



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

**May 1, 2000**

# **Community Reinvestment Act Performance Evaluation**

**Sun National Bank, Delaware  
Charter Number: 23728**

**1300 North Market Street  
Wilmington, DE 19801**

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**NOTE: This evaluation is not, and should not 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 to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the CRA performance of **Sun National Bank, Delaware** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of May 1, 2000. 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 institution'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.*

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate**- Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Block Numbering Area (BNA)** Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

**Census Tract (CT)** Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

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

**Community Reinvestment Act (CRA)** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Full-Scope Review** Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography**- A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

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

**Home Mortgage Loans** Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Limited-Scope Review** Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

**Low-Income-** Income levels that are less than 50% of the median family income.

**Median Family Income (MFI)** The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Statistical Area (MSA)**Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** -Income levels that are at least 80% and less than 120% of the MFI.

**Moderate-Income** -Income levels that are at least 50% and less than 80% of the MFI.

**Small Business Loans** Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Farm Loans** Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

**Tier 1 Capital-** The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income-** Income levels that are 120% or more of the MFI.

## Overall CRA Rating

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

The following table indicates the performance level of **Sun National Bank, Delaware** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Sun National Bank, Delaware Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory		X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- Excellent responsiveness to the assessment area's small business lending needs, and adequate responsiveness to mortgage lending needs.
- Excellent loan distribution among geographies and retail borrowers of different income levels, and business borrowers of different sizes.
- Community development lending levels positively impact lending performance.
- A good level of qualified community development investments and grants that are responsive to identified needs in the assessment area.
- Service delivery systems are accessible to geographies and individuals of different income levels in the assessment area.
- A good level of community development services provided to the assessment area.

## Description of Institution

Sun National Bank, Delaware (SNB DE) is an intrastate community bank with \$173 million in total assets as of December 31, 1999. The bank is headquartered in Wilmington, DE. SNB DE is a subsidiary of Sun Bancorp, Inc., a \$2 billion multi-bank holding company, located in Vineland, New Jersey. On December 18, 1998, Sun Bancorp, Inc. acquired eight branch offices, \$169 million in deposits, and \$128 million in loans from the former Beneficial NB from Household Bank f.s.b. SNB DE, which was formed *de novo*, subsequently acquired the offices, loans, and deposits. SNB DE does not have operating subsidiaries.

SNB DE operates eight full service offices in New Castle County, DE, which includes four automated teller machines (ATMs). The bank also has three stand alone ATMs in their assessment area. In addition to providing a full range of commercial and personal banking products, SNB DE also offers mutual fund services through a third party vendor. No branches were opened or closed during the evaluation period.

As of December 31, 1999, SNB DE reported total loans of \$100 million, representing 58% of total assets. The loan portfolio consists of 52% commercial and commercial real estate loans, 32% residential real estate loans, 14% consumer installment loans (including credit card loans), and 2% municipal loans. Tier one capital as of December 31, 1999 is \$16 million. Additionally, in 1998 SNB DE sold four mortgage loans totaling approximately \$783 thousand, and in 1999 the bank sold 31 mortgage loans totaling approximately \$4 million. There are no legal, financial or other factors impeding SNB DE's ability to help meet the credit needs of the communities it serves. This represents SNB DE's first CRA evaluation.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

With the exception of CD loans, the evaluation period for the lending test covers loan activity from December 18, 1998 through December 31, 1999. Our review covered all Home Mortgage Disclosure Act (HMDA) reportable mortgage loans, and small business loans originated or purchased during the evaluation period. For CD lending, and the investment and service tests the evaluation period is from December 18, 1998 through May 1, 2000. SNB opened for business on December 18, 1998. The evaluation period covers the date the bank opened through May 1, 2000.

### Data Integrity

As part of this CRA evaluation, publicly filed information for HMDA reportable loans and loans to small businesses were tested for accuracy.

Overall, the data integrity of HMDA reportable loans and loans to small business submissions is considered accurate. While errors were detected in key fields for mortgage and small business submissions reviewed, the volume of these findings do not materially impact data integrity. Management responded quickly in researching the cause of the errors and correcting all exceptions. However, the 1998 data submitted for community development loans were materially incorrect. Management corrected and re-filed the information during the examination, and updated its Public File. The corrected amounts are reflected in this evaluation and the accompanying tables.

Community development investments and services submitted by management were also verified to ensure that they met the regulatory definition for community development.

### Selection of Areas for Full-Scope Review

SNB, DE has one assessment area that includes all of New Castle County, DE, which is included in the Wilmington/Newark MSA 9160. The City of Wilmington is contained within this assessment area. This area received a full-scope review and our ratings are based on the results of this review. Refer to the table in Appendix A for more information.

### Other

Discussions with management reflect that the primary credit needs of the assessment area are affordable housing, for rent and purchase, and affordable loan programs for first time homebuyers and home refinancing. Management also stated that service needs in the community are day care facilities, education assistance



programs and debt counseling programs.

We reviewed seven community contacts made by our agency during the past year. These contacts included community development groups, a non-profit community development financial institution, a small business development center, and a non-profit community organization and a community development corporation (CDC). The contacts identified affordable housing for low- and moderate-income households and related services and financing for small and minority owned businesses as primary needs for New Castle County.

## **Fair Lending Review**

In conjunction with this CRA examination, a fair lending review to determine Sun DE's compliance with anti-discrimination laws was performed. The analysis was based on fiscal year 1999 home mortgage loan activity and involved comparisons of denied black applicants to approved white applicants. Specifically, underwriting decisions were evaluated to determine whether similarly qualified applicants were treated differently on a prohibited basis. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

Based on the full-scope review, the bank's performance under the Lending Test is rated "**Outstanding.**"

#### Lending Activity

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

SNB DE's lending levels reflect an excellent responsiveness to the assessment area's small business credit needs, and an adequate responsiveness to home mortgage lending needs. SNB DE's performance for each loan type is discussed below.

In the bank's assessment area, 77.52% of SNB DE's loans were loans to small businesses, 17.26% were home mortgage loans, and 5.2% were community development loans. The bank does not offer agricultural loans.

During the evaluation period, SNB DE originated an adequate amount of home mortgage loans in the assessment area. Home purchase loans comprise the majority of SNB DE's total mortgage originations. Among home mortgage loans originated in the assessment area during the evaluation period, 53% were for home purchase, 36% were for home refinance, and 11% were for home improvement. Home equity loans that are for the purpose of home improvement are reported on the HMDA Loan Application Register (HMDA LAR) as such.

Additionally, SNB DE originated and purchased a significant amount of small business loans in their assessment area during the evaluation period. The bank purchased 442 loans to small businesses totaling approximately \$57 million, and originated 34 loans to small businesses totaling approximately \$6 million.

SNB DE's lending activity is good in the assessment area. As of June 30, 1999, SNB DE ranks 24<sup>th</sup> of 36 banks in the assessment area for deposit market share with .36% of deposits. The top five largest banks comprise 79% of deposits in the assessment area. These banks are all large regional banking companies. For 1998, market share data on small business loans shows SNB DE is ranked 6<sup>th</sup> in their assessment area with a 9.47% share of the market. Based on 1998 HMDA aggregate data, SNB DE is ranked 71<sup>st</sup> in home purchase loan originations with two-tenths of one percent (.20%) of the market share. For home mortgage refinance loans, the bank is ranked 121<sup>st</sup> with an overall market share of one-tenth of one percent (.10%). The bank faces very stiff competition in the mortgage product

market with many large banking companies and mortgage companies competing for market share in their assessment area.

## **Distribution of Loans by Income Level of the Geography**

SNB DE's overall geographic distribution of lending reflects excellent penetration throughout the assessment area. The distribution of each product is described below.

### ***Home Mortgage Loans***

Refer to Tables 2, 3 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The geographic distribution of home purchase and home improvement loan originations is excellent. For both loan products, the lending in low-income geographies exceeds the percentage of owner occupied housing in those areas, and the lending in moderate-income geographies significantly exceeds the percentage of owner occupied housing in those areas.

The distribution of home refinance lending is also excellent. The volume of loans in low-income geographies exceeds the amount of owner occupied housing in those areas while lending in moderate-income geographies significantly exceeds the percentage of owner occupied housing in those tracts. Additionally, SNB's market share of lending in low- and moderate-income geographies exceeded its overall market share.

### ***Small Loans to Businesses***

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination and purchase of small loans to businesses.

SNB DE's geographic distribution of small business lending is excellent. The percentage of loans in low-income tracts exceeds the amount of businesses in those areas. The percentage of loans in moderate-income tracts is near the amount of businesses in those areas. Market share data for 1998 shows the bank's market rank is 6<sup>th</sup>, with an overall market share for small business loans of 9.47%. Also, the bank's market share for low-income geographies at 18.70% significantly exceeds the bank's overall market share. SNB DE's market share for moderate-income geographies at 8.10% is near their overall market share.

### ***Lending Gap Analysis***

Maps and reports detailing SNB DE's lending activity over the evaluation period for home mortgage loans and small loans to businesses were reviewed to identify gaps in the geographic distribution of those loans. No unexplained or conspicuous gaps were identified.

***Inside/Outside Ratio***

A substantial majority of the home mortgage, small loans to businesses, and CD loans originated and purchased by SNB DE during the evaluation period were within the assessment area. The volume and dollar amount of HMDA reportable loans made in the assessment area during the evaluation period is 92.98% and 88.96%, respectively. The volume and dollar amount of small business loans made in the assessment area during the evaluation period is 82.59% and 82.42%, respectively. Additionally, SNB DE purchased or originated a total of 32 CD loans totaling \$988 thousand during the evaluation period. The majority of these loans are within the assessment area.

**Distribution of Loans by Income Level of the Borrower**

SNB DE's overall borrower distribution reflects excellent penetration among retail customers of different income levels and business customers of different sizes.

***Home Mortgage Loans***

Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The borrower distribution of home purchase and refinance lending is excellent. SNB DE's record of lending to low-income borrowers significantly exceeds the percentage of low-income families for both loan products. Lending to moderate-income borrowers also significantly exceeds the percentage of moderate-income families for both loan products. Additionally, SNB's market share of lending to low- and moderate-income borrowers is excellent.

The distribution of home improvement lending is excellent. The volume of loans to low-income borrowers exceeds the percentage of low-income families in the assessment area. The bank's lending to moderate-income borrowers significantly exceeds the percentage of moderate-income families in the area. Market share information for this category is not discussed or shown on Table 8 due to the small number of home improvement loans that were originated during the assessment period.

***Small Loans to Businesses***

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

We analyzed the bank's distribution of small business loan originations by calculating the percentage of loans made to small businesses. SNB DE's record was compared to the percentage of small businesses in the assessment area. We also evaluated the bank's distribution of loans by original amount regardless of business size.

A high percentage, 88.49%, of SNB DE's loans were to small businesses compared to 69.25% of small businesses in the assessment area. This reflects an excellent distribution of loans to small businesses. Additionally, 1998 market share reports show that SNB DE has an overall market share of 9.47% for all business loans. The bank's market share of 15.15% to businesses with revenues of \$1 million or less significantly exceeds its overall market share for all business loans. The distribution by size of loan shows that approximately 69.40% of loan purchases and originations are for \$100,000 or less, with an average size of \$36 thousand. This is another indication that SNB DE's business lending is primarily to small businesses.

### **Community Development Lending**

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

Community development (CD) lending has a positive impact on the Lending Test conclusions for the assessment area.

SNB DE purchased and originated 32 CD loans totaling \$988 thousand during the evaluation period. In 1998, the bank purchased or originated 29 CD loans totaling \$821 thousand; and, in 1999 the bank originated three CD loans totaling \$167 thousand.

These loans were primarily multi-family, non-owner occupied loans for the purpose of making housing available to low- and moderate-income individuals and families within the assessment area and the surrounding communities. These loans were originated under the bank's lending commitments to a CDC whose primary purpose is to make affordable housing available to low- and moderate-income individuals and families. All CD loan activity meets the identified needs of the assessment area.

The bank also has a legally binding commitment to fund an additional \$964 thousand in CD loans for future projects for this same CDC.

### **Product Innovation and Flexibility**

Product innovation and flexibility had a positive impact on the Lending Test conclusions for the assessment area.

SNB DE makes good use of flexible loan programs to serve the mortgage credit needs of the assessment area. Among these are two affordable purchase money mortgage programs and three “soft second” and “down payment and settlement assistance” programs at the city, county, and state level.

The affordable mortgage program is designed to assist low- and moderate-income borrowers in obtaining affordable housing at reasonable cost. Flexible features include reduced interest rate, waiver of a portion of the origination fee if credit counseling is completed, and reduced application fees. In 1999, twenty-four loans totaling \$1.8 million were originated under this program.

Additionally, the bank participates in an affordable housing program for first time home buyers with the Delaware State Housing Authority (DSHA) which strives to make affordable mortgages available to borrowers based on certain income designations depending on family size. Flexible features include higher loan to value ratios of up to 97% and rates at one percent less than conventional mortgage rates. In 1998, the bank originated three loans totaling \$234 thousand. All loans were made to low-income borrowers.

The “Wilmington Housing Partnership (WHP)” is a city program with the purpose of providing down payment and settlement assistance to low- and moderate-income borrowers. Under the WHP program, SNB DE made six loans totaling \$30 thousand during the evaluation period. The state housing authority’s second mortgage assistance loan (SMAL) program is designed to provide down payment and settlement assistance for low- and moderate-income borrowers. Under this program, SNB DE originated five loans totaling \$22 thousand during the evaluation period. All eleven of the loans made under the SMAL and WHP programs were “interest free bridge” loans that were financed by the bank and subsequently paid off by WHP and SMAL. However, the agencies pay back principal amounts only, and the bank forgoes the interest income on these short-term bridge loans.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

Based on the full-scope review, SNB DE’s performance under the Investment Test is rated **“High Satisfactory.”**

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank’s level of qualified investments.

There are many investment opportunities available to the bank in their assessment area of New Castle County, which includes the City of Wilmington. The majority of these investments are in the form of donations and grants to qualifying

organizations, tax credits, and qualifying mortgage backed securities. However, the number of tax credit awards are limited and the availability to invest in tax credits is usually in increments of \$1 million. Additionally, strong competition is a factor in limiting tax credit opportunities.

As of the examination date, SNB DE has a good volume of qualified investments and grants. These investments exhibit a good level of responsiveness to the primary needs of the assessment area given the opportunities. The types and dollar amounts of qualified investments are as follows:

1. Mortgage Back Securities	\$775,604
2. Community Grants and Donations	<u>\$ 3,000</u>
	\$778,604

1. The mortgage back security purchases include two separate investments that have as underlying collateral a total of seven mortgages. All of these mortgages were made within the bank’s assessment area to low- and moderate-income borrowers.
2. The community grants are qualifying donations to an affordable housing organization in the assessment area.

These investments exhibit a good level of responsiveness to the primary needs in the assessment area. Local community organizations and other economic and demographic resources indicate that affordable housing is a major concern in the area. Ninety-nine percent of SNB, DE’s investments are for affordable housing purposes.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

Based on the full-scope review, SNB DE’s performance under the Service Test is rated **“High Satisfactory.”**

### **Retail Banking Services**

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank’s branch delivery system and branch openings and closings.

SNB DE’s service delivery systems are accessible to geographies and individuals of different income levels in the assessment area. The bank operates eight full service financial service centers (FSCs) in New Castle County, four that have ATMs, and three stand alone ATMs. The location of the FSCs by income level of geography is as follows: two FSCs (one with an ATM) and one stand alone ATM are located in one low-income census tract; one FSC is located in a moderate-income tract; three



FSCs (one with an ATM) are located in three middle-income tracts; and, two FSCs with ATMs and two stand alone ATMs are located in two upper-income tracts.

The FSCs and ATMs located in the low- and moderate-income tracts are in the City of Wilmington on Walnut and Market Streets. The bank's main office located at 1300 Market, which is attached to a FSC, is located in a low-income census tract. The FSCs and ATM that are located in low-income tracts are adjacent to additional low- and moderate-income census tracts. The FSC located in the moderate-income tract is adjacent to low-, moderate- and middle-income census tracts.

SNB DE's FSC network, particularly within the City of Wilmington, makes financial services available to the low- and moderate-income segments of the assessment area.

The FSCs that are located in middle-income tracts are within one to two miles of moderate-income census tracts. Additionally, two FSCs with ATMs located in upper-income tracts are adjacent to a moderate-income tract, and the closest FSC is within one-half mile and two miles of two moderate-income tracts. The bank conducted a geographic analysis of their FSC locations. Results of this analysis reflect that 17 (50%) of the low- and moderate-income tracts within their assessment area are located within a one-mile radius of all FSCs. Additionally, 29 (85%) and 33 (97%) of all low- and moderate-income tracts are within three and five miles respectively of all FSCs when the analysis is expanded.

Six of eight FSCs have extended Saturday hours, including the FSC located in a moderate-income census tract. Seven FSCs are open until at least 5 pm each day with one FSC closing at 4 PM four days a week. The hours were shortened at this FSC due to increased crime in the area. The two FSCs that are located in the downtown business area of Wilmington do not have Saturday hours. The bank retained all of the prior bank's product lines in order to ease the transition for existing customers.

## **Community Development Services**

SNB, DE provides a good level of community development services. Bank employees participate in seventeen community organizations. Five of the organizations are affordable housing groups, four are economic development groups, and eight are community service organizations. Employees use their financial expertise and banking knowledge to review loan applications, provide education and review financial information for these groups. The following are examples of the types of participation.

One officer provides counseling and educational presentations on affordable housing to Community Housing, Inc., YWCA/Centers for Homeownership Neighborhood House, Inc., and Housing Opportunities of Northern Delaware. This same officer is a Board member of the Eastside Millennium Community Development Corporation, an organization that has as its focus, economic

revitalization and stabilization of low- and moderate-income areas in the City of Wilmington.

One officer is a member of the loan committee for Delaware Community Investment Corporation. The loan committee decides on loan requests for low- and moderate-income housing projects in the State of Delaware, many of which are located in the bank's assessment area. This individual also reviews loan requests for inner-city revitalization projects that promote economic development of low- and moderate-income geographies.

One bank employee is the treasurer of a committee organized to revitalize a moderate-income area of the City of Wilmington. This individual, and one other bank employee, also participated in a Career Exploration Program for low-income individuals.

One individual is a member of the State Chamber of Commerce Marketing, Legislative, and Environmental committees promoting business, commerce and legislation primarily for small businesses. This individual also performs money raising activities and charity work for civic clubs benefiting low- and moderate-income areas. He also assists goodwill agencies in setting up computer software programs and selling computers, proceeds of which go to low-income individuals.

A bank employee participated in several programs targeted to youths who are primarily low- and moderate-income, on such topics as financial responsibility and college finances. This individual also participated in programs designed to educate low-income single parents.

A bank employee is a member of an organization that provides scholarships for underprivileged, low- and moderate-income women wishing to enter the workforce.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term  $\Delta$ Full-Scope $\Delta$ ) and those that received a less comprehensive review (designated by the term  $\Delta$ Limited-Scope $\Delta$ ).

<b>Time Period Reviewed</b>	Lending Test: December 18, 1998 to December 31, 1999 Investment Test: December 18, 1998 to May 1, 2000 Service Test: December 18, 1998 to May 1, 2000	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Sun National Bank, Delaware Wilmington, DE	Residential mortgages, small business loans, community development loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
NA	NA	NA
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Wilmington/Newark, DE MSA (9160) New Castle County, DE	Full Scope	None

## **Appendix B: Market Profiles for Full-Scope Areas**

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#### **Market Profiles for Areas Receiving Full-Scope Reviews**

Wilmington MSA/New Castle County .....	B-2
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**Wilmington MSA/New Castle County**

Demographic Information for Full-Scope Area: Wilmington MSA/New Castle County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	120	7%	19%	51%	21%	2%
Population by Geography	441,946	4%	17%	54%	25%	0%
Owner-Occupied Housing by Geography	112,040	2%	14%	55%	29%	0%
Businesses by Geography	18,069	12%	17%	47%	24%	0%
Farms by Geography	367	1%	14%	56%	29%	0%
Family Distribution by Income Level	115,305	17%	18%	26%	39%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	40,314	7%	26%	55%	12%	0%
Median Family Income HUD Adjusted Median Family Income for 1999 Households Below the Poverty Level	= \$44,332 = \$66,000 = 7.62%	Median Housing Value Unemployment Rate (New Castle County, DATE HERE)				= \$119,531 = 2.07%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 1999 HUD updated MFI.

Description of Assessment Area

SNB DE has one assessment area consisting of all of New Castle County, which includes 120 census tracts. This assessment area meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies. Based on 1990 U.S. Census Data, New Castle County is the most densely populated county with 441,946 or two-thirds of Delaware’s population. Wilmington represents the largest city in New Castle County with a population of 71,529. Newark, containing the University of Delaware, is also a significant urban area in New Castle County.

There are nine low-income census tracts and twenty-three moderate-income tracts in the assessment area. All nine low-income areas and nine of the twenty-three moderate-income tracts are within the City of Wilmington. The low-income areas are within the downtown area of Wilmington and are relatively small in size.

SNB DE operates eight branch offices, four with ATMs, and three stand alone ATMs in New Castle County. Major competitors in the area include Artisan’s Bank, Wilmington Trust, WSFS, state and savings banks, large credit card companies, and branches of large regional banks.

As of December 1999, the unemployment rate for New Castle County was 2.07%. This is below the state average of 3.5%. The major employer in New Castle County is the financial services industry. The structure of Delaware’s economy has undergone significant change since 1990. Even though the economy is still led by

large companies in the chemical and automotive industries, there has been a marked diversity since 1990. Several high technology and research and development firms have been started in the State, and together with the financial services industry are making significant impact on the economy.

The demographic information for the assessment area shows that housing is not easily affordable for low-income residents. Low-income in the assessment area is defined as a family income of less than \$33 thousand per year. Approximately eight percent of the households in the assessment area are below the poverty level. Additionally, approximately 25% of the households are on social security, 5% are on public assistance and 18% are retired. The median housing value in New Castle County is \$119,531 and nine percent of homeowners pay greater than 30% of their monthly income for housing related costs. For Wilmington, the average median housing value is \$87,873. A 1996 Statewide Housing Needs Assessment determined that approximately 2.5% of the housing stock in New Castle County is considered substandard. Wilmington was estimated to have 2,434 substandard units, or 81.4% of total City housing stock. In addition, 14% of Wilmington's rental units were estimated to be substandard.

There are many investment opportunities available to the bank in their assessment area of New Castle County, which includes the City of Wilmington. The majority of these investments are in the form of donations and grants to qualifying organizations, tax credits, and qualifying mortgage backed securities. However, the number of tax credit awards is limited and the availability to invest in tax credits is usually in increments of \$1 million. Additionally, strong competition is a factor in limiting tax credit opportunities.

#### Community Credit Needs

We reviewed seven community contacts made by our organization in the past two years. They indicated that the availability of affordable housing and related services, and small business loans and related services are the primary needs in the assessment area. We reviewed a summary of the Wilmington Consolidated Plan for 1995 that noted affordable housing as a primary need for low- and moderate-income households, especially those residing in Wilmington.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the **bank** include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of Home Purchase Loans** Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Farms** The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the

percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 7. Borrower Distribution of Home Purchase Loans** Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small business reporters in the bank's AA to businesses with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small farm reporters in the bank's AA to farms with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.



**Table 12. Qualified Investments** Presents the number and dollar amount of qualified investments made by the bank in each MSA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must have been reported on schedule RC-L of the Call Reports as an off-balance sheet item.

**Table 13. Distribution of Branch Delivery System and Branch Openings/Closings** Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography in each MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.

**Table 1. Lending Volume**

LENDING VOLUME		Evaluation Period 12/18/1998 TO 12/31/1999										
MSA/Assessment Area	% of Rating Area Deposits in AA*	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Rating Area Loans in AA (% of #)
		#	\$(000's)	#	\$(000's)	#	\$(000's)	#	\$(000's)	#	\$(000's)	
<b>Full Scope</b>	100.00	106	9,503	476	63,194	0	0	32	988	614	73,685	100.00
Wilmington MSA/ New Castle County												

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE		Evaluation Period 12/18/1998 TO 12/31/1999															
MSA/Assessment Area	Overall Market Rank*	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Market Share by Geography*			Total Home Purchase Loans				
		% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	Overall	Low	Mod		Upp	% of Total**		
<b>Full Scope</b>		2	5	14	36	55	53	29	5	71	0.2	0.0	0.9	0.2	0.1	55	100
Wilmington MSA/ New Castle County																	

Table 1 - \* Deposit Data as of June 30, 1999  
 Table 2 - \* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.  
 Table 2 - \*\* Home purchase loans within an MSA/AA as a % of all home purchase loans in the rating area.

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT		Evaluation Period 12/18/1998 TO 12/31/1999														
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography			Total Home Improvement Loans			
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mld	Upp	#	% of Total**
<b>Full Scope</b>																
Wilmington MSA/ New Castle County	2	9	14	27	55	45	29	18	0	0.0	0.0	0.0	0.0	0.0	11	100

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE		Evaluation Period 12/18/1998 TO 12/31/1999														
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography			Total Home Mortgage Refinance Loans			
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mld	Upp	#	% of Total**
<b>Full Scope</b>																
Wilmington MSA/ New Castle County	2	3	14	35	55	38	29	24	121	0.1	0.6	0.3	0.1	0.1	37	100

Table 3 - \* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

Table 3 - \*\* Home improvement loans within an MSA/AA as a % of all home improvement loans in the rating area.

Table 4 - \* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

Table 4 - \*\* Refinance loans within an MSA/AA as a % of all refinance loans in the rating area.

**Table 5. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL BUSINESS		Evaluation Period 12/18/1998 TO 12/31/1999														
MSA/Assessment Area	Low Income Geographies % of Businesses	Moderate Income Geographies % of Businesses		Middle Income Geographies % of Businesses		Upper Income Geographies % of Businesses		Overall Market Rank*	Market Share by Geography*				Total Small Business Loans % of Total**			
		% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses		Overall	Low	Mod	Mld		Upp		
<b>Full Scope</b>																
Wilmington/MSA/ New Castle County	12	17	17	16	47	40	24	27	6	9.5	18.7	8.1	8.3	9.9	476	100

**Table 6. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL FARM		Evaluation Period 12/18/1998 TO 12/31/1999														
MSA/Assessment Area	Low Income Geographies % of Farms	Moderate Income Geographies % of Farms		Middle Income Geographies % of Farms		Upper Income Geographies % of Farms		Overall Market Rank*	Market Share by Geography*				Total Loans Small Farm Loans % of Total**			
		% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms		Overall	Low	Mod	Mld		Upp		
<b>Full Scope</b>																
Wilmington/MSA/ New Castle County	1	0	14	N/A	56	N/A	29	N/A	79	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Table 5 - \* Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.

Table 5 - \*\* Small Business loans within an MSA/AA as a % of all Small Business loans in the rating area.

Table 6 - \* Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.

Table 6 - \*\* Small Farm loans within an MSA/AA as a % of all Small Farm loans in the rating area.

**Table 7. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HMDA HOME PURCHASE																
Evaluation Period 12/18/1998 TO 12/31/1999																
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share by Borrower Income*			Total Home Purchase Loans			
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod		Upp	#	% of Total
<b>Full Scope</b>																
Wilmington MSA New Castle County	17	51	18	25	26	9	39	15	71	0.2	0.9	0.2	0.1	0.1	55	100

**Table 8. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT																
Evaluation Period 12/18/1998 TO 12/31/1999																
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share By Borrower Income*			Total Home Improvement Loans			
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod		Upp	#	% of Total
<b>Full Scope</b>																
Wilmington MSA New Castle County	17	18	18	27	26	18	39	36	0	0.0	0.0	0.0	0.0	0.0	11	100

Table 7 - \* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

Table 7 - \*\* As a percentage of loans with borrower income information available.

Table 8 - \* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

Table 8 - \*\* As a percentage of loans with borrower income information available.

**Table 9. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE		Evaluation Period 12/18/1998 TO 12/31/1999														
MSA/Assessment Area	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Overall Market Rank*	Market Share by Borrower Income*				Total Loans		
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mfd		Upp	#
<b>Full Scope</b>																
Wilmington MSA/ New Castle County	17	38	18	27	26	19	39	16	121	0.1	0.7	0.1	0.0	0.0	37	100

**Table 10. Borrower Distribution of Small Business Loan Originations**

Borrower Distribution: SMALL BUSINESS		Evaluation Period 12/18/1998 TO 12/31/1999									
MSA/Assessment Area	Businesses With Revenues Of \$1 million or less		% Distribution of Loans by Original Amount of Business Size		Market Share*		Total Small Business Loans				
	% Business**	% Bank Loans***	\$100,000 or less	> \$100,000 to \$250,000	Rev \$ 1 Million or Less	#		% of Total			
<b>Full Scope</b>											
Wilmington MSA/ New Castle County	69.25	87.18	47.64	69.40	17.35	100	13.25	9.47	15.2	476	100.00

Table 9 - \* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

Table 9 - \*\* As a percentage of loans with borrower income information available.

Table 10 - \* The market consists of all other Small Business reporters in SNB DE's assessment area and is based on 1998 Aggregate Small Business Data only.

Table 10 - \*\* Businesses with revenues of \$1 million or less as a percentage of all businesses.

Table 10 - \*\*\* Loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No revenue information was available for 1.5% of small loans to businesses reported by the BANK.

**Table 11. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL FARM		Evaluation Period 12/18/1998 TO 12/31/1999							
MSA/Assessment Area	Businesses With Revenues Of \$ 1million or less		% Distribution Loans by Original Amount Regardless of Farm Size		Market Share*		Total Small Farm Loans		
	% Farms**	% Bank Loans***	\$100,000 or less	> \$100,000 to \$250,000	All	Rev \$ 1 Million or Less	#	% of Total	
<b>Full Scope</b>									
Wilmington/MSA/ New Castle County	94	0	N/A	0	N/A	0.0N/A	N/A	0N/A	N/A

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS		Evaluation Period 12/18/1998 TO 12/31/1999							
MSA/Assessment Area	Prior Period Investments*		Current Period Investments		Total Investment		Unfunded Commitments**		
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Scope</b>									
Wilmington/MSA/ New Castle County	0	0	3	0779	3	779	0.00	00	0

Table 11 - \* The market consists of all other Small Farm reporters in SNB DDE's assessment area and is based on 1998 Aggregate Small Business Data only.

Table 11 - \*\* As a Percentage of Farms with known revenues.

Table 11 - \*\*\* As a percentage of loans with borrower income information available.

Table 12 - \* 'Prior Period Investments' means investments made in a previous evaluation period that remains outstanding as of the examination date.

Table 12 - \*\* "Unfunded Commitments" means legally binding commitments reported on Report of Condition Schedule L-"Off-Balance Sheet Items".

**Table 13. Distribution of Branch and ATM Delivery System**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM																				
Evaluation Period 12/18/1998 TO 12/31/1999																				
MSA/Assessment Area	Deposits % of Total Bank Deposits	# of Bank Branches			% of Total Bank Branches			Branches Location of Branches by Income of Geographies (%)			Branch Openings/Closings			Population						
		# of Bank Branches	% of Total Bank Branches	% of Total Bank Branches	Low (%)	Mod (%)	Upp (%)	Low (%)	Mod (%)	Upp (%)	# of Branch Openings	Net gain(+) / loss(-) of branches due to openings/closings		Low	Mod	Upp				
<b>Full Scope</b>																				
Wilmington/MSA/ New Castle County	0.000	08	100	25	13	38	25	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00	3.86	16.80	53.87	25.47

Source: 1990 US Census and HUD update MFI

Market Profile - \*\* The percentage of the population in the MSA/AA that resides in these geographies.