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Comptroller of the Currency  
Administrator of National Banks

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Northeastern District  
New Jersey Duty Station  
830 Morris Turnpike, 2nd Floor  
Short Hills, New Jersey 07078

## **PUBLIC DISCLOSURE**

**December 9, 1996**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

## **UNITED NATIONAL BANK**

**Charter No. 5621**

**Route 513**

**Lebanon Township (Califon), New Jersey 07830**

**Office of the Comptroller of the Currency**

**New Jersey Duty Station**

**830 Morris Turnpike, 2nd Floor**

**Short Hills, New Jersey 07078**

**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 CRA performance of **United National Bank, Lebanon Township (Califon), New Jersey** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 9, 1996**. 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.*

**Institution's CRA Rating:** This institution is rated **“Satisfactory.”**

Primary factors supporting the bank's overall rating include:

- ▶ a good responsiveness to credit needs within the assessment area;
- ▶ a high percentage of loans made within the assessment area;
- ▶ a reasonable distribution of all loans among the various census tracts within the assessment area;
- ▶ good distribution of loans among borrowers of different income levels and businesses of different sizes;
- ▶ an adequate level of community development lending activity;
- ▶ an adequate level of investments throughout its assessment area;
- ▶ a good level of readily accessible delivery systems to all segments of the assessment area, and,
- ▶ providing a high level of community development services.

The following table indicates the performance level of **United National Bank**, with respect to the lending, investment and services tests.

Performance Levels	United National Bank Performance Tests		
	Lending Test	Investment Test	Service Test
<b>Outstanding</b>			X
<b>High Satisfactory</b>	X		
<b>Low Satisfactory</b>		X	
<b>Needs to Improve</b>			
<b>Substantial Noncompliance</b>			

Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

### **Description of Institution**

United National Bank (“UNB”), is the principal subsidiary of United National Bancorp (“Bancorp”), a bank holding company. In addition to UNB, Bancorp also owns 100% of UNB Investment Company, a New Jersey corporation which holds all of the bank’s investment securities. Bancorp also has a 50% ownership, through UNB, in United Financial Services, Inc., Mahwah, NJ, a third party bank data processing bureau.

As of September 30, 1996, total bank assets were \$1 billion, including investments \$345 million, loans \$567 million and total deposits \$864 million. The majority of loans (54%) are real estate related credits. Approximately one-half of these loans are one to four family residential loans. Consumer related credits comprise 33% and commercial loans 13% of the total loan portfolio. There are no impediments, legal or otherwise, which would impact on the bank’s ability to help meet the credit needs of its assessment area.

Competition continues to be provided from larger regional and multinational institutions. Bank consolidations have increased the need for small business products and services. UNB’s assessment area contains a large number of small businesses that use the bank’s services.

UNB operates eighteen banking offices throughout the central and northwestern portions of the State of New Jersey. This area, which includes portions of the Newark MSA - 5640 (“NMSA”) and Middlesex-Somerset MSA - 5015 (“MSMSA”) has been defined as the

bank’s single assessment area. The branches offer full services, drive-up/walk-up facilities including sixteen locations having ATM access.

**Description of Assessment Area (AA)**

UNB’s single AA is comprised of portions of the contiguous MSMSA and NMSA. This area encompasses portions of Union, and Warren Counties in the NMSA as well as large segments of Middlesex, Somerset and Hunterdon Counties in the MSMSA. The AA meets regulatory guidelines and does not arbitrarily exclude any low- and moderate- income areas (“LMI”) and has a total population of 1 million people. LMI is referred throughout this document to describe low- and moderate-income individuals and geographies (census tracts). There are a total of 227 census tracts in the assessment area. As noted below, the vast majority of tracts are middle or upper income. The majority of the LMI tracts (68%) are located within a few geographical areas, primarily the City of Plainfield (Union County), City of New Brunswick (Middlesex County), Phillipsburg (Warren County), and portions of the Township of Woodbridge (Middlesex County). The median family income for the AA is \$53,776. As reflected in the table below, 32% of families in the AA are low and moderate income.

<b>Assessment Area Demographics</b>			
# Census Tracts	% of Total Tracts	Designation	% of Families in Income Category
4	2	Low	14
27	12	Moderate	18
128	56	Middle	26
62	27	Upper	42
6	3	Income Not Available	-
227	100	Totals	100

The major employers in the assessment area are pharmaceutical firms such as Ortho, Merck and Hoffman LaRoche, health care products/providers Johnson & Johnson, Muhlenberg and Hunterdon Medical Centers as well as Warren Hospital. In addition, chemical manufacturers Baker Chemicals, and Hoechst Celanese have large facilities in the area. Technology firms include Lucent, AT&T and Ingersoll Rand. Also, large shopping centers provide employment and business opportunities to small businesses. Rutgers, the State University of New Jersey, is located in New Brunswick and is also a large employer in the area. In addition, a large segment of the population commutes to New York City for employment. Management has

determined that the primary credit need throughout its assessment area is small business loans.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE**

### **Scope of Review:**

This review covered the time period from January 1, 1995 to October 31, 1996. All Home Mortgage Disclosure Act (“HMDA”) related, commercial, Small Business Administration (“SBA”) and community development loans originated during the review period were evaluated.. The loan review was assisted by bank management’s compilation of data as required by the regulation. Also, investments and services purchased, matured and initiated over the time period were reviewed. Also, note that whenever 1994 HMDA data is discussed or shown, it is done so to indicate trends.

## **LENDING TEST**

### **Performance Criteria:**

**Lending Activity** - Between December 31, 1994 and September 30, 1996, UNB’s loan to deposit ratio averaged 61.2% over the eight quarter period. The peer group average for the same period of time was 67.9%. During this time period, UNB grew from \$750 million in assets to a bank with slightly exceeding \$1 billion in assets. The recent purchases of branch offices from the Resolution Trust Corporation ( RTC) resulted in the bank assuming deposit liabilities with minimal, if any purchase of loans.

As indicated by the tables that follow, UNB demonstrates a good responsiveness to serving the credit needs within its assessment area. On a combined basis for the entire review period, an average of 81% of the number of small business and HMDA related loans originated were within the assessment area. This correlates to an average of 73% of the total dollar amount of the same types of loans being originated within the assessment area.

<b>Ratio of HMDA and Small Business Loans Within the Assessment Area- 1995</b>			
	HMDA Loans	Small Business	Total
Number of Loans in AA	136	362	498
Total # of Loans	182	429	611
% of Loans Inside AA /Total # Loans	75%	84%	82%
Dollars (\$000)			
\$ Amt of Loans in AA	\$11,102	\$42,960	\$54,062
Total \$ Amt of Loans	\$16,285	\$56,983	\$72,268
% of \$ Amt Loans/ Total \$ Amt Loans	68%	75%	75%

<b>Ratio of HMDA and Small Business Loans Within the Assessment Area January 1, 1996 through Oct-31-1996</b>			
	HMDA Loans (*)	Small Business	Total
Number of Loans in AA	182	243	425
Total # of Loans	223	307	530
% of Loans Inside AA /Total # Loans	82%	79%	80%
Dollars (\$000)			
\$ Loans in AA	\$23,286	\$25,358	\$48,644
Total \$ Amt of Loans	\$28,582	\$39,403	\$67,985
% of \$ Amt Loans/ Total \$ Amt Loans	82%	64%	72%

## Geographic Distribution

### Home Mortgage Lending

A review of the geographic distribution of HMDA loans reflects adequate dispersion throughout the assessment area. The average level of loan activity (9%) in the LMI tracts in relation to the number of LMI tracts for the entire assessment area (14%) is reasonable when considering the percentage of owner occupied housing in these tracts. The majority of housing in LMI areas is multifamily and rentals. Therefore, the inventory of housing for purchase in these areas is minimal and the opportunity to make HMDA loans is limited. Owner occupied housing in low income tracts is less than 1% and 7% in moderate income tracts. UNB's average lending in moderate income tracts during the review period was 9%. This compares favorably to the amount of owner occupied housing in the moderate income tracts.

Geographic Distribution of HMDA Loans Within Assessment Area					
Income Level	% of Loans by Income Level of <b>Census Tract</b> (HMDA Loans)			% Census Tracts in AA	% of Owner-Occupied Households in AA
	1994	1995	Sep-30-96		
Low	0	0	0	2	*
Moderate	12	8	6	12	7
Middle	66	71	56	56	56
Upper	22	21	38	27	37
NA	-	-	-	3	-
Total	100	100	100	100	100

(\*) Less than 1%  
Source CRAWiz data

### Small Business Lending:

UNB continues its historical pattern of lending to small businesses in all portions of its assessment area. The table that follows, reflects that in 1995, UNB originated 14% of the



number of small business loans and 13% of dollar amount within the LMI designated tracts. As of October 31, 1996, 10% of the number of loans and 8% of the dollar amount were made in LMI census tracts. This performance is good when compared to the percentage of LMI census tracts within the AA.

<b>1995 Small Business Lending by Census Tracts</b>								
Within Assessment Area				Census Tract	Outside Assessment Area			
# Loans	%	\$ Amt (000)	%		# Loans	%	\$ Amt (000)	%
14	4	2,251	5	<b>Low</b>	3	5	368	3
36	10	3,547	8	<b>Moderate</b>	11	16	1,801	13
225	62	25,952	61	<b>Middle</b>	38	57	5,909	42
87	24	11,210	26	<b>Upper</b>	9	13	5,081	36
-	-	-	-	<b>NA</b>	6	9	864	6
362	100	42,960	100	<b>Totals</b>	67	100	14,023	100

<b>January 1, 1996 through Oct-31- 1996 Small Business Lending by Census Tracts</b>								
Within Assessment Area				Census Tract	Outside Assessment Area			
# Loans	%	\$ Amt (000)	%		# Loans	%	\$ Amt (000)	%
3	1	101	*	<b>Low</b>	3	5	575	4
22	9	2,061	8	<b>Moderate</b>	14	22	3,583	26
156	64	15,157	60	<b>Middle</b>	36	56	8,253	59
60	25	7,889	31	<b>Upper</b>	8	12	1,311	9
2	1	150	1	<b>NA</b>	3	5	323	2
243	100	25,358	100	<b>Totals</b>	64	100	14,045	100

(\*) Less than 1%.

Sources: Bank Data Collection Reports  
 Small Business Loans Based upon Call Report Definition

## Borrowers' Profile

### Home Mortgage Loans

The level of HMDA related loans to persons of varying income levels is very good. As stated in the table below, an average of 42% of the number of all mortgage related retail loans originated during the review period were to LMI borrowers. Overall, 32% of all of the families located within the assessment area have incomes that would classify them as low or moderate. The remainder of the loans are reasonably distributed throughout the assessment area.

Additionally, the level of loans made within the bank's traditional "home area" of the City of Plainfield, NJ reveals that approximately 39% of the loans made within that city are to LMI individuals.

<b>Borrowers' Profile of HMDA Loans Within Assessment Area</b>				
	% of Loans by Income Level of <b>Borrower</b> (HMDA Loans only)			
<b>Census Tract Income Level</b>	<b>% of Families by Income Level</b>	<b>1994</b>	<b>1995</b>	<b>Sep-30-96</b>
<b>Low</b>	14	14	16	10
<b>Moderate</b>	18	31	24	32
<b>Middle</b>	26	25	25	25
<b>Upper</b>	42	26	32	31
<b>NA</b>	-	4	3	2
<b>Total</b>	100	100	100	100

Source: CRAWiz data

Small Business Loans:

Overall, the distribution of UNB's small business loans based upon business size is good. The tables that follow reveal that a significant amount of loans originated were to small businesses, i.e., business with gross annual sales of less than \$1 million. In 1995, 70% of all commercial loans made in the assessment area were to small businesses, representing 41% of total dollar amount extended. The average size of the loan to a small business was \$69 thousand. As of October 31, 1996, 59% of the commercial loans originated were to small businesses representing an average loan size of \$75 thousand. This performance indicates that UNB is doing a good job in lending to the small businesses.

<b>Distribution of Small Business Loans by Business Size- 1995</b>								
Within Assessment Area				Business Size(*)	Outside Assessment Area			
# Loans	%	\$ Amt (000)	%		# Loans	%	\$ Amt (000)	%
108	30	25,046	58	<b>Greater \$1 Million</b>	19	28	6,000	43
252	70	17,464	41	<b>Less \$1 Million</b>	48	72	8,023	57
2	-	450	1	<b>NA</b>	-	-	-	-
362	100	42,960	100	<b>Totals</b>	67	100	14,023	100

<b>Distribution of Small Business Loans by Business Size January 1, 1996 through Oct-31, 1996</b>								
Within Assessment Area				Business Size(*)	Outside Assessment Area			
# Loans	%	\$ Amt (000)	%		# Loans	%	\$ Amt (000)	%
95	39	14,440	56	<b>Greater \$1 Million</b>	41	64	9,871	70
144	59	10,790	43	<b>Less \$1 Million</b>	23	36	4,174	30

Distribution of Small Business Loans by Business Size January 1, 1996 through Oct-31, 1996								
4	2	128	1	NA	-	-	-	-
243	100	25,358	100	<b>Totals</b>	64	100	14,045	100

(\*) Gross Annual Sales Register

Source: Bank Small Business Collection

The new CRA regulation indicates that loan size generally correlates to the size of the business/farm borrower. Based upon our analysis of the Small Business Collection Register, UNB's distribution of business loans to borrowers of different sizes is good. For 1995 and 1996 respectively, 65% and 74% of the number of loans originated were in amounts of less than \$100 thousand. An additional 17% and 15% were in amounts of \$100 thousand to \$250 thousand and 18% and 11% represents loans of more than \$250 thousand. This performance is a strong indicator of UNB's commitment to serve the small businesses in their assessment area.

Small Business Loans in Assessment Area by Loan Amount at Origination								
Amount	1995				Jan 1-96 through Oct-31-96			
	# Loans	%	\$Amt (000)	%	# Loans	%	\$ Amt (000)	%
Less than \$100,000	235	65	10,624	25	179	74	4,923	19
\$100,000 to \$250,000	62	17	11,253	26	36	15	6,407	25
More than \$250,000	65	18	21,083	49	28	11	14,028	56
Totals	362	100	42,960	100	243	100	25,358	100

## COMMUNITY DEVELOPMENT LENDING

UNB originates an adequate level of community development loans. Community development loans are those that do not meet the definition of home mortgage, small business or small farm loans but do meet the definition of community development contained in the CRA regulation (12 CFR 25.12(h)). Based upon bank generated reports and review of files, UNB originated twenty loans since the last review amounting to \$2.3 million. Virtually all of the loans made were to local not for profit organizations for the establishment or maintenance of day care and other social services they provide to their constituencies, primarily LMI

individuals. The remaining three were to affordable housing organizations. All of the identified loans benefited an area that included UNB's assessment area.

UNB is a recognized leader in providing Small Business Administration ("SBA") financing in the State of New Jersey. For the 1996 SBA fiscal year (October 1, 1995 to September, 30 1996), UNB ranked in the top fifteen lenders in the state originating twenty nine loans amounting to \$9.2 million. For the period October 1, 1994 to September 30, 1995, twenty loans totaling \$4.0 million were made. Therefore a total of forty nine loans for \$13.2 million were made during the review period.

### **Innovative or Flexible Lending Practices**

UNB had instituted a First Time Home Buyers Program directed to LMI individuals. The requirements of the program include more flexible underwriting standards when compared to traditional mortgage products, e.g. minimum down payment of 10% and debt to income ratios of 33% to 38%. This program is available throughout the State of New Jersey . Results since the last review have been good. UNB originated 128 loans totaling \$12.7 million under this program. In addition, the bank has commitments for an additional five loans for \$506 thousand.

### **INVESTMENT TEST**

The dollar amount of qualified investments total \$5,154,400. This represents an adequate level of investments throughout its assessment area. Below is a breakdown by type of investment:

Investments in Portfolio:	\$5,000,000
SBA Microloan Program	15,000
UNCEC Expenses	111,600
Other grants and donations:	<u>27,800</u>
Total	\$5,154,400

Most of the investments are not innovative and contain only minimal complexities

UNB purchased a \$5 million New Jersey Economic Development Bond, the proceeds of which were used to provide permanent financing to a health care center. The center, located within a moderate income census tract in the assessment area, serves as the major provider of ambulatory care to the indigent residents of the City of Plainfield and surrounding communities.

The Newark Business Development Consortium's SBA Microloan Program is designed to assist minority and low income entrepreneurs and/or business owners in counties which are

included within UNB's assessment area. The consortium uses this investment in its reserve fund to assist in the allocation of SBA money.

UNB provides *all* of the funding to the United National Continuing Education Center ("UNCEC") so that it may effectively operate this center. The expenses include: salary for a bank employee who is responsible on a full time basis for administering the center, all reproduction and course costs, utilities, security and speaker expenses. The UNCEC provides various financial related courses that benefit LMI individuals. This center and its programs are provided to the community at no cost. UNB has responded to the need of providing financial education to the community. Refer to Service Test for a more detailed explanation of the UNCEC.

The grants and donations listed above represent various contributions to affordable housing groups, youth programs and other organizations supporting activities essential to LMI individuals and or geographies.

## **SERVICE TEST**

The delivery systems are reasonably accessible to all portions of UNB's assessment area. The bank's record of opening/closing offices has not adversely affected the accessibility to bank services.

As reflected in the following table, 78% of the bank's offices are in middle and upper income census tracts, the traditional service area of the bank and 22% are in moderate income tracts. The moderate areas are primarily centered in Plainfield, the former head office location. The offices in Plainfield are all in moderate income areas. All of the low income tracts are located in the downtown business district of the City of New Brunswick. UNB serves this area through its other offices which are in close proximity to this area. Overall, the distribution of branches compares favorably to the geographies in the AA. Also, management consolidated an existing Hunterdon County office into the new Phillipsburg site, which is located within a moderate income census tract.

<b>Distribution of Delivery Systems</b>			
<b>Census Tract Characteristic</b>	<b># of Branches</b>	<b>% of Total Branches</b>	<b>% of Geographies</b>
Low	0	0	2
Moderate	4	22	12
Middle	8	45	56
Upper	6	33	27
<b>Totals</b>	18	100	(*)

(\*) Does not add up to 100%. 3% of tracts have no income data.

Sources: Bank records and CRAWiz

Overall branch hours are reasonable and are convenient to UNB's customers. All of the offices have extended hours either during the week and/or on Saturdays.

Sixteen offices (94%) provide 24 hour access via automated teller machines. In addition to the ATMs located at branch sites, there are five free standing units at various retail locations throughout the assessment area. Four of the units are limited to cash disbursements. The fifth provides both cash and deposit capabilities. Two of the five ATMs are located in moderate income census tracts.

Management introduced a bi-lingual toll free telephone banking service during 1996. This service provides customers with 24 hour access, seven days a week, to deposit and loan balances, transfer of funds between accounts, deposit and loan rates, loan applications and other customer service functions.

Since the last review, UNB expanded its branch network by opening four new offices, two in Somerset County (one was acquired from New Era Bank and the other from RTC), one in Middlesex County (branch of New Era) and one in Warren County. The former Bridgewater Office was consolidated into the present executive office location. These offices were less than one-half mile apart and did not adversely affect consumers access to bank services.

## **COMMUNITY DEVELOPMENT SERVICES**

UNB provides a relatively high level of community development services. Primary services include providing standard financial services, credit counseling and technical assistance on

financial matters. Additionally, the innovative use of a former bank building is used to provide financial training free to LMI individuals.

### **United National Continuing Education Center (“UNCEC”)**

UNB has taken a leadership role in assessing a need for financial education among the residents in the areas surrounding the former head office. The UNCEC is unique and the first of its kind opened by a private institution within the City of Plainfield. A wide range of courses are made available to the local community. This center is housed in a bank owned location adjacent to the former head office and is located within a moderate income census tract. Courses, offered on a continuing basis, are provided on such topics as:

- o Basic banking;
- o Investment strategies;
- o Using credit wisely, and;
- o Business clinics.

This unique and innovative facility is not only used to provide a wide range of educational topics, including how to obtain credit and maintain a good credit rating, but numerous local organizations use the location for its own meetings. These organizations include, ethnic/minority groups, affordable housing associations, health care systems and business development corporations. In addition, to providing the site free of charge to these groups, numerous members of bank management also participate as speakers/instructors at many of the credit related courses.

UNB provides additional services to LMI individuals and small businesses. The following is a listing and description of services offered throughout the assessment area:

- UNB’s Easy Checking, an affordable, low minimum balance checking account with low fees, discounted check printing and free unlimited ATM use designed primarily for LMI individuals.
- Low cost, no fee statement savings account for senior citizens and minors. This account has a low opening amount and no minimum balance requirement.
- UNB’s 62 + Advantage Account. A no monthly fee account to those age 62 and over. Free checks are provided to those age 65 and over.
- bank representatives with multi-lingual capabilities are available to assist individuals with their financial needs.



In addition, various members of management, as well as local staff, are actively involved in housing and business seminars. Many are presented through the UNCEC. Also, employees provide technical assistance in the local Microloan Program and other business related ventures.

### **First Time Home Buyers Club**

UNB participates with the Federal Home Loan Bank of NY ("FHLB NY"), in offering this product. The First Time Home Buyers Club is designed to assist first time home buyers to save funds for closing costs. UNB, together with a local affordable housing coalition, will provide ownership counseling as well as personal credit and budgeting assistance as part of their participation in this program. The household's current income must not exceed 80% of the family median income for the area. Under the program, the FHLB NY will contribute \$3 for every \$1 saved by the individual(s). The maximum that can be contributed is \$5 thousand. Therefore, the most the family has to save in order to receive the full amount is approximately \$1,700. In addition to agreeing to save the necessary funds, each of the individuals must attend the home ownership counseling sessions. A maximum of twenty five families per participating bank is permitted. UNB may provide a mortgage to qualified applicants when they complete the program requirements. The first mortgage under this program is anticipated to close in early January, 1997.

### **FAIR LENDING REVIEW**

A concurrent fair lending review did not identify any violations of the various antidiscrimination laws and regulations. UNB's fair lending policies, procedures, training programs and internal assessment efforts have been effective in assisting lenders on these issues.

## **METROPOLITAN STATISTICAL AREAS**

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE IN MIDDLESEX-SOMERSET MSA (MSA 5015):**

UNB's performance in helping to meet the credit needs of its assessment area within Middlesex-Somerset MSA 5015 is consistent with the bank's overall performance.

### **Description of Institution's Operations in MSA 5015:**

Full service banking is provided throughout this portion of the assessment area. Eleven offices (61%) are located within this MSA. All eleven offices offer a full range of loan and deposit services/products as well as 24 hour access via ATMs. UNB's business focus in this MSA is mortgage financing and small business lending, which is consistent throughout the entire AA.

### **Description of Middlesex-Somerset MSA 5015:**

The portion of MSA 5015 included in UNB's assessment area contains one hundred sixty-six census tracts broken down as follows: four low income tracts (2%), seventeen moderate income tracts (10%), ninety nine middle income (60%) , forty three upper income areas (26%) and 3 (2%) with no income data available. All of the low income tracts contained in this portion of the AA area are located within the City of New Brunswick (Middlesex County). These tracts are all in the downtown business district and the immediate area, which is comprised primarily of multifamily family housing units. In addition, the main campus of Rutgers, the State University is located nearby which contains a significant number of residential students. The median family income for the entire MSA is \$55,147.

The major employers are pharmaceutical firms, health care products/providers and Hunterdon Medical Center. In addition, two chemical manufacturers have large facilities in the area. Technology firms include Lucent, AT&T and Ingersoll Rand. In addition large shopping centers provide employment and business opportunities. Rutgers, the State University of New Jersey, is located in New Brunswick and also is a large employer in the area.

A discussion of the various performance tests with respect to this MSA 5015 follows.

## Lending Test

Mortgage lending activity within MSA 5015 represents approximately 50% of the total number of bank HMDA related loan originations throughout the review period. This also represents 51% of the total dollar amount originated.

The table below reflects that UNB's average level of mortgage lending closely approximates that of the owner occupied housing. The low income tracts are all located within the City of New Brunswick which offers limited opportunities for mortgage loans due to the number of multifamily and rental units. In addition Rutgers University and various corporate buildings are located in these low income tracts. The primary occupants in the moderate income tracts are businesses. Therefore, there is limited demand for residential housing in these areas.

United National Bank - Middlesex/Somerset MSA					
Income Level	% of Loans by Income Level of Census Tract (HMDA Loans)			% Census Tracts in AA	% of Owner-Occupied Households in AA
	1994	1995	Sep-30-96		
Low	0	0	0	2	(*)
Moderate	11	0	1	10	6
Middle	59	68	56	60	60
Upper	30	32	43	26	33
NA	0	0	0	2	0
Total	100	100	100	100	100

(\*) Less than 1%

Source: CRAWiz data

## Borrowers' Profile

The following table indicates that the bank has a good record of lending to borrowers with different income levels in the MSA. The number of HMDA loans to LMI borrowers averaged 43% of the total loans originated during the review period. As noted, this exceeds the 33% of families within those income levels within the MSA. It should be noted that loans to moderate income borrowers has shown an overall increase over the same time frame. This is attributed to the good results in establishing and implementing the First Time Home Buyers Program. (See discussion under Community Development Lending).

<b>United National Bank - Middlesex/Somerset MSA</b>				
	% of Loans by Income Level of <b>Borrower</b> (HMDA Loans)			% Families in Each Income Category
<b>Income Level</b>	<b>1994</b>	<b>1995</b>	<b>Sep-30-96</b>	
Low	16	17	10	14
Moderate	31	21	36	19
Middle	20	22	18	27
Upper	27	37	34	40
NA	6	3	2	-
<b>Total</b>	100	100	100	100

Source: CRAWiz data

#### Business Loans

UNB originated 437 commercial loans since January 1, 1995 in this MSA, 33% were to small businesses. In addition, 9% of the number of loans were made in LMI census tracts throughout the MSA. UNB's performance in LMI tracts is reasonable when considering that 14% of the total census tracts in the MSA are LMI census tracts. A breakdown by size of loan indicates that during the review period, 67% of the loans originated were for less than \$100 thousand, 20% between \$100 thousand and \$250 thousand and 13% were for amounts greater than \$250 thousand. This further indicates that UNB focuses its business lending to small businesses in the MSA.

#### Community Development Loans

Twelve (60%) of the twenty community development loans were made in this MSA. Ten of the loans were made to local not for profit organizations for the establishment of or maintenance of day care and other social services that benefit LMI individuals. The remaining were to local affordable housing groups.

During the review period, UNB originated forty nine SBA guaranteed loans amounting to \$13.2 million throughout its lending area. Twenty four of the forty nine loans originated, totaling \$4.7 million were in this MSA. This represents 49% of the total number and 36% of the total dollar amount of SBA loans.

## INVESTMENT TEST

UNB made \$12,500 in qualified investments in the Middlesex/Somerset MSA. These grants and donations were to affordable housing groups, youth programs and other organizations supporting activities essential to LMI individuals and or geographies located in MSA 5015

These investments are not innovative and contain only minimal complexities. The expenses related to the United National Continuing Educational Center (“UNCEC”) are included in the Newark MSA (5640) due to the location of the facility. However, UNCEC is also available to individuals and groups in MSA 5015.

## SERVICE TEST

The following table reflects that all of the offices in MSA 5015 are in middle and upper income census tracts. All of the low income tracts are in the downtown business district of the City of New Brunswick. These relationships are serviced by UNB offices located in towns adjacent to or near the city. The moderate income tracts are located in very close proximity to UNB’s Administrative branch and other branch offices. These branches adequately service the consumers in the moderate income tracts. The remaining distribution of branches compares favorably to the geographies in 5015.

<b>Distribution of Delivery Systems- MSA 5015</b>			
<b>Census Tract Characteristic</b>	<b># of Branches</b>	<b>% of Total Branches</b>	<b>% of Geographies</b>
Low	0	0	2
Moderate	0	0	10
Middle	6	55	60
Upper	5	45	26
<b>Totals</b>	<b>11</b>	<b>100</b>	<b>(*)</b>

(\*) Does not add up to 100%. 2% of tracts have no income data.

Sources: Bank records and CRAWiz

All eleven offices provide extended hours and 24 hour access via automated teller machines. In addition, three stand alone units are located in this MSA. One of the units is full service while the others dispense cash only.

Since the last review, UNB expanded its branch network by opening four new offices in this MSA. The telephone banking service provides customers 24 hour access, seven days a week, to deposit and loan balances, transfer of funds between accounts, deposit and loan rates, loan applications and other customer service functions.

### **COMMUNITY DEVELOPMENT SERVICES**

UNB's level of community development services is good. Primary services include providing standard financial services, addressing credit counseling and technical assistance on financial matters.

Services include those targeted to LMI individuals and small businesses. For a more detailed listing and description of services offered, see Community Development Services portion of this Performance Evaluation.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE IN NEWARK MSA (MSA 5640)**

UNB's performance in helping meet the credit needs of its assessment area within the Newark MSA 5640 is consistent with UNB's overall performance.

#### **Description of Institution's Operations in MSA 5640:**

Full service banking is provided throughout this portion of the assessment area. Of the eighteen offices, seven of the eighteen (39%) are located in this MSA. All of the offices offer a full range of loan and deposit services/products. Five of the sites also provide 24 hour access via ATM's. UNB's business focus is consistent throughout its assessment area, that is mortgage financing and small business lending.

#### **Description of Newark MSA 5640:**

The portion of the MSA included in UNB's assessment area contains sixty one census tracts broken down as follows: no low income tracts, ten moderate income tracts (16%), twenty nine middle income (48%), nineteen upper income areas (31%) and three (5%) with no income data available. The median family income for the entire area is \$50,047. The major employers in the MSA 5640 are Muhlenberg Medical Center and shopping centers.

A discussion of the performance tests with respect to MSA 5640 follows.

#### **Lending Test**

HMDA lending activity within MSA 5640 represents approximately 40% of the total number of loans and 30% of the dollar amount originated during the review period. Lending performance in this MSA is commensurate with the bank's overall performance.

The table that follows indicates that the average percentage (14%) of mortgage lending in moderate income census tracts by number of loan originations is good when compared to the 16% of moderate income tracts and the 9% of owner occupied housing in these tracts. This overall good record of lending in the moderate income tracts is attributed to the success of the First Time Home Buyers Program.

<b>United National Bank - Newark MSA</b>					
	% of Loans by Income Level of <b>Census Tract</b> (HMDA Loans)			% Census Tracts	% of Owner-Occupied Households
<b>Income Level</b>	<b>1994</b>	<b>1995</b>	<b>Sep-30-96</b>		
Low	0	0	0	0	0
Moderate	13	16	13	16	9
Middle	74	75	56	48	45
Upper	13	9	31	31	46
NA	0	0	0	5	0
<b>Total</b>	100	100	100	100	100

Source: CRAWiz data

### **Borrowers Profile**

The following table indicates that the bank has a good record of lending to borrowers with different income levels within the MSA. The number of HMDA loans to LMI borrowers averaged 40% during the review period. This performance is very good when compared to the 31% of LMI families in the MSA. UMB's lending to LMI borrowers has remained relatively constant during the review period. This performance is attributed to the First Time Home Buyers Program.

<b>United National Bank -Newark MSA</b>				
	% of Loans by Income Level of <b>Borrower</b> (HMDA Loans)			% Families in Each Income Category
<b>Income Level</b>	<b>1994</b>	<b>1995</b>	<b>Sep-30-96</b>	
Low	12	15	10	14
Moderate	31	26	26	17
Middle	29	28	36	25
Upper	25	26	24	44
NA	3	5	4	-
<b>Total</b>	100	100	100	100

Source: CRAWiz data

### Business Loans

UNB originated 168 commercial loans since January 1, 1995 in this MSA, 66% were to small businesses. In addition, 21% of the number of loans were made in LMI census tracts throughout the MSA, a good distribution when considering that 16% of the total census tracts are LMI tracts. A breakdown by size of loan indicates that during the review period, 73% of the loans originated were for less than \$100 thousand, 14% between \$100 thousand and \$250 thousand and 13% were for amounts greater than \$250 thousand. UNB is focused on small business lending throughout this portion of their assessment area.

### Community Development Loans

UNB originates an adequate level of community development loans. Eight of the twenty community development loans were made in this MSA. This represents 40% of such loans. The majority of the loans were made to non-profit organizations who provide day care and other social services to LMI individuals. During the review period, UNB originated eight SBA loans totaling \$2.0 million in this MSA. This represents 16% of the number of loans originated and 2% of the total dollars.

### INVESTMENT TEST

Qualified investments in the MSA totaled \$5.1 million. The primary investment is a \$5 million bond used to provide permanent financing to a health care facility in a moderate income census tract. The facility is available to LMI individuals who reside in and around Plainfield. The remaining innovative investment is the expenses related to the United National Continuing Educational Center (“UNCEC”).



## SERVICE TEST

As reflected in the following table, four of the seven offices ( 57%) in MSA 5640 are located in moderate income census tracts. Distribution of branches is reasonable when compared to the geographies in MSA 5640.

<b>Distribution of Delivery Systems- MSA 5640</b>			
<b>Census Tract Characteristic</b>	<b># of Branches</b>	<b>% of Total Branches</b>	<b>% of Geographies</b>
Low	0	0	0
Moderate	4	57	16
Middle	2	29	48
Upper	1	14	31
<b>Totals</b>	<b>7</b>	<b>100</b>	<b>(*)</b>

(\*) Does not add up to 100%. 5% of tracts have no income data.

Sources: Bank records and CRAWiz

Five of the offices provide 24 hour access via automated teller machines. All of the offices offer expanded hours. Since the last review, UNB expanded its branch network by acquiring the Phillipsburg location from the RTC.

The telephone banking service provides customers 24 hour access, seven days a week, to deposit and loan balances, transfer of funds between accounts, deposit and loan rates, loan applications and other customer service functions.

## COMMUNITY DEVELOPMENT SERVICES

UNB provides an adequate level of community development services. Primary services include providing standard financial services, addressing credit counseling and technical assistance on financial matters.

Services include those targeted to LMI individuals and small businesses. For a more detailed listing and description of services offered, see Community Development Services portion of this Performance Evaluation.

### SCOPE OF EXAMINATION

<b>Time Period Reviewed</b>	January 1, 1995 to September 30, 1996		
<b>Financial Institution</b>  United National Bank Lebanon Twp (Califon), NJ			<b>Products Reviewed</b> Mortgage loans, small business loans and SBA loans.
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>		<b>Products Reviewed</b>
United Financial Services, Inc.	Bancorp		None
UNB Investment Company, Inc.	Bank Affiliate		Investments
<b>List of Assessment Areas and Type of Examination</b>			
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Branches Visited</b>	<b>Other Information</b>
Middlesex-Somerset and Newark MSAs	On-Site	Corporate Office, Bridgewater, NJ	