
Comptroller of the Currency
Administrator of National Banks

Large Bank

Northeastern District
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Public Disclosure

April 5, 1999

Community Reinvestment Act Performance Evaluation

**Minotola National Bank
Charter Number: 10440
1748 South Lincoln Avenue
Vineland, NJ 08360**

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

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

General Information

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

This document is an evaluation of the CRA performance of **Minotola National Bank** by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 5, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

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

Primary factors supporting the bank's overall rating include:

- < A significant percentage of loans are made within the assessment area.
- < The level of lending to moderate-income individuals, small businesses, and small farms reflects good penetration based upon the demographics and credit needs of the assessment area.
- < The geographic distribution of HMDA-reportable, small business, and small farm loans reflects good penetration throughout the assessment area, including low- and moderate-income areas.
- < Service delivery systems are accessible to geographies and individuals of different income levels in the assessment area. MNB improved accessibility to services in moderate-income areas.
- < Services are tailored to meet the bilingual needs of the assessment area.
- < MNB uses flexible lending programs to help meet the affordable housing credit needs in the assessment area.

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

Table I. Results of Performance Tests

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

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

Scope of the Examination

This evaluation covers lending activities for 1997 and 1998, and community development investment and service activities for the period from January 1, 1997 through April 5, 1999. The evaluation is based on analysis of the bank's Home Mortgage Disclosure Act - Loan Activity Reports (HMDA-LARs) and Loan Registers. We tested these reports for accuracy during the examination by reviewing a judgmental sample of loan files. Specific loan products evaluated include: HMDA-reportable loans (i.e., home purchase mortgage, refinance, and home improvement loans), small business loans, small farm loans, and community development loans. Additionally, management provided us with other loan data for consideration. We also evaluated community development investments, retail services, and community development services. All loan products were given equal weighting in determining our final ratings. Minotola National Bank's (MNB) previous CRA examination conducted on March 19, 1997 was rated **Outstanding**.

Description of Institution

MNB is a \$410 million institution located in Vineland, New Jersey. The bank was chartered in 1913 and is a full service, intrastate bank offering a wide array of loan and deposit products. The bank has three operating subsidiaries: Central-Atlantic Leasing located in Hammonton, NJ; Central-Atlantic Merchant Services located in Vineland, NJ; and Lincoln Investment Company located in Wilmington, DE.

Central-Atlantic Leasing (CAL) performs all leasing services for the bank. CAL was established in

1997, but has not booked a significant amount of leases during the rating period. Central-Atlantic Merchant Services was established in 1999 and provides merchant processing services for MNB and other financial institutions. Lincoln Investment Company is an investment holding subsidiary of the bank. All of the investments of Lincoln Investment Co. were considered during this review. None of these subsidiaries negatively impact the bank's ability to service community credit needs. There are no other financial or legal impediments impacting MNB's ability to help meet community credit needs. Strong competition is provided by several larger interstate and regional banking companies, and local community banks and thrift institutions.

MNB operates eight full service branches throughout Cumberland, Atlantic and Gloucester counties. The bank offers automated teller machines (ATMs) at three offices and drive-through facilities are provided at all eight locations. MNB opened a branch in Glassboro, NJ in January 1999 in a moderate-income census tract (CT).

Southern New Jersey encompasses a diverse economic base including a mixture of agriculture, transportation, manufacturing, small and mid-sized retail and tourist related businesses. Based on discussions with management, the bank's trade area has experienced economic decline over the past decade.

As of December 31, 1998, the institution had total loans approximating \$302 million, or 74% of total assets. The composition of the loan portfolio consists of commercial and commercial real estate loans at 60%, residential real estate loans at 30%, and consumer loans at 5%. A mixture of construction, agriculture and municipal loans make up the remaining 5% of the loan portfolio.

Description of Assessment Area

MNB has defined one assessment area which includes a large portion of Cumberland County (MSA 8760), western portions of Atlantic County (MSA 0560), and one CT in Gloucester County (MSA 6160). The assessment area comprises 23 CTs within the Philadelphia-Wilmington-Atlantic City CMSA (77). The assessment area complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income CTs. All market share data discussed in this Public Evaluation are in reference to the bank's market share within the assessment area, rather than in any larger geographic area.

Detail of the demographics of the assessment area is included in the following table.

Assessment Area Demographic Profile				
Census Tract Characteristic	Number of Census Tracts	Percentage of Total Tracts	Percentage of Population	Percentage of Families
Low	1	5%	<1%	<1%
Moderate	4	17%	18%	17%
Middle	14	61%	60%	62%
Upper	4	17%	21%	21%
Total	23	100%	100%	100%

The assessment area contains one low-income CT, which is located in Cumberland County. From a total of four moderate-income CTs, two are situated in Cumberland County, with one in each Gloucester and Atlantic County.

Based on 1990 census data, MNB's assessment area has a population of 110,774, which includes 29,059 total families. As indicated in the above table, approximately 18% of total families in the assessment area are located in low- and moderate-income CTs.

The average of the MSA's updated median family income per Department of Housing and Urban Development (HUD) guidelines are \$45,143. The census median family income is \$36,248. Of the 40,807 total housing units, 81% are one-to-four family units. Owner-occupied housing and rental occupied housing represent 65% and 30% of the total housing units available respectively. Vacant housing units represent the remaining 5% of the total housing units. The average age of housing units in the assessment area is forty years and the average cost of these units is \$82,172.

Based on discussions with management, the bank's trade area has experienced economic decline during the past decade largely due to the closing of local clothing and glass factories. For year-end 1998, state unemployment rates equaled 4.4%. However, unemployment rates for the three counties within MNB's assessment area are higher during the same time frame. They are as follows: Cumberland County - 9.2%, Atlantic County - 5.2%, and Gloucester County - 4.9%.

During January of 1999, Cumberland County was awarded an "Empowerment Zone" (EZ) designation by the federal government. EZs are areas considered in need of economic assistance. Cumberland County will receive \$230 million in federal aid over the next ten years. Specifically, \$100 million in grants and loans (\$10 million per year) and \$130 million in tax credits (\$13 million per year) will be received.

Major employers and industries include Wheaton Industries, The Vineland Times Journal, casinos,

agriculture, produce wholesaling, and retail businesses within the bank's assessment area.

Credit needs of the community were determined during this examination through discussions with management and by an interview with a representative from a private, not-for-profit corporation serving the needs of low- and moderate-income communities in New York, Pennsylvania, New Jersey, Ohio, Indiana, and Michigan. The organization's primary focus is on farm workers and rural areas although they are also active in many adjacent urban areas. The organization and its related entities provide a wide array of services including adult training and employment programs, housing development and management, migrant head start programs, health and safety programs, emergency and supportive programs, economic development and public advocacy programs.

Both indicated that primary credit needs are affordable housing loans that provide flexible underwriting standards and readily available small business loans. The community representative also indicated that area banks need to reach out to the low- and moderate-income and minority communities more through education and by having bilingual personnel in their branches.

Conclusions with Respect to Performance Tests

Lending Test

Lending Activity

MNB's lending levels reflect good responsiveness to assessment area credit needs. During 1997 and 1998, MNB originated 512 HMDA reportable loans within its assessment area for approximately \$34 million. In 1997, MNB ranked first in HMDA reportable lending within their assessment area with a 7.32% market share, compared to the second ranked lender with a 5.43% share. Market share data for 1998 was not available at the time this report was issued. Additionally, management provided us with other loan data that included affordable mortgages. In addition to the loans reported on the bank's HMDA- LAR, MNB made 69 loans totaling \$5.5 million in conjunction with the New Jersey Housing and Mortgage Finance Agency (ANJHMFA) that benefited low- and moderate-income borrowers.

MNB is very active in both small business and small farm lending. During 1997 and 1998, MNB originated 730 small business and 17 small farm loans for approximately \$65 million. In 1997, MNB ranked tenth in small business loan originations with 3.31% market share. This makes MNB the highest ranked small business lender whose total assets are less than \$1 billion. MNB ranked third in small farm loan originations with 16.88% market share. Although the total number of small farm loan originations is modest, MNB is one of only three banks actively involved in farm lending within the assessment area. *See Table 1 in the Appendix section of this report for further details.*

Assessment Area Concentration

MNB originates a significant percentage of loans in its assessment area. During 1997, 85.7% of the number and 81.2% of the dollar amount of total HMDA, business, and farm originations were within the

assessment area. During 1998, 71.6% of the number and 73.0% of the dollar amount of originations were within the assessment area.

The bank's average loan-to-deposit ratio since the last examination (past eight quarters) is 83.2%. This figure is significantly better than the national peer average over the same period, which approximates 74.1%.

Geographic Distribution of Loans

Our analysis reflects good lending penetration throughout geographies with various income characteristics within MNB's assessment area, including low- and moderate-income CTs. We found no conspicuous gaps in the bank's lending patterns within their assessment area during our review. MNB's HMDA-related lending patterns are consistent with the owner occupied housing in the various CTs in the assessment area. Our analysis illustrates that 86% of HMDA-related loans are made within middle- and upper-income CTs which is considered reasonable since these tracts contain 87% of the assessment area's owner-occupied housing units as well as 82% of the population.

HMDA lending in low- and moderate-income CTs is good when compared to the lending opportunities in these CTs. During the evaluation period, 0.4% of the bank's HMDA-related loans were made within MNB's only low-income CT, compared to 0.08% of the owner occupied housing units being located in this CT. MNB originated 13.28% of their loans in the four moderate-income CTs within their assessment area, compared to 13.22% of owner occupied housing units in these CTs. *See Tables 2-4 in the Appendix section of this report for further details on the geographic distribution of loans.*

MNB has especially good penetration into low- and moderate-income CTs with their home improvement loan products. Table 3 in the Appendix section shows that while only 0.08% of all owner occupied housing units in the assessment area are in low-income CTs, 1.23% of MNB's home improvement loans were made in these tracts. Likewise, 13.22% of owner occupied housing units are in moderate-income CTs and the bank made 18.52% of their home improvement loans in these tracts.

MNB's small business lending in low- and moderate-income CTs adequately compares the number of small businesses in low- and moderate-income CTs. Within MNB's assessment area, 7.3% of all small businesses and no small farms are located in low-income CTs. Additionally, 17.2% of small businesses and 7.4% of small farms are located in moderate-income CTs.

In comparison, 3.6% of small business loans originated during the evaluation period were in low-income CTs. One farm loan for \$19 thousand was extended in a low-income CT, even though our information reports no farms in these areas. Our demographic information may not have captured this farm due to its small size. MNB originated 12.1% of its small business loans and 29.4% of its small farm loans in moderate-income CTs.

Small business lender market share reports for 1997 show MNB originated 17 loans totaling \$543

thousand in low-income CTs and 46 loans totaling \$3.6 million in moderate-income CTs. MNB ranked seventh in lending in each low- and moderate-income tracts with 6.7% and 4.1% market share respectively. Regarding small farm loans, MNB originated one of the two loans extended in low-income CTs within their assessment area. This equates to 50% market share. They also originated four of the ten small farm loans extended in moderate-income CTs in 1997 for a 40% market share. *See Tables 5-6 in the Appendix section of this report for further details on the geographic distribution of loans to small businesses and small farms.*

Lending to Borrowers of Different Income Levels

Our review revealed good lending penetration to moderate-income borrowers and adequate penetration to low-income borrowers. For 1997 and 1998, 5% of total HMDA-related originations were to low-income borrowers and 17% were to moderate-income borrowers. The percentage of HMDA loans originated to moderate-income borrowers approximates the percentage of moderate-income families (18%), in the assessment area during 1997 and 1998. The percentage of HMDA loans originated to low-income borrowers during the rating period was below the percentage of low-income families (20%) in the assessment area. The bank's performance in lending to low-income borrowers can, in part, be explained by the lack of affordable housing options within the assessment area. While low-income borrowers earn approximately \$22,571 annually, the average cost for owner occupied housing is \$82,000.

Lender market share reports for 1997 HMDA-reportable loans reflect very favorably on the bank as MNB is ranked first among all lenders doing business within its assessment area. MNB's market share equates to 7.32% of all HMDA loans originated within its assessment area. The bank ranked third by originating ten loans totaling \$229 thousand, for a market share of 5.52%, to low-income borrowers during the evaluation period. MNB ranked first by originating 46 loans totaling \$1.8 million, for a market share of 7.84% to moderate-income borrowers. *See Tables 7-9 in the Appendix section of this report for further details on Lending to Borrowers of Different Income Levels.*

MNB also made \$5.5 million of affordable mortgages available to low- and moderate-income borrowers in conjunction with the NJHMFA during the evaluation period. Sixty (87%) of these mortgages were to low- and moderate-income borrowers in MNB's assessment area.

NJHMFA provides mortgages and mortgage related services to low- and moderate-income individuals throughout New Jersey and focuses on specific target cities including Vineland and Millville. NJHMFA mortgage products have higher than average acceptable loan-to-value ratios (95%-97%), lower than normal fees and closing costs, and interest rates as low as 5%.

MNB's role is to make potential borrowers aware of the various products NJHMFA offers, assist in completing applications, gathering required information and ensuring applicants meet the requirements of the program. NJHMFA makes the credit decision, and sends the information back to MNB so that they are able to fund the loan. These loans are then sold to NJHMFA. MNB was recognized by NJHMFA for excellence in originating these affordable loan products and especially the AToo Good,

but It's True® product.

Lending to Small Businesses and Small Farms

MNB lending to small businesses and small farms is good. During 1997 and 1998, MNB originated 730 small business and 17 small farm loans for approximately \$64.5 million. Lender market share report for 1997 indicates that MNB ranked tenth in small business loan originations with 3.3% market share. MNB ranked third in farm loan originations with 16.88% market share. MNB is one of only three banks actively involved in farm lending within the assessment area. *See Tables 10-11 in the Appendix section of this report for further details on borrower distribution of small business and small farm loans.*

There are 2,913 companies that qualify as small businesses representing 89% of total businesses within the assessment area. There are also 104 small farms that equate to 89% of total farms within the assessment area. During the evaluation period, 71% of MNB's small business loans were made to businesses with less than or equal to \$1 million in gross annual revenues. Likewise, 90% of all small farm loans were made to small farms with less than or equal to \$1 million in gross annual revenues. Additionally, the majority of all small business (81%) and small farm (94%) loans originated during the evaluation period are for less than \$100,000.

Community Development Lending

MNB's community development lending is limited. MNB provided two construction loans for \$128 thousand for individual residences in a project developed by a local not-for-profit organization. Permanent mortgages for these properties were obtained by the low- and moderate-income residents at other institutions.

Product Innovation

MNB uses flexible lending practices to serve the credit needs of its assessment area. They work in conjunction with a number of state/federal agencies, non-profit organizations and private investors in helping to meet the credit needs of the community. These include the NJHMFA, Farmers Home Administration ("FHA"), Veterans Administration ("VA"), Rural Opportunities Inc. ("ROI") and various other investors. In 1997 and 1998 the bank made a total of 115 residential mortgages for \$8.7 million through these programs which were not included on the bank's HMDA reports since MNB did not make the final credit decision. These agencies rely on lending institutions as intermediaries between themselves and the public, making the banks an integral part of the lending process.

In addition to the NJHMFA and ROI programs, MNB made 27 FHA loans for \$1.8 million and ten VA loans for \$910 thousand during the rating period. The bank also funded and sold seven residential mortgages to various investors that specialize in loans with higher than average credit risk in the amount of \$497 thousand.

MNB participates in U.S. Small Business Administration (ASBA®) lending programs. During the

evaluation period, MNB made four loans totaling \$262 thousand with each having the benefit of an SBA guarantee. All of the loans made in conjunction with the SBA have been included in the bank's small business lending reports.

In addition, Vineland and Millville are part of an Urban Enterprise Zone (AUEZ®) which allows for reduced sales tax rates (3% rather than the usual 6%) and sets up a loan fund to help finance businesses within the UEZ. MNB works in partnership with the UEZ loan fund, which has allowed them to extend seven loans totaling \$3.5 million to both small businesses and non-small businesses within their assessment area during the evaluation period. In each case the UEZ loan fund has funded supporting loans for these same businesses, but in a subordinated position. The UEZ's supporting funds for these seven loans have been in the amount of \$1.6 million. All of the loans that qualify as small business loans have been included in the bank's small business lending reports.

Investment Test

The bank has a good level of qualified investments, totaling \$1.16 million that benefit their assessment area, the state of New Jersey, or a broader regional area.

MNB holds a \$1 million structured pass-through security backed by mortgages to low- and moderate-income borrowers or to borrowers residing in low- or moderate-income CTs in New Jersey, Delaware, Pennsylvania, and Maryland. This security is collateralized by more than 6,000 low- and moderate-income housing units throughout the region.

MNB also made qualified contributions to two not-for-profit organizations in the total amount of \$3,010.

The bank also holds two issues totaling \$160 thousand of the NJHMFA's Rental Housing Revenue Bonds, which were purchased prior to this evaluation period. These bonds are for the sole purpose of financing various low- and moderate-income rental housing projects throughout the state of New Jersey. These particular issues were used to finance four separate projects containing 454 units of low- and moderate-income housing. *See Table 12 in the Appendix section of this report for further details.*

Service Test

Retail Banking Services

MNB's branch delivery systems are accessible to geographies and individuals of different income levels in the assessment area. MNB provides banking services throughout the entire assessment area with eight branch locations including four locations in Atlantic County, three in Cumberland County, and one in Gloucester County. MNB also offers three ATMs to its customers, all at branch locations. All eight branches are equipped with drive-in facilities. As noted earlier in this evaluation, one branch was

opened during this evaluation period in a moderate-income CT, improving accessibility to services in moderate-income areas. Fifty percent of the bank's branches are now located in moderate-income CTs. *Please refer to Appendix A, Table 13 for more details on the bank's branch distribution.*

Office hours meet the convenience and needs of the entire community and include extended weekday and Saturday hours at all locations. The majority of low- and moderate-income families reside within low- and moderate-income CTs. While the bank does not have any branches in the one low-income CT within their assessment area, this CT is directly adjacent to moderate-income CTs containing branch offices. People residing in the low-income CT must travel less than five miles for full access to MNB's services. Additionally, low- and moderate-income families comprise 37% of total families living within middle-income CTs and 27% of total families residing in upper-income CTs. Services do not vary in any way that inconvenience low- and moderate-income individuals living within the assessment area. *See Table 13 in the Appendix section of this report for further details.*

MNB offers a standard array of products and services that are appropriate for an institution of its size and capacity. Consumer products include various demand deposit and savings plans priced to meet the needs of a variety of customers.

Additionally, MNB has tailored its services by providing a bilingual customer service representative or teller in each of its branch offices. Bilingual services have been identified as a need in the assessment area. The need for bilingual personnel helps the large Spanish speaking community in the assessment area and serves the migratory farm workers that are in the area for seasonal employment. The majority of these migratory farm workers do not speak English. This service is imperative for them in conducting their banking needs such as cashing checks, opening savings accounts and purchasing money orders. MNB has been very responsive to this identified need.

Community Development Services

MNB provides an adequate level of community development services within its assessment area.

MNB has participated in several workshops and seminars in conjunction with local community, government, and small business groups. In 1997 MNB participated in an Affordable Housing Seminar sponsored by the Greater Vineland Chamber of Commerce and also made a presentation on residential mortgage options during a Home Ownership Counseling Presentation sponsored by ROI. MNB also participated in a Business Summit focusing on financing and economic assistance programs in 1997.

In 1998 the bank participated in two business related seminars. The first was a Business Loan Workshop for new and expanding businesses sponsored by Rowan University. The other was an SBA Seminar sponsored by the Vineland Chamber of Commerce. At all of these events, bank personnel made presentations and offered advice free of charge to the public and participants.

Compliance with Antidiscrimination Laws

A fair lending review performed in conjunction with this CRA examination revealed that MNB is complying with fair lending regulations. During this examination we reviewed all applications, both approved and denied, for home purchase mortgages received by the bank from October 1, 1998 through December 31, 1998 for consistent underwriting and loan terms. No violations of the substantive provisions of the anti-discrimination laws were discovered.

Scope of Examination			
Time Period Reviewed	January 1, 1997 through April 5, 1999		
Financial Institution: Minotola National Bank Vineland, New Jersey	Products Reviewed: HMDA Reportable Loans, Small Business Loans, Small Farm Loans, Community Development Loans, Investments, and Services		
Affiliates	Affiliate Relationship	Products Reviewed	
Central-Atlantic Leasing Company	C-A Leasing is a wholly owned subsidiary of Minotola National Bank	None	
Central-Atlantic Merchant Services	C-A Merchant Services is a wholly owned subsidiary of Minotola National Bank	None	
Lincoln Investment Company	Lincoln is a Wholly-Owned Subsidiary of Minotola National Bank	Investment Securities Portfolio	
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
Includes Portions of MSA 8760, MSA 0560 & MSA 6160 within the Philadelphia-Wilmington-Atlantic City CMSA 77	On-Site	MNB's Lincoln Avenue and Chestnut Avenue offices in Vineland, NJ	None