



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 10, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**MONMOUTH COMMUNITY BANK, NATIONAL
ASSOCIATION
Charter Number 24240**

**627 Second Avenue
Long Branch, New Jersey 07740**

**COMPTROLLER OF THE CURRENCY
Adc-new York Metro (New Jersey
830 Morris Turnpike, Second Floor
Short Hills, New Jersey 07078**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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DEFINITIONS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

Community Development (CD) - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Full-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Limited-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

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 **Monmouth Community Bank, National Association, Long Branch, New Jersey** as prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 10, 2003**. 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.**” The conclusions that contributed to the overall rating are:

- A substantial majority of all loans originated are within the bank's assessment area.
- The average loan-to-deposit ratio is reasonable when compared to a custom peer average.
- The geographic distribution of the loans analyzed reflects a reasonable dispersion throughout the bank's assessment area.
- The distribution of home equity and small business loans, given the demographics of the assessment area, reflects reasonable penetration among individuals and business of different income levels.

Description of Institution

Monmouth Community Bank, National Association (“MCBNA”) is an intrastate community bank headquartered in Long Branch, New Jersey. Long Branch is located in the central portion of New Jersey along the Atlantic Ocean coastline. MCBNA does not have any subsidiaries and is wholly owned, and the only, subsidiary of Monmouth Community Bancorp (“Bancorp”). The bank began operations in July 1998 as a state chartered institution and currently operates five branches in addition to the main office. MCBNA converted to a national charter in June 2001. As of September 30, 2003, total assets reported were \$213 million, loans were \$106 million, and total deposits amounted to \$199 million. Loans were broken downs as follows: Construction and Multi family \$4 million (4%), Home Equity Lines of Credit \$13 million (12%), Other loans secured by residential real estate \$10 million (9%), commercial real estate loans totaling \$59 million (56%), commercial loans totaling \$19 million (18%) and other consumer loans totaling \$1 million or 1% of total loans. The bank's emphasis is commercial loans including those secured by real estate and home equity lines. These loans were analyzed during our review

because they comprise 95% of the loans originated by the bank as of September 30, 2003. The bank does not directly offer purchase money mortgage or residential refinance loans to consumers. However, MCBNA does have a referral process for individuals seeking such credit with an unaffiliated third party, General Motors Acceptance Corporation (GMAC). MCBNA is not involved in the credit decision nor are any of these loans closed in the bank's name. The bank does not track loans that are referred to GMAC.

The market in which the bank operates is very competitive. Located within Monmouth County where the bank has all of its banking offices, are numerous community banks, thrift institutions, credit unions and bank offices of several large regional and multinational financial institutions that compete for both commercial and retail banking services as well as loan products. According to June 30, 2003 FDIC/OTS Summary of Deposit data, Fleet National Bank with forty-five offices and 17% of the market share along with Wachovia N.A.'s 15% market share with its thirty-six offices and Sovereign Bank's 14% market share with twenty-six offices, dominate the county. MCBNA has 1.5% of the deposit base and ranks fourteenth among the thirty-two institutions with offices in the county.

Monmouth Community Bank, NA currently operates six banking offices from which it provides a wide range of deposit and loans products. Since the last Community Reinvestment Act examination in December 1999, MCBNA has opened five offices. No branches were closed during this time frame.

MCBNA is not subject to any financial, legal, or regulatory restrictions that could impede its ability to help meet the credit needs of its assessment area. The Federal Deposit Insurance Corporation performed the last CRA examination in December 1999. At that evaluation, this bank received a rating of **"Satisfactory."**

Description of Assessment Area

The bank's assessment area consists entirely of Monmouth County, New Jersey, which is a part of the Monmouth/Ocean MSA#5190. There are 93 census tracts within the AA consisting of 6 low-income tracts (6%), 19 moderate-income tracts (21%), 26 middle-income tracts (28%), 38 upper-income tracts (41%) and 4 not rated (4%). According to the 1990 census data, this area is comprised of 328 thousand persons. The AA meets the requirement of the regulation and does not appear to arbitrarily exclude any low- or moderate-income geographies. The table below provides demographic information about the AA. The 2002 HUD adjusted median family income for the AA is \$69,900. The average unemployment rate for the AA (October 2003) is 5%. Six percent of the households within the AA are below the poverty level.

Assessment Area Demographics

	Number	Low	Moderate	Middle	Upper
Tracts	93	6%	21%	28%	41%
Families	86,515	16%	16%	23%	45%
Businesses	22,053	3%	15%	33%	49%
Owner Occupied Housing	82,698	1%	13%	31%	55%

Source: 1990 US Census and HUD update MFI

Owner occupied housing comprises 59% of the total housing units. One to four family units is the predominate type of housing in the assessment area comprising 78% of total housing. The median housing value in the AA as of November 2003 of \$ 252 thousand is considered high and may be a barrier to homeownership for most low- and moderate-income individuals.

Small businesses (businesses with revenues less than \$1 million) make up 77% of the total of businesses reporting income within the AA. Small businesses are primarily centered in services 42%, and retail trade 18%. Three percent of businesses are in low-income geographies and 15% of businesses are in moderate-income geographies.

Based on their knowledge of the area, bank management has indicated that commercial real estate and small business financing are the primary needs within the assessment area.

Community Contacts

A community contact with a local non-profit affordable housing organization was conducted just prior to the commencement of this review. The contact indicated that affordable housing, rental housing, homeless shelters and financing opportunities for low-moderate-income individuals are primary needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Scope of Examination

This CRA evaluation of Monmouth Community Bank covers the period January 1, 2000 to December 31, 2002. Our review covered all commercial loans, home equity and HMDA reportable loans originated during this period. As noted above, MCBNA refers purchase money or refinance loans to GMAC.

Data Integrity

During July 2003, OCC examiners verified the accuracy and the applicability of lending activities. Bank management was able to provide accurate and meaningful information for this analysis. Overall, the data was deemed to be reliable to assess the bank's CRA performance.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. MCBNA's average loan to deposit ratio of 51% for the fourteen quarters since the prior examination was below national peer average of 76%. Also, the bank's loan to deposit ratio was below the customized peer average of 67% for similarly sized institutions that commenced operations around the same time. Institutions in the customized peer group are within the bank's AA in New Jersey. Factors that affected the loan to deposit ratio include, the volume of municipal deposits at 25% of total deposits as of September 30, 2003 and continued branch expansion. The bank's municipal deposits require investments to be pledged against the balances and generally limit available funds for lending. Also, the addition of five new branches in the past four years, fostered deposit growth that was not offset by sufficient loan growth due to intense competition.

Lending In Assessment Area

A substantial majority of loans originated during the evaluation period were within the AA. MCBNA meets the standard for outstanding performance for lending within the AA. An analysis of the loan data disclosed that 88% of both the number and dollar of loans were originated in the AA.

Lending in Assessment Area								
	Number of Loans				Dollar Amount of Loans			
	In AA	Out AA	Total	% in AA	In AA	Out AA	Total	% in AA
	#	#	#		\$(000)	\$(000)	\$(000)	
Small Business	137	20	157	87%	27,410	4,948	32,358	85%
Other RE Secured	69	11	80	86%	30,947	3,276	34,223	90%
HELOC	176	23	199	88%	20,753	2756	23,509	88%
HMDA	10	1	11	91%	375	250	625	60%
Total	392	55	447	88%	79,485	11,230	90,715	88%

Source: Internal Bank Records

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

The distribution of loans reflects, given the demographics of the AA, reasonable penetration

among individuals of different income levels and businesses of different sizes.

Home Equity and Mortgage Loans

Overall the level of home equity lending to low-moderate-income borrowers is reasonable.

The level of home equity and mortgage lending to low-income families is non-existent. The level of lending to low-income families is attributed primarily to the difficulty of low-income borrowers to meet the basic underwriting criteria based on a median housing value of \$252 thousand within the AA as of November 2003. Low-income families make up 16% of the population of the AA. Our analysis revealed that Asbury Park is an area of low penetration. Asbury Park is considered a depressed economic area and contains four of the six low-income tracts in the AA. Lending opportunities are minimal in Asbury Park because 81% of housing units are rental compared to 32% rental units in the AA. Also, the median family income in Asbury Park of \$20,437 is low compared to the median family income of \$69,900 for the AA. Competition to provide low-income products to families at the low-income level is intense from the larger regional banks in the area.

The level of home equity and mortgage loans to moderate-income borrowers is reasonable. Our assessment revealed that 10 residential mortgage loans were originated in the AA. The table below indicates that the number of MCBNA's home equity and mortgage refinance loans combined totaling 13% is considered reasonable relative to the 16% of moderate-income families in the AA.

Borrower Distribution of Home Equity and Mortgage Loans					
Borrower Income Level	# Loans	%	\$ Amt (000)	%	% of Families at Income Level in AA
Low	0	0	0	0	16%
Moderate	24	13%	\$1,629	8%	16%
Middle	48	26%	\$3,981	19%	23%
Upper	114	61%	\$15,538	73%	45%
Totals	186	100%	\$21,148	100%	100%

Sources: Internal Bank records and 1990 US Census Data

Small Business Loans

MCBNA's lending to businesses of different sizes is reasonable. Our assessment revealed that of the 206 commercial loans originated within the bank's AA, the bank made 67% of loans to businesses with revenues of \$1 million or less. Small businesses with revenues of \$1 million or less comprise 77% of total businesses in the AA. MCBNA's lending is reasonable considering the competition from larger regional banks and the Urban Enterprise Zone that offers low interest rate loans. Our analysis revealed that the majority of loans were to businesses less than \$250 million.

Distribution of Commercial Loans by Business Size in AA					
Total \$ of loans in AA	Total # of Loans in AA	# Business \$1MM or less Revenues	% of #	\$ Amt (000) of Business \$1MM or less Revenues	% of \$ Amt
\$58,357	206	138 (*)	67%	\$33,909 (**)	58%

Source: Internal bank records

(*) 19 Loans or 9% of loans were made to businesses with revenues unknown.

(**) \$7.6 Million or 22% of \$ amount of loans were to businesses with revenues unknown.

Geographic Distribution of Loans

Overall, MCBNA's geographic distribution of loans reflects reasonable dispersion throughout the AA. The bank's branches are located in low- and moderate-income geographies, which provide access to customers and small businesses.

Home Equity and Mortgage Loans

The overall geographic distribution of home equity and mortgage loans in low- and moderate-income tracts is reasonable.

MCBNA's geographic distribution of loans in the low-income tracts is non-existent. The level of geographic distribution is primarily attributed to the fact that four of six low-income tracts are located in Asbury Park, an area of economic depression. MCBNA has no branches in the immediate vicinity of Asbury Park. However, the bank's Neptune branch, which is located in a moderate-income tract, is expected to service this region. The Neptune branch was opened in April 2003. Efforts to generate loans in the branch's immediate area are evident. A minimal amount of loans were generated in the moderate-income tract in Asbury Park. The bank continues to refer customers to GMAC, however, GMAC offers variable rate home equity and mortgage loans while competitors offer lucrative fixed rate loans. Loan activity appears to be centered around the bank's main office in Long Branch.

The geographic distribution of home equity and mortgage loans in moderate-income tracts is good. The bank made 13% of home equity and mortgage loans in moderate-income geographies and 13% of moderate-income housing is owner occupied.

Geographic Distribution of Home Equity and Mortgage Loans					
Tract Income Level	% of Owner Occupied Housing in AA	# Loans	% of # Loans	\$ Amt (000)	% of \$ Amt
Low	1 %	0	0%	\$0	0%
Moderate	13%	24	13%	\$1,629	8%
Middle	31%	48	26%	\$3,961	19%
Upper	55%	114	61%	\$15,538	73%
NA	-	-	-	-	-
TOTALS	100%	186	100%	\$21,128	100%

Sources: 1990 US census data and internal bank records

Small Business Loans

The geographic distribution of small business loans in low and moderate-income tracts is good. As noted in the table below, the number of loans made in low-and moderate-income census tracts meets or exceeds the number of small businesses in those tracts. The bank made 3% and 23% of the sampled small business loans in low-and moderate-income tracts, respectively. Three and 15% of the small businesses in the AA are located in those geographies.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of # of businesses AA	# Loans	% of # Loans	\$ Amt (000)	% of \$ Amt
Low	3%	7	3%	\$627	1%
Moderate	15%	47	23%	\$17,127	29%
Middle	33%	60	29%	\$13,500	23%
Upper	49%	92	45%	\$27,103	47%
N/A	-	-	-	-	-
TOTALS	100%	206	100%	\$58,357	100%

Sources: 1990 US census data and internal bank records

Responses To Complaints

Monmouth Community Bank has not received any CRA related complaints covering the review period with respect to the bank's performance.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.