



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**June 07, 2007**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Elmer  
Charter Number 6707**

**10 S. Main Street  
Elmer, NJ 08318**

**Comptroller of the Currency  
Eastern Pennsylvania Field Office  
3325 Street Road, Suite 120  
Bensalem, Pa. 19020**

**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.**

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

The First National Bank of Elmer (FNBE) has a **SATISFACTORY** record of meeting community credit needs.

- The quarterly average net loan-to-deposit ratio is more than reasonable at 93.32% based on the bank's size, financial condition, and routine sale of home mortgage loans to the secondary market.
- A substantial majority of the bank's loans are made within its assessment areas (AAs).
- The distribution of borrowers reflects, given the demographics of the assessment area(s), reasonable penetration among individuals of different income levels and businesses of different sizes.
- The bank's geographic distribution of loans within its AAs reflects reasonable dispersion throughout the assessment area(s).

## **SCOPE OF EXAMINATION**

The evaluation period is from January 1, 2004 through December 31, 2006. In order to determine if FNBE met the credit needs of its assessment areas, we reviewed home mortgage loans (home purchase, home improvement and mortgage refinance.) These are considered to be primary loan products. A review was performed on the bank's three AAs, which included a separate performance analysis for each MSA/MD. The bank is not required to report small business loans. Therefore, a sample of business loans during the evaluation period was analyzed to determine the percentage of business loans made within the bank's AAs.

Borrower income distribution of home mortgage loans and loans to small businesses was weighted most heavily in determining conclusions for the lending test. Little weight was given to the geographic distribution of loans, since the bank has limited opportunity to lend in the low- and moderate-income tracts. Our conclusions are based upon information contained within the bank's Home Mortgage Disclosure Act Loan Application Registers (HMDA-LARS), from internal bank reports, the bank's Public File, and from a sample of small business loans. The HMDA-LARS register was tested for accuracy, and found to be appropriate for the purposes of this analysis. Small Bank CRA Procedures from OCC Bulletin 2006-17 dated April 6, 2006 were used in performing the evaluation.

## **DESCRIPTION OF INSTITUTION**

FNBE is a locally owned \$211 million institution headquartered in the Borough of Elmer, Salem County, New Jersey. The bank received its national charter on April 2, 1903, and remains a full service, intrastate community bank offering a standard array of traditional loan and deposit products. The bank's website [www.elmerbank.com](http://www.elmerbank.com) provides a listing and description of all of

deposit and loan services. FNBE is a wholly owned subsidiary of Elmer Bancorp, Inc., a one-bank holding company established in January 2001. FNBE has one subsidiary, First Elmer Investment Corporation, a Delaware Corporation established for the sole purpose of owning and managing the bank's investment portfolio. This subsidiary was not considered in this evaluation.

The bank operates a network of six branch offices. Four branches, including the main office, are located in Salem County. One branch is located in Gloucester County, with another branch in Cumberland County. The bank has opened two new branches since the last evaluation. In April 2004 an office was opened in Pilesgrove Township, Salem County, and in June 2007 an office was opened in Upper Deerfield Township, Cumberland County. All offices have 24-hour accessible ATMs, and all offices have drive-in facilities which offer extended evening hours every day plus Saturday morning hours. All branch lobbies have extended evening hours on Friday evening plus Saturday morning hours. All bank products are available at every branch.

FNBE's philosophy is to continue to meet the financial needs of its customers, based upon the bank's long established reputation as "The Bank of Friendly Service". The Board promotes a well seasoned management team, who make decisions locally and quickly to address the banking needs of the community. The goal is to combine old fashioned service with modern technology.

The bank's primary business is granting loans, which are secured by first and junior mortgages on 1-4 family residential properties. Most of the first lien home mortgage loans are sold in the secondary market. The bank also is highly active in originating commercial loans, and loans to small businesses.

**Table 1.** below reflects the bank's loan portfolio mix.

<b>Table 1. FNB of Elmer Loan Portfolio Mix as of December 31, 2006</b>		
<b>Loan Category:</b>	<b>\$ Outstanding (000s)</b>	<b>% of Loan Portfolio</b>
<b>Secured by 1-4 family residences*</b>	<b>68,825</b>	<b>37.74%</b>
Non-farm, non-residential	49,387	27.08%
Construction & Land Development	37,708	20.68%
Commercial & Industrial & Agricultural	18,222	9.99%
OD checking & other consumer loans	6,137	3.36%
Other & Multi-family	2,103	1.15%
<b>Total Gross Loans</b>	<b>182,382</b>	<b>100.00%</b>

*Source: December 31, 2006 Call Report*

*\* Includes closed end loans secured by first and junior liens, and revolving open-end loans. This figure is net of \$62.7 million of mortgages that were originated during the evaluation period and sold in the secondary mortgage market.*

As of December 31, 2006 the bank had \$180 million in net loans, which was 85.3% of total assets. Deposits were \$191 million. Reported Net Tier One Capital was \$17.5 million. The bank faces no legal or other impediments that hinder its ability to help meet the credit needs of the AA. There was no merger or acquisition activity pending as of our examination date. Competition is strong with offices of interstate regional banking companies, local community banks and mortgage companies. Competition for loans and deposits in this marketplace is extremely robust. Regional competitors include Wachovia, Bank of America, Commerce Bank, NA, The Bank, and Sun National Bank. Major national mortgage companies such as

Countrywide Home Loan, GMAC and WAMU have a strong market share of home mortgage loans in the AAs, while credit card companies such as Capital One, Chase, and Bank of America have a majority of the market share of small loans to businesses. FNBE's previous CRA examination was conducted as of December 3, 2001, and the bank was assigned an overall rating of Satisfactory.

## **DESCRIPTION OF FNB OF ELMER ASSESSMENT AREAS**

The bank's assessment areas (AA) meet the requirements of 12 CFR 25.41 and do not arbitrarily exclude any low- or moderate-income areas. The bank has three AAs, which includes a metropolitan statistical area (MSA) and portions of two metropolitan divisions (MD). They are MD #15804 — Camden, Gloucester and Burlington Counties, NJ (Gloucester); MSA #47220 — Vineland, Millville, Bridgeton, NJ (Cumberland); and MD #48864 — DE, MD, NJ (Salem). The Gloucester AA consists of all the census tracts (CTs) in Gloucester County. The Cumberland AA consists of all the CTs in Cumberland County while the Salem AA consists of all the CTs in Salem County, NJ. The entire AAs are contiguous and are located in the southern New Jersey.

The number of census tracts in the bank's AAs has increased from 112, at the last CRA evaluation in December 2001, to 117 in 2006. The number of low-income census tracts within the AAs has increased from 2 to 4 (3.42%), and the number of moderate-income tracts has increased from 14 to 18 (15.38%). There are 77 (65.81%) middle-income tracts, 15 (12.82%) upper-income tracts, and 3 (2.56%) are non-determinable income tracts. A detailed comparative demographic breakdown of each portion of the bank's AAs is located within the MDs/MSAs can be found below in **Table 2**. The bank has one branch in Gloucester County (MD# 15804), one in Cumberland County (MSA# 47220), and four in Salem County (MD# 48864). All branches are located in middle-income census tracts.

<b>Table 2. Demographic/Economic Characteristics of FNB of Elmer's AAs</b>				
	<b>MD # 48864</b>	<b>MSA # 47220</b>	<b>MD # 15804</b>	<b>Combined AA</b>
<b>Population / Family Information</b>				
Population	64,285	146,438	254,673	465,396
Households That are Families	17,494	35,373	67,528	120,395
<b>Geographies</b>				
Total Number of Census Tracts	24	34	59	117
Number / Percent of Low-Income Tracts	2 / 8.33%	2 / 5.88%	0 / 0.00%	4 / 3.42%
Number / Percent of Moderate-Income Tracts	5 / 20.83%	7 / 20.59	6 / 10.17%	18 / 15.38%
Number / Percent of Middle-Income Tracts	17 / 70.83%	15 / 44.12	45 / 76.27%	77 / 65.81%
Number / Percent of Upper-Income Tracts	0 / 0.00%	7 / 20.59	8 / 13.56%	15 / 12.82%
N/A	0 / 0.00%	3 / 8.82%	0 / 0.00%	3 / 2.56%
<b>Percentage of Families in AA by Income Level</b>				
Number / Percent of Low-Income Families	3,963 / 22.65%	7,704 / 21.78%	11,943 / 17.69%	23,610 / 19.61%
Number / Percent of Moderate-Income Families	3,656 / 20.90%	6,211 / 17.56	12,442 / 18.42	22,309 / 18.53%
Number / Percent of Middle-Income Families	4,304 / 24.60%	7,198 / 20.35	17,470 / 25.87%	28,972 / 24.06%
Number / Percent of Upper-Income Families	5,571 / 31.85%	14,260 / 40.31	25,673 / 38.02	45,504 / 37.80%
<b>Economic Indicators 2005</b>				
HUD Adjusted Median Family Income	\$73,800	\$53,700	\$73,400	
Median Housing Value	\$104,401	\$87,791	\$120,887	
Number of Housing Units	26,158	52,863	95,054	174,075
Number of Owner Occupied Housing Units	17,734	33,392	72,482	123,608
Occupied Rental Units / Vacant Rental Units	6,561 / 1,863	15,751 / 3,720	18,235 / 4,337	40,547 / 9,920
Percent of Households Below Poverty-level	9.00%	14.00%	7.00%	
<b>Unemployment Information as of January 31, 2007</b>				
Counties: Gloucester, Salem, Cumberland *	4.8%;5.7%;8.0%			
State of New Jersey *	4.30%			
National **	4.60%			

\* NJ Dept. of Labor & Workforce Development; \*\* U.S. Dept. of Labor / BLS

Gloucester County is an agricultural, industrial and residential area, which is presently in a high growth and development stage, transforming this historically agricultural region. The three largest employers in Gloucester County are the Underwood Memorial Hospital System, Rowan University, and Kennedy Memorial Hospital. Other major employers are food packing services, the federal government (USPS), municipal governments, and regional educational systems. The county's website claims it has been consistently ranked among the top 28 counties for job growth nationwide since 2003. Gloucester County has the highest median housing value at \$120,887. This is 15.7% higher than Salem County and 37.7% higher than Cumberland County.

Salem County is rural farmland inland, and industrial along the Delaware River. Farming, manufacturing, and warehousing are the top industries. Other industries providing employment include retail chain stores, health care, finance, county government, individual municipal government and boards of education. The major employers in Salem County are Public Service Electric & Gas (Salem Nuclear Plant), E.I. DuPont (Chemical Manufacturer), Mannington Mills (carpet and flooring), and Salem County Memorial Hospital. The retail store presence is also strong with leading employers including Wal-Mart and Wawa. Salem County has the smallest population and number of households in the bank's AAs. Nine percent of the households are below the poverty level.

Cumberland County is largely agricultural with 70,000 acres devoted to farming. Other industry includes light manufacturing, retail stores, and service industry. The three largest employers in the county are the South Jersey Hospital System, Vineland Board of Education, Durand Glass Manufacturing, and the Training School at Vineland. Other major employers are Wawa Stores, Wal-Mart and Wheaton Scientific Products. In 1999, portions of Vineland, Millville, Bridgeton, and Commercial Township were designated a Federal Empowerment Zone. The rate of

unemployment for Cumberland County has historically been the highest in the State of New Jersey, while 14% of its households live below the poverty level.

Three community contacts were used for this examination, one in each AA. The mission of all of these organizations is to improve economic development by increasing jobs, and community development by ensuring there is sufficient low- and moderate-income housing available to meet the needs of the community. The Salem and Cumberland organizations indicated there was an adequate supply of affordable housing for both low- and moderate-income home owners and renters. The primary needs of these AAs seemed to be financial support for small businesses, and the lending to small businesses owners who do not have home equity to support the loan request. The Gloucester County organization indicated there was a need for low- and moderate-income housing. This is due to the high escalation of housing values reducing the stock of affordable housing for low- and moderate-income families. Despite federally funded programs which provide up to \$10 thousand of non-amortizing loans for down payment and closing costs, low- and moderate-income families and individuals simply do not qualify for the larger mortgages necessary to fund the purchase of the higher priced homes in this AA. However, there is ample rental stock available at reasonable and competitive rates for low- and moderate-income families and individuals.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The bank's overall **CRA** performance is satisfactory. This conclusion is based upon the results of the following specific lending tests used to determine if the bank is meeting the credit needs of the AAs. Loan performance in the bank's AAs was compared to 2000 Census demographic data. This comparison allows an assessment of the bank's CRA lending performance to low- and moderate-income borrowers, low- and moderate-income census tracts, and businesses of different sizes.

### **Loan-to-Deposit Ratio**

FNBE's loan-to-deposit ratio is more than reasonable, and shows excellent responsiveness to the credit needs within the bank's AAs. The bank's net quarterly average loan-to-deposit ratio, over a thirteen-quarter period ending December 31, 2006, is 93.32%, and has significantly increased over the net-average loan-to-deposit ratio of 72% at the prior evaluation in December 2001. This exceeds the combined average loan-to-deposit ratio of 63.15% for four community peer banks within FNBE's AAs as of December 31, 2006. FNBE is also an originator and seller of home mortgage loans. The bank sold \$62.7 million of home mortgage loans to the secondary market during the evaluation period, which if retained would have further increased the loan-to-deposit ratio.

### **Lending in Assessment Area**

A substantial majority of its home mortgage and business loans were originated within the bank's AAs. Both the number and dollar amount of reported loans originated within the AAs for home mortgage loans are demonstrated in **Table 3**.

<b>Table 3. Lending in/out FNB of Elmer Assessment Areas</b>										
<b>(January 1, 2004 through December 31, 2006)</b>										
	Number of Loans					Dollar of Loans (\$000)				
	Inside		Outside			Inside		Outside		
	#	%	#	%	Total #	\$	%	\$	%	Total \$
<b>Home Mortgage Loans</b>	473	88.91%	59	11.09%	532	\$38,508	74.14%	\$13,430	25.86%	\$51,938

Source: 2004, 2005 & 2006 HMDA Data

The bank is not required to report small business loans, however our sample showed that 90% of those loans to businesses by number were made within the bank's AAs, and 88.7% of those loans to businesses by dollar were made within the bank's AAs.

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

FNBE meets the standard for satisfactory performance under this criterion. Overall lending to borrowers of different income levels and business of different sizes is adequate and reflects reasonable penetration, given the bank's performance context, and consistent with safe and sound banking operations.

<b>Table 4. Borrower Distribution of Mortgage Loans in FNBE's AAs</b>								
<b>(January 1, 2004 through December 31, 2006)</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
<b>MD# 48864 - Wilmington, DE, MD, NJ (Salem County)</b>								
Home Purchase	22.65	22.47	20.90	25.84	24.60	17.98	31.85	33.71
Home Improvement	22.65	5.26	20.90	28.42	24.60	38.95	31.85	27.37
Home Mortgage Refinance	22.65	10.99	20.90	18.68	24.60	36.26	31.85	34.07
<b>MSA# 47220 - Vineland, Millville, Bridgeton, NJ (Cumberland County)</b>								
Home Purchase	21.78	0.00	17.56	23.08	20.35	33.33	40.31	43.59
Home Improvement	21.78	5.88	17.56	0.00	20.35	17.65	40.31	76.47
Home Mortgage Refinance	21.78	0.00	17.56	25.00	20.35	25.00	40.31	50.00
<b>MD# 15804 - Camden, NJ (Gloucester County)</b>								
Home Purchase	17.69	0.00	18.42	13.04	25.87	47.83	38.02	39.13
Home Improvement	17.69	16.67	18.42	20.83	25.87	29.17	38.02	33.33
Home Mortgage Refinance	17.69	4.88	18.42	19.51	25.87	26.83	38.02	48.78

#### *MD 48864 – Wilmington, DE, MD, NJ*

The penetration of loans to low-and moderate-income families in this MD is adequate. The percentage of home purchase loans originated to low-income families almost equals the percent of low-income families in the MD. The percentage of home improvement and home mortgage refinance loans to low-income families is significantly lower than the percentage of low-income families in the MD. Several factors contribute to the low level of penetration to low-income families in this MD. Nine percent of the households in this MD live below the poverty level, which accounts for almost 34% of the total of low-income households. These families may not meet the credit criteria for home mortgage loans. Also, 32% of the housing units in the MD are

rental units with 22% percent of the rental units being vacant. This provides more competition among landlords resulting in lower rental costs for tenants, which could possibly abate a desire for home ownership among low-income families.

The percentage of home purchase loans to moderate-income families exceeds the percentage of moderate-income families in the MD; the percentage of home improvement loans significantly exceeds the percentage of moderate-income families in the MD; and the percentage of home mortgage refinance loans is near to the percentage of moderate-income families in the MD.

***MSA 47220 – Vineland, Millville, Bridgeton, NJ***

The penetration of loans to low- and moderate-income families in this MSA is adequate. The percentage of home purchase, home improvement, and home mortgage refinance loans to low-income families is significantly lower than the percentage of low-income families in the MSA. Several factors contribute to the low level of penetration to low-income families in the MSA. Fourteen percent of the household in this MSA live below the poverty level, which accounts for almost 57% of the total of low-income households. These families may not meet the credit criteria for home mortgage loans. Also 37% of the housing units in the MSA are rental units with 19% of the rental units being vacant. This provides more competition among landlords resulting in lower rental costs for tenants, which could possibly abate a desire for home ownership among low-income families.

The percentage of home purchase loans made to moderate-income families exceeds the percentage of moderate-income families in the MSA; the percentage of home mortgage refinance loans made to moderate-income families significantly exceeds the percentage of moderate income families. The bank did not grant any home improvement loans to moderate-income families. Considering the high level of competition for home mortgage loans from large, national mortgage companies and out of state banks, the performance is adequate and considered reasonable.

***MD 15804 – Camden, NJ***

The penetration of loans to low- and moderate-income families in this MD is adequate. The percentage of home purchase and home mortgage refinance loans made to low-income families is significantly lower than the percentage of low-income families in the MD. The percentage of home improvement loans made to low-income families is near to percentage of low-income families in the MD. Several factors contribute to the low level of penetration to low-income families in the MD. A low-income family in this MD makes \$36,700 or less annually, based upon the HUD 2005 adjusted median family income. The median housing value in this MSA is \$120,887. A low-income family might be challenged to meet the cash flow criteria to sustain mortgage payments. Also 24% of the housing units in the MD are rental units with 24% of the rental units being vacant. This provides more competition among landlords resulting in lower rental costs for tenants, which could possibly abate a desire for home ownership among low-income families.

The percentage of home improvement and home mortgage refinance loans made to moderate-

income families exceeds the percentage of moderate-income families in the MD. The percentage of home purchase loans made to moderate-income families is lower than the percentage of moderate-income families in the MD. Considering the high level of competition for home mortgage loans from large, national mortgage companies and out of state banks, the performance is adequate and considered reasonable.

<b>Table 5. Borrower Distribution of Small Loans to Businesses in FNBE's AAs (January 1, 2004 through December 31, 2006)</b>				
Businesses with Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size		
% of Businesses*	% of Bank Loans**	\$100,000 or less***	> \$100,000 to \$250,000***	> \$250,000 to \$1,000,000***
67.53%	55.00%	57.89%	24.47%	17.63%

\*Dunn & Bradstreet Data 2006; \*\* Sample of Business Loans; \*\*\*Bank Loan Data

**Table 5.** above reflects the period from January 1, 2004 through December 31, 2006. Our sample of business loans revealed that 55% of all business loans were made to businesses with income of \$1 million or less, which is lower than the 67.53% of businesses with revenues of \$1 million or less within the AAs. However, during the evaluation period the bank originated 397 commercial loans for a total of \$67.1 million. Of this total, regardless of the size of the business, 57.89% of the loans were made in original amounts of \$100,000 or less, 24.47% were made in original amounts of more than \$100,000 and less than \$250,000, and only 17.63% were made for \$250,000 or more, but less than \$1 million. This performance demonstrates the bank's servicing the small business loan needs within its AAs.

### Geographic Distribution of Loans

FNBE's geographic distribution of loans within its AAs reflects reasonable dispersion throughout the assessment area(s). However, limited weight was given to this performance in this review because of FNBE's limited opportunity to lend in low- and moderate-income geographies, due to a limited number of low- and moderate-income census tracts. The AAs contains only four (4) low income tracts, which account for 3.42% of all the tracts within its AAs. These four tracts contain only 1,194 owner occupied units. There are only eighteen (18) moderate-income tracts within its AAs, which account for 15.38% of all the tracts within its AAs. These eighteen tracts contain 11,758 owner occupied units. FNBE's market share of home mortgage loans within its AAs is 169 (0.24%) of 69,455 mortgages originated in 2005 by 523 financial institutions. The top ten lending institutions in the AAs are large national mortgage companies that have a combined 36.09% market share. The limited number of owner occupied units within these tracts, offset by the strong competition of the national mortgage companies, greatly curtails FNBE's home mortgage lending opportunities in these geographies.

<b>Table 6. Geographic Distribution of FNBE Home Mortgage Loans in AAs (January 1, 2004 through December 31, 2006)</b>								
Loan Type	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	% Ownr Occ. Units	% Bank Loans	% Ownr Occ. Units	% Bank Loans	% Ownr Occ. Units	% Bank Loans	% Ownr Occ. Units	% Bank Loans
<b>MD# 48864 - Wilmington, DE, MD, NJ (Salem County)</b>								
Home Purchase	3.80	0.00	14.42	4.49	81.78	95.51	0.00	0.00
Home Improvement	3.80	1.04	14.42	7.29	81.78	91.67	0.00	0.00
Home Mortgage Refinance	3.80	1.09	14.42	2.17	81.78	96.74	0.00	0.00
<b>MSA# 47220 - Vineland, Millville, Bridgeton, NJ (Cumberland County)</b>								
Home Purchase	1.56	0.00	10.01	5.13	59.09	58.97	29.35	35.90
Home Improvement	1.56	5.26	10.01	0.00	59.09	52.63	29.35	42.11
Home Mortgage Refinance	1.56	0.00	10.01	8.00	59.09	68.00	29.35	24.00
<b>MD# 15804 - Camden, NJ (Gloucester County)</b>								
Home Purchase	0.00	0.00	8.08	0.00	76.68	86.96	15.24	13.04
Home Improvement	0.00	0.00	8.08	4.17	76.68	89.58	15.24	6.25
Home Mortgage Refinance	0.00	0.00	8.08	9.76	76.68	82.93	15.24	7.32

Source: Percentage of Families based on US 2000 Census Data.

#### ***MD 48864 – Wilmington, DE, MD, NJ***

Based upon US 2000 Census demographic data, there are only 674 owner-occupied units in the MD’s two low-income geographies. This severely limits the bank’s opportunity to lend in low-income tracts. An analysis of this performance would not result in any meaningful conclusion.

The percentage of home purchase, home improvement, and home mortgage refinance loans originated in the moderate-income geographies is significantly lower than the percentage of owner-occupied units in the moderate-income geographies. The lending opportunity to originate loans in moderate-income tracts in this MD is also severely limited. Based upon US 2000 Census demographic data there are only 2,558 owner-occupied housing units in this MD’s five moderate-income tracts. Based on 2005 Peer Mortgage Data, FNBE’s market share in this MD is 1.19% of 304 lending institutions competing for 8,690 loans. The bank’s percentage of home purchase loans (4.49%), home improvement loans (7.29%), and home mortgage refinance loans (2.17%) made in the moderate-income geographies in this MD all exceeded the bank’s market share of 1.19% in this MD. Since the bank’s performance in the moderate-income tracts exceeds its market share, it is deemed to be reasonable.

#### ***MSA 47220 – Vineland, Millville, Bridgeton, NJ***

Based upon US 2000 Census demographic data, there are only 520 owner-occupied units in the MSA’s two low-income geographies. This severely limits the bank’s opportunity to lend in low-income tracts. An analysis of this performance would not result in any meaningful conclusion.

The percentage of home purchase, home improvement, and home mortgage refinance loans originated in the moderate-income geographies is significantly lower than the percentage of

owner-occupied units in the moderate-income geographies. The lending opportunity to originate loans in moderate-income tracts in this MSA is also severely limited. Based upon US 2000 Census demographic data there are only 3,341 owner-occupied housing units in this MD's seven moderate-income tracts. Based on 2005 Peer Mortgage Data, FNBE's market share in this MD is 0.13% of 344 lending institutions competing for 17,082 loans. The bank's percentage of home purchase loans (5.13%), and home mortgage refinance loans (8.00%) made in the moderate-income geographies in this MD exceeded the bank's market share of 0.13% in this MD. The bank was unable to originate any home improvement loans in the moderate-income tracts. Since the bank's performance in the moderate-income tracts, for the most part, exceeds its market share, it is deemed to be reasonable.

### ***MD 15804 – Camden, NJ***

There are no low-income geographies within this MD.

The bank did not originate any home purchase loans in the moderate-income tracts in this MD. As previously mentioned, based upon US 2000 Census demographic data, this MD has the highest median housing value in the bank's AAs at \$120,887. This is 15.7% higher than Salem County and 37.7% higher than Cumberland County. The community contact for this MD revealed that the stock of low- and moderate-income housing is low due to the rapid escalation of housing values. A moderate-income family may not readily meet the credit criteria necessary for home ownership.

The percentage of home mortgage refinance loans originated in this MD's moderate-income tracts exceeds the percentage of owner-occupied units in this MD's moderate-income tracts. The percentage of home improvement loans originated in the moderate-income tracts of this MD is lower than the percentage of moderate-income tracts. Based on 2005 Peer Mortgage Data, FNBE's market share in this MD is 0.10% of 484 lending institutions competing for 43,683 loans. The bank's percentage of home improvement loans (4.17%) made in the moderate-income geographies in this MD exceeded the bank's market share of 0.10% in this MD. Since the bank's performance in this MD's moderate-income tracts for originating home improvement loan exceeds its market share it is deemed to be reasonable.

Our sample of business loans revealed that no loans were made to small businesses located in low- or moderate-income geographies. Based upon US 2000 Census demographic data, the percentage of businesses, within the bank's AAs, located in low-income census tracts is 3.10%, and the percentage of businesses in the moderate-income census tracts is 14.82%. Vigorous and robust competition from large credit card companies and large interstate banks, severely curtails the bank's ability to lend in these areas. The top ten banks, out of seventy banks lending in the AAs, hold an 88% market share of loans to small businesses. The majority of those loans were unsecured credit card extensions.

### **Responses to Complaints**

FNBE has not received any written complaints regarding its performance meeting the credit needs of its AAs during the evaluation period.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.