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Comptroller of the Currency  
Administrator of National Banks

**LARGE  
BANK**

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Northeastern District  
1114 Avenue of the Americas, Suite 3900  
New York, New York 10036

## **Public Disclosure**

June 22, 1998

# **Community Reinvestment Act Performance Evaluation**

**Sun National Bank  
Charter Number: 18606**

**226 Landis Avenue  
Vineland, New Jersey 08360**

**Comptroller of the Currency  
Eastern Pennsylvania Field Office  
4 Greenwood Square, Suite 120  
Bensalem, Pennsylvania 19020**

**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.**

## General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Sun National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 22, 1998. 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 C.F.R. Part 25.

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

The following major factors support this rating:

- a substantial majority of loans are made in the assessment areas;
- lending levels reflect an adequate responsiveness to the credit needs of the assessment areas;
- an adequate distribution of loans both geographically, and among borrowers and businesses of different income levels in the assessment areas;
- a significant level of qualified community development investments in excess of \$5,000,000, exhibiting good responsiveness to the assessment areas;
- reasonably accessible service delivery systems, with improved accessibility to low- and moderate-income geographies in the assessment areas; and
- a relatively high level of qualified community development services which benefit the assessment areas.

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

Performance Levels	Sun National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory		x	x
Low satisfactory	x		
Needs to improve			
Substantial noncompliance			

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

## Scope of Review

This evaluation covers the period January 1996 through June 22, 1998. Information sources include Home Mortgage Disclosure Act - Loan Activity Reports (HMDA-LARs) and Small Business Loan Data Collection Registers. Specific loan products reviewed are home mortgage loans, small commercial loans (original amounts \$1 million or less), and loans to small sized businesses (annual gross revenues \$1 million or less). The review of small business loans covers only 1997 and 1998 (first 3 months), since the bank was not subject to the data collection and reporting requirements for fiscal year 1996. Home improvement loans are reviewed for 1998 alone. For previous years, the bank elected to not classify eligible loans as home improvement loans. No agricultural loans were reported in the evaluation period.

## Description of Institution

Sun National Bank (SNB), Vineland, NJ is a wholly owned subsidiary of Sun Bancorp, Inc., a one bank holding company. Affiliations include: Sun Capital Trust, Vineland, NJ, a wholly owned subsidiary of Sun Bancorp which serves solely as a capital financing vehicle for Sun Bancorp; and Med-Vine, Inc., Wilmington, DE, a wholly-owned subsidiary of SNB which serves as a holding company for SNB's investment securities.

SNB offers a full range of loan and deposit products and services including: home equity loans, residential mortgages, small business loans and an array of commercial and

consumer deposit accounts<sup>1</sup> within a twelve county area of central and southern New Jersey. The geographic market area includes portions of the Philadelphia Consolidated Metropolitan Statistical Area (CMSA) and the New York CMSA. Products and services are offered through a network of forty branch offices known as financial service centers (FSCs)<sup>2</sup>. Automated teller machine (ATM) service is provided at twenty-four of the FSCs and drive-through facilities are provided at all but five locations.

Central and southern New Jersey encompass a diverse economic base including a mixture of agriculture, transportation, manufacturing, small and mid-sized retail and tourist related businesses. The economy is strong and overall trends are favorable.

As of March 31, 1998, total assets of SNB were \$1.06 billion including net loans and leases of \$456 million, investment securities of \$476 million and deposit balances of \$732 million. The ratio of loans to average assets of 41% is below the average for all financial institutions located within SNB's assessment areas of 53% and reflects the effect of rapid deposit growth, in excess of 95%, during 1997 (see below for additional detail). Real estate related credit comprise 66% of the loan portfolio, with non-farm/non-residential real estate loans and 1-4 family residential real estate loans representing 36% and 19% of the loan portfolio, respectively. Commercial & industrial loans and loans to individuals represent 28% and 5% of the loan portfolio, respectively. The bank sells a high percentage of its residential mortgage loans and Small Business Administration (SBA) Loans in the secondary market.

The size and the extent of SNB's operation and geographic market have increased significantly since March 31, 1996. On June 5, 1997, the bank acquired four branches from First Union National Bank, Avondale, PA. On July 24, 1997, the bank acquired three branches from Oritani Savings & Loan, Hackensack, NJ. On November 20, 1997, the bank acquired eleven branches from Bank of New York. On February 26, 1998 the bank acquired one branch from First Savings Bank, Woodbridge, NJ. As of result of these acquisitions and six de novo FSC openings, the scope of SNB's operation has expanded from eighteen FSCs in six counties to forty FSCs in eleven counties as the bank established a presence in Salem, Camden, Monmouth, Somerset and Middlesex counties while increasing their presence in Cape May, Atlantic, Cumberland, Ocean, Mercer and Burlington counties. Total assets have increased by \$698 million, loans have increased by \$252 million and deposits have increased by \$381 million.

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<sup>1</sup> The bank offers residential mortgage loans, mobile home loans and retail nondeposit products through outside vendors.

<sup>2</sup> SNB has added 24 FSCs through acquisition or de novo since January 1, 1997.

As of June 30, 1997, the most recent data available from the FDIC, SNB's deposit market share for its assessment areas in the Philadelphia CMSA and New York CMSA, respectively were 1.93% and .28%.

SNB, consistent with its size and resources, has the ability to help meet the credit needs of its communities, including low- and moderate-income areas. There are no financial or legal matters which impede SNB's ability to meet its CRA obligations. The bank competes with several larger interstate and regional banking companies, and local community bank and thrift institutions.

## **Description of Assessment Area**

SNB maintains two assessment areas within the CMSAs of Philadelphia-Wilmington-Atlantic City (Assessment Area 1), and New York-Northern New Jersey-Long Island (Assessment Area 2). These assessment areas encompass ten entire counties in southern and central New Jersey (Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, Monmouth, Ocean and Salem), as well as eight political subdivisions (Cranbury Township, Franklin Township, Jamesburg Borough, Monroe Township, Montgomery Township, Plainsboro Township, Rocky Hill Borough and South Brunswick Township) in two additional northern New Jersey counties (Middlesex and Somerset.) Both assessment areas meet regulatory requirements and do not arbitrarily exclude low- or moderate-income geographies. The following tables contain demographic information for each assessment area.

<b>Assessment Area 1: Demographic Profile*</b>				
<b>Census Tract Characteristics</b>	<b>Census Tracts #</b>	<b>Census Tracts %</b>	<b>Population %</b>	<b>Families %</b>
<b>Low</b>	21	5%	5%	4%
<b>Moderate</b>	56	13%	11%	10%
<b>Middle</b>	250	57%	58%	59%
<b>Upper</b>	99	23%	26%	27%
<b>N/A</b>	10	2%	0%	0%
<b>TOTAL</b>	436	100%	100%	100%

\*Assessment Area 1 consists of the following New Jersey Counties: Atlantic and Cape May (PMSA 0560); Burlington, Camden, Gloucester and Salem (part of PMSA 6160); and Cumberland (PMSA 8760).  
N/A - Tracts with no reported income.

Assessment Area 1 consists of three Primary Metropolitan Statistical Areas (PMSAs) covering seven counties in southern New Jersey. The majority of census tracts (72%) are located in the New Jersey portion of PMSA 6160. PMSA 6160 also accounts for the majority of low-income census tracts (76%), with 13 located in the City of Camden; as well as a high percentage of moderate-income tracts (57%) most of which are in Camden County (total of 15) and Burlington County (total of 9). Atlantic County, which is part of PMSA 0560, accounts for 21% or 12 of the moderate-income census tracts and also contains four low-income census tracts concentrated in Atlantic City. Other counties in the assessment area containing low- or moderate-income census tracts are: Burlington - two low; Cumberland - one low and six moderate; Salem - one low and five moderate; Cape May - six moderate; and Gloucester - three moderate.

Seventy-two percent of the assessment area population falls within PMSA 6160, with 30% of the population attributed to Camden County and 24% to Burlington County. Of the population residing in low-income census tracts, 75% are within the City of Camden. Assessment Area 1 has a median family income of \$43,263. The median family income drops to \$18,915 for the City of Camden and \$27,305 for Atlantic City. Seventeen percent of the families in the assessment area are low-income, and 18% are moderate income. Camden County accounts for 34% of the low-income families, with 41% of the County's low-income families residing in the City of Camden.

Assessment Area 1 contains a total of 683,897 housing units, with 4% located in low-income tracts and 13% located in moderate-income tracts. Seventy percent of housing

units in low-income tracts are within the City of Camden. Eighty percent of assessment area housing units are 1-4 family structures and 15% are multifamily units. Sixty-one percent are owner occupied and 24% are renter occupied. The percentage of units which are owner occupied in low- and moderate-income census tracts are 2% and 8%, respectively. The percentage of units which are renter occupied in low- and moderate-income census tracts are 9% and 18%, respectively. The median housing value for the assessment area is \$109,326. For the City of Camden, the median housing value drops to \$29,783.

<i>Assessment Area 2: Demographic Profile*</i>				
<b>Census Tract Characteristics</b>	<b>Census Tracts #</b>	<b>Census Tracts %</b>	<b>Population %</b>	<b>Families %</b>
<b>Low</b>	16	5%	3%	3%
<b>Moderate</b>	59	18%	19%	19%
<b>Middle</b>	151	45%	48%	48%
<b>Upper</b>	96	29%	30%	30%
<b>N/A</b>	9	3%	0%	0%
<b>TOTAL</b>	331	100%	100%	100%

\*Assessment Area 2 consists of the following New Jersey Counties: Mercer (PMSA 8480); Monmouth and Ocean (PMSA 5190); and portions of Middlesex and Somerset (PMSA 5015).

N/A - Tracts with no reported income.

Assessment Area 2 consists of three Primary Metropolitan Statistical Areas (PMSAs) covering three whole counties and parts of two counties in central New Jersey. The majority of census tracts (71%) are located in PMSA 5190. PMSA 5190 also accounts for the majority of moderate-income census tracts (76%), with 24 located in Ocean County and 21 located in Monmouth County. Mercer and Monmouth Counties each contain seven low-income census tracts, and Ocean County contains two low-income census tracts. In Mercer County, the low-income census tracts are concentrated in the City of Trenton. The part of the assessment area covering Middlesex and Somerset Counties contains no low-income census tracts.

Sixty-nine percent of the assessment area population falls within PMSA 5190, with 39% of the population attributed to Monmouth County and 30% to Ocean County. Of the population residing in low-income census tracts, 51% are within the City of Trenton in Mercer County. The assessment area has a median family income of \$50,111. For the

City of Trenton, the median family income falls to \$30,962. Eighteen percent of the families in the assessment area are low-income, and 19% are moderate-income. Ocean County contains 41% of low-income families, and 38% of moderate income families. Monmouth County contains 30% of low-income families, and 32% of moderate-income families.

Assessment Area 2 contains a total of 613,532 housing units, with 3% located in low-income tracts and 23% located in moderate-income tracts. Eighty-two percent of assessment area housing units are 1-4 family structures and 14% are multifamily units. Sixty-four percent are owner occupied and 21% are renter occupied. The percentage of units which are owner occupied in low- and moderate-income census tracts are 1% and 19%, respectively. The percentage of units which are renter occupied in low- and moderate-income census tracts are 7% and 27%, respectively. The median housing value for the assessment area is \$162,643, falling to \$66,820 for the City of Trenton.

The needs for both assessment areas are similar, and are primarily housing related, including single family housing rehabilitation, home buyer assistance, rental assistance, rental rehabilitation and affordable housing construction in low- and moderate-income areas. Economic development is also a pressing need for distressed areas, such as financial assistance for small businesses, rehabilitation of commercial buildings, infrastructure improvements and job creation for low-income individuals. Needs for both assessment areas were determined through contacts with community groups and available studies.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **LENDING TEST**

#### **Lending Activity**

SNB's lending activity reflects adequate responsiveness to the credit needs of its assessment areas. The bank's loan-to-deposit ratio as of March 31, 1998 was 62%, only slightly below the average of 63% for all financial institutions operating within SNB's assessment areas. The following tables contain loan originations for HMDA reportable and small business loans.



<i>HMDA Loans - Originations*</i>						
	1996		1997		1998(Jan-Mar)	
	#	\$000's	#	\$000's	#	\$000's
<b>Assessment Area 1</b>	128	10,049	127	8,803	109	6,272
<b>Assessment Area 2</b>	48	3,527	57	3,391	31	1,253
<b>Total</b>	176	13,576	184	12,194	140	7,525

\*Except for 1998, excludes home improvement loans since the bank elected to not classify eligible loans as home improvement loans in previous years.

Home purchase loan originations grew 17% for Assessment Area 1, and 59% for Assessment Area 2 from 1996 to 1997. This growth was offset by declines in mortgage refinance loans in both assessment areas. On an annualized basis, the bank is experiencing significant growth the first three months of 1998 in mortgage refinance loans for both assessment areas, and home purchase loans for Assessment Area 1. Home purchase loans are also increasing on an annualized basis for Assessment Area 2, but at a moderate pace.

<i>Small Business Loans - Originations*</i>						
	1996		1997		1998(Jan-Mar)	
	#	\$000's	#	\$000's	#	\$000's
<b>Assessment Area 1</b>	NA	NA	151	43,183	78	15,757
<b>Assessment Area 2</b>	NA	NA	59	16,074	16	2,970
<b>Total</b>	NA	NA	210	59,257	94	18,727

\*Represents commercial loans with original amounts of \$1 million or less reported on the bank's Consolidated Report of Condition and Income ("Call Report") as either loans secured by nonfarm or nonresidential real estate or Commercial and Industrial loans. Source: Small Business Loan Data Collection Registers. NA: Information not available - bank was not subject to small business reporting requirements for 1996.

Small business loans within the bank's assessment areas represent 60% and 89% of the total number of commercial loans originated in 1997 and first quarter 1998, respectively. On an annualized basis, the bank is experiencing significant small business loan growth for the first three months of 1998 in Assessment Area 1, and moderate growth in Assessment Area 2.

During the evaluation period, management initiated an SBA loan program. As of June 3,

1998, SNB has originated 13 SBA loans totaling \$8,173,000. Ten loans totaling \$5,285,000 were attributed to the assessment areas. All but two of these loans are in amounts of less than \$1 million and are included in the above small business loan totals. SNB ranks among the top 20 participating lenders in New Jersey for its total number of SBA loan originations.

### **Assessment Area Concentration**

The substantial majority of SNB's lending is within its assessment areas. Approximately 90% of both the total number and dollar amount of HMDA, and of small business loans originated since 1996 were within SNB's assessment areas. A third party review of the bank's entire loan portfolio as of December 31, 1997 found 88% of portfolio loan dollars, and 91% of the total number of portfolio loans attributed to the assessment areas.

### **Geographic Distribution**

SNB's geographic distribution of loan originations reflects good penetration throughout each assessment area, with the exception of low-income tracts in Assessment Area 1 where penetration is less than adequate. A third party review of the bank's entire loan portfolio as of December 31, 1997 found a 27.61% loan-to-deposit ratio for low-income census tracts, compared to a ratio of 66.78% for the assessment areas overall. It should be noted however, that the majority of low-income census tracts in Assessment Area 1 are in the City of Camden and SNB did not have a branch office network in Camden County until July 1997. The bank's closest branch office is within five miles of the City of Camden. In moderate-income census tracts, the ratio of loans-to-deposits was computed as 64.07% which closely approximates the assessment area ratio.

The following tables present the distribution of HMDA loan originations by census tract income classification for each assessment area.

<b>Assessment Area 1: HMDA Loan Originations - Geographic Distribution</b>						
<b>Census Tract Income</b>	<b>1996</b>		<b>1997</b>		<b>1998(Jan-Mar)</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	0	0	0	0	0	0
<b>Moderate</b>	9	7%	9	7%	3	3%
<b>Middle</b>	86	67%	98	77%	80	73%
<b>Upper</b>	33	26%	20	16%	25	23%

When compared to the percentage of owner-occupied housing units that are in low-income census tracts (2%) and in moderate-income census tracts (8%), SNB's HMDA loan originations reflect poor penetration in low-income areas, and adequate penetration in moderate-income areas. The proportion of the bank's lending in middle-income census tracts exceeds the percentage of owner-occupied housing units in middle-income census tracts (61%); and, except for 1997 approximates the percentage of units in upper-income census tracts (29%).

In 1996, SNB had a .28% market share of HMDA loans originated in moderate-income census tracts. This percentage slightly exceeded the bank's .25% market share of HMDA loan originations in all of Assessment Area 1. Market share data for 1997 is not yet available for analysis.

<b>Assessment Area 2: HMDA Loan Originations - Geographic Distribution</b>						
<b>Census Tract Income</b>	<b>1996</b>		<b>1997</b>		<b>1998(Jan-Mar)</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	1	2%	0	0	1	3%
<b>Moderate</b>	10	21%	8	14%	9	29%
<b>Middle</b>	29	60%	41	72%	13	42%
<b>Upper</b>	8	17%	8	14%	8	26%

In comparison to the percentage of owner-occupied housing units that are in low-income census tracts (1%) and in moderate-income census tracts (20%), except for 1997, SNB's HMDA loan originations reflect good penetration in both low- and moderate-income

areas. The proportion of the bank’s lending in middle income census tracts exceeds the percentage of owner-occupied housing units in middle-income tracts (48%) for both 1996 and 1997. In upper income census tracts, the bank’s HMDA lending approximates the percentage of owner-occupied housing units (31%) in 1998 only.

In 1996 and 1997, SNB had market shares of .23% and .15%, respectively, for its HMDA loan originations in low-income and moderate-income census tracts. These percentages compare favorably to the bank’s .10% market share of HMDA loans originated in all of Assessment Area 2. Market share data for 1997 is not yet available for analysis.

The following tables present the distribution of small business loan originations by census tract income classification for each assessment area.

<i>Assessment Area 1: Small Business Loans - Originations*</i>						
<i>Geographic Distribution</i>						
<b>Census Tract Income</b>	<b>1996</b>		<b>1997</b>		<b>1998(Jan-Mar)</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	NA	NA	1	.66%	1	1%
<b>Moderate</b>	NA	NA	20	13%	11	14%
<b>Middle</b>	NA	NA	77	51%	40	51%
<b>Upper</b>	NA	NA	52	34%	26	33%
<b>N/A</b>	NA	NA	1	.66%	0	0

\*Represents commercial loans with original amounts of \$1 million or less reported on the bank’s Consolidated Report of Condition and Income (“Call Report”) as either loans secured by nonfarm or nonresidential real estate or Commercial and Industrial loans. Source: Small Business Loan Data Collection Registers.

N/A: Tracts with no reported income.

NA: Information not available - bank was not subject to small business reporting requirements for 1996.

Small businesses located in low- and moderate-income census tracts represent 3% and 10%, respectively, of total small businesses in Assessment Area 1. SNB made a good percentage of its small business loans in moderate-income census tracts in relation to the percentage of total small businesses within these census tracts. The bank does not compare favorably to the proportion of the total small businesses for its small business lending in low-income census tracts.

<i>Assessment Area 2: Small Business Loans - Originations*</i>						
<i>Geographic Distribution</i>						
<b>Census Tract Income</b>	<b>1996</b>		<b>1997</b>		<b>1998(Jan-Mar)</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	NA	NA	3	5%	0	0
<b>Moderate</b>	NA	NA	14	24%	10	63%
<b>Middle</b>	NA	NA	34	58%	5	31%
<b>Upper</b>	NA	NA	8	14%	1	6%
<b>N/A</b>	NA	NA	0	0	0	0

\*Represents commercial loans with original amounts of \$1 million or less reported on the bank's Consolidated Report of Condition and Income ("Call Report") as either loans secured by nonfarm or nonresidential real estate or Commercial and Industrial loans. Source: Small Business Loan Data Collection Registers.

N/A: Tracts with no reported income.

NA: Information not available - bank was not subject to small business reporting requirements for 1996.

Small businesses located in low- and moderate-income census tracts represent 3% and 14%, respectively, of total small businesses within Assessment Area 2. SNB's percentage of small business loans in low- and moderate-income census tracts for 1997 compares very favorably to the proportion of small businesses within these census tracts. For the first three months of 1998, the bank shows an excellent penetration of small business loans in moderate-income tracts compared to the percentage of businesses; however, no small business loans were originated in low-income tracts.

### **Borrowers' Profile**

SNB's lending patterns reflect adequate penetration among retail customers of different income levels and business customers of different sizes within their assessment areas. The following tables present the distribution of HMDA reportable and small business loans by borrower income classification.

<i>Assessment Area 1: HMDA Loan Originations - Borrower Distribution</i>						
<b>Borrower Income</b>	<b>1996</b>		<b>1997</b>		<b>1998(Jan-Mar)</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	13	10%	16	13%	14	13%

<i>Assessment Area 1: HMDA Loan Originations - Borrower Distribution</i>						
<b>Borrower Income</b>	<b>1996</b>		<b>1997</b>		<b>1998(Jan-Mar)</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Moderate</b>	22	17%	27	21%	20	18%
<b>Middle</b>	33	26%	26	20%	19	17%
<b>Upper</b>	60	47%	54	43%	54	50%
<b>Not Available</b>	0	0	4	3%	2	2%

When compared to the percentage of families that are low-income (17%) and moderate-income (18%), SNB's HMDA loan originations reflect adequate penetration to low- and moderate-income borrowers in Assessment Area 1. The proportion of the bank's lending to middle- and upper-income borrowers closely approximates the percentage of families that are middle-income (25%) and upper-income (40%).

<i>Assessment Area 2: HMDA Loan Originations - Borrower Distribution</i>						
<b>Borrower Income</b>	<b>1996</b>		<b>1997</b>		<b>1998(Jan-Mar)</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	5	10%	10	17%	5	16%
<b>Moderate</b>	19	40%	25	44%	8	26%
<b>Middle</b>	15	31%	11	19%	5	16%
<b>Upper</b>	8	17%	10	18%	13	42%
<b>Not Available</b>	1	2%	1	2%	0	0

In relation to the percentage of families that are low-income (18%) and moderate-income (19%), SNB's HMDA loan originations reflect adequate penetration to low-income borrowers and very good penetration to moderate-income borrowers in Assessment Area 2. The proportion of the bank's lending to middle-income borrowers exceeds or approximates the percentage of families that are middle-income (25%). In upper income census tracts, the bank's HMDA lending exceeds the percentage of families that are upper-income (39%) in 1998 only.

The following tables present the distribution of small business loan originations to

businesses with gross annual revenues of \$1 million or less.

<b>Assessment Area 1: Small Business Loan Originations - Annual Revenues &lt;= \$1 Million</b>						
<b>Original Loan Amount</b>	<b>1996</b>		<b>1997*</b>		<b>1998(Jan-Mar)**</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>&lt;=\$100,000</b>	NA	NA	9	31%	34	59%
<b>\$101,000-\$250,000</b>	NA	NA	6	21%	13	22%
<b>\$251,000-\$1 million</b>	NA	NA	14	48%	11	19%
<b>Total</b>	NA	NA	29	100%	58	100%

\*Of the 151 small business loans reported in 1997, revenues were not known for 89 loans.

\*\* Of the 78 small business loans reported in 1998, revenues were not known for six loans.

NA: Information not available - bank was not subject to small business reporting requirements for 1996.

A total of 50,768 businesses are located in Assessment Area 1. Of the businesses reporting annual revenues, 37,849 or 90% have revenues of \$1 million or less. In comparison 47% of SNB's small business loans with reported revenues in 1997 had annual gross revenues of \$1 million or less. This percentage increases for the first three months of 1998 when 81% of the bank's small business loans had annual gross revenues of \$1 million or less.

<b>Assessment Area 2: Small Business Loan Originations - Annual Revenues &lt;=\$1 Million</b>						
<b>Original Loan Amount</b>	<b>1996</b>		<b>1997*</b>		<b>1998(Jan-Mar)</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>&lt;=\$100,000</b>	NA	NA	6	32%	6	50%
<b>\$101,000-\$250,000</b>	NA	NA	3	16%	3	25%
<b>\$251,000-\$1million</b>	NA	NA	10	53%	3	25%
<b>Total</b>	NA	NA	19	100%	12	100%

\*Of the 59 small business loans reported in 1997, revenues were not known for 38 loans.

NA: Information not available - bank was not subject to small business reporting requirements for 1996.

A total of 51,307 businesses are located in Assessment Area 2. Of the businesses reporting annual revenues, 39,272 or 90% have revenues of \$1 million or less. For 1997 and 1998, 90% and 75% respectively, of SNB's small business loans with reported revenues had annual gross revenues of \$1 million or less.

### **Community Development Loans**

SNB reported no community development loans during the evaluation period. The bank does originate loans through its participation in community development lending consortiums; however, these loans must be reported as "small business" loans because they are in amounts under \$1 million.

The community development lending organizations with which SNB participates include:

- The Cooperative Business Assistance Corporation (CBAC), a consortium of lenders providing micro loans (as low as \$1,000) to small businesses in the City of Camden. SNB has committed \$250 thousand to this revolving loan pool.
- The Pleasantville Urban Enterprise Zone Loan Assistance Revolving Loan Program.
- The Partners for Small Business Development, Inc., a Southern New Jersey micro loan fund extending loans from \$5,000 to \$30,000 to fund start-up and existing businesses in Burlington, Camden, Mercer, and Gloucester counties. SNB has committed \$100,000 to this fund.
- The Lakewood Township Urban Enterprise Loan Pool Account. SNB is the lead participating bank in this consortium.

## **INVESTMENT TEST**

### **Community Development Investments**

The total dollar volume of all qualifying investments and grants made during the evaluation period is \$5,853,260. Although this a relatively high dollar volume of investments given the banks capacity, the investments are primarily standard bond purchases and are not considered to be complex or innovative. All of the investments noted are directly responsive to the most pressing credit need identified in both assessment areas: the development of affordable housing. The following discussion provides additional details on these investments.



Two New Jersey Housing Mortgage Finance Agency (NJHMFA) bonds totaling \$4,280,000 qualify as community development investments. Both bonds supported the construction or rehabilitation of affordable multi-family developments. Each of the 12 projects funded by the bonds have reserved at least 20% of their units for residents earning 50% or less of the area median income. These NJHMFA bonds perform a community development purpose (affordable housing) and benefit the entire State of New Jersey, including SNB's assessment areas.

In addition to the NJHMFA bonds, the bank has also purchased Fannie Mae, Freddie Mac and Ginnie Mae Mortgage Backed Securities ("MBS") backed by low- to moderate-income housing loans located within SNB's assessment areas. As of June, 1998, SNB purchased three MBS bonds totaling \$1,569,935, each of which directly benefited the bank's assessment areas.

### **Community Development Grants**

SNB regularly makes donations to various organizations throughout its assessment areas, some of which perform community development work. These include qualified contributions to organizations such as the Camden County Improvement Authority, Neighborhood Housing Services of Trenton, the Trenton Business Assistance Corporation and the Vineland Downtown Improvement District. Donations made during the evaluation period to these organizations exceeded \$3,000.

## SERVICE TEST

### Retail Banking Services

SNB's retail banking services are reasonably accessible to all segments of the assessment areas. As of June 22, 1998, SNB had 40 branches located throughout Southern and Central New Jersey, distributed as follows (the final column represents the distribution of census tracts by income throughout the area):

<i>All Assessment Areas: Branch Distribution</i>			
<b>Census Tract Income</b>	<b>Number of FSCs</b>	<b>Percent of Total FSCs</b>	<b>Percent of Tracts in Area</b>
<b>Low</b>	2	5.0%	4.8%
<b>Moderate</b>	5	12.5%	15.0%
<b>Middle</b>	24	60.0%	52.3%
<b>Upper</b>	9	22.5%	25.4%
<b>N/A</b>	0	0.0%	2.5%
<b>Total</b>	40	100.0%	100.0%

The bank performed a detailed branch distribution analysis exclusively focused on those geographies within a one, three and five mile radius around each of its branch locations. The one mile ring analysis revealed a total of 186 census tracts (of all income levels) located within one mile of the bank's FSCs. Of those 186 tracts, 15 (8%) were low-income and 35 (19%) were moderate-income. These penetration rates compare favorably to the general distribution of tracts across the bank's assessment areas detailed above, and indicate that the bank's branch network is easily accessible by low- and moderate-income customers. The three and five mile analyses revealed similar penetration patterns, with the level of penetration into low- and moderate-income tracts in both cases exceeding the proportional representation of those tracts in the assessment areas generally.

A distribution analysis of the branch network in each assessment area follows, although it should be noted that the statistical significance of the distribution becomes minimal due to the small number of FSCs included in the analysis:

<i>Assessment Area 1: Branch Distribution</i>			
<b>Census Tract Income</b>	<b>Number of FSCs</b>	<b>Percent of Total FSCs</b>	<b>Percent of Tracts in Area</b>
<b>Low</b>	1	3.7%	5.0%
<b>Moderate</b>	2	7.4%	13.0%
<b>Middle</b>	17	63.0%	57.0%
<b>Upper</b>	7	25.9%	23.0%
<b>N/A</b>	0	0.0%	2.0%
<b>Total</b>	27	100.0%	100.0%

<i>Assessment Area 2: Branch Distribution</i>			
<b>Census Tract Income</b>	<b>Number of FSCs</b>	<b>Percent of Total FSCs</b>	<b>Percent of Tracts in Area</b>
<b>Low</b>	1	7.7%	5.0%
<b>Moderate</b>	3	23.4%	18.0%
<b>Middle</b>	7	53.8%	45.0%
<b>Upper</b>	2	15.1%	29.0%
<b>N/A</b>	0	0.0%	3.0%
<b>Total</b>	13	100.0%	100.0%

The bank's branching hours of operation are fairly consistent throughout its network. Most of the bank's FSCs are open from 8:30 or 9:00 in the morning, Monday through Friday, and close after 3:00 in the afternoon. Most FSCs (including all seven of the low and moderate-income FSCs) are open into the evening on Thursdays and/or Fridays.

Additionally, all but two of the bank's forty FSCs are open on Saturday mornings and three FSCs have Sunday hours. The two FSCs without Saturday hours are 226 South Broad St., Trenton (low-income tract) and 2028 Atlantic Avenue, Atlantic City (moderate-income tract). The Trenton branch does have a twenty four hour ATM, and is located within one mile of another SNB Trenton branch with Saturday hours.

The Atlantic City branch, which also has a twenty four hour ATM, primarily serves an office population which is only present during the week. Additionally, residential development locally has been shifting north of the downtown area, closer to SNB's Brigantine branch, which does offer weekend hours and is only three miles from the Atlantic City branch.

Thirty-five of the forty FSCs have drive-through facilities, including both of the FSCs located in low-income census tracts and four of the five located in moderate-income tracts. The only moderate-income branch without a drive-through teller is the Ship Bottom branch, which has recently introduced Sunday hours, from 10:00 to 1:00 from June through September. This is one of only three FSCs in the network with Sunday hours.

Twenty-five of the bank's forty FSCs have on-site ATMs, most of which are accessible 24 hours a day. Five of the seven FSCs located in low- and moderate- income census tracts have ATMs on the premises.

SNB opened 25 FSCs since the last examination, more than doubling its branch network from 17 FSCs to 40 as of June 1998. Nineteen (19) of the 25 openings were the result of acquisitions, and six were *de novo* FSCs. The extended branch network has increased the bank's penetration into additional low and moderate-income markets. One of the *de novo* openings was in a moderate-income census tract. As part of its Business Plan, the bank reviewed its service hours throughout its branch network. The analysis resulted in the expansion of service hours at 21 of the bank's FSCs. Also, one of three FSCs accorded Sunday hours is located in a moderate-income census tract.

SNB offers a standard array of products and services appropriate for an institution of its size and capacity. Consumer products include seven different types of demand deposit accounts and money market accounts priced to meet the needs of a variety of customers, including those maintaining minimal balances or those with infrequent transactions. There are two non-interest bearing checking accounts which could appeal to low and moderate-income customers. SNB also offers a variety of savings accounts, certificates of deposit and IRAs.

Consumer loan products include: standard fixed rate unsecured loans (from \$1,000 to \$5,000); overdraft protection linked to checking accounts; revolving MasterCard and Visa credit card lines from \$500; auto loans (both new and used, minimum amount of \$1,000); closed-end CD secured loans; fixed rate home equity loans (minimum amount of \$2,500); revolving home equity credit lines; residential mortgages, including conventional, jumbos and loans designed to meet the needs of low to moderate-income borrowers with down payment requirements as low as 3%; alternative credit consideration, and pre-purchase

borrower education classes.

SNB offers a variety of deposit products to small businesses as well, including standard non-interest bearing commercial demand deposit account, a no-fee checking account for non-profit organizations, and an attorney trust IOLTA account (the interest on which is used to fund legal services for low-income individuals). Commercial loans available to small businesses include commercial mortgages (both permanent and construction), letters of credit, lines of credit, term loans, and revolving commercial MasterCard and Visa credit card lines.

In the fourth quarter of 1997, SNB introduced “SunDial”, a 24 hour telephone banking system allowing customers to initiate account balance inquiries, verify payment of checks and crediting of deposits, obtain ATM and branch locations and hours, receive interest rate quotes, transfer funds and receive faxed statements. The SunDial number is a toll free call, and is equally accessible by all of the bank’s customers, including low- and moderate-income customers.

During the first quarter of 1998, SNB introduced an Employee Benefit Banking Program. Fourteen companies have signed up for the program, including three located in low- and moderate-income communities. The program provides employees of participating businesses with free checking accounts and loan discounts. To qualify, the participating employee’s pay must be direct deposited into the SNB account.

### **Community Development Services**

The bank performs a wide range of community development services, including educational outreach for first time home buyers, servicing of loans originated under enterprise zone programs and providing technical assistance to community development organizations.

Examples of community development services performed include the following home ownership workshops conducted by the bank:

- 12/10/97 City of Atlantic City department of Planning & Development mortgage Loan Forum. The bank participated in this forum by conducting credit counseling for potential low- and moderate-income first time home buyers;
- 11/5/97 Money Management and Home Ownership Workshop. The bank presented this workshop in Spanish to a predominately female Hispanic audience of potential first time home buyers, in the Vineland area; and

- 5/16/98 “Are You Ready for Home Ownership”. The bank participated in this educational workshop in conjunction with the Consumer Credit Counseling Services agency of South Jersey. The bank’s third party mortgage processing agent, BancSource Mortgage Group discussed SNB’s affordable mortgage products.

SNB offers it’s technical expertise, by way of Board or committee representation, to organizations performing community development work. The following is a partial list of organizations which have benefited from bank representatives providing technical expertise:

- Vineland Housing Authority (bank Executive VP assisted in development of low- and moderate-income home ownership program);
- Cooperative Business Assistance Corporation (bank Senior VP serves on Board providing loans and technical assistance to small businesses in the City of Camden);

In addition, the bank provides financial services to local community development focused organizations. The bank is the service provider for loans under four local enterprise zone portfolios: the City of Millville’s UDAG loan portfolio, the City of Millville’s CBDG loan portfolio, the City of Millville’s UEZ loan portfolio, and the Enterprise Zone Development Corporation of Vineland’s loan portfolio. The bank services these loans for a discounted fee.

## **RECORD OF COMPLIANCE WITH ANTIDISCRIMINATION LAWS**

No violations of the substantive provisions of antidiscrimination laws and regulations were identified through our concurrent fair lending examination.