



**Comptroller of the Currency
Administrator of National Banks**

Northeastern District
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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

September 30, 1996

Union Center National Bank
12425
2455 Morris Avenue
Union, New Jersey 07083

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Union Center National Bank** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **September 30, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

BANK PROFILE

Union Center National Bank (Union Center) is a wholly owned subsidiary of Center Bancorp Inc. Union Center, located in Union Township New Jersey, has total assets of about \$446 million, which includes \$112 million in loans and \$285 million in investments. The bank operates nine branches, six of which are located in Union Township, and one each in Berkeley Heights, Madison and Springfield, New Jersey. The CRA delineated community encompasses all of Union County, the communities of Madison, Florham Park, Chatham, Chatham Township, and Passaic in Morris County, and the communities of Irvington, Maplewood and Millburn in Essex County. Union Center originates home purchase loans, home improvement loans and home equity loans. It also offers automobile, instalment and small business loans.

COMMUNITY PROFILE

The delineated community for Union Center is all of Union County and portions of Essex and Morris Counties. These three counties are located in Metropolitan Statistical Area (MSA) # 5460.

The delineated community within Union, Essex and Morris Counties consists of 139 census tracts. The characteristics of the census tracts correspond to the income characteristics of the households by geography and the number of households.

INCOME CHARACTERISTIC	# OF CENSUS TRACTS	% OF CENSUS TRACTS	# OF HOUSEHOLDS	% OF HOUSEHOLDS
Low	3	2%	4,115	2%
Moderate	40	29%	62,891	27%
Middle	57	41%	98,951	42%
Upper	37	27%	68,696	29%
Not Available	2	1%	10	0%
TOTAL	139	100%	234,653	100%

The population of the delineated community is about 644 thousand. Median family income is \$48,107. Median housing value is \$158,000, and the median age of the housing is forty-six years. The unemployment rate for Union County is 7 percent. Within the last ten years, Union County has realized an increase in the labor force. This is primarily due to an increase in corporate activity in the medical services and manufacturing industries. Over a similar period of time, Essex County has realized a decline in its population. The unemployment rate in Essex County is 8.8 percent. Morris County is considered stable in its population and the unemployment rate is 6.4 percent.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: **“Satisfactory Record of Meeting Community Credit Needs.”**

Evaluation Period - The bank's previous Public Disclosure is dated December 12, 1994. This Public Disclosure assessed the bank's performance from then through September 30, 1996.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **The bank has developed an adequate CRA program to ascertain the credit needs of its community.**

Union Center's efforts to identify community credit needs are accomplished primarily through its CRA Call Program. That program requires bank officers to contact various local organizations, individuals, community groups, neighborhood organizations, and governmental units to determine community credit needs. As a result of such contacts, management has ascertained the primary credit need to be affordable housing.

In an effort to meet community credit needs, the bank offers a number of loan programs. In 1994, senior management instituted three loan programs to meet such needs. These programs are designed to serve home buyers and small businesses. These programs are: the Low and Moderate Income Home Buyers program; the First Time Homeowner program (Union County Community Development Office HOME program); and the Union Center Special Improvement District (SID) loan program, which is offered to small businesses, designed to revitalize the downtown business section of Union. Additionally, through discussions with loan applicants, the bank ascertained a need for an increase in the maximum amount of the bank's Afford-a-Loan program. The bank responded by increasing the maximum loan amount from \$2,000 to \$3,500.

Discussions with several community leaders in the Vauxhall section of Union Township determined a need for a *commercial* bank to serve that area. Union Center's purchase of Lehigh Savings Bank in June 1996 resulted in the bank obtaining (and keeping open) a branch office in that area. Bank management believes that the Lehigh branch will be able to provide better service to area residents because of a wider variety of loan and deposit products.

In June 1996, the bank expanded its delineated community to include all of Union County. In addition, certain areas in Morris County were added because of the opening of the Madison branch at that time. This expansion resulted in the addition of low-income census tracts in Elizabeth, and many moderate-income census tracts located in Elizabeth, Linden, Winfield and Plainfield. Due to management's recent emphasis in merger activities, ascertainment efforts have been limited. Ascertainment efforts have historically concentrated on Union Township, although there have been some efforts made toward other areas of Union County and in Essex County. Management had some contact in the past with organizations that encompass some of these newly designated areas, such as the Plainfield-based Faith, Bricks, & Mortar, Inc., and with the Union County Housing Development Corp.

The bank recently hired several business development and loan officers whose duties and responsibilities will include community contacts, in order to continue ascertaining credit needs in the low-and-moderate income areas.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- **The Board is aware of CRA activities, primarily through review of CRA results.**

Union Center's CRA Officer meets frequently with the Board of Directors (Board). These meetings provide Board members with updated information on various CRA issues. Recent meetings have focused on issues relating to loan distribution, fair lending, the bank's assessment area, and the new CRA guidelines.

The bank established a CRA Committee in 1993, which is comprised of bank officers and one Board member. The purpose of the Committee is to develop the bank's CRA program and to monitor management's progress in meeting the goals and objectives established under the program. The program is updated annually. The program contains an 18 step action plan to achieve its objectives, which focuses on ascertainment efforts, marketing, and lending penetration within the bank's delineated community. The program does not specify any numerical goals, such as loan volume. However, the CRA Officer indicated that the informal goal for 1995 was \$2 million in CRA related loans, with actual results being over \$1 million. The Committee generally meets quarterly, but has held only two meetings in 1996, partly due to time constraints resulting from the merger in June. A full agenda is scheduled for Committee's meeting in December 1996. That meeting will include, among other things, a review of the bank's progress in meeting the objectives and goals of the bank's CRA program.

The bank's CRA Statement is approved annually by the Board, with the most recent approval in December 1995. The CRA Statement meets the technical requirements of the regulation. A Self Assessment is prepared annually by both the bank's CRA Officer and an outside

consultant. The latest Self Assessment, covering 1995, rated all elements as either satisfactory or outstanding. The Self Assessments are reviewed by the Board.

The bank has established a CRA training program to ensure that bank officers and employees are knowledgeable about the bank's program and familiar with CRA requirements. In addition, the CRA Officer periodically discusses regulatory changes with the CRA Committee and the Board.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **The bank's marketing efforts are effective in ensuring that all segments of the delineated community are aware of the banks products and services.**

Marketing efforts are primarily accomplished through local media. Senior management utilizes local print media and cable network advertising. General circulation newspapers and some selected print media are used to advertise the bank's loan programs and deposit services. Advertising efforts are designed to promote affordable housing and reach all segments of the bank's delineated community, including low-and-moderate income areas. Selected print media includes various minority periodicals. Minority publications have been those targeted for the Spanish population within the bank's delineated community. In some print media the bank has advertised its Afford-a-Loan product and included an actual application for the product. The bank also advertises on local cable television networks. The advertisements appear in selected time slots daily and is available to more than 250,000 subscribers located in Essex, Morris, Union and Middlesex Counties.

Senior management also uses direct mail to inform the community of its products and services. These efforts have been directed to selected areas within the bank's delineated community. Selected areas have included sectors of the community considered to be predominately minority communities, namely; Irvington and Hillside. The bank tracks responses to the direct mail marketing efforts, including loans originated and deposit accounts opened. For the bank's Afford-a-Loan product, pamphlets are available at branch locations in both English and Spanish language versions.

In continued efforts to promote the bank's credit and deposit services, bank representatives have participated in several Street fairs in Union and Berkeley Heights. The bank has also held several first time home buyers seminars in the Vauxhall area of Union Township and at Union Hospital. A total of about 100 people attended these seminars. These seminars

included discussion of the bank's loan products, including loans directed toward low-to-moderate income families.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **The bank has shown an adequate level of lending within its community for those loans which address the community's needs.**

The bank offers a reasonable variety of loan products, particularly in the real estate loan area, to address community needs. Residential mortgage products directed to low-to-moderate income borrowers include the HOME program and the Low/Moderate Income Home Buyer Mortgage Program. The bank also originates commercial loans, instalment loans, and automobile loans.

The following is a distribution of the gross loan portfolio by type of credit as of October 31, 1996.

Residential and Commercial Real Estate Loans	- \$85.3 million,	74%
Commercial Loans	15.7 million,	14%
Instalment Loans	14.6 million,	12%

Table I - 1 reflects the level of originations of residential real estate loans within the bank's community for all of 1995 and the first nine months of 1996. Real estate loan originations (both number and dollar volume) fell steeply in 1995, compared to 1994 in which loan volume was unusually and uncharacteristically high.

Table I - 1

HMDA REPORTABLE LOANS 1-4 Family Residential				
	HOME PURCHASE	REFINANCE S	HOME IMPROVEMEN T	TOTAL
* 1995 - #	24	6	47	77
* 1995 - \$ (000's)	\$2,877	\$553	\$1,085	\$4,515
** 1996 - #	22	37	36	95
** 1996 - \$ (000's)	\$2,755	\$3,241	\$1,025	\$7,021

* Obtained from HMDA-LAR Disclosure Statement

** Obtained from the bank's HMDA-LAR Register

The above numbers include 9 loans originated in 1995 for \$601,000 and six loans originated in 1996 for \$607,000 under the bank's affordable mortgage programs, namely the Low/Moderate Income Home Buyers Mortgage Program and the First Time Home Buyers program (HOME program).

Table I - 2 shows the level of originations of loans in the community to small businesses (with annual revenues under one million dollars) for all of 1995 and the first nine months of 1996.

Table I - 2

SMALL BUSINESS LOAN ORIGINATIONS			
	1995	1996	TOTAL
NUMBER	51	25	76
DOLLARS (000's)	\$1,035	\$1,017	\$ 2,052

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- **The bank's involvement in government subsidized or guaranteed programs is limited. Bank management is aware of such programs, but believes that their own loan programs are comparable to government sponsored programs.**

The bank formerly originated guaranteed student loans under the NJ Higher Education Student Loan program, but recently decided to offer such loans through a third party vendor, namely Nellie Mae. Any student loan applications are now forwarded to the vendor. Prior to this decision, the bank originated 46 such student loans in 1995 for a total of \$83,000. There were no loans originated in 1996 under this program.

The bank offers Small Business Administration (SBA) loans, but they have not made any recent loans under this program.

The bank helped establish the Union County Special Improvement District (SID) loan program, in conjunction with the Union County Economic Development Corp. (UCEDC). Refer to the Community Development section of this document for more details on this program.

The bank participates in the Union County HOME Program for low-to-moderate income first time home buyers. The program is directed toward displaced homemakers and single parents. Through this program, the bank provides a first mortgage loan. The County provides a second mortgage loan (to reduce the down payment requirement), which converts to a grant over a five year period. The bank made two loans for \$109,000 in 1995 and one loan for \$50,000 in 1996 under this program.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- **Union Center has designated all of Union County and portions of Essex and Morris Counties as its CRA delineated community. The delineation is reasonable and does not arbitrarily exclude low- and moderate-income areas.**

CRA performance is based on Union Center's record of providing banking services to the portion of the local community that includes the aforementioned Counties. With the opening of the Madison branch, the delineation was expanded to include Essex and Morris Counties. This designation is also based on the bank's analysis of loan originations. The primary market areas served by Union Center are Union Township, Springfield, Berkeley Heights, Mountainside, Irvington, Millburn, Maplewood, Hillside, Kenilworth, Cranford and Madison.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- **The bank's loans are reasonably distributed throughout the community.**

Union Center has received applications from, and originated HMDA reported loans throughout, the delineated community. The geoanalysis process is thorough and reviewed by management on a periodic basis to determine distribution patterns. The bank's delineated community comprises numerous financial institutions and mortgage corporations, including many multinational banks. All such institutions provide mortgage loan services similar to Union Center. The following tables show that the bank's mortgage lending was reasonably consistent with the aggregate of all lenders in the market. It is also consistent with the percentage of owner-occupied housing units in low, moderate, middle, and upper income census tracts. Relatively few low income census tracts exist in the market.

Table E - 1
Data by Income Level of Census Tracts

Census Tracts	1995 Bank Data			1995 Aggregate Market Data			Owner Occupied Housing Units
	Applications	Originations	Denied	Applications	Originations	Denied	
Low Income	0%	0%	0%	.6%	.6%	20.0%	0.54%
Moderate Income	3.5%	1.3%	0%	17.6%	12.8%	25.0%	14.01%
Middle Income	66.4%	64.9%	22.7%	43.1%	41.6%	17.1%	46.47%
Upper Income	30.1%	33.8%	8.8%	39.1%	44.9%	9.8%	38.97%

Table E - 2
Data by Income Level of Applicants

Applicant Income	1995 Bank Data			1995 Aggregate Market Data		
	Applications	Originations	Denied	Applications	Originations	Denied
Low	14.2%	14.3%	6.3%	5.8%	4.2%	36.5%
Moderate	14.2%	11.7%	25.0%	16.1%	15.3%	23.1%
Middle	28.3%	28.6%	21.9%	26.8%	28.2%	16.9%
Upper	43.4%	45.5%	16.3%	39.8%	48.9%	11.1%

Aggregate market data is not available for 1996. However, the following table shows the bank's mortgage lending by income level of applicants from January through September 1996.

**Table E-3
Data by Income Level of Applicants**

Applicant Income	1996 Bank Data					
	Applications		Originations		Denied	
	#'s	%	#'s	%	#'s	%
Low	11	8%	4	4.2%	3	27.3%
Moderate	30	21.9%	22	23.2%	6	20.0%
Middle	41	29.9%	28	29.5%	11	26.8%
Upper	55	40.1%	41	43.2%	8	14.5%

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- **Union Center's branch locations and hours of operation provide accessibility to all segments of the bank's delineated community.**

Services are found in all of Union Center's thirteen locations throughout the delineated community. Complete banking services are available in nine full service branch locations (six in Union Township and one each in Berkeley Heights, Madison and Springfield). Additionally, limited banking services are provided through two other Union Township locations. Ten locations, encompassing Union Township, Berkeley Heights and Madison are equipped with Automated Teller Machines and are accessible 24 hours a day, seven days a

week. Full service branches maintain extended evening hours as well as Saturday mornings. Branch locations, available services and hours of operations are promoted through local newspapers and statement stuffers to existing customers.

On June 28, 1996 Union Center acquired Lehigh Savings Bank (Lehigh), a local financial institution with about \$74 million in total assets. As a result of the acquisition, Union Center maintained Lehigh's Vauxhall branch in Union Township. Union Center also maintained Lehigh's Bonnel Court drive-in which is now identified as Union Center's AutoBanking Center. The AutoBanking Center is located in Union Township. In June of 1996, Union Center also opened its Madison branch in Madison, New Jersey. During this evaluation period, there have been no branch closings.

Union Center's branch opening and closing policy conforms to regulatory requirements.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- **The bank receives applications for credit from all segments of its delineated community. There were no practices evident which would discourage an applicant from applying for credit.**

Applications for credit are solicited and received from all portions of Union Center's delineated community. Management has established comprehensive corporate policies and procedures that give personnel appropriate guidance. Senior management has also established in-depth training programs designed to give employees a thorough understanding of fair lending laws and regulations and illegal credit practices. The training encompasses the Fair Housing Act, the Equal Credit Opportunity Act, the Home Mortgage Disclosure Act and the Community Reinvestment Act. They also provide sensitivity training. Training activity is conducted in classroom settings and supplemented by video presentations.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- **A fair lending examination did not reveal any instances of discrimination or disparate treatment of credit applicants.**

We conducted a comprehensive fair lending examination concurrently with this CRA examination. The fair lending examination consisted of a review of both denied and approved home equity loan files. The focus of the examination was to determine whether the loan application process was similar for both minority and non-minority applicants with

comparable qualifications. We also considered whether the bank provided applicants of both groups similar levels of assistance during the application process.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **Participation in community development activities is limited.**

During this evaluation period Union Center originated two loans totaling \$251,126 under the bank's Special Improvement District (SID) loan program. This program is designed to provide financing in coordination with the Union Center Economic Development Corporation. SID funds are available to qualifying businesses for the revitalization of downtown Union. The original amount that Union Center committed to this program was \$5 million. Of that amount, Union Center has funded about \$600,000.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- **There are no legal impediments due to financial or local economic conditions to preclude the bank from meeting community credit needs.**

Union Center's financial condition is strong. As mentioned previously, Union Center's assets are \$466 million.

The areas served by the bank include all or portions of the aforementioned three Counties, with an estimated total population of 644,413 within the bank's designated 139 census tracts. Three census tracts are identified as low income, with 1.86 percent of the total population indicated as low income. Forty census tracts are identified as moderate income, with 27.49 percent of the total population indicated as moderate income.

The Bank and Community Profiles section of this Evaluation contain more detailed information concerning the environment in which Union Center operates.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- **Union Center is supportive of local community activities.**

During this evaluation period, the bank originated sixteen loans for a total of \$44,390 under its Afford-a-Loan product. The minimum loan amount for this product is \$500 to a maximum of \$3,500. These loans are made on an unsecured basis at a rate that is lower than the bank's standard rate for unsecured credit.

Participation also takes the form of contributions. For the period of this evaluation, Union Center's contributions have totaled more than \$65,000. These contributions encompass various organizations whose activities benefit and enrich the community.