

PUBLIC DISCLOSURE

June 14, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Phoenixville Federal Bank & Trust
Certificate Number: 29995

564 Nutt Road
Phoenixville, Pennsylvania 19460

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

350 Fifth Avenue, Suite 1200
New York, New York 10118

This document is an evaluation of this 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. 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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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans are in the institution's assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes.
- The bank has not received any complaints regarding its CRA performance since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

DESCRIPTION OF INSTITUTION

Background

Headquartered in Phoenixville, Pennsylvania (PA), Phoenixville Federal Bank & Trust (Phoenixville) operates in the southeastern part of PA, with branches in Chester and Montgomery Counties. Phoenixville is a mutually owned state-chartered financial institution. The bank received a Satisfactory rating at its previous Federal Deposit Insurance Corporation (FDIC) evaluation, dated September 8, 2020, based on Intermediate Small Institution Examination Procedures.

Operations

Phoenixville operates retail and commercial banking operations through its five full-service branches in Chester County (2) and Montgomery County (3), PA. The bank offers several residential, commercial, and consumer loan products, with a primary focus on residential mortgage lending. The bank also offers a variety of consumer and business deposit services, including checking, savings, money market deposit accounts, and certificates of deposit. Alternative retail banking services include online and mobile banking platforms, telephone banking, and five proprietary automated teller machines, with one located at each branch. The bank also offers investment advisory and trust services. Phoenixville did not open or close any branches or engage in any merger or acquisition activity since the previous evaluation.

Ability and Capacity

Bank assets totaled \$606.8 million as of March 31, 2023, which included total loans of \$475.0 million and securities totaling \$84.4 million. Bank deposits totaled \$521.4 million. Since the previous evaluation, total assets, loans, and deposits increased by 16.8 percent, 20.5 percent, and 13.9 percent, respectively. The increase in total assets, loans, and deposits since the previous evaluation was due to normal business growth. The following table illustrates the loan portfolio composition as of March 31, 2023.

Loan Portfolio Distribution as of March 31, 2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	13,846	2.9
Secured by Farmland	2,899	0.6
Secured by 1-4 Family Residential Properties	265,338	55.9
Secured by Multifamily (5 or more) Residential Properties	29,622	6.2
Secured by Nonfarm Nonresidential Properties	130,885	27.6
Total Real Estate Loans	442,590	93.2
Commercial and Industrial Loans	10,469	2.2
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	7	0.0
Obligations of State and Political Subdivisions in the U.S.	21,306	4.5
Other Loans	638	0.1
Total Loans	475,010	100.0
<i>Source Reports of Condition and Income.</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The Community Reinvestment Act (CRA) requires each financial institution to define one or more assessment areas within which its supervisory agency will evaluate its CRA performance. Phoenixville designates a single assessment area consisting of Chester and Montgomery Counties within the Montgomery County-Bucks County-Chester County, PA Metropolitan Division (MD) #33874, which is part of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area (MSA) #37980. The designated assessment area has not changed from the previous CRA evaluation.

Economic and Demographic Data

For 2020 and 2021, the assessment area included 327 census tracts reflecting the following income designations according to the 2015 American Community Survey (ACS):

- 15 low-income census tracts,
- 63 moderate-income census tracts,
- 153 middle-income census tracts,
- 94 upper-income census tracts, and
- 2 census tracts with no income designation.

The United States (U.S.) Census Bureau's 2020 Census updated demographic data, which went into effect in 2022. The 2020 Census data changed the number and income level of select tracts within the assessment area. For 2022, the same assessment area included 343 census tracts reflecting the following income designations according to the 2020 Census data:

- 15 low-income census tracts,
- 62 moderate-income census tracts,
- 158 middle-income census tracts,
- 101 upper-income census tracts, and
- 7 census tracts with no income designation.

Examiners used 2015 ACS data to evaluate the bank's 2020 and 2021 performance and the 2020 U.S. Census data to evaluate the bank's 2022 performance. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Chester and Montgomery Counties Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	343	4.4	18.1	46.1	29.4	2.0
Population by Geography	1,390,966	3.8	16.3	47.2	31.9	0.7
Housing Units by Geography	537,904	4.1	17.7	47.5	30.5	0.2
Owner-Occupied Units by Geography	373,684	2.1	13.8	49.2	34.8	0.1
Occupied Rental Units by Geography	137,915	9.0	27.1	44.0	19.7	0.4
Vacant Units by Geography	26,305	8.1	23.1	41.7	26.5	0.7
Businesses by Geography	215,394	2.3	12.5	46.6	37.9	0.7
Farms by Geography	5,251	2.2	15.2	51.2	31.1	0.3
Family Distribution by Income Level	354,752	18.8	18.0	21.7	41.5	0.0
Household Distribution by Income Level	511,599	23.1	16.4	18.4	42.1	0.0
Median Family Income - 33874 Montgomery County-Bucks County-Chester County, PA MD		\$117,345	Median Housing Value			\$353,732
Families Below Poverty Level		3.8%	Median Gross Rent			\$1,368
<i>Source 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

There are 537,904 housing units in the assessment area. Of these units, 69.5 percent are owner-occupied, 25.6 percent are rental occupied, and 4.9 percent are vacant. The geographic distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. As reflected in the table above, only 2.1 percent and 13.8 percent of owner-occupied housing units are located in low- and moderate-income census tracts, respectively. This distribution reflects limited opportunities to originate home mortgage loans in low- and moderate-income census tracts in the assessment area.

Examiners used 2020, 2021, and 2022 FFIEC-updated median family income (MFI) data to analyze home mortgage loans under the borrower profile criterion. The following table shows MFI ranges for the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Montgomery County-Bucks County-Chester County, PA MD Median Family Income (33874)				
2020 (\$118,000)	<\$59,000	\$59,000 to <\$94,400	\$94,400 to <\$141,600	≥\$141,600
2021 (\$116,300)	<\$58,150	\$58,150 to <\$93,040	\$93,040 to <\$139,560	≥\$139,560
2022 (\$131,400)	<\$65,700	\$65,700 to <\$105,120	\$105,120 to <\$157,680	≥\$157,680
<i>Source FFIEC</i>				

The analysis of small business loans under the borrower profile criterion compares the distribution of businesses by gross annual revenue (GAR) level. According to 2022 D&B data, there were

215,394 non-farm businesses in the assessment area. These businesses have the following GAR characteristics:

- 90.8 percent had GARs of \$1.0 million or less;
- 3.5 percent had GARs of more than \$1.0 million; and
- 5.7 percent had unreported GARs.

Service industries represent the largest share of total businesses in the assessment area at 38.3 percent, followed by non-classifiable establishments (24.1 percent), finance, insurance, and real estate (11.9 percent), and retail trade (8.4 percent). Most businesses have four or fewer employees (63.0 percent) and operate at a single location (93.8 percent). This information reflects the potential demand for, and the opportunity to originate, small business loans in the assessment area.

According to Moody's Analytics, several of the top employers in the assessment area include The Vanguard Group; Einstein Healthcare Network; Universal Health Services, Inc.; Holy Redeemer Health System; and Siemens.

Competition

The bank's assessment area reflects a highly competitive market for financial services. According to the June 30, 2022 FDIC deposit market share data, 47 financial institutions operated 402 full-service offices in the assessment area. Of these institutions, Phoenixville ranked 17th with a 0.9 percent deposit market share. The top three institutions based on deposit market share were Wells Fargo Bank, National Association (NA) (16.0 percent); TD Bank, NA (15.6 percent); and Citizens Bank, NA (10.1 percent).

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. Based on 2021 peer mortgage data, 705 lenders originated or purchased 86,553 home mortgage loans. Of these lenders, Phoenixville ranked 87th by number of originations and purchases capturing 0.2 percent of total market share. The top three mortgage lenders in the assessment area included Wells Fargo Bank, NA (6.1 percent); Rocket Mortgage (5.7 percent); and Citizens Bank, NA (5.4 percent).

Phoenixville is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include aggregate data comparisons. The aggregate data, however, reflects the level of demand for small business loans and is therefore included for performance context. Aggregate data for 2021 shows that 206 institutions originated or purchased 47,818 small business loans in the assessment area, indicating a high level of competition for this product.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation, dated September 8, 2020, to the current evaluation, dated June 14, 2023. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's CRA performance. These procedures include the Lending Test and the Community Development Test. Please see Appendices for complete description of these tests.

Activities Reviewed

Examiners determined Phoenixville's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy, as well as the number and dollar volume of loans originated during the evaluation period. While the number of small business loans was similar to that of home mortgage loans in 2020 and 2021, examiners gave greater weight to home mortgage lending when forming overall conclusions. This is because a significant volume of small business loans originated in 2020 and 2021 were Paycheck Protection Program (PPP) loans, which was a short-term loan product offered through, and forgiven by, the U.S. Small Business Administration (SBA) in response to the COVID-19 pandemic. The bank originated a low volume of farm and consumer loans during the evaluation period. This evaluation did not consider small farm or consumer loans, as neither represented a major product line.

This evaluation considered all home mortgage loans reported on the bank's 2020, 2021, and 2022 HMDA Loan Application Registers. Due to asset size, Phoenixville is not required to collect or report small business loans. However, the bank collected sufficient data for analysis, thus examiners considered all data collected for small business loans originated or purchased in 2020, 2021, and 2022. For comparative purposes, the evaluation will present 2021 aggregate HMDA, 2015 ACS data, 2020 U.S Census data, and 2020, 2021 and 2022 D&B data.

Bank management provided information on community development loans, investments, and services since the prior CRA evaluation dated September 8, 2020.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank's overall Lending Test performance is rated "Satisfactory." Phoenixville's reasonable performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile criteria supports this rating. The following sections present the bank's overall performance under the Lending Test.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. Phoenixville's LTD ratio, calculated from Call Report data, averaged 80.5 percent over the past eleven calendar quarters from September 30, 2020, to March 31, 2023. The LTD ratio fluctuated during the evaluation period, ranging from a low of 72.3 percent as of December 31, 2021, to a high of 90.3 percent as of March 31, 2023.

Phoenixville also maintained a reasonable average net LTD ratio compared to that of similarly situated institutions, as shown in the table below. Examiners selected these institutions based on geographic location, lending focus, and asset size.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 3/31/2023 (\$000s)	Average Net LTD Ratio (%)
Phoenixville Federal Bank & Trust	606,821	80.5
First Resource Bank	538,683	99.0
Harleysville Bank	843,220	78.0
Huntingdon Valley Bank	626,740	84.9
The Victory Bank	420,491	80.2

Source Reports of Condition and Income 9/30/2020 - 3/31/2023

Assessment Area Concentration

A majority of loans are in the bank's assessment area. The following table presents, by number and dollar amount, home mortgage and small business loans made inside and outside the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2020	154	76.6	47	23.4	201	46,112	68.2	21,456	31.8	67,568
2021	156	81.7	35	18.3	191	43,158	73.6	15,474	26.4	58,632
2022	134	64.4	74	35.6	208	49,850	57.0	37,542	43.0	87,392
Subtotal	444	74.0	156	26.0	600	139,120	65.1	74,472	34.9	213,592
Small Business										
2020	191	96.5	7	3.5	198	21,935	97.7	509	2.3	22,444
2021	119	92.2	10	7.8	129	17,518	94.8	965	5.2	18,482
2022	47	88.7	6	11.3	53	9,529	82.8	1,976	17.2	11,505
Subtotal	357	93.9	23	6.1	380	48,982	93.4	3,449	6.6	52,431
Total	801	81.7	179	18.3	980	188,102	70.7	77,921	29.3	266,023

Source Bank Data. Due to rounding, totals may not equal 100.0%

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. Phoenixville’s excellent performance of home mortgage lending supports this conclusion. Examiners focused on the number of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. As shown in the following table, the bank’s performance in 2020 and 2021 in low-income census tracts greatly exceeded aggregate and demographic data. The bank’s performance in 2022 in low-income census tracts declined and fell below demographic data. The opportunity to lend in low-income census tracts is limited, given the low percentage of housing units located in these geographies. The bank’s performance in moderate-income census tracts was similar to aggregate and demographic data in 2020 and below such data in 2021. In 2022, the bank’s performance in moderate-income census tracts improved and exceeded demographic data.

Geographic Distribution of Home Mortgage Loans						
Chester and Montgomery Counties Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	1.6	1.4	12	7.8	5,404	11.7
2021	1.6	1.7	25	16.0	5,597	13.0
2022	2.1	-	1	0.7	126	0.3
Moderate						
2020	14.3	12.4	21	13.6	2,653	5.8
2021	14.3	13.5	16	10.3	2,625	6.1
2022	13.8	-	25	18.7	4,557	9.1
Middle						
2020	49.9	49.1	82	53.2	24,501	53.1
2021	49.9	49.4	86	55.1	22,531	52.2
2022	49.2	-	71	53.0	22,859	45.9
Upper						
2020	34.2	37.1	39	25.3	13,554	29.4
2021	34.2	35.5	29	18.6	12,405	28.7
2022	34.8	-	37	27.6	22,309	44.8
Not Available						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
2022	0.1	-	0	0.0	0	0.0
Totals						
2020	100.0	100.0	154	100.0	46,112	100.0
2021	100.0	100.0	156	100.0	43,158	100.0
2022	100.0	-	134	100.0	49,850	100.0

*Source 2015 ACS & 2020 U.S. Census; Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank's performance in 2020 and 2021 in low-income census tracts greatly exceeded demographic data. In 2022, the bank did not originate any loans in low-income census tracts. The opportunity to lend in low-income census tracts is limited as less than 3.0 percent of area businesses were located in low-income census tracts during the evaluation period. The bank's performance in moderate-income census tracts slightly trailed demographic data in 2020 and 2021, and exceeded demographic data in 2022.

Geographic Distribution of Small Business Loans					
Chester and Montgomery Counties Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2020	2.7	14	7.3	1,411	6.4
2021	2.8	10	8.4	1,867	10.7
2022	2.3	0	0.0	0	0.0
Moderate					
2020	11.7	20	10.5	2,460	11.2
2021	11.9	12	10.1	1,374	7.8
2022	12.5	7	14.9	910	9.6
Middle					
2020	48.0	99	51.8	11,755	53.6
2021	47.9	59	49.6	7,392	42.2
2022	46.6	25	53.2	5,692	59.7
Upper					
2020	37.6	58	30.4	6,309	28.8
2021	37.4	38	31.9	6,885	39.3
2022	37.9	14	29.8	2,902	30.5
Not Available					
2020	0.0	0	0.0	0	0.0
2021	0.0	0	0.0	0	0.0
2022	0.7	1	2.1	25	0.3
Totals					
2020	100.0	191	100.0	21,935	100.0
2021	100.0	119	100.0	17,518	100.0
2022	100.0	47	100.0	9,529	100.0

Source 2020, 2021, & 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. Phoenixville’s adequate performance of home mortgage and small business lending supports this conclusion. Examiners focused on the number of home mortgage loans to low- and moderate-income borrowers and the number of small business loans to businesses with GAR of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Examiners focused on the comparison to aggregate data. As shown in the following table, the bank's penetration of home mortgage lending to low-

income borrowers was slightly below aggregate data for 2020 and 2021 and below demographic data for 2022. A low-income family in the assessment area may not likely qualify for a mortgage under conventional underwriting standards considering the median housing value of \$353,732. Therefore, the opportunities for lending to low-income families are limited. This helps explain the difference between the aggregate and bank's performance and the percentage of families at this income level. The bank's penetration of home mortgage loans to moderate-income borrowers in 2020 and 2021 was below aggregate data, and was similar to demographic data in 2022.

Distribution of Home Mortgage Loans by Borrower Income Level						
Chester and Montgomery Counties Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	19.5	7.8	10	6.5	1,201	2.6
2021	19.5	8.4	13	8.3	1,208	2.8
2022	18.8	-	13	9.7	1,500	3.0
Moderate						
2020	17.7	19.5	16	10.4	2,920	6.3
2021	17.7	19.2	26	16.7	4,652	10.8
2022	18.0	-	25	18.7	3,657	7.3
Middle						
2020	21.9	24.7	44	28.6	8,635	18.7
2021	21.9	23.1	39	25.0	8,876	20.6
2022	21.7	-	17	12.7	2,969	6.0
Upper						
2020	41.0	35.6	62	40.3	18,794	40.8
2021	41.0	35.8	61	39.1	19,935	46.2
2022	41.5	-	42	31.3	16,151	32.4
Not Available						
2020	0.0	12.4	22	14.3	14,562	31.6
2021	0.0	13.6	17	10.9	8,488	19.7
2022	0.0	-	37	27.6	25,574	51.3
Totals						
2020	100.0	100.0	154	100.0	46,112	100.0
2021	100.0	100.0	156	100.0	43,158	100.0
2022	100.0	-	134	100.0	49,850	100.0
<i>Source 2015 ACS & 2020 U.S. Census; Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. As shown in the following table, the bank’s penetration of loans during the review period to businesses with GAR of \$1.0 million or less significantly trailed demographic data. In 2020 and 2021, the bank’s percentage of loans to businesses with revenue not available was high. This is primarily due to the bank originating PPP loans in 2020 and 2021, as the collection of GAR information is not required on these loans. In 2022, the bank’s performance of lending to businesses with GAR of \$1.0 million or less improved, but continued to trail demographic data.

Examiners further analyzed the bank’s performance based on small business loans that were not PPP loans. In 2020 and 2021, the bank originated 41.7 percent and 27.1 percent of these loans, respectively, to businesses with GAR of \$1.0 million or less. The bank’s distribution of non-PPP small business loans to businesses with GAR of \$1.0 million or less is adequate.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Chester and Montgomery Counties Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2020	88.8	20	10.5	2,446	11.2
2021	89.5	17	14.3	2,420	13.8
2022	90.8	25	53.2	3,604	37.8
>\$1,000,000					
2020	4.6	26	13.6	9,709	44.3
2021	4.2	31	26.1	10,066	57.5
2022	3.5	19	40.4	5,750	60.3
Revenue Not Available					
2020	6.6	145	75.9	9,780	44.6
2021	6.4	71	59.7	5,032	28.7
2022	5.7	3	6.4	175	1.8
Totals					
2020	100.0	191	100.0	21,935	100.0
2021	100.0	119	100.0	17,518	100.0
2022	100.0	47	100.0	9,529	100.0

Source 2020, 2021, & 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%

Response to Complaints

Phoenixville did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

Phoenixville demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

Community Development Loans

The bank originated 49 community development loans totaling \$10.1 million during the evaluation period. This level of activity represents 1.8 percent of average total assets and 2.4 percent of average total loans during the evaluation period. Phoenixville increased its volume of community development lending since the previous evaluation. At the previous evaluation, the bank originated 20 community development loans totaling \$907,000, representing 0.2 percent of average total assets and 0.3 percent of average total loans. The increase in the number of loans is largely due to the bank’s participation in SBA’s PPP, particularly those loans that revitalized or stabilized low- and moderate-income census tracts.

The following table illustrates the bank’s community development activity by year and purpose:

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
9/8/2020 – 12/31/2020	2	2,330	0	0	0	0	15	784	17	3,114
2021	11	1,056	0	0	2	1,499	7	585	20	3,140
2022	10	3,335	0	0	0	0	0	0	10	3,335
1/1/2023 – 6/14/2023	2	537	0	0	0	0	0	0	2	537
Total	25	7,258	0	0	2	1,499	22	1,369	49	10,126

Source Bank Data

The following is a sample of community development loans that benefit the assessment area and broader statewide or regional area.

- In 2020 and 2021, the bank originated 22 PPP loans totaling \$1.4 million that qualified as community development loans. These loans were not reportable as small business loans. The PPP loans to area businesses and organizations helped to revitalize or stabilize low- and moderate-income areas by retaining jobs, businesses, organizations, and residents during the COVID pandemic.
- During the evaluation period, the bank participated in loan pools consisting of 18 loans totaling \$2.0 million through its membership with the Community Lenders Community Development Corporation (CLCDC). Each loan funded a project to build multi-family affordable housing units in the assessment area and broader statewide or regional area. The CLCDC is a multi-bank community development corporation that provides long-term

financing for projects that address the needs of low- and moderate-income individuals in the Philadelphia regional area.

- In 2021, the bank originated a loan for \$817,500 through the SBA’s 504 program to a limited liability corporation (LLC) to purchase retail property in a low-income census tract in Phoenixville, PA. Loans originated under this program provide long-term, fixed-rate financing that promote business growth and job creation. This loan supports economic development in the assessment area.
- In 2022, the bank provided \$2.0 million in a participation loan to an LLC for the purchase of a 44-unit apartment building in a moderate-income census tract in West Chester, Chester County, PA. All residential units have rents below the area's fair market rent, as established by the U.S. Department of Housing and Urban Development. Furthermore, 27 renters receive assistance under the PA’s Homeless Assistance Program. This loan supports affordable housing for low- and moderate-income families in the assessment area.

Qualified Investments

The bank made 120 qualified investments totaling \$3.9 million. This volume includes three new qualified investments for \$3.6 million, one prior period investments still outstanding totaling \$200,678, and 116 donations totaling \$168,000. Qualified investments equates to 0.7 percent of average total assets and 4.7 percent of average total securities since the previous evaluation. Phoenixville’s volume of qualified investments increased since the previous evaluation. At the previous evaluation, the bank had 70 qualified investments totaling \$537,000. This amount equated to 0.1 percent of average total assets and 0.8 percent of average total securities. The following table illustrates the bank’s qualified investment activity by year and purpose:

Qualified Investments Chester and Montgomery Counties Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	201	0	0	0	0	0	0	1	201
9/8/2020-12/31/2020	0	0	0	0	1	500	0	0	1	500
2021	2	3,064	0	0	0	0	0	0	2	3,064
2022	0	0	0	0	0	0	0	0	0	0
1/1/2023-6/14/2023	0	0	0	0	0	0	0	0	0	0
Subtotal	3	3,265	0	0	1	500	0	0	4	3,765
Qualified Grants & Donations	16	27	92	132	8	9	0	0	116	168
Total	19	3,292	92	132	9	509	0	0	120	3,933
<i>Source Bank Data</i>										

The following is a sample of qualified investments that benefit the assessment area.

- In 2020, the bank purchased a portion of a subordinate debt for \$500,000 from a Minority Depository Institution (MDI) headquartered in Philadelphia, PA. The MDI will use

investment proceeds for repayment of existing debt, to fund current and future operations, and participate in strategic opportunities. The bank's investment in the MDI supports economic development in the broader regional area, which includes the assessment area.

- In 2021, the bank purchased nearly a \$1.1 million Federal Home Loan Mortgage Corporation mortgage-backed security. The security consists of three mortgages in the Montgomery County-Bucks County-Chester County, PA MD, all of which were to borrowers of low- or moderate-income levels. This investment supports affordable housing in the assessment area.
- During the evaluation period, the bank provided \$15,000 in donations to a non-profit organization that provides quality healthcare to the uninsured and underserved residents of the Phoenixville community. These donations support community development services in the assessment area.
- During the evaluation period, the bank provided \$9,500 in donations to an organization that responds to homelessness and poverty in Chester and Lancaster Counties. These donations enhance community development services in the assessment area and broader area.

Community Development Services

During the evaluation period, the bank’s trustees, senior officers, managers, and employees provided 63 instances of qualified community development service to 11 organizations serving the assessment area. The following table illustrates the bank’s community development service instances by year and purpose.

Community Development Services Chester and Montgomery Counties Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
9/8/2020-12/31/2020	1	7	5	0	13
2021	2	9	5	0	16
2022	2	10	5	0	17
1/1/2023-6/14/2023	2	10	5	0	17
Total	7	36	20	0	63

Source Bank Data

The following is a sample of community development services that benefit the assessment area.

- During the evaluation period, a bank officer represented Phoenixville as a participant with the CLCDC. The organization has provided housing for hundreds of low- and moderate-income individuals within the greater Philadelphia region. This service supports affordable housing efforts within the assessment area.
- A bank officer serves as a board member and Audit Committee member, and another officer

serves on the Finance Committee, of a non-profit organization that provides food to low- and moderate-income families in the Phoenixville area. The organization also collaborates with other food pantries to provide additional resources to the community residents. As board and committee members, these bank officers provide financial expertise through their banking background to the organization.

- Two Trustees and a bank officer serve as board members of an economic development organization that serves the Phoenixville area. The organization's mission is to revive the town's economy, and it acts as a conduit for growth in the Phoenixville area, with a particular emphasis on small business growth. As board members, these bank representatives provide financial and technical expertise through their banking background to the organization.
- A bank Trustee serves as a board member of a non-profit organization that provides special medical services throughout the Phoenixville area. The organization offers vision, dental, prescription, and mammogram services to low- and moderate-income individuals in the community. As a board member, the trustee provides financial services to the organization.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

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

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract 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 (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.