due mainly to lack of opportunities. Mellon's investments in this MSA are limited to grants made during the period of \$146 thousand. Area-wide investments also benefited this area and totaled \$74 million for the evaluation period.

SERVICE TEST

Again, performance under this test is slightly lower than overall performance due to the limited presence of Mellon in the area. The three banking offices are in the more populous eastern part of the county and all are in middle income census tracts. No changes in branch locations have occurred during this evaluation period. All branches have Friday evening and Saturday hours. All of Mellon's regular loan products are offered. The bank maintains relationships with several community and economic groups. During 1996 Mellon provided technical assistance to the Pike County Chamber of Commerce for its business trade show.

Description of Institution's Operations in Pittsburgh, PA MSA

This MSA consists of Allegheny, Beaver, Butler, Washington, Westmoreland and Fayette counties in Pennsylvania. The bank's assessment area does not include Fayette County. The assessment area has a population of 2,249 thousand. It has 748 census tracts; 37 are low income and 169 are moderate income. While some suburban areas are experiencing good growth, the city's population has declined by 55 percent since 1960, and average wages have decreased 28 percent during that period. The average age of the residents of Allegheny County is the highest of any county in the country except Dade County, Florida. The median family income is \$38,200 with 19 percent of the families low income and 18 percent moderate income.

A significant portion of the low or moderate income population (32 percent) lives within the city of Pittsburgh. Twelve percent of the households live below the poverty level. The economic base has changed from heavy manufacturing to health care, government, service companies, high technology, and higher education. The housing stock is 65 percent owner-occupied. Demographic data shows 890,348 households, with 22 percent residing in low or moderate income census tracts. The data also shows 104,463 small businesses and an additional 11,777 businesses with sales more than \$1 million. Competitively, Mellon ranks third in this market and 32 percent of the bank's lending occurs in this MSA.

Conclusions with Respect to Performance Tests in Pittsburgh, PA

LENDING TEST

Lending volume for HMDA reportable loans and small business loans is strong and demonstrates a strong commitment to serve the whole community. In 1996, Mellon was the sixth leading home purchase lender in the market with a total market share of 2.68 percent. However, it ranked third in lending to low income census tracts with a 5.62 percent share and fifth in moderate income census tracts with a 3.54 percent share. The other two leading lenders have a dominant share of the total market and of the low or moderate income market. The home purchase market in low or moderate income areas is highly competitive in Pittsburgh, and the bank has tightened the underwriting standards for its affordable mortgage product. The distribution of HMDA reportable loans to individuals of different income levels is good. Home purchase loans to low income individuals is reasonable. Home purchase loans to moderate income individuals exceeded the corresponding demographic representation. In 1996, Mellon's market share to low income borrowers (4.69 percent)

was nearly twice its total market share. Market share for moderate income borrowers (3.79 percent) also exceeded its total market share.

Penetration ratios for small business loans are very comparable among the various income categories of census tracts. Small business lending volumes are high, reflecting the bank's presence in the market. Mellon originated 74 community development loans during the evaluation period for \$33 million. As mentioned earlier, Mellon was the leading lender for affordable housing development in the Pittsburgh MSA, providing financing for 50 percent of the projects.

INVESTMENT TEST

Mellon is active in providing qualified investments in the Pittsburgh market and performance in this market is consistent with overall performance of the bank. Through the CDC, \$2 million in commitments were made during this evaluation period with \$1 million extended. In addition, the bank made qualified grants of approximately \$2 million. Area wide investments of \$74 million also benefited this MSA.

	Commitments During Period	Extended During Period	Book Value as of 6/30/97
Bank - Investments	0	0	\$814,000
CDC - Investments	\$2,363,669	\$1,048,228	\$1,145,520
Bank - Grants	\$1,650,824	\$1,650,824	N/A
Area-wide Investments	\$74,557,000	\$74,557,000	\$49,557,000
Total	\$78,571,493	\$77,256,052	\$50,702,520

SERVICE TEST

Performance under the service test is somewhat better than overall performance. The 119 banking offices provide good access to the entire assessment area. Four of the branches are in low income census tracts and twenty-seven are in moderate income census tracts. This branch distribution with 26 percent of branches in low or moderate income tracts, compares well with the percentage of the population that resides in these census tracts, 21 percent. Branches include 30 supermarket locations that offer traditional banking services with extended hours and five financial centers. The geographic configuration of the branches was changed as a result of opening the supermarket locations and three branches were consolidated. Twelve branches were closed. One was in a low income census tract and four were located in moderate income census tracts. Ten branches were opened with one in a moderate income census tract. Impact studies ensured no decrease in service within the assessment area.

The “Video Banker” has been added to most of these branches. The same products and services are offered as in all of Mellon’s markets. Mellon is a leader in providing community development services and maintains relationships with many community development partners. Among these are the Pittsburgh Community Reinvestment Group and the Mon-Valley Initiative. The bank participates in various loan programs in association with the Urban Redevelopment Authority, Action Housing, Inc., Housing Opportunities, Inc., and Community Options, Inc. In conjunction with local groups, Mellon provides home buying, family budgeting, consumer credit, and small business workshops. Sixty-eight workshops were held during this evaluation period with attendance of 2,805. MBCDC also provides technical assistance to small businesses and community-based organizations.

Description of Institution’s Operations in Scranton-Wilkes-Barre-Hazleton, PA MSA

This MSA consists of Columbia, Lackawanna, Luzerne and Wyoming counties in Pennsylvania. The assessment area does not include the latter county. The assessment area has a population of 610 thousand. There are 182 census tracts; two are low income and 22 are moderate income. Population has decreased gradually over the past three decades and growth in the economy has been modest. Unemployment is higher than in the state as a whole. The economic base has shifted from manufacturing to the service sector and the area has been successful in attracting back room operations in recent years. Demographic data shows 236,259 households with 11 percent residing in low or moderate income census tracts. The median family income is \$34,900 with 18 percent of the families low income and 19 percent moderate income. Twelve percent of the households live below the poverty level. Sixty-three percent of the housing stock is owner-occupied. There are 28,463 small businesses and an additional 2,902 businesses with sales exceeding \$1 million. Competitively, the market is dominated by another large regional bank, and several other regional banks and local financial institutions are also active in the market.

Conclusions with Respect to Performance Tests in Scranton-Wilkes-Barre-Hazleton, PA

LENDING TEST

Lending performance for HMDA reportable loans and small business loans varies in some areas from the bank’s overall performance due to lower volumes. This causes wide fluctuations in performance measurement. However, performance does demonstrate a strong commitment to serving this community. Penetration ratios for HMDA reportable loans and small business loans are greater in the two low income census tracts than any other type of tract. Approximately 10 percent of the adult population lives in low or moderate income census tracts and 18 percent of the HMDA loans were made to low or moderate income applicants.

Mortgage lending is very evenly distributed among the various types of census tracts relative to the level of owner-occupied housing. In 1996, Mellon ranked twenty-second among mortgage lenders and had a market share of 1.46 percent. However, its market share in low income census tracts (5.88 percent) was four times its total market share. Mellon’s market share in moderate income census tracts (0.62 percent) was below the overall market share. The distribution of HMDA reportable loans

to individuals of different income levels is good. The number of home purchase loans to low income individuals ratio was adequate and home improvement loan ratio was reasonable. The level of home purchase and home improvement lending to moderate income individuals was very good. In 1996, Mellon's market share to low income borrowers was below its total market share at 0.77 percent. However, market share to moderate income borrowers (1.98 percent) exceeded total market share. Small business and consumer lending volumes are consistent with the bank's presence in the market. During this period, Mellon originated 9 community development loans for \$3 million.

INVESTMENT TEST

Mellon's investment performance in this MSA is \$379 thousand, lower than the overall due mainly to lack of opportunities. Mellon's investments in this MSA are limited to grants made during the period of \$146 thousand. Area-wide investments also benefited this area and totaled \$74 million for the evaluation period.

SERVICE TEST

Performance is consistent with the bank's overall performance under the Service Test. The 22 banking offices provide good access to the whole MSA. The majority of the branches are accessible to low or moderate income areas. One of the branches is located in a low income census tract and four are in moderate income census tracts. Mellon maintains 22 percent of its branches in low or moderate income census tracts while only 10 percent of the population reside in these tracts. Management reconfigured the branch network, consolidated one office, and closed one. Four branches were opened. In addition, two offices were sold to complete Mellon's exit from Wyoming County. None of the changes occurred in low or moderate income census tracts. The bank also has a network of 23 ATMs serving the area. Twenty-two percent of the branches and ATMs are located in low or moderate income census tracts.

Extended hours are provided at three new supermarket offices. Mellon provides the same array of products and services that are offered in all its markets. Officers maintain relationships with human service agencies, community, business, and economic development organizations. The bank presents workshops and seminars on topics such as consumer credit, family budgeting, and small business. In conjunction with Consumer Credit Counseling of Northeastern Pennsylvania, Mellon helped underwrite costs and present "The Home Program". These seminars help participants learn how to find, purchase, finance, and maintain a home.

Description of Institution's Operations in Sharon, PA MSA

This MSA consists of Mercer County, Pennsylvania, which has a population of 121 thousand. It has 32 census tracts; three are low income and three are moderate income. Population growth is modest and 70 percent of the housing stock is owner-occupied. The economy was based on heavy manufacturing with a five percent loss of manufacturing jobs since 1991. Growth has occurred in the

construction and service sectors and the largest portion of the workforce is in the service sector. Unemployment is low at 4.5 percent.

Demographic data shows 45,676 households, with 12 percent residing in low or moderate income census tracts. The median family income is \$32,900 with 17 percent of the families low income and 20 percent moderate income. Twelve percent of the households live below the poverty level. There are 5,290 small businesses and an additional 553 businesses with sales more than \$1 million. Competitively, the bank is in the second tier of financial institutions in this market and ranks fifth in market share.

Conclusions with Respect to Performance Tests in Sharon, PA

LENDING TEST

Lending performance for HMDA reportable loans and small business loans is consistent with the bank's overall performance considering Mellon's small presence in the market and therefore the lower volumes. Mellon's performance demonstrates a strong commitment to serving the whole community. Penetration ratios for HMDA reportable loans, consumer loans and small business loans are slightly higher in middle and upper income census tracts than in low or moderate income census tracts. Lending opportunities in the three low income census tracts are limited; 64 percent of the households are rentals with median family incomes of \$14,999. The distribution of HMDA reportable loans to individuals of different income levels is good. The number of home purchase loans to low income individuals was reasonable, but there were few home improvement loans. The number of home purchase and home improvement loans to moderate income individuals were reasonable.

Small business and consumer lending volumes are consistent with the bank's presence in the market. There were no community development loans originated in this MSA during the evaluation period.

INVESTMENT TEST

Mellon's investment performance in this MSA is lower than overall due mainly to lack of opportunities. Mellon's investments in this MSA are limited to grants made during the period of \$74 thousand. Area-wide investments also benefited this area and totaled \$74 million for the evaluation period.

SERVICE TEST

Performance is somewhat lower than overall performance under the Service Test. The six banking offices provide good access to the whole MSA. One branch was closed in a low income census tract. Four offices offer Saturday hours and one of the offices is in a supermarket that provides extended hours and is open seven days. The branches are in middle and upper income census tracts, but are readily accessible to the six LMI income census tracts. Mellon provides the same array of products

and services as in all its markets. Bank officers serve as directors or board members for several development authorities. The bank participates in an affordable housing rehabilitation program and conducted six home buyer or consumer credit workshops in 1996.

Description of Institution's Operations in State College, PA MSA

This MSA consists of Centre County, PA., which has a population of 124 thousand. It has twenty-eight census tracts; two are low income and four are moderate income. The low income census tracts have no owner-occupied housing and the moderate income census tracts contain 12 percent of the owner-occupied housing. Population growth has been robust in this part of the state, increasing 87 percent since 1950. The economy is based on the presence of Pennsylvania State University and the infrastructure that supports it. The housing stock is 55 percent owner-occupied reflecting the large student population. Unemployment is low at 2.8 percent. Demographic data shows 42,784 households with 16 percent residing in low or moderate income census tracts. The median family income is \$38,400 with 17 percent of the families low income and 20 percent moderate income. Seventeen percent of the households are below the poverty level. There are 4,780 small businesses and an additional 509 businesses with sales more than \$1 million. Competitively, the bank is not the market leader, but it does have a significant presence.

Conclusions with Respect to Performance Tests in State College, PA

LENDING TEST

Lending performance for HMDA reportable loans and small business loans is consistent with the bank's overall performance, but reflects local demographics with fewer opportunities for lending in low or moderate income census tracts. Small business lending has been especially strong in low income census tracts. Penetration ratios for HMDA reportable loans are slightly higher in middle and upper income census tracts than in low or moderate income census tracts. The distribution of HMDA reportable loans to individuals of different income levels is good. The number of home improvement loans to low income individuals was reasonable, and home purchase lending was low. No community development loans were originated in this MSA during the evaluation period.

INVESTMENT TEST

Mellon's investment performance in this MSA is lower than overall due mainly to lack of opportunities. Mellon's investments in this MSA are limited to grants of \$66 thousand. Area-wide investments also benefited this area and totaled \$74 million for the evaluation period.

SERVICE TEST

Performance is somewhat better than overall performance due to branch structure. Seven banking offices serve the MSA; two are in low income census tracts. They provide good access to the whole MSA. Twenty-nine percent of Mellon's branches are located in LMI census tracts while only 18 percent of the population reside in these tracts. No changes in branch location occurred during this evaluation period. One of the offices is in a supermarket that provides extended hours and is open seven days. Several other offices provide similar amenities. There has been no change in branch locations in the last two years. Technical assistance is provided to several community development partners, such as the Ben Franklin Technology Center, the Centre County First-Time Home buyers Program, and the Centre Count Housing Trust Fund.

Description of Institution's Operations in Trenton, NJ MSA

This MSA consists of Mercer County, New Jersey, and the bank's assessment area in the southern end of the county including the city of Trenton. The assessment area has a population of 207 thousand. It has 42 census tracts; 7 are low income and 11 are moderate income. All the low or moderate income census tracts are in Trenton which is the state capital. Trenton has experienced economic decline as middle and upper income residents have migrated to the suburbs. Governmental and private funds have supported revitalization efforts including affordable housing, counseling, social services, and small business assistance. The economy has switched from a manufacturing base to the service sector and is heavily influenced by the presence of the state government. Demographic data shows 74,348 households with 43 percent residing in LMI census tracts. Sixty-four percent of the housing stock is owner-occupied. The median family income is \$55,600 with 22 percent of the families low income and 20 percent moderate income. Only 8 percent of the households live below the poverty level. There are 7,760 small businesses and an additional 923 businesses with sales exceeding \$1 million. Mellon is marginally competitive in this market; it is a recent de novo entrant and has about a one percent market share.

Conclusions with Respect to Performance Tests in Trenton, NJ

LENDING TEST

Lending performance for HMDA reportable loans and small business loans is lower than the bank overall. Relative to market presence, the volume of small business lending has been especially strong. Low and moderate income census tracts have penetration ratios comparable with other census tracts. HMDA reportable and consumer lending have low volumes reflecting the bank's market position.

Penetration ratios in census tracts by income level are comparable among all income levels of census tracts. The distribution of HMDA reportable loans to individuals of different income levels resembles geographic distributions by income level of census tracts. It is reasonable, but fluctuates because of the low loan volume. The percentages of residential real estate lending to LMI individuals is somewhat under the percentages of owner-occupied houses and low or moderate income families in

the assessment area. No community development loans were originated in this MSA during the evaluation period.

INVESTMENT TEST

Mellon's investment performance in this MSA is lower than the overall due mainly to lack of market presence. Mellon's investments in this MSA are limited to grants made during the period of \$26 thousand. Area-wide investments also benefited this area and totaled \$74 million for the evaluation period.

SERVICE TEST

The bank entered this market in October 1995 and has only one office. It is a supermarket location that provides full services, extended hours, and is open seven days. It is in a middle income census tract at Hamilton Square, and provides limited geographic access to the assessment area. No branches were closed in this MSA. Mellon provides the same array of products and services as in all its markets. Relationships have been established with community development organizations providing affordable housing. The bank provides technical assistance and some funding.

Description of Institution's Operations in Vineland, NJ MSA

This MSA consists of Cumberland County, New Jersey. The bank has two noncontiguous assessment areas within this MSA. One is centered in Bridgeton and contains nine census tracts. The other is centered in Vineland and contains 10 census tracts. Of the 19 census tracts in the two areas, one is low income and six are moderate income. The assessment areas have a population of 91 thousand. Demographic data shows 31,410 households with 26 percent residing in low or moderate income census tracts. Sixty-three percent of the housing stock is owner-occupied. The median family income is \$39 thousand with 22 percent of the families low income and 17 percent moderate income. Thirteen percent of households live below the poverty level. There are 3,822 small businesses and an additional 544 businesses with sales more than \$1 million. Mellon is marginally competitive in this market, entering the market de novo in January 1996 and having a very small market share. Most competition is provided by local financial institutions.

Conclusions with Respect to Performance Tests in Vineland, NJ

LENDING TEST

The lending performance is reasonable relative to the bank's position in the market; however, it is lower than the bank's overall performance. There is parity of penetration among the moderate, middle and upper income census tracts for HMDA reportable and small business loans. One business loan has been made in the only low income census tract. The distribution of HMDA reportable loans to individuals of different income levels is adequate, but the percentages of loans to each low or moderate income category is low. There is significant statistical fluctuation because of the low loan volume. The low level of lending is considered reasonable reflecting the bank's position in the market. There were no community development loans originated in this MSA during the evaluation period.

INVESTMENT TEST

Mellon's investment performance in this MSA is lower than that overall due mainly to lack of opportunities. Mellon's investments in this MSA are limited to grants of \$26 thousand. Area-wide investments also benefited this area and totaled \$74 million for the evaluation period.

SERVICE TEST

Performance is slightly lower than the bank's overall performance under the Service Test. The bank has only one office in each assessment area. Both are in supermarket locations that provide full services, extended hours, and are open seven days. The offices are in Bridgeton which was opened in 1996 and Vineland which was opened in 1997. No branches were closed. They provide reasonable access to the assessment areas. Mellon offers the same array of products and services as its other markets. Relationships have been established with the few community development organizations in the area.

Description of Institution's Operations in Williamsport, PA MSA

This MSA consists of Lycoming County, Pennsylvania, which has a population of 119 thousand. There are 29 census tracts; none are low income and four are moderate income. A declining economy is supported by educational institutions and health services. In the city of Williamsport the housing stock is very old and deteriorating. Demographic data shows 44,994 households with 14 percent residing in low or moderate income census tracts.

Sixty-three percent of the housing stock is owner-occupied. The median family income is \$34,100 with 17 percent of the families low income and 19 percent moderate income. Eleven percent of the families live below the poverty level. There are 5,248 small businesses and an additional 590 businesses with sales exceeding \$1 million. Mellon is marginally competitive in this market; it has one office and a very small market share. Most competition is provided by local financial institutions.

Conclusions with Respect to Performance Tests in Williamsport, PA

LENDING TEST

The lending performance is reasonable, but somewhat lower than the overall performance due to the bank's limited presence in the market. Mellon has low lending volumes while achieving parity of penetration among the moderate, middle and upper income census tracts for HMDA reportable and small business loans. Loan distribution performance fluctuates significantly because of the low loan volume. There are no low income census tracts. The distribution of HMDA reportable loans to individuals of different income levels is reasonable under the circumstances. For example, no home purchase loans were made to low income individuals in 1996, but in the first half of 1997 these loans represent 50 percent of all home purchase lending. The low level of lending is understandable, as it reflects the bank's market position. No community development loans were made in this MSA.

INVESTMENT TEST

Mellon's investment performance in this MSA is lower than the overall due mainly to lack of opportunities. Mellon's investments in this MSA are limited to grants of \$66 thousand. Area-wide investments also benefited this area and totaled \$74 million for the evaluation period

SERVICE TEST

The bank has only one office in the MSA, which was relocated in 1996. This relocation closed a branch in a moderate income census tract and opened the supermarket branch in an upper income census tract. The supermarket location provides full services, extended hours, and is open seven days. The office is in Loyalsock Township and provides limited access to the assessment area. It is more convenient to Williamsport and its immediate surrounding area than to the rest of Lycoming County. The branch provides the same array of products offered by the bank in all its markets. Officers maintain relationships with numerous community development partners, including the Lycoming Housing Development Corporation. A Mellon officer provided technical assistance for the Weightman Block project, a renovated and remodeled apartment building for low and moderate income families.

Description of Institution's Operations in York, PA MSA

This MSA consists of York County, Pennsylvania, which has a population of 340 thousand. There are 76 census tracts; four are low income and 11 are moderate income. The population is growing and 70 percent of the housing stock is owner-occupied. The economy in general has performed better than the state as a whole. Unemployment is two percent. The economic base is retail trade, manufacturing, transportation, and service businesses. Demographic data shows 128,764 households, with 13 percent residing in low or moderate income census tracts. The median family income is \$42,800 with 15 percent of the families low income and 20 percent moderate income. Only 6 percent of the households live below the poverty level. The housing market is strong and there is an issue of

affordability as higher income families are moving into the area from Baltimore. The data also shows 14,545 small businesses and an additional 1,679 businesses with sales exceeding \$1 million. Competitively, the bank ranks seventh in this market.

Conclusions with Respect to Performance Tests in York, PA

LENDING TEST

Lending performance for HMDA reportable loans and small business loans is somewhat better than the bank's overall performance and demonstrates a strong commitment to serving the whole community. Penetration ratios in census tracts by income level are comparable. Mortgage lending is evenly distributed among the various types of census tracts compared with the percentage of owner occupied housing. In 1996, Mellon ranked sixteenth among the mortgage lenders, and had a market share of 1.58 percent. However, its market share in low income census tracts was five times its total market share at 8.06 percent and its market share in moderate income census tracts was four times its total market share at 4.85 percent. The distribution of HMDA reportable loans to individuals of different income levels is excellent. The number of home purchase loans to low income and moderate income individuals significantly exceeded the percentage of families. The level of home improvement lending to low or moderate income individuals was good. In 1996, Mellon's market share of loans to low income borrowers (6.31 percent) substantially exceeded its total market share. Market share to moderate income borrowers (3.78 percent) also exceeded its total market share. Small business lending volume is high with penetration ratios highest in low income census tracts and second highest in moderate income census tracts. Two community development loans for \$289 thousand were originated during this evaluation period.

INVESTMENT TEST

Mellon's investment performance in this MSA is lower than the overall, mainly due to lack of opportunities. Mellon's grants made during the period totaled \$133 thousand. Area-wide investments also benefited this area and totaled \$74 million for the evaluation period.

SERVICE TEST

Performance is consistent with the bank's overall performance. Ten banking offices serve this MSA and provide good access to the whole county. One branch is in a low income census tract. One branch was opened last year and none were closed or consolidated. Mellon provides the same array of products and services offered as in all its markets. Major community development partnerships include York Housing Council, Access York, Inc., and York County Industrial Development Corporation. The bank provided technical assistance for the rehabilitation of ten buildings that created 27 units of affordable rental units.

NONMETROPOLITAN STATISTICAL AREAS

Description of Institution's Operations in Nonmetropolitan Areas of Pennsylvania:

The bank has ten counties among its assessment areas that are not part of an MSA. These are the Pennsylvania counties of Armstrong, Clarion, Clinton, Crawford, Huntingdon, Lawrence, Mifflin, Monroe, Union, and Venango. Each of these counties is administratively attached to an MSA in Mellon's assessment areas. Collectively the population is 616 thousand, and the counties range in population size from 37 thousand to 96 thousand. They have 148 census tracts; one is low income and twenty are moderate income. There are few urban centers of any size with low and moderate income census tracts (14 percent) widely dispersed. A significant number of adults are more than 65 years old. Demographic data for the 10 counties shows 227,601 households, with 15 percent residing in low or moderate income census tracts. The median family income for the non-metropolitan areas for the Commonwealth of Pennsylvania is \$32,800 with 18 percent of the families low income and 20 percent moderate income. Thirteen percent of the households live below the poverty level. The data also shows 29,815 small businesses and an additional 2,928 businesses with sales exceeding \$1 million. Competition in these markets is provided by a variety of large regional and local financial institutions.

Conclusions with Respect to Performance Tests in Nonmetropolitan Statistical Areas of Pennsylvania

LENDING TEST

Lending performance for HMDA reportable loans and small business loans is lower than that of the bank overall. Penetration ratios reflect the demographics of the counties, i.e., there are fewer lending opportunities in low or moderate income census tracts. However, Mellon did make loans in all 21 low and moderate income census tracts. Ratios for HMDA reportable loans are comparable among all types of census tracts, but are lower in low or moderate income tracts for small business loans. The distribution of HMDA reportable loans to individuals of different income levels is reasonable. The level of home purchase and home improvement lending to low income individuals was adequate. The volume of the same loans to moderate income individuals was good, and consistent with the percentage of moderate income families. There were no community development loans originated in the nonmetropolitan statistical areas during this evaluation period.

INVESTMENT TEST

There were no specific qualified investments made in these counties. Qualifying grants were only designated by the bank's region and since each county is attached to an MSA area the grants have been considered elsewhere. Area-wide investments of \$74 million benefited these counties as well.

SERVICE TEST

Thirty-five banking offices serve the ten counties; six are in moderate income census tracts (Armstrong, Crawford, Lawrence, Mifflin, and Venango counties). Access ranges from limited to

good; some counties have only one or two branches, and others have as many as ten. During this evaluation period, three branches were closed, two were sold, one was consolidated and three were opened. One closing occurred in low income census tract. All the offices provide the same array of products offered as in all other Mellon markets. Numerous relationships are maintained with local community development groups.

Assessment Areas Not Reviewed
METROPOLITAN STATISTICAL AREAS

Description of Institution's Operations in Atlantic-Cape May, NJ MSA

This MSA consists of Atlantic and Cape May Counties, New Jersey. Mellon entered this market in March and May 1997 by opening branches in three supermarkets. The assessment area consists of 22 census tracts within the MSA, of which one is low income. The lending activity during the evaluation period was very limited and we did not evaluate performance in this assessment area.

Appendix A: Tables to Support Conclusions Regarding Assessment Areas

1996 - Home Mortgage Lending

TABLE - 1A: Percentage of Lending by Census Tract Type

MSA	Census Tract Type			
	Low	Moderate	Middle	Upper
Altoona, PA	0%	9%	77%	14%
Erie, PA	2%	11%	65%	22%
Harrisburg, PA	1%	6%	63%	30%
Lancaster, PA	1%	8%	77%	14%
Newburgh, NY	N.A.	20%	80%	N.A.
Pittsburgh, PA	1%	11%	54%	34%
Scranton, Wilkes-Barre, PA	0%	6%	77%	17%
Sharon, PA	2%	4%	88%	6%
State College, PA	2%	3%	55%	40%
Trenton, NJ	5%	16%	56%	23%
Vineland, NJ	0%	21%	79%	0%
Williamsport, PA	N.A.	5%	76%	19%
York, PA	1%	5%	83%	11%
All Non-Metro Areas - PA	0%	5%	71%	24%

N.A. - There are no low income or upper income census tracts in the Newburgh MSA and no low income census tracts in the Williamsport MSA.

Appendix A: Tables to Support Conclusions Regarding Assessment Areas

**1997 - Home Mortgage Lending through 6/30/97
TABLE - 1B: Percentage Lending by Census Tract**

MSA	Census Tract Type			
	Low	Moderate	Middle	Upper
Altoona, PA	0%	6%	77%	17%
Erie, PA	0%	7%	74%	19%
Harrisburg, PA	1%	3%	63%	33%
Lancaster, PA	0%	7%	81%	12%
Newburgh, NY	N.A.	39%	61%	N.A.
Pittsburgh, PA	1%	12%	53%	34%
Scranton, Wilkes-Barre, PA	0%	7%	74%	19%
Sharon, PA	3%	2%	93%	2%
State College, PA	1%	7%	67%	25%
Trenton, NJ	4%	20%	52%	24%
Vineland, NJ	0%	13%	79%	8%
Williamsport, PA	N.A.	0%	79%	21%
York, PA	2%	3%	85%	10%
All Non-Metro Areas - PA	1%	4%	72%	23%

N.A. - There are no low income or upper income census tracts in the Newburgh MSA and no low income census tracts in the Williamsport MSA.

Appendix A: Tables to Support Conclusions Regarding Assessment Areas

1996 Home Mortgage Lending

TABLE - 2A: Percentage of Lending by Applicant Income Level

MSA	Applicant Type			
	Low	Moderate	Middle	Upper
Altoona, PA	6%	14%	26%	54%
Erie, PA	4%	15%	29%	52%
Harrisburg, PA	9%	26%	26%	39%
Lancaster, PA	5%	20%	29%	46%
Newburgh, NY	8%	25%	30%	37%
Pittsburgh, PA	5%	15%	26%	54%
Scranton, Wilkes-Barre, PA	4%	13%	33%	50%
Sharon, PA	5%	13%	26%	56%
State College, PA	2%	14%	25%	59%
Trenton, NJ	12%	24%	38%	26%
Vineland, NJ	5%	26%	37%	32%
Williamsport, PA	5%	12%	47%	36%
York, PA	6%	20%	32%	42%
All Non-Metro Areas - PA	3%	14%	26%	57%

Appendix A: Tables to Support Conclusions Regarding Assessment Areas

1997 - Home Mortgage Lending through 6/30/97

TABLE - 2B: Percentage of Lending by Applicant Income Level

MSA	Applicant Type			
	Low	Moderate	Middle	Upper
Altoona, PA	5%	18%	31%	46%
Erie, PA	5%	12%	33%	50%
Harrisburg, PA	8%	23%	29%	40%
Lancaster, PA	6%	23%	34%	37%
Newburgh, NY	8%	25%	43%	24%
Pittsburgh, PA	6%	15%	25%	54%
Scranton, Wilkes-Barre, PA	4%	17%	31%	48%
Sharon, PA	3%	9%	37%	51%
State College, PA	3%	17%	30%	50%
Trenton, NJ	9%	17%	44%	30%
Vineland, NJ	4%	21%	42%	33%
Williamsport, PA	4%	21%	25%	50%
York, PA	5%	14%	32%	49%
All Non-Metro Areas - PA	4%	14%	28%	54%

Appendix A: Tables to Support Conclusions Regarding Assessment Areas

1996 Reportable Small Business Loans
TABLE - 3A: Percentage by Census Tract Type

MSA	Census Tract Type			
	Low	Moderate	Middle	Upper
Altoona, PA	1%	4%	69%	26%
Erie, PA	10%	11%	61%	18%
Harrisburg, PA	1%	12%	54%	33%
Lancaster, PA	1%	10%	72%	17%
Newburgh, NY	N.A.	19%	81%	N.A.
Pittsburgh, PA	4%	20%	40%	36%
Scranton, Wilkes-Barre, PA	4%	12%	66%	18%
Sharon, PA	3%	2%	86%	9%
State College, PA	13%	11%	36%	40%
Trenton, NJ	12%	18%	44%	26%
Vineland, NJ	0%	10%	90%	0%
Williamsport, PA	N.A.	20%	70%	10%
York, PA	11%	6%	74%	9%
All Non-Metro Areas - PA	0%	9%	67%	24%

N.A. - There are no low income or upper income census tracts the in Newburgh MSA and no low income census tracts in the Williamsport MSA.

Appendix A: Tables to Support Conclusions Regarding Assessment Areas

1997 - Reportable Business Lending through 6/30/97
TABLE - 3B: Percentage Lending By Census Tract Type

MSA	Census Tract Type			
	Low	Moderate	Middle	Upper
Altoona, PA	3%	12%	67%	18%
Erie, PA	16%	15%	54%	15%
Harrisburg, PA	0%	17%	57%	26%
Lancaster, PA	0%	7%	78%	15%
Newburgh, NY	N.A.	8%	92%	N.A.
Pittsburgh, PA	4%	20%	44%	32%
Scranton, Wilkes-Barre, PA	7%	9%	66%	18%
Sharon, PA	6%	3%	85%	6%
State College, PA	16%	14%	24%	46%
Trenton, NJ	18%	14%	47%	21%
Vineland, NJ	3%	28%	56%	13%
Williamsport, PA	N.A.	31%	50%	19%
York, PA	11%	12%	71%	6%
All Non-Metro Areas - PA	0%	8%	69%	23%

N.A. - There are no low income or upper income census tracts the in Newburgh MSA and no low income census tracts in the Williamsport MSA.

Appendix B: Scope of Examination

We reviewed Mellon Bank, N.A.'s performance under the Community Reinvestment Act for the period from our last examination of October 1995 until June 30, 1997. For this review, loans and investments originated by the affiliates listed below were included. All assessment areas and MSAs were reviewed with the exception of Atlantic and Cape May. Mellon opened its first branch in this MSA in March of 1997 and has operated in this MSA for inadequate time to make evaluation meaningful.

Scope of Examination

Time Period Reviewed:	10/1/95 to 6/30/97	
Financial Institution		Products Reviewed
Mellon Bank, NA Pittsburgh, PA		Small business, small farm, and HMDA reportable loans
Affiliates	Affiliate Relationship	Products Reviewed
Mellon SBIC	Bank subsidiary	Bank Investments in SBIC
Mellon Mortgage Company	Bank subsidiary	HMDA reportable loans
Mellon CDC	Holding co. subsidiary	Community development loans and Investments
AFCO Credit Corporation	Bank subsidiary	Small business loans

Appendix C: Summary of State and Multi-state MSA Ratings

State or Multi-state MSA Name	Lending Test Rating*	Investment Test Rating*	Service Test Rating*	Overall Rating State/ Multi-state
Philadelphia MSA MSA 6160	O	O	HS	O
Pennsylvania	O	O	HS	O
New Jersey	HS	LS	LS	S

* O is Outstanding; HS is High Satisfactory; S is Satisfactory; and LS is Low Satisfactory

APPENDIX - D

ABBREVIATIONS

ATM	Automated Teller Machine
CRA	Community Reinvestment Act
CFR	Code of Federal Regulations
CREDC	Capital Region Economic Development Corporation
CRF	Community Reinvestment Fund
FHA	Federal Housing Administration
HMDA	Home Mortgage Disclosure Act
LIHTC	Low Income Housing Tax Credits
LMI	Low-and-moderate income
MBCDC	Mellon Bank Community Development Corporation
Mellon	Mellon Bank, N.A. and its affiliates
MSA	Metropolitan Statistical Area as defined by OMB
OCC	Office of the Comptroller of the Currency
PIDC	Philadelphia Industrial Development Corporation
SBIC	Small Business Investment Corporation

TERMS

area median income	Median family income for a MSA or the statewide nonmetropolitan median family income if located outside of an MSA
low income	Income less than 50% of the area median income
moderate income	Income between 50% and 80% of the area median income
middle income	Income between 80% and 120% of the area median income
upper income	Income greater than 120% of the area median income
reportable business loans	A business loan included in “loans to small businesses” as defined in the <i>Consolidated Report of Condition and Income</i>
small business loans	A reportable business loan to a business with revenues less than \$1 million