

# **PUBLIC DISCLOSURE**

**February 28, 2005**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First Bank of Delaware  
34929**

**1000 Rocky Run Parkway  
Wilmington, Delaware 19803**

**Federal Deposit Insurance Corporation  
20 Exchange Place  
New York, New York 10005**

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

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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency 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 Community Reinvestment Act (CRA) performance of **First Bank of Delaware** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **February 28, 2005**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## 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 entire assessment area, including low- and moderate-income individuals, in a manner consistent with its resources and capabilities.

The bank's rating is primarily based on its small business lending, community development lending and investments within its assessment area. Based on a review of these products, First Bank of Delaware has satisfactorily met the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

While lending to small- and medium-sized businesses is the bank's primary business focus, First Bank of Delaware is actively involved in payday lending, primarily outside its assessment area. Payday loans are small-dollar, short-term, unsecured loans that borrowers promise to repay out of their next paycheck or regular income payment (such as a social security check). Payday loans are usually priced at a fixed dollar fee, which represents the finance charge to the borrower. Because these loans have such short terms to maturity, the cost of borrowing, expressed as an annual percentage rate, is very high.

The bank's payday lending activities were evaluated using the FDIC's Guidelines for Payday Lending. No evidence of discriminatory or other illegal credit practices were identified. Based on the evaluation, the payday lending operation did not adversely affect CRA performance.

The evaluation took into consideration demographic and economic data specific to the assessment area and relevant characteristics of the bank. Major factors contributing to the bank's assigned rating include the following:

- The loan-to-deposit ratio is reasonable. The institution's average net loan-to-deposit ratio was calculated at 82.2 percent.
- The majority of small business loans by number was originated/participated within the bank's assessment area during the period reviewed.
- Less than a majority of small business loans by dollar volume were originated/participated inside the assessment area; however, an increasing trend in 2004 is noted.
- There is a reasonable penetration of loans to businesses with gross annual revenues of \$1 million and less.
- The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area.

## DESCRIPTION OF INSTITUTION

First Bank of Delaware (FBD) commenced operations on June 1, 1999 as a state-chartered, full-service commercial bank. Until January 2005, FBD was wholly-owned by Republic First Bancorp, Inc., a two-bank holding company, located in Philadelphia, Pennsylvania. The lead bank was Republic First Bank, also headquartered in Philadelphia, Pennsylvania. Republic First Bank performed most back room and administrative functions for the subject bank. However, as of January 31, 2005, FBD is no longer a member of the holding company.

FBD's main office is located at 1000 Rocky Run Parkway, Wilmington, Delaware. This office is located in a generally affluent suburban area of Wilmington, situated close to the Pennsylvania border. In addition to the main office, FBD operates one branch. The branch was originally located at 824 Market Street, Wilmington, Delaware; however, during the review period, this branch location was closed and a new branch was opened at 531 Limestone Road, Wilmington, Delaware.

FBD offers a wide variety of commercial and consumer banking services commensurate with a full-service commercial bank. FBD's target market consists of small- and medium-sized businesses and professionals located in New Castle County, Delaware. The bank's business strategy emphasizes the advantages of its small size and community focus as well as its ability to provide individualized customer service and flexibility.

As of December 31, 2004, FBD's total assets were \$58.6 million. The bank has experienced steady asset growth since opening in 1999. Recent asset growth has been funded primarily through the growth of money market deposit accounts (MMDAs) and demand deposit accounts. Total deposits were \$37.7 million at year-end 2004, with MMDAs totaling \$23.0 million and demand deposits totaling \$7.1 million.

Management reported Return on Assets ratios of 6.1 and 4.1 percent in 2003 and 2004, respectively. Return on Asset levels were much higher than peer levels of 1.0 and 0.6 percent reported for the same time periods, respectively. Table 1 depicts the bank's financial information during the evaluation period.

<b>Table 1 – Financial Information – Dollar Amount (000s)</b>		
<i>CATEGORY</i>	<i>12/31/2003</i>	<i>12/31/2004</i>
<i>Total Assets</i>	\$44,537	\$58,608
<i>Gross Loans &amp; Leases</i>	\$28,645	\$41,423
<i>Total Deposits</i>	\$33,247	\$37,714
<i>Total Equity Capital</i>	\$8,061	\$11,396
<i>Net Income</i>	\$2,224	\$3,349

*Source: Consolidated Report of Condition and Income*

Commercial real estate and non-real estate loans comprised a majority of the bank's lending at a combined \$17.9 million (43.2 percent of total loans). Loans secured by 1-to-4 family residential properties were the second largest category of lending at \$11.5 million (27.6 percent of total loans), followed by construction and development loans at \$9.9 million (24.0 percent of total loans). In 2003, the bank maintained a construction loan program specifically targeting construction-only financing for residential and commercial structures. The bank no longer offers this product. The majority of loans secured by residential real estate were for business purposes. FBD's loan mix is depicted in Table 2.

<b>Table 2- Loan Distribution as of 12/31/2004</b>		
<i>Loan Type</i>	<i>Dollar Amount (000s)</i>	<i>Percent of Total Loans (%)</i>
<i>Construction and Land Development</i>	\$9,926	24.0%
<i>Secured by Farmland</i>	\$0	0.0%
<i>1-4 Family Residential</i>	\$11,453	27.6%
<i>Multi-Family (5 or more) Residential</i>	\$0	0.0%
<i>Commercial Real Estate</i>	\$13,294	32.1%
<b><i>Total Real Estate Loans</i></b>	<b>\$34,673</b>	<b>83.7%</b>
<i>Commercial and Industrial</i>	\$4,587	11.1%
<i>Consumer</i>	\$2,077	5.0%
<i>Agricultural</i>	\$0	0.0%
<i>Other</i>	\$86	0.2%
<b><i>Total Loans</i></b>	<b>\$41,423</b>	<b>100.0%</b>

*Source: December 31, 2004 Report of Condition*

While lending to small- and medium-sized businesses remains the primary business focus, FBD, as noted earlier, is actively involved in payday lending. The bank has business arrangements with two out-of-state payday lenders who originate, service, and collect on payday loans as a broker and agent of the bank. This lending is done in Texas, Ohio, Michigan, California and Arizona, and recently, by phone and internet. The bank underwrites and funds the loan to the borrower; however, the vast majority of the loans are sold to independent third parties within the same day. During 2004, the bank funded 1.4 million payday loans totaling \$313.4 million.

The institution also participates in tax refund anticipation lending through Liberty Tax Service at 912 locations throughout the country. In 2004, 66,155 refund anticipation loans totaling \$141.8 million were made.

FBD has adequately met assessment area credit needs through its loan product offerings and community development activities. The bank originated a community development loan to support the revitalization of Wilmington, invested in the construction of affordable multi-family housing through Delaware Community Investment Corporation, and purchased qualified mortgage-backed securities in an effort to better serve its assessment area. These efforts are discussed later in the evaluation. The bank's payday lending operation was evaluated using the FDIC's Guidelines for Payday Lending. Based on this evaluation, the payday lending operation did not adversely affect its CRA performance.

FBD has the financial resources to effectively meet the credit needs of its assessment area. This evaluation noted no legal or financial impediments that would prevent the bank from helping to meet assessment area needs. Additionally, no violations of the anti-discriminatory laws or regulations were noted. The bank received a rating of "Satisfactory" at its previous June 12, 2000 evaluation performed by the Federal Reserve Bank of Philadelphia. The rating was assigned using Small Bank CRA evaluation procedures.

## **DESCRIPTION OF ASSESSMENT AREA**

CRA requires financial institutions to define an assessment area within which the bank will concentrate its CRA activity and lending efforts. The FDIC evaluates the institution's CRA performance based on the defined assessment area. The assessment area was determined to comply with the requirements of the CRA, and does not arbitrarily exclude low- or moderate-income geographies.

FBD designated one assessment area that is conformance with the CRA regulation. The assessment area encompasses all of New Castle County, Delaware. New Castle County is the largest and most metropolitan county in Delaware. It is contained within the Wilmington, DE-MD-NJ 48864 Metropolitan Area (hereafter referred to as the Wilmington MA). New Castle County is home to the cities of Wilmington, a major financial center, and Newark, the location of the University of Delaware. According to 2000 U.S. Census data, the population of New Castle County was 500,265, representing 188,974 households of which 127,997 were families. Since the 1990 U.S. Census, the county's population and number of families increased 13.2 percent and 11.0 percent, respectively.

There are 127 census tracts in New Castle County (10 low-income, 23 moderate-income, 62 middle-income, 31 upper-income, and 1 with no population and/or income). Refer to Table 3 for demographic information in the bank's assessment area based on 2000 U.S. Census data.

<b>Table 3 - Demographic Information</b>						
<i>Demographic Characteristics</i>	<i>#</i>	<i>Low % of #</i>	<i>Moderate % of #</i>	<i>Middle % of #</i>	<i>Upper % of #</i>	<i>NA* % of #</i>
<i>Geographies (Census Tracts)</i>	127	7.9%	18.1%	48.8%	24.4%	0.8%
<i>Population by Geography</i>	500,265	4.2%	17.6%	51.3%	26.9%	0.0%
<i>Owner-Occupied Housing by Geography</i>	132,493	1.5%	14.5%	52.1%	31.8%	0.0%
<i>Businesses by Geography</i>	27,828	14.9%	15.1%	44.3%	25.7%	0.0%
<i>Farms by Geography</i>	512	2.3%	13.7%	47.9%	36.1%	0.0%
<i>Family Distribution by Income Level</i>	127,997	18.5%	17.3%	23.5%	40.6%	5.6%
<i>Distribution of low- and moderate- income families throughout Assessment Area Geographies</i>	45,905	1.7%	27.0%	51.8%	14.0%	0.0%
<i>Median Family Income (2000 U.S. Census)</i>		\$65,664				
<i>Median Housing Value (2000 U.S. Census)</i>		\$146,121				
<i>Unemployment Rate (2000 U.S. Census)</i>		4.0%				

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census

Most of the assessment area's low- to moderate-income geographies are located within the City of Wilmington; Wilmington is the commercial center of the assessment area. According to the Bureau of Labor Statistics, the unemployment rate for the Wilmington MA was relatively low at 3.9 percent in December 2004. The unemployment rate for the State of Delaware was also 3.9 percent. In comparison, the 2004 national average unemployment rate was 5.5 percent.

Based upon information available from Dun and Bradstreet, there are 27,828 non-farm business establishments within the assessment area. Of the total, 62.8 percent reported gross annual revenues (GARs) of \$1.0 million or less, 29.4 percent did not report any revenue, and 7.8 percent reported GARs greater than \$1.0 million. By census tract, 14.9 percent of businesses were in low-income census tracts, 15.1 percent in moderate-, 44.3 percent in middle-, and 25.7 percent in upper-income tracts. Of the businesses that reported personnel size, approximately 66.0 percent have less than ten employees (17.4 percent did not report personnel size). The services industry accounts for the largest percentage of businesses at 40.9 percent by Standard Industry Code. Other top industries are as follows: retail trade at 15.9 percent; finance, insurance and real estate at 10.5 percent; non-classifiable establishments at 9.2 percent; and construction at 8.7 percent.

FBD operates in an extremely competitive banking environment. The bank competes with local commercial banks, numerous regional and super-regional commercial banks, savings banks, savings and loan associations, finance companies, credit unions, and private lenders. There are comparatively few community banks with total assets of less than \$100 million. During 2003, 106 financial

institutions reported small business loans. The top three small business lenders in the assessment area were MBNA America (Delaware) NA; Capital One, F.S.B., and Citibank USA, NA. The market leaders do not have any branch offices in the assessment area and are originating small dollar, credit card loans.

Wilmington Trust Company, PNC Bank (Delaware), Wachovia Bank of Delaware, and Wilmington Savings Fund Society are the top commercial lenders with a presence in New Castle County. All four lenders have a much larger branch network and significantly greater asset size when compared to FBD. Management has made efforts to increase the level of small business lending. For example, an experienced lender was hired in early 2004 to increase small business lending. Additionally, the bank recently formed a Delaware Advisory Board to assist in business development within the assessment area.

Based on estimates by the Department of Housing and Urban Development (HUD), the HUD-adjusted median family income figures (the figures used to determine the income level for each geography) for the Wilmington MA are \$70,000 and \$69,700 for 2003 and 2004, respectively.

A community contact with a representative from a Delaware community development financial institution (CDFI) that provides funding and technical assistance to micro- and small-business owners was conducted during the performance evaluation. Community contacts are used to identify assessment area credit and credit-related needs, to gather economic and demographic information and to assess the performance of local financial institutions. The community contact indicated that overall, financial institutions are doing a decent job addressing small business credit needs and that financial institutions refer a large percentage of the CDFI's clients. Ways in which financial institutions could further assist the community are through providing operating grants to community development organizations and granting small-dollar forgivable loans to start-up businesses that have fulfilled certain criteria, for example, attendance at technical assistance classes.

## **SCOPE OF THE EVALUATION**

The institution's performance was reviewed using Small Bank CRA evaluation procedures. Small Bank Evaluation Procedures generally include and an analysis of the following: (1) loan-to-deposit ratio; (2) volume of loans extended inside and outside of the assessment area; (3) geographic distribution of loans within the assessment area, with particular emphasis on lending penetration in low- and moderate-income geographies; and (4) extent of lending to borrowers of different incomes, particularly low- and moderate- income borrowers, and businesses of different sizes, particularly small businesses.

FBD reported three loans according to the Home Mortgage Disclosure Act (HMDA) in 2004; no HMDA loans were reported in 2003. (The majority of loans secured by residential real estate, as shown in Table 2, were for business purposes.) A review of the bank's internal loan records revealed that commercial loans represented the most significant loan product during the examination period. Therefore, the universe of small business loans originated in 2003 and 2004 were analyzed. While the HMDA loans originated in 2004 are included in the analysis, the rating reflects small business lending performance.

For the purpose of this evaluation, a small business loan is defined as a commercial loan with an origination amount of \$1 million or less. Small business loans are further quantified to identify those loans to businesses with gross annual revenues of \$1 million or less. Lending-related activities, including community development lending and lending-related investments were also evaluated.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

A bank's loan-to-deposit (LTD) ratio compares the institution's aggregate loan balances outstanding to its total deposits outstanding. The ratio is a measure of an institution's lending volume relative to its capacity to lend.

The following table contains FBD's quarterly LTD ratios since the bank's last evaluation, together with the average LTD ratio. The average LTD ratio is derived by adding the quarterly loan-to-deposit ratios and dividing the total by the number of quarters. For the 19 quarters since the previous performance evaluation, the LTD ratio varied from a low of 56.0 percent to a high of 106.8 percent, with an average ratio of 82.2 percent.

<b>Table 4 – Historical Loan to Deposit Ratios</b>			
<i>As of Date</i>	<i>Net Loans (\$000)</i>	<i>Total Deposits (\$000)</i>	<i>LTD Ratio</i>
<i>12/31/2004</i>	\$40,276	\$37,714	106.8%
<i>9/30/2004</i>	\$34,441	\$35,478	97.1%
<i>6/30/2004</i>	\$31,739	\$35,751	88.8%
<i>3/31/2004</i>	\$29,690	\$41,076	72.3%
<i>12/31/2003</i>	\$27,031	\$33,247	81.3%
<i>9/30/2003</i>	\$29,840	\$35,926	83.1%
<i>6/30/2003</i>	\$32,752	\$39,135	83.7%
<i>3/31/2003</i>	\$30,135	\$36,056	83.6%
<i>12/31/2002</i>	\$28,630	\$34,727	82.4%
<i>9/30/2002</i>	\$26,403	\$31,392	84.1%
<i>6/30/2002</i>	\$22,581	\$27,962	80.8%
<i>3/31/2002</i>	\$24,063	\$42,980	56.0%
<i>12/31/2001</i>	\$24,587	\$29,858	82.3%
<i>9/30/2001</i>	\$24,574	\$36,073	68.1%
<i>6/30/2001</i>	\$23,527	\$27,866	84.4%
<i>3/31/2001</i>	\$20,575	\$27,312	75.3%
<i>12/31/2000</i>	\$21,038	\$24,546	85.7%
<i>9/30/2000</i>	\$18,981	\$24,348	78.0%
<i>6/30/2000</i>	\$12,662	\$14,292	88.6%
<b><i>Quarterly Loan to Deposit Ratio Average</i></b>			<b>82.2%</b>

*Source: The Uniform Bank Performance Report.*

Net loans increased from \$12.6 million at June 30, 2000 to \$40.3 million at year-end 2004. As of December 31, 2004, net loans represented 68.7 percent of total assets, slightly higher than the bank's peer group average of 67.0 percent. Total deposits increased from \$14.3 million to \$37.7 million over the same time period. The LTD ratio of 106.8 percent at year-end 2004 was significantly higher than the bank's peer group average of 79.4 percent. Overall, the level of the bank's LTD ratio throughout the evaluation period is satisfactory.

### **Lending Inside the Assessment Area**

The bank's lending performance in this criterion is evaluated based on the number and amount of loans originated inside the assessment area. A majority of small business loans by number were originated inside the assessment area. Overall, 64.9 percent of the loans reviewed by number originated/participated inside the assessment area. The following table details the distribution of small business loans originated/participated in and out of the assessment area.

<b>Table 5 – Distribution of Loans Inside and Outside of the Assessment Area</b>										
<i>Loan Category or Type</i>	<i>Number of Loans</i>					<i>Dollars in Loans (000s)</i>				
	<i>Inside</i>		<i>Outside</i>		<i>Total</i>	<i>Inside</i>		<i>Outside</i>		<i>Total</i>
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>		<i>\$</i>	<i>%</i>	<i>\$</i>	<i>%</i>	
<b>HMDA</b>										
<b>2004</b>	3	100.0%	0	0.0%	3	\$190	100.0%	\$0	0.0%	\$190
<b>Small Business</b>										
<b>2003</b>	7	46.7%	8	61.5%	15	\$1,298	24.3%	\$4,050	75.7%	\$5,348
<b>2004</b>	14	66.7%	5	38.5%	19	\$2,860	49.6%	\$2,905	50.4%	\$5,765
<b>Subtotal</b>	<b>21</b>	<b>61.8%</b>	<b>13</b>	<b>38.2%</b>	<b>34</b>	<b>\$4,158</b>	<b>37.4%</b>	<b>\$6,955</b>	<b>62.6%</b>	<b>\$11,113</b>
<b>Total</b>	<b>24</b>	<b>64.9%</b>	<b>13</b>	<b>35.1%</b>	<b>37</b>	<b>\$4,348</b>	<b>38.5%</b>	<b>\$6,955</b>	<b>61.5%</b>	<b>\$11,303</b>

Source: Bank records (2003 and 2004), HMDA LAR 2004

In 2003, less than a majority of small business loans were originated/participated inside the assessment area. Specifically, 46.7 percent of originations and 24.3 percent of the total dollar amount extended were within the bank's assessment area. These percentages improved in 2004 with a majority of FBD's small business loans by number originated/participated within the assessment area at 66.7 percent. The percentage of the dollar volume of loans originated/participated inside the assessment area increased from 24.3 to 49.6 percent in 2004.

Due to legal lending limit restrictions, the bank sells participations in larger loans. To mitigate the loss in income, the bank subsequently purchases participations in smaller loan amounts. In 2003, the bank purchased four participations totaling \$3.5 million; in 2004 the bank purchased participations in two loans totaling \$1.5 million. All six loans were outside the assessment area. The institution's practice of participating loans, with an average loan amount of \$833,333, helps to explain the lower percentage of the dollar volume of loans inside the assessment area, particularly in 2003.

The three loans reflected under HMDA represent two purchase and one home improvement loan; all loans are secured by residential real estate investment properties.

Although the bank's performance, by dollar, is weak, an upward trend is noted, and performance by number is adequate.

**Lending to Businesses of Different Sizes and Borrowers of Different Incomes**

The distribution of loans to businesses of different sizes and borrowers of different incomes is adequate. With regard to small business lending, the institution was analyzed based on the bank's lending performance to businesses of different sizes. First Bank of Delaware is a "small bank" for the purposes of this CRA evaluation, and therefore, it is not required to maintain and report its small business lending data. However, aggregate performance, which is comprised of all "large bank" small business lenders within the assessment area, is presented for comparative purposes.

The distribution of small business loans by gross annual revenue of the business is consistent with the institution's asset size, lending capacity, and business objectives. Table 6 shows the distribution of small business loan originations within the assessment area among businesses of different sizes. Overall, the largest number of small business loans (81.0 percent total) was to businesses with gross revenues of \$1 million or less, indicating an adequate distribution of loans to small businesses.

<b>Table 6 – Distribution of Small Business Loans by Gross Annual Revenues of Business</b>						
<b>Gross Annual Revenues (000s)</b>	<b>2003</b>		<b>2004</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>≤ \$1,000</b>	7	100.0%	10	71.4%	17	81.0%
<b>&gt; \$1,000 or NA</b>	0	0.0%	4	28.6%	4	19.0%
<b>Total</b>	<b>7</b>	<b>100.0%</b>	<b>14</b>	<b>100.0%</b>	<b>21</b>	<b>100.0%</b>

*Source: Bank records*

As the table shows, the majority of loans were originated to businesses reporting gross annual revenues of \$1 million and less. This compares favorably to 2003 aggregate small business lending data which shows that 36.2 percent of small business loans were originated to businesses reporting gross annual revenue of \$1 million and less. Dun & Bradstreet information also shows that 62.8 percent of assessment area businesses reported gross annual revenues of \$1 million and less.

For home mortgage lending, two loans were originated to upper-income borrowers and income for one borrower was reported as not applicable. An analysis of the distribution of loans by dollar volume revealed similar results.

## Geographic Distribution

The geographic distribution of loans is adequate. The institution is analyzed based on the geographic distribution of its residential real estate and small business loans within its assessment area. This criterion assesses the bank's performance in addressing the credit needs in low-, moderate-, middle- and upper-income census tracts. The geographic distribution of small business loans is presented in the following table. For comparative purposes, 2003 aggregate lending data is presented. Only small business loans extended within the assessment area are included in the analysis.

<b>Table 7 – Distribution of Small Business Loans by Income Category of the Census Tract</b>							
<i>Census Tract Income Level</i>	<i>Aggregate Lending Data (% of #)</i>	<i>2003</i>		<i>2004</i>		<i>Total</i>	
	<i>2003</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>Low</i>	9.9%	0	0.0%	3	21.4%	3	14.3%
<i>Moderate</i>	15.0%	4	57.1%	3	21.4%	7	33.3%
<i>Middle</i>	46.1%	1	14.3%	4	28.6%	5	23.8%
<i>Upper</i>	29.0%	2	28.6%	4	28.6%	6	28.6%
<b><i>Total</i></b>	<b>100.0%</b>	<b>7</b>	<b>100.0%</b>	<b>14</b>	<b>100.0%</b>	<b>21</b>	<b>100.0%</b>

Source: Bank records, 2003 CRA Aggregate Data

The geographic distribution of small business loans reflects a satisfactory dispersion through the bank's assessment area. While there were no loans originated to small businesses in low-income geographies in 2003, there were four loans originated in moderate-income geographies (57.1 percent). In 2004, there were three loans originated in low- and three loans originated in moderate income geographies, totaling 42.8 percent of all originations. Overall, the percentage of loan originations compares adequately with the percentage of businesses located within the various geographies of the assessment area (14.9 percent and 15.1 percent of business entities are located within the low- and moderate-income census tracts, respectively) and available aggregate data.

For home mortgage lending, two loans were in moderate-income census tracts and one was in an upper-income census tract. An analysis of the distribution of loans by dollar volume revealed similar results.

## Lending-Related Activities

As provided for in the Interagency Questions and Answers Regarding Community Reinvestment, issued by the Federal Financial Institution Examination Council, “lending-related activities” including community development loans and lending-related qualified investments, can be considered when evaluating a small bank’s CRA performance.

The following was provided for consideration in the evaluation of the bank’s CRA performance:

### Community Development Loan

During the evaluation period, First Bank of Delaware originated \$1.2 million in community development loans to support the revitalization of Wilmington’s Ship’s Tavern District. The project is a public/private partnership to redevelop an area that has been in economic decline for decades, located in census tract 1.0/low-income census tract. The area is considered the crucial link between downtown Wilmington and development on the Christina riverfront. The borrower is a non-profit entity founded in the 1990’s to assist the City of Wilmington in developing a viable economic and residential area in the blighted Market Street/Ship’s Tavern District.

### Community Development Investments

The institution made a \$100,000 commitment to the Housing Loan Fund administered by Delaware Community Investment Corporation (DCIC). The fund supports the creation of multifamily rental complexes developed under the federal low income housing tax credit program.

Management indicated that due to its limited staff, home mortgage products (purchase and refinance lending) are only offered through an affinity relationship with GMAC. The bank has recognized its responsibility to this segment of its assessment area, and in response, has purchased three mortgage-backed securities, totaling \$1.3 million, collateralized by loans to low- and moderate-income borrowers.

The investments are detailed in the following table:

Security	Face Value	Purchase Date	Book Value as of 12/31/04
FNMA	\$613,914	03/01/03	\$475,909
FHLMC Pool/#B31229	\$313,832	05/13/02	\$197,457
Habitat for Humanity	\$375,000	09/01/02	\$96,416
Total	\$1,302,746		\$769,782

All investments are secured by first liens on one-to-four family residences originated to low- and moderate-income borrowers in New Castle County, Delaware. Habitat for Humanity of New Castle County is a non-profit organization whose purpose is to create decent, affordable housing for those in need.

### **Response to Complaints**

The FDIC received several comment letters regarding the institution's involvement with payday lending; copies of some of those letters were also sent by the respective organizations to the institution. All comments were considered in evaluating the bank's CRA performance. The bank's payday lending operations were also evaluated using the FDIC's Guidelines for Payday Lending. Based on these evaluations, the bank's payday lending operations did not adversely affect its CRA performance.

### **Compliance with Anti-Discrimination Laws and Regulations**

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified during the examination. Concerns were raised involving the bank's refund anticipation loan program; however, these concerns did not adversely impact the bank's CRA rating.