

(717) 783-8240

March 12, 2002

Dear :

This letter responds to the notification letter submitted by [redacted] (the "Bank"), a Pennsylvania State-chartered bank and trust company, to the Pennsylvania Department of Banking (the "Department") regarding the Bank's proposal to conduct its lending activity under the Pilot Program for Residential Real Estate and Small Business Loans (the "Pilot Program") as authorized under applicable regulations of the National Bank Act pursuant to the authority granted by Section 201(c) of the Banking Code of 1965 (7 P.S. § 201(c)). Specifically, the Bank intends to utilize 12 CFR § 32.7, which provides details regarding the eligibility and the governing regulations for the Pilot Program, including the loans to one borrower limit.

Pursuant to review by the Department and as we discussed previously, the loans-to-one borrower limit under the Pilot Program would increase to 25% of the capital accounts of the Bank (as defined in Section 306(e) of the Banking Code of 1965) or \$10 million whichever is lower. The term "small business loans" under the Pilot Program is defined as any loan that is properly categorized as "secured by nonfarm nonresidential properties," or "commercial and industrial loans" for call report purposes without regard to the amount of the loan. Additionally, residential real estate loans with loan-to-value ratios 80% or under would also be eligible for the Pilot Program. The aggregate limit of all loans made under the Pilot Program is 100% of the capital accounts of the Bank. The rules and regulations of the Pilot Program are covered in more detail in the applicable regulations of the National Bank Act under 12 CFR § 32.7, which is applicable to the Bank's proposed Pilot Program.

Please be advised that the Department does not object to the Bank conducting its lending activity under the Pilot Program pursuant to the aforementioned regulatory authority made applicable through Section 201(c) of the Banking Code of 1965. The Department's non-objection is based upon the facts and representations as stated in the Bank's notice provided to the Department in its March 5, 2002, letter and attached notice form. Any changes in the facts could result in an amendment or reversal of the Department's non-objection. Additionally, the Department will review the Bank's conduct of the Pilot Program and will continue to exercise its regulatory authority and may take actions as deemed appropriate to ensure the safety and soundness of the Bank.

March 12, 2002

Please feel free to contact me if you have any questions regarding this matter.

Very truly yours,

Richard S. DeMartino
Director - Bureau of
Supervision & Enforcement

RSD:JAM:kse

cc: Daryl P. Stum
Regional Director - FDIC
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