



Comptroller of the Currency
Administrator of National Banks

Northeastern District
1114 Avenue of the Americas, Suite 3900
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PUBLIC DISCLOSURE

September 9, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Hope
Charter Number 10118

P.O. Box 296
Hope, New Jersey 07844

Office of the Comptroller of the Currency
New Jersey Duty Station
830 Morris Turnpike, 2nd Floor
Short Hills, New Jersey 07078

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 safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of The First National Bank of Hope prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of September 9, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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

Primary factors supporting the bank's overall rating include:

- The average loan-to-deposit ratio of 55% is adequate.
- The majority of residential mortgages and small business loans are originated within the bank's assessment area.
- The distribution of lending among borrowers reflects a reasonable penetration of loans to small businesses and to individuals of different income levels.

The following table shows the performance level of The First National Bank of Hope with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | <u>The First National Bank of Hope</u> PERFORMANCE LEVELS | | |
|--|--|--|--|
| | Exceeds Standards for Satisfactory Performance | Meets Standards for Satisfactory Performance | Does not meet Standards for Satisfactory Performance |
| Loan to Deposit Ratio | | X | |
| Lending in Assessment Area | | X | |
| Lending to Borrowers of Different Incomes and to businesses of Different sizes | | X | |
| Geographic Distribution of Loans | | Not Meaningful | |
| Response to Complaints | No Since | Complaints the Prior | Received Exam |

DESCRIPTION OF INSTITUTION

The First National Bank of Hope (FNBH) is a locally owned bank in a primarily rural area of Warren County in northwestern New Jersey. As of June 30, 1996, total assets were \$122 million, total loans were \$61 million, investments were \$50 million, and total deposits were \$111 million. The loan portfolio comprises 50% residential mortgage loans, 31% commercial real estate loans, 8% municipal loans, 6% commercial loans, and 5% consumer loans.

FNBH has its main office in Hope, New Jersey and a branch in Blirstown and Great Meadows. Additionally, the branch has a deposit taking ATM in Washington Township (Morris County). The main office and the two branches provide a full range of banking services, 24 hour ATM service, and extended hours. Within the assessment area, competition from other financial institutions is modest.

FNBH is not subject to any legal or regulatory restrictions or any other impediments which would preclude the bank from helping to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is comprised primarily of the towns and villages surrounding the branches and deposit taking ATM located in Hope, Blirstown, Great Meadows and Washington Township. It is comprised of portions of Warren and Morris counties in New Jersey, which are located within the Newark, New Jersey Metropolitan Statistical Area (MSA) 5640 and a portion of Northampton county in Pennsylvania, which is located within the Allentown-Bethlehem MSA 0240. The portion of MSA 0240 which the bank has chosen to include within the assessment area consists of one census tract and is contiguous to the overall assessment area. There are no low or moderate income census tracts in the assessment area. The assessment area consists of thirteen (87%) middle income census tracts and two (13%) upper income census tracts. The median family income of the assessment area is \$49,212. Housing is primarily owner occupied.

Employment opportunities in the area are primarily centered in the manufacturing and service sectors. Major employers include M&M Mars, County of Warren, and Hoffman LaRoche. The unemployment rate in Warren County during June 1996 was 5.5%.

The population of the entire assessment area approximates 75,000. FNBH's assessment area complies with the requirements of the regulation and does not arbitrarily exclude low or moderate income areas. Through discussion with bank management, identified community credit needs include personal and automobile loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

For the seven calendar quarters since the last CRA examination, dated October 31, 1994, FNBH's average loan-to-deposit ratio is 55%. The average for similarly situated banks within and surrounding FNBH's assessment area is 60%. The bank's ratio does not include fixed rate residential mortgage loans, which are sold in the secondary market.

Credit Extended Inside the Assessment Area

The majority of the bank's residential mortgage loan originations are within the bank's assessment area. For the period January 1, 1995 through June 30, 1996, the bank originated 84 Home Mortgage Disclosure Act (HMDA-LAR) reportable loans totaling \$4.2 million. Of this total, 72 loans (86%) and \$2.8 million (67%) were located within the assessment area. During the same period, the bank originated 90 commercial loans totaling \$11.5 million. Of these totals, 60 loans (67%) and \$6.9 million (60%) were within the bank's assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of loans reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. Based on the 1995 and January to June 1996 HMDA-LAR, 14 loans (17%) were to borrowers with low income, 22 loans (27%) were to borrowers with moderate income, 23 loans (27%) were to borrowers with middle income, and 24 loans (29%) were to borrowers with upper income. Within the bank's assessment area, 13% of the families are low income, 19% are moderate income, 28% are middle income, and 40% are upper income.

FNBH's Call Report dated June 30, 1996 indicates that substantially all of the dollar volume of commercial loans and loans secured by nonfarm nonresidential properties were originated for \$100 thousand or less. Of the 29 small business loans (defined as loans for less than \$1 million) originated during the first six months of 1996, 19 (66%) were to businesses with revenue of less than \$1 million and 10 (34%) were to businesses with revenue greater than \$1 million. Additionally, 18 (62%) of the 29 loans were in original amounts of less than \$100 thousand, 3 (10%) were between \$100 thousand and \$250 thousand, 6 (21%) were between \$250 thousand and \$1 million, and 2 (7%) were over \$1 million.

As of June 30, 1996, the bank has five loans outstanding secured by farmland totaling \$1 million. One loan was originated for under \$100 thousand, two loans were in original amounts between \$100 thousand and \$250 thousand, and two loans were in original amounts between \$250 thousand and \$500 thousand.

Geographic Distribution of Loans

We did not conduct an analysis of the geographic distribution of loans since there are no low- or moderate-income areas in the bank's assessment area. An analysis of this type is not considered meaningful.

During the concurrent Fair Lending examination, no violations of Fair Lending laws or regulations were identified.