



## PUBLIC DISCLOSURE

March 03, 2014

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

N.J.M. Bank, FSB  
Charter Number 715263

301 Sullivan Way, West Trenton, NJ 08628

**Office of the Comptroller of the Currency**  
343 Thornall Street, Suite 610, Edison, NJ 08837

**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 Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The major factors that support this rating include:

- NJM Bank originated a majority of its primary loan products inside its assessment areas.
- The distribution of loans to borrowers reflects reasonable penetration among borrowers of different income levels.
- The geographic distribution of loans reflects excellent dispersion throughout census tracts of different income levels.
- The bank demonstrated adequate responsiveness to the community development needs and opportunities in its assessment areas.

## **Scope of Examination**

This Performance Evaluation assesses NJM Bank's record of meeting the credit needs of the communities in which it operates. We evaluated NJM Bank under the Intermediate Small Bank (ISB) performance criteria, which includes a lending test and a community development test. We completed full-scope reviews for each assessment area.

The lending test evaluates a bank's record of helping meet the credit needs of its assessment area through its lending activities. The evaluation period for the lending test covered loans originated between January 1, 2012 and December 31, 2013. Based on a review of the number and dollar amount of loans originated, we determined that residential mortgage loans were the bank's primary loan products during this time period. We used the bank's 2012 and 2013 HMDA data to conduct our analyses and make conclusions regarding the bank's lending performance. The integrity of the bank's HMDA data was determined to be satisfactory during an on-site data integrity review performed in July 2013.

The evaluation period for the community development test, which includes community development loans, investments and services, covers the bank's performance from January 18, 2011 through March 3, 2014, representing the time period between the start of the bank's prior and current CRA Performance Evaluations. All community development activities were reviewed to ensure they met the regulatory definition for community development.

## **Description of Institution**

NJM Bank is a federal savings bank headquartered in West Trenton, New Jersey. The bank was chartered in 1999, and is a wholly owned subsidiary of the New Jersey Manufacturers Insurance Company (NJMIC) headquartered in the same location. The bank operates three branches: its primary West Trenton location, and two other branches in Parsippany and Hammonton, New Jersey. There were no branches opened or closed during the evaluation period. The bank's primary customer base, and main source of deposits, includes NJMIC customers and employees.

NJM Bank is a full service community bank offering a standard range of personal and business banking services. Deposit products include personal and business checking accounts, savings accounts, and certificates of deposit. The bank also offers online and mobile banking.

NJM Bank offers residential mortgage loans, consumer loans, and commercial real estate loans to individual and corporate customers throughout the state of New Jersey and eastern Pennsylvania. A substantial majority of its loans are for 1-4 family residential properties. The bank receives a majority of its loan applications via the internet.

As of December 31, 2013, NJM Bank had total assets of \$608 million, with \$467 million in total deposits and \$301 million in total loans. The loan portfolio consists of \$279 million in residential mortgage loans, \$18 million in nonresidential mortgage loans, \$3 million in commercial loans, and \$1 million in consumer loans.

There are no financial or legal impediments to hinder NJM Bank's ability to help meet the credit needs of the communities it serves. The bank received a "Satisfactory" rating on its prior CRA Performance Evaluation dated January 18, 2011.

## **Description of Assessment Areas**

NJM Bank has three assessment areas: Central, North, and South, encompassing eight counties in New Jersey. The assessment areas (AA) meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas. The Central AA consists of Mercer County, which comprises the entire Trenton-Ewing, NJ Metropolitan Statistical Area (MSA). The North AA consists of Morris, Hunterdon, Middlesex, Monmouth, Ocean, and Somerset Counties. While these six counties are contiguous, Morris and Hunterdon Counties are part of the Newark-Union, NJ-PA Metropolitan Division (MD) and Middlesex, Monmouth, Ocean, and Somerset Counties comprise the entire Edison-New Brunswick, NJ MD. The South AA consists of Atlantic County, which comprises the entire Atlantic City-Hammonton, NJ MSA. As MSAs and MDs have separate and distinct median family income values that are used to identify borrowers and census tracts that are low- or moderate-income, the bank has four assessment areas for analytical purposes. The four AAs are described below.

**Trenton-Ewing MSA (Mercer County) AA**

Demographic Information for Mercer County for 2012-2013						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	77	19.48	18.18	29.87	31.17	1.30
Population by Geography	366,513	13.57	16.01	31.90	38.00	0.52
Owner-Occupied Housing by Geography	87,700	6.87	14.10	36.68	42.35	0.00
Business by Geography	28,362	11.77	10.89	28.32	49.03	0.00
Farms by Geography	593	4.05	12.31	29.34	54.30	0.00
Family Distribution by Income Level	87,385	22.84	16.80	19.15	41.20	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	34,641	24.56	22.86	29.21	23.37	0.00
Median Family Income FFIEC Adjusted MFI for 2013 Households Below Poverty Level		88,694 90,900 10%	Median Housing Value Unemployment Rate (BLS-Nov 2013)		257,500 5.3%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 US Census and 2013 FFIEC updated MFI, Bureau of Labor Statistics, and National Association of Realtors 2013 preliminary data

The 2010 U.S. Census reported the total population of this assessment area at 366,513 living within 77 census tracts. Of the 77 census tracts, 19.48 percent are low-income geographies, 18.18 percent are moderate-income geographies, 29.87 percent are middle-income geographies, and 31.17 percent are upper-income geographies.

The 2013 FFIEC adjusted median family income for this assessment area was \$90,900. Within this assessment area, 22.84 percent of the families were low-income, earning a median income of \$45,450 or less; 16.80 percent were moderate-income, earning a median income of no more than \$72,720; and 10 percent of all households had incomes below the poverty level.

NJM Bank’s headquarters, with a full service branch, is located in this assessment area. The financial services market in this assessment area is highly competitive with competition from national, regional and local financial institutions. According to the June 30, 2013 FDIC Deposit Market Share Report, NJM Bank ranked 12th out of 27 institutions competing within this assessment area, with a deposit market share of 2.45 percent. In regards to residential mortgage loan market share, for the calendar year 2012, out of 378 institutions, NJM Bank ranked 37th with a 0.45 percent market share.

This assessment area’s principal city is Trenton, the state capital of New Jersey. The leading industries include: state and local governments, educational and health services, and professional and business services. The top employers are: Merrill Lynch, Princeton University, Bristol-Myers Squibb, Capital Health System, and New Jersey Manufacturers Insurance Company. The Trenton economy is recovering at a decent rate. The job market is improving and supporting housing demand. The unemployment rate is the lowest in New Jersey and below the national average. As of

November 2013, the Bureau of Labor Statistics reported the unemployment rate in the Trenton-Ewing, NJ MSA as 5.3 percent, compared to the state rate of 6.9 percent and the national rate of 7.0 percent.<sup>1</sup>

During the evaluation period, OCC representatives consulted a local community organization regarding community credit needs and business opportunities. The contact indicated that there is a need for more bank branch offices in the area to serve the low-income communities. With respect to community development needs, the contact identified affordable housing and economic revitalization programs to spur economic growth.

**Newark-Union MD (Partial: Morris and Hunterdon Counties) AA**

<b>Demographic Information for Morris and Hunterdon Counties for 2012-2013</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	126	0.79	3.97	26.98	68.25	0.00
Population by Geography	620,625	0.59	3.83	25.43	70.15	0.00
Owner-Occupied Housing by Geography	177,173	0.17	2.04	23.49	74.30	0.00
Business by Geography	62,547	0.34	4.55	23.34	71.77	0.00
Farms by Geography	2,015	0.15	1.69	23.37	74.79	0.00
Family Distribution by Income Level	164,424	11.95	13.03	18.82	56.20	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	41,075	1.86	8.20	35.35	54.59	0.00
Median Family Income		87,598	Median Housing Value	381,300		
FFIEC Adjusted MFI for 2013		90,100	Unemployment Rate	6.6%		
Households Below Poverty Level		4%	(BLS-Nov 2013)			

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 US Census and 2013 FFIEC updated MFI, Bureau of Labor Statistics, and National Association of Realtors 2013 preliminary data

The 2010 U.S. Census reported the total population of this assessment area at 620,625 living within 126 census tracts. Of the 126 census tracts, 0.79 percent are low-income geographies, 3.97 percent are moderate-income geographies, 26.98 percent are middle-income geographies, and 68.25 percent are upper-income geographies.

The 2013 FFIEC adjusted median family income for this assessment area was \$90,100. Within this assessment area, 11.95 percent of the families were low-income, earning a median income of \$45,050 or less; 13.03 percent were moderate-income, earning a median income of no more than \$72,080; and 4 percent of all households had incomes below the poverty level.

This assessment area also has a highly competitive financial services market with competition from national, regional and local financial institutions. NJM Bank operates

<sup>1</sup> The national unemployment rate is seasonally adjusted. The unemployment rates for the MSA and the state are not seasonally adjusted.

one full service branch in this assessment area. According to the June 30, 2013 FDIC Deposit Market Share Report, NJM Bank ranked 27th out of 38 institutions competing within this assessment area, with a deposit market share of 0.42 percent. In regards to residential mortgage loan market share, NJM Bank ranked 67th out of 465 institutions with a 0.20 percent market share for the calendar year 2012.

This assessment area’s economic recovery is strengthening, with hiring and home demand on the rise. The leading industries include: state and local governments, professional and business services, and health services. The major employers are: Novartis Pharmaceuticals, Atlantic Health, Picatinny Arsenal, Merck, and Chubb Insurance Company. As of November 2013, the Bureau of Labor Statistics reported the unemployment rate in the Newark-Union, NJ MSA as 6.6 percent, compared to the state rate of 6.9 percent and the national rate of 7.0 percent.<sup>2</sup>

**Edison-New Brunswick MD (Middlesex, Monmouth, Ocean and Somerset Counties) AA**

Demographic Information for Middlesex, Monmouth, Ocean and Somerset Counties for 2012-2013						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	511	6.85	18.40	48.73	25.44	0.59
Population by Geography	2,340,249	6.84	18.20	48.14	26.81	0.01
Owner-Occupied Housing by Geography	636,698	4.15	16.48	49.73	29.64	0.00
Business by Geography	188,711	4.71	15.38	47.69	32.18	0.03
Farms by Geography	4,098	1.85	11.27	48.22	38.65	0.00
Family Distribution by Income Level	596,298	0.39	17.87	22.04	39.70	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	228,158	11.18	27.45	47.02	14.34	0.00
Median Family Income FFIEC Adjusted MFI for 2013 Households Below Poverty Level		91,959 96,600 7%	Median Housing Value Unemployment Rate (BLS-Nov 2013)		302,100 6.2%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 US Census and 2013 FFIEC updated MFI, Bureau of Labor Statistics, and National Association of Realtors 2013 preliminary data

The 2010 U.S. Census reported the total population of this assessment area at 2,340,249 living within 511 census tracts. Of the 511 census tracts, 6.85 percent are low-income geographies, 18.40 percent are moderate-income geographies, 48.73 percent are middle-income geographies, and 25.44 percent are upper-income geographies.

The 2013 FFIEC adjusted median family income for this assessment area was \$96,600. Within this assessment area, 20.39 percent of the families were low-income, earning a median income of \$48,300 or less; 17.87 percent were moderate-income, earning a median income of no more than \$77,280; and 7 percent of all households had incomes below the poverty level.

<sup>2</sup> The national unemployment rate is seasonally adjusted. The unemployment rates for the MSA and the state are not seasonally adjusted.

This assessment area also has a highly competitive financial services market with competition from national, regional and local financial institutions. NJM Bank does not have any branch offices in this assessment area. In regards to residential mortgage loan market share, NJM Bank ranked 98th out of 591 institutions with a 0.14 percent market share for the calendar year 2012.

This assessment area’s economic profile is diverse. The largest industries in Middlesex and Monmouth Counties are trade, transportation and utilities. In Ocean County the largest industries are educational and health services; and in Somerset County the largest industries are professional and business services. Major employers in the area include: Robert Wood Johnson University Hospital, Novo Nordisk, Wakefern Food Corporation, Bristol-Myers Squibb, and Children’s Hospital. The economic recovery in this area continues to be slow and most industries are downsizing. In addition, the large inventory of foreclosed properties is keeping home prices down. As of November 2013, the Bureau of Labor Statistics reported the unemployment rate in the Edison-New Brunswick, NJ MD as 6.2 percent, compared to the state rate of 6.9 percent and the national rate of 7.0 percent.<sup>3</sup>

During the evaluation period, OCC representatives met with community development organizations operating in this assessment area. The contacts indicated that small business financing and commercial lending to fund economic revitalization projects are current community needs.

**Atlantic City-Hammonton MSA (Atlantic County) AA**

Demographic Information for Atlantic County for 2012-2013						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	69	10.14	18.84	46.38	23.19	1.45
Population by Geography	274,549	6.85	19.82	49.55	22.90	0.88
Owner-Occupied Housing by Geography	71,885	2.90	14.12	55.41	27.56	0.01
Business by Geography	20,515	8.95	13.62	50.03	27.38	0.02
Farms by Geography	612	0.65	7.84	60.78	30.72	0.00
Family Distribution by Income Level	67,256	21.34	17.79	20.49	40.37	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	26,321	12.05	26.30	47.22	14.43	0.00
Median Family Income		66,920	Median Housing Value		218,300	
FFIEC Adjusted MFI for 2013		65,400	Unemployment Rate (BLS-Nov. 2013)		10.3%	
Households Below Poverty Level		11%				

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2010 US Census and 2013 FFIEC updated MFI, Bureau of Labor Statistics, and National Association of Realtors 2013 preliminary data

The 2010 U.S. Census reported the total population of this assessment area at 274,549 living within 69 census tracts. Of the 69 census tracts, 10.14 percent are low-income

<sup>3</sup> The national unemployment rate is seasonally adjusted. The unemployment rates for the MSA and the state are not seasonally adjusted.

geographies, 18.84 percent are moderate-income geographies, 46.38 percent are middle-income geographies, and 23.19 percent are upper-income geographies.

The 2013 FFIEC adjusted median family income for this assessment area was \$65,400. Within this assessment area, 21.34 percent of the families were low-income, earning a median income of \$32,700 or less; 17.79 percent were moderate-income, earning a median income of no more than \$52,320; and 11 percent of all households had incomes below the poverty level.

This assessment area also has a competitive financial services market with competition from national, regional and local financial institutions. NJM Bank operates one full service branch in this assessment area, opened in January 2011. According to the June 30, 2013 FDIC Deposit Market Share Report, NJM Bank ranked 15 out of 16 institutions competing within this assessment area, with a deposit market share of .46 percent. In regards to residential mortgage loan market share, for the calendar year 2012, out of 315 institutions, NJM Bank ranked 51 with a 0.30 percent market share.

Atlantic City, known for its casinos, is this assessment area's principal city. The leading industries are leisure/hospitality and state and local governments. The major employers are Borgata Hotel Casino & Spa and Trump Hotels Casino Resorts. The economic recovery in this area has slowed. The job market is weak and the inventory of foreclosed properties is high. Unemployment in Atlantic City is among the highest in the state. As of November 2013, the Bureau of Labor Statistics reported the unemployment rate in the Atlantic City-Hammonton, NJ MSA as 10.3 percent, compared to the state rate of 6.9 percent and the national rate of 7.0 percent.<sup>4</sup>

During the evaluation period, OCC representatives met with a community development organization operating in this assessment area that indicated there is great need for decent, affordable housing in this area.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

NJM Bank's performance under the lending test is Satisfactory. NJM Bank's loan-to-deposit ratio is reasonable. The bank originated a majority of its home purchase, home improvement, and home mortgage refinance loans inside its assessment area. The distribution of loans to borrowers reflects reasonable penetration among borrowers of different income levels. The geographic distribution of loans reflects excellent dispersion throughout census tracts of different income levels.

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<sup>4</sup> The national unemployment rate is seasonally adjusted. The unemployment rates for the MSA and the state are not seasonally adjusted.

**Loan-to-Deposit Ratio**

NJM Bank’s loan-to-deposit ratio (LTD) is reasonable given the bank’s size, capacity to lend, and the credit needs of the assessment areas. The quarterly average LTD ratio for the 12 quarters reviewed (March 31, 2011 – December 31, 2013) was 60.61 percent. During this period, NJM Bank’s performance ranged from a low of 57.79 percent on March 31, 2012, to a high of 64.20 percent on December 31, 2013. NJM Bank’s LTD compares adequately to the average for three similarly situated banks over the same time period. The LTD for the three other banks averaged 77.25 percent.

**Lending in Assessment Area**

NJM Bank, by number and dollar amount, originated a majority of its home purchase, home improvement, and home mortgage refinance loans inside its assessment areas. The following table details the bank’s lending in the assessment areas by number and dollar amount of loans. Based on HMDA data for 2012 and 2013, 63.88 percent of the loans by number and 66.14 percent by dollar volume were within the bank’s assessment areas. As NJM Bank originated a majority of its loans in the assessment areas, the bank meets the standard for satisfactory performance under this criterion.

<b>Lending in NJM Bank’s Assessment Areas</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Dollars of Loans (in thousands)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>Home Purchase</b>	29	63.04	17	36.96	46	\$5,855	58.92	\$4,083	41.08	\$9,938
<b>Refinancing</b>	401	66.06	206	33.94	607	\$64,811	67.32	\$31,468	32.68	\$96,279
<b>Home Improvement</b>	97	56.40	75	43.60	172	\$8,463	63.02	\$4,966	36.98	\$13,429
<b>Total HMDA Loans</b>	527	63.88	298	36.12	825	\$79,129	66.14	\$40,517	33.86	\$119,646

*Source: 2012 and 2013 HMDA Data*

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

The distribution of loans to borrowers reflects reasonable penetration among borrowers of different income levels. NJM Bank’s lending to borrowers of different income levels meets the standard for satisfactory performance.

**Trenton-Ewing MSA (Mercer County) AA**

The table below shows the distribution of HMDA loans among borrowers of different income levels for the period of January 1, 2012 through December 31, 2013, as compared to the percentage of families in each income category as well as the aggregate peer performance.

<b>Distribution of HMDA Loans By Borrower Income Level in the Trenton-Ewing MSA AA</b>				
<b>Borrower Income Category</b>	<b>% of Loans</b>	<b>% of \$ Volume</b>	<b>% Family Distribution</b>	<b>% of Aggregate (or Peers)</b>
Low	4.85	1.61	22.84	5.78
Moderate	16.50	11.02	16.80	13.69
Middle	18.45	14.47	19.15	21.59
Upper	60.19	72.89	41.20	51.74
N/A	0.00	0.00	0.00	7.20
<b>Total # and \$ (000)</b>	<b>103</b>	<b>\$16,17</b>	<b>87,385</b>	<b>11,893</b>

Source: 2012 and 2013 HMDA Data

The distribution of loans to borrowers within the Trenton-Ewing AA reflects reasonable penetration among borrowers of different income levels. The bank made 21.35 percent of its HMDA loans to low- and moderate-income borrowers, which exceeds the aggregate lender’s level of 19.47 percent. In addition, the percentage of HMDA loans made to moderate-income borrowers is near the percentage of moderate-income families in the assessment area. The percentage of HMDA loans made to low-income borrowers is significantly lower than the percentage of low-income families in the assessment area. But, lending opportunities to the low-income group are limited given the median home price in the AA of \$257,500 in relation to income of \$45,450 or less.

The bank’s lending to borrowers of different income levels meets the standard for satisfactory performance.

**Newark-Union MD (Partial: Morris and Hunterdon Counties) AA**

<b>Distribution of HMDA Loans By Borrower Income Level in the Newark-Union MD AA</b>				
<b>Borrower Income Category</b>	<b>% of Loans</b>	<b>% of \$ Volume</b>	<b>% Family Distribution</b>	<b>% of Aggregate (or Peers)</b>
Low	1.89	0.76	11.95	2.93
Moderate	10.38	8.78	13.03	10.47
Middle	30.19	23.36	18.82	21.13
Upper	57.55	67.10	56.20	58.60
N/A	0.00	0.00	0.00	6.87
<b>Total # and \$(000)</b>	<b>106</b>	<b>\$19,688</b>	<b>164,424</b>	<b>30,059</b>

Source: 2012 and 2013 HMDA Data

The distribution of loans to borrowers within the Newark-Union AA reflects reasonable penetration among borrowers of different income levels. The bank made 12.27 percent of its HMDA loans to low- and moderate-income borrowers, which is near to the aggregate lender’s level of 13.40 percent. In addition, the percentage of HMDA loans made to moderate-income borrowers is near the percentage of moderate-income families in the assessment area. The percentage of HMDA loans made to low-income borrowers is significantly lower than the percentage of low-income families in the assessment area. But, lending opportunities to the low-income group are limited given

the median home price in the AA of \$381,300 in relation to income of \$45,050 or less.

The bank’s lending to borrowers of different income levels meets the standard for satisfactory performance.

**Edison-New Brunswick MD (Middlesex, Monmouth, Ocean, and Somerset Counties) AA**

<b>Distribution of HMDA Loans By Borrower Income Level in the Edison-New Brunswick MD AA</b>				
<b>Borrower Income Category</b>	<b>% of Loans</b>	<b>% of \$ Volume</b>	<b>% Family Distribution</b>	<b>% of Aggregate (or Peers)</b>
Low	6.87	2.76	20.39	6.69
Moderate	14.89	11.89	17.87	15.72
Middle	29.01	27.29	22.04	23.37
Upper	49.24	58.06	39.70	47.03
N/A	0.00	0.00	0.00	7.19
<b>Total # and \$(000)</b>	<b>262</b>	<b>\$36,487</b>	<b>596,298</b>	<b>91,768</b>

Source: 2012 and 2013 HMDA Data

The distribution of loans to borrowers within the Edison-New Brunswick AA reflects reasonable penetration among borrowers of different income levels. The bank made 21.76 percent of its HMDA loans to low- and moderate-income borrowers, which is near to the aggregate lender’s level of 22.41 percent. In addition, the percentage of HMDA loans made to moderate-income borrowers is near the percentage of moderate-income families in the assessment area. The percentage of HMDA loans made to low-income borrowers is significantly lower than the percentage of low-income families in the assessment area. But, lending opportunities to the low-income group are limited given the median home price in the AA of \$302,100 in relation to income of \$48,300 or less.

The bank’s lending to borrowers of different income levels meets the standard for satisfactory performance.

**Atlantic City-Hammonton MSA (Atlantic County) AA**

<b>Distribution of HMDA Loans By Borrower Income Level in the Atlantic City-Hammonton AA</b>				
<b>Borrower Income Category</b>	<b>% of Loans</b>	<b>% of \$ Volume</b>	<b>% Family Distribution</b>	<b>% of Aggregate (or Peers)</b>
Low	1.79	1.47	21.34	5.51
Moderate	10.71	4.85	17.79	13.18
Middle	30.36	17.88	20.49	19.89
Upper	57.14	75.80	40.37	54.31
N/A	0.00	0.00	0.00	7.11
<b>Total # and \$(000)</b>	<b>56</b>	<b>\$6,780</b>	<b>67,256</b>	<b>8,197</b>

Source: 2012 and 2013 HMDA Data

The distribution of loans to borrowers within the Atlantic City-Hammonton AA reflects

reasonable penetration among borrowers of different income levels. The bank made 12.50 percent of its HMDA loans to low- and moderate-income borrowers, which is somewhat lower than the aggregate lender’s level of 18.69 percent. The percentage of HMDA loans made to moderate-income borrowers is also somewhat lower than the percentage of moderate-income families in the assessment area. The percentage of HMDA loans made to low-income borrowers is significantly lower than the percentage of low-income families in the assessment area. However, lending opportunities to the low-income group are limited given the median home price in the assessment area of \$218,300 in relation to income of \$32,700 or less.

The bank’s lending to borrowers of different income levels meets the standard for satisfactory performance.

**Geographic Distribution of Loans**

The geographic distribution of loans reflects excellent dispersion throughout census tracts of different income levels. NJM Bank’s lending in geographies of different income levels exceeds the standard for satisfactory performance.

**Trenton-Ewing MSA (Mercer County) AA**

<b>Distribution of HMDA Loans By Census Tract Income Level in the Trenton-Ewing MSA Assessment Area</b>				
<b>Census Tract Income Category</b>	<b>% of Loans</b>	<b>% of \$ Volume</b>	<b>% Owner Occupied</b>	<b>% of Aggregate (or Peers)</b>
Low	0.97	0.31	6.87	1.49
Moderate	13.59	8.14	14.10	5.83
Middle	35.92	33.01	36.68	27.40
Upper	49.51	58.54	42.35	65.28
<b>Total # and \$(000)</b>	<b>103</b>	<b>\$16,174</b>	<b>87,700</b>	<b>11,893</b>

*Source: 2012 and 2013 HMDA Data*

The geographic distribution of loans within the Trenton-Ewing AA reflects excellent dispersion throughout census tracts of different income levels. The bank made 14.56 percent of its HMDA loans to borrowers located in low- and moderate-income census tracts, which significantly exceeds the aggregate lender’s level of 7.32 percent. In addition, the percentage of loans originated in moderate-income census tracts is very near the percent of owner occupied housing units in moderate-income census tracts.

The bank’s lending in geographies of different income levels exceeds the standard for satisfactory performance.

**Newark-Union MD (Partial: Morris and Hunterdon Counties) AA**

Distribution of HMDA Loans By Census Tract Income Level in the Newark-Union MD Assessment Area				
Census Tract Income Category	% of Loans	% of \$ Volume	% Owner Occupied	% of Aggregate (or Peers)
Low	0.00	0.00	0.17	0.08
Moderate	2.83	2.04	2.04	1.21
Middle	25.47	23.39	23.49	18.13
Upper	71.70	74.57	74.30	80.57
<b>Total # and \$(000)</b>	<b>106</b>	<b>19,688</b>	<b>177,173</b>	<b>30,059</b>

Source: 2012 and 2013 HMDA Data

The geographic distribution of home loans within the Newark-Union AA reflects excellent dispersion throughout census tracts of different income levels. The bank made 2.83 percent of its HMDA loans to borrowers located in low- and moderate-income census tracts, which exceeds the aggregate lender’s level of 1.29 percent. In addition, the percentage of loans originated in moderate-income census tracts exceeds the percent of owner occupied housing units in moderate-income census tracts.

The bank’s lending in geographies of different income levels exceeds the standard for satisfactory performance.

**Edison-New Brunswick MD (Middlesex, Monmouth, Ocean, and Somerset Counties) AA**

Distribution of HMDA Loans By Census Tract Income Level in the Edison-New Brunswick MD Assessment Area				
Census Tract Income Category	% of Loans	% of \$ Volume	% Owner Occupied	% of Aggregate (or Peers)
Low	3.05	0.80	4.15	2.49
Moderate	14.89	13.97	16.48	11.66
Middle	54.96	53.23	49.73	44.48
Upper	27.10	32.01	29.64	41.37
<b>Total # and \$(000)</b>	<b>262</b>	<b>36,487</b>	<b>636,698</b>	<b>91,768</b>

Source: 2012 and 2013 HMDA Data

The geographic distribution of home loans within the Edison-New Brunswick AA reflects excellent dispersion throughout census tracts of different income levels. The bank made 17.94 percent of its HMDA loans to borrowers located in low- and moderate-income census tracts, which exceeds the aggregate lender’s level of 14.15 percent. In addition, the percentage of loans originated in moderate-income census tracts is very near the percent of owner occupied housing units in moderate-income census tracts.

The bank’s lending in geographies of different income levels exceeds the standard for satisfactory performance.

**Atlantic City-Hammonton MSA (Atlantic County) AA**

Distribution of HMDA Loans By Census Tract Income Level in the Atlantic City-Hammonton MSA Assessment Area				
Census Tract Income Category	% of Loans	% of \$ Volume	% Owner Occupied	% of Aggregate (or Peers)
Low	0.00	0.00	2.90	1.61
Moderate	7.14	7.73	14.12	8.06
Middle	62.50	61.31	55.41	53.01
Upper	30.36	30.96	27.56	37.29
<b>Total # and \$(000)</b>	<b>56</b>	<b>6,780</b>	<b>71,885</b>	<b>8,197</b>

*Source: 2012 and 2013 HMDA Data*

The geographic distribution of home loans within the Atlantic City-Hammonton AA reflects reasonable dispersion throughout census tracts of different income levels. The bank made 7.14 of its home loans to borrowers located in low- and moderate-income census tracts, which is somewhat lower than the aggregate lender’s level of 9.67 percent. While the bank’s percentage of loans originated in low- and moderate-income census tracts is also lower than the percent of owner occupied housing units in those tracts, the low percentage of owner occupied housing units in low- and moderate-income census tracts shows that the opportunities to lend are limited.

The bank’s lending in geographies of different income levels meets the standard for satisfactory performance.

**Responses to Complaints**

NJM Bank did not receive any CRA complaints during the evaluation period.

**COMMUNITY DEVELOPMENT TEST**

NJM Bank’s performance under the community development (CD) test is Satisfactory. The bank demonstrated adequate responsiveness to the community development needs of its assessment areas. In arriving at this rating, we placed the most emphasis on the bank’s performance in the Trenton-Ewing AA where the bank is headquartered. We placed less weight on the bank’s performance in the Atlantic City-Hammonton AA, where the bank has only had a branch since January 2011, and the Edison-New Brunswick AA, where the bank has no branches. The CD investments, including donations, described below were funded by the bank’s parent company, NJMIC. NJM

Bank, as an affiliate of NJMIC and the only bank within the NJMIC corporate family, receives full CRA credit for these investments.

### **Trenton-Ewing MSA (Mercer County) AA**

Overall, the CD rating for Trenton-Ewing AA is outstanding and the bank demonstrated excellent responsiveness to CD needs.

### **Number and Amount of Community Development Loans**

NJM Bank renewed a loan in the amount of \$6,500 to the Mercer County Loan Fund, which promotes economic development in Mercer County.

### **Number and Amount of Qualified Investments**

During the evaluation period, NJM Bank invested \$2.8 million in the New Jersey Neighborhood Revitalization Tax Credit Program (NRTC), benefiting the Trenton-Ewing AA. The funds were used for projects in Trenton that promote neighborhood revitalization, including housing and economic development.

The bank invested an additional \$925 thousand in the NRTC that funded neighborhood revitalization projects in Camden. Although Camden is not in the Trenton-Ewing AA, the bank is given credit for this investment because the bank adequately met the community development needs of the Trenton-Ewing AA and this investment benefits the regional area that includes the bank's assessment area.

NJM Bank made significant donations in the Trenton-Ewing AA, totaling \$214 thousand, supporting affordable housing and community services for low- or moderate-income individuals, and economic development.

### **Extent to Which the Bank Provides Community Development Services**

With respect to the provision of community development services in the Trenton-Ewing AA, a bank officer serves on the board of a local organization that provides affordable housing and community services to low- or moderate-income individuals. Two bank officers actively participate with an organization that supports financial literacy for young people. Bank employees volunteered at a financial empowerment center for low- or moderate-income individuals and also taught financial literacy to children at a local school, committing 320 hours to these services.

### **Responsiveness to Community Development Needs**

NJM Bank demonstrated excellent responsiveness to the community development needs in the Trenton-Ewing AA through its qualified investments, significant donations, and level of CD service.

### **Newark-Union MD (Partial: Morris and Hunterdon Counties) AA**

Overall, the CD rating for the Newark-Union AA is satisfactory and the bank demonstrated adequate responsiveness to CD needs.

#### **Number and Amount of Community Development Loans**

NJM Bank did not make any CD loans that directly benefited the Newark-Union AA.

#### **Number and Amount of Qualified Investments**

NJM Bank made donations in the Newark-Union AA totaling \$8 thousand, supporting affordable housing and community services for low- or moderate-income individuals, and economic development.

The bank invested \$480 thousand in the NRTC that funded neighborhood revitalization projects in Newark, Orange, and Elizabeth. These cities are not located in Morris or Hunterdon Counties, but they are in the same Newark-Union MD. The bank is given credit for these investments as the CD opportunities in Morris and Hunterdon Counties are limited and this investment benefits the regional area that includes the bank's assessment area.

#### **Extent to Which the Bank Provides Community Development Services**

Bank employees taught financial literacy to students at a school in the Newark-Union AA.

#### **Responsiveness to Community Development Needs**

NJM Bank demonstrated adequate responsiveness to CD needs in the Newark-Union AA through its donations and CD service.

### **Edison-New Brunswick MD (Middlesex, Monmouth, Ocean, and Somerset Counties) AA**

Overall, the CD rating for the Edison-New Brunswick AA is satisfactory and the bank demonstrated adequate responsiveness to CD needs.

#### **Number and Amount of Community Development Loans**

NJM Bank did not make any loans that directly benefited the Edison-New Brunswick AA.

#### **Number and Amount of Qualified Investments**

During the evaluation period, NJM Bank invested \$165 thousand in the New Jersey Neighborhood Revitalization Tax Credit Program. The funds were used for projects in

Middlesex County that promote neighborhood revitalization, including job training and small business development.

NJM Bank made donations in the Edison-New Brunswick AA totaling \$18 thousand, supporting affordable housing and community services for low- or moderate-income individuals, and economic development.

### **Extent to Which the Bank Provides Community Development Services**

NJM Bank did not provide any community development services directly to the Edison-New Brunswick AA.

### **Responsiveness to Community Development Needs**

NJM Bank demonstrated adequate responsiveness to CD needs in the Edison-New Brunswick AA through its qualified investments and donations.

### **Atlantic City-Hammonton MSA (Atlantic County) AA**

Overall, the CD rating for the Atlantic City-Hammonton AA is satisfactory, and the bank demonstrated adequate responsiveness to CD needs.

### **Number and Amount of Community Development Loans**

During the evaluation period, the bank renewed a \$1.7 million loan to a foundation that supports crime prevention programs for low- or moderate-income seniors residing in senior housing facilities. This loan sponsors a program for a facility in Atlantic County. The foundation invests the funds and uses the interest earned on the funds to support the program rather than using the full amount of the loan.

### **Number and Amount of Qualified Investments**

During the evaluation period, NJM Bank did not make any qualifying investments in the Atlantic City-Hammonton AA. However, NJM Bank made donations totaling \$26 thousand, supporting affordable housing and community services for low- or moderate-income individuals, and economic development.

### **Extent to Which the Bank Provides Community Development Services**

Bank employees taught financial literacy to students at a school in the Atlantic City-Hammonton AA.

### **Responsiveness to Community Development Needs**

NJM Bank demonstrated adequate responsiveness to CD needs in the Atlantic City-Hammonton AA through its CD loan, donations, and CD service.

NJM Bank also made investments that benefit a broader statewide area including the bank's assessment areas. During the evaluation period, NJM Bank renewed a loan in the amount of \$75 thousand to New Jersey Community Capital, a community development financial institution that provides financing for housing, educational facilities, and employment opportunities in New Jersey's underserved communities. The bank donated \$20 thousand to an organization that promotes financial literacy for young people and \$10 thousand to an organization that provides community services to low- or moderate-income individuals.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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