



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

October 14, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Equity Bank, NA
Charter Number: 12617
145 Atco Avenue
Atco, NJ 08044**

**Office of the Comptroller of the Currency
Philadelphia Field Office
3325 Street Road
Bensalem, PA 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 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 **Equity Bank, NA**, prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of October 14, 1998. 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**.

This overall rating is supported by the following factors:

- The bank's average loan to deposit ratio over the past ten quarters was 73%.
- A majority of HMDA and small business loans were made within the bank's assessment area.
- Lending to borrowers of different income levels and businesses of different sizes is reasonable.
- The bank has taken appropriate action in response to substantiated complaints about its performance in meeting assessment area credit needs.

The following table indicates the performance level of Equity Bank NA with respect to each of the five performance criteria.

Small Institution Assessment Criteria	Equity Bank NA 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			X
Response to complaints		X	

DESCRIPTION OF INSTITUTION

Equity Bank, NA (EBNA) is a \$320 million institution headquartered in Atco, New Jersey. Chartered in 1925, EBNA was previously named Equity National Bank, and operated from four branch offices until 1996. Since the last CRA examination in March 1996, EBNA has undergone some major changes.

On February 3, 1997, the Federal Reserve Bank approved the sale of Equity National Bank to Susquehanna Bancshares, Inc., Lititz, PA. The bank retained its local board members and management. On October 1, 1998, the bank changed its name to Equity Bank NA, and merged with Farmers National Bank, Mullica Hill, NJ. Two branches were acquired as a result of the merger with Farmers National Bank, and EBNA opened four branches since the last CRA examination. This brings EBNA's current branch office total to ten.

EBNA management stated that the branch growth and acquisition over the past two years is part of its business strategy to become a more "retail oriented" bank. The branch network expansion has been largely funded by profits generated from EBNA's "spot lot" loan portfolio. Spot lot loans are temporary financing of residential construction. Mortgage brokers refer these temporary loans to the bank, and provide permanent financing once the construction is complete.

For the purpose of this CRA evaluation, only Equity National Bank loans were included in the analysis. Farmers National Bank loans were excluded because the bank had only been merged with EBNA for two weeks at the start of this examination. EBNA was examined under the Small Bank Performance Criteria because they were not affiliated with Susquehanna Bancshares, Inc. for a full two years prior to the onset of this CRA examination. Beginning January 1, 1999, EBNA will begin the data collection necessary under the Large Bank Program, and the next CRA examination will be conducted using the Large Bank Procedures.

EBNA is a full-service bank, but focuses heavily on commercial lending. This focus is reflected in the distribution of EBNA's loan portfolio. As of June 30, 1998, EBNA's loan portfolio totaled \$165 million: 49% were commercial loans, 25% were construction loans, 12% were auto loans, 9% were home equity loans, 1% were residential real estate loans, and 4% were classified as "other" loans. Residential lending activity is very limited at EBNA. The bank uses an outside vendor to process and purchase all residential mortgage loans, however, each application is approved or denied by EBNA personnel. EBNA also began a first time home buyer mortgage program in 1997 to accommodate low- and moderate-income individuals. As of October 14, 1998, the bank has booked 11 first time home buyer loans totaling approximately \$1 million.

Area competition includes branches of several national, state and savings institutions, including Sun National Bank, Commerce Bank, and Hudson United Bank. There are no known legal or financial impediments to prevent EBNA from meeting the credit needs of its community.

EBNA's last CRA assessment was dated March 8, 1996. The bank received a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

EBNA's assessment area encompasses all of Camden County and portions of Atlantic, Burlington, and Gloucester Counties. The assessment area is comprised of 236 census tracts within the Philadelphia-Wilmington-Atlantic City Combined Metropolitan Statistical Area. Of the 236 census tracts, 6% are designated low-income, 8% are moderate-income, 54% are middle-income, 29% are upper-income, and 3% did not have any census tract designation.

Approximately 31,000 total businesses populate the assessment area. Seventy-four percent of those businesses had total revenues of \$1 million or less per year, and 65% of the total businesses had only 1 - 4 employees. Services and retail trade are the predominant industries in the assessment area. The area's unemployment rate during the fourth quarter of 1995 was 5.89%.

The population of the assessment area is approximately 937 thousand individuals. Median family income for the area is \$46,371. Median housing value for the area is \$109,302 and median age of the housing stock is 36 years. Owner occupied housing is 69% of the total, and rental occupied housing is 25% of the total. Vacant housing units equal 5% of the total units, and 1% of total units were boarded up.

Management and local organizations contacted during our examination indicated that primary credit needs in their area are residential mortgages, small business loans, and home improvement loans.

EBNA's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income census tracts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Scope:

For the purposes of this analysis, the examination period covers HMDA loan activity from January 1, 1996 to June 30, 1998, and small business and spot lot lending activity from January 1, 1996 to October 14, 1998. In order to assess EBNA's lending patterns, we reviewed the bank's HMDA loan application register (LAR), commercial loan portfolio, and spot lot loan portfolio. Our CRA rating was heavily weighted by small business lending activity due to its predominance in EBNA's loan portfolio.

Loan to Deposit Ratio

EBNA's loan to deposit ratio has averaged 73% since the last CRA exam commenced in January of 1996. This level of lending performance is slightly above the national peer average of 71%.

Lending in Assessment Area

As depicted in the tables that follow, a substantial majority of all HMDA and commercial loans were made within the bank's assessment area. However, the bank's spot lot loans are made

substantially outside of the assessment area. Due to the short term nature and high volume of the spot lot loans, EBNA's aggregate in/out ratio is significantly reduced.

LENDING WITHIN THE ASSESSMENT AREA (AA)			
HMDA Loan Originations from 1/1/96 - 6/30/98			
Small Bus & Spot Lot Originations from 1/1/96 - 10/14/98			
	# of Loans		
Portfolio	In AA	Out of AA	% In AA
HMDA Loans	395	75	84%
Small Bus Loans	390	137	74%
Spot Lot Loans	88	577	13%
TOTAL	873	789	53%

LENDING WITHIN THE ASSESSMENT AREA (AA)			
HMDA Loan Originations from 1/1/96 - 6/30/98			
Small Bus & Spot Lot Originations from 1/1/96 - 10/14/98			
	\$ of Loans (000's)		
Portfolio	In AA	Out of AA	% In AA
HMDA Loans	18,371	12,730	59%
Small Bus Loans	91,994	58,603	61%
Spot Lot Loans	14,474	95,053	13%
TOTAL	124,839	166,386	43%

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

HMDA Loan Originations

The bank's record of lending to borrowers of different income levels was evaluated using HMDA reportable loans originated in 1996, 1997, and the first six months of 1998. Our review of HMDA reportable loans revealed reasonable lending patterns to moderate-, middle-, and upper-income borrowers during the examination period. HMDA lending to low-income borrowers was somewhat limited due to strong competition from larger institutions who have captured a significant portion of this market share. Lending patterns are summarized in the table that follows.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS WITHIN THE ASSESSMENT AREA HMDA Loans from 1/1/96 - 6/30/98					
Income Level of Borrower(s)	# of Loans	% of Total	\$ Amt of Loans (000s)	% of Total	Total Families
Low	42	9%	\$1,323	4%	16%
Moderate	69	15%	\$2,330	8%	16%
Middle	98	21%	\$3,163	10%	25%
Upper	169	36%	\$9,641	31%	43%
Not Avail.	17	3%	\$1,894	6%	0%
Out of AA	75	16%	\$12,730	41%	--
Total	470	100%	\$31,081	100%	100%

In addition to this HMDA lending, EBNA contributed approximately \$20 thousand to the Federal Home Loan Bank of New York's Affordable Housing Program, which provided affordable housing and community development in New York state, New Jersey, and Puerto Rico.

Small Business Loans

Management does not currently maintain sufficient data on their commercial loan portfolio to analyze the distribution of business loans by borrower revenue. However, conclusions on the bank's performance in this regard can be drawn from an analysis of information contained in the bank's Reports of Condition and Income. As of June 30, 1998, the latest date this information was available, 70% of the total commercial loan portfolio of \$80 million was defined as small business loans due to original amounts of \$1 million or less. An exact breakdown of original loan amounts for the commercial portfolio is presented in the table that follows.

LENDING TO BUSINESSES OF DIFFERENT SIZES: LOANS SECURED BY NONFARM/NONRESIDENTIAL PROPERTIES OUTSTANDINGS AS OF 6/30/98				
Original Loan Amount	# of Loans	% of Total	\$ Amt of Loans (000s)	% of Total
>\$100,000	26	23%	\$1,429	5%
\$100,000 - \$250,000	47	42%	\$7,534	28%
\$250,001 - \$1,000,000	40	35%	\$18,331	67%
Total	113	100%	\$27,294	100%

LENDING TO BUSINESSES OF DIFFERENT SIZES: COMMERCIAL AND INDUSTRIAL LOANS TO U.S. ADDRESSES OUTSTANDINGS AS OF 6/30/98				
Original Loan Amount	# of Loans	% of Total	\$ Amt of Loans (000s)	% of Total
>\$100,000	163	59%	\$5,664	19%
\$100,000 - \$250,000	68	25%	\$9,392	32%
\$250,001 - \$1,000,000	45	16%	\$14,236	49%
Total	276	100%	\$29,292	100%

The bank also has a small SBA portfolio, consisting of SBA loans purchased during 1996.

Geographic Distribution of Loans

EBNA's assessment area consists of 14 low-income census tracts and 18 moderate-income census tracts. Within the bank's assessment area, only two loans totaling \$102 thousand were made in a low-income census tract over the past ten quarters. Nineteen loans were made in moderate-income census tracts over the past ten quarters. Of the 19 loans, eight loans totaling \$706 thousand were made to small businesses, eight loans totaling \$359 thousand were made to consumers for home purchases or home improvements, and three loans totaling approximately \$2.1 million were made to large businesses. In addition, EBNA has extended a \$175 thousand line of credit to a for-profit developer who specializes in purchasing HUD foreclosures in Camden City and Pensauken. Under the \$175 thousand line of credit, this developer has purchased and

resold eight properties in moderate-income census tracts and one property in a low-income census tract within the assessment area over the past two years. One loan to a non-profit affordable housing group resulted in the renovation and sale of a property located in a moderate-income census tract. No spot lot loans were made in any low- or moderate-income geographies within the assessment area. This lending activity is not commensurate with the geographic distribution of census tracts in the assessment area, as depicted in the tables that follow.

GEOGRAPHIC LOAN DISTRIBUTION OF HMDA LOANS WITHIN THE ASSESSMENT AREA (ORIGINATIONS FROM 1/1/96 - 06/30/98)					
Income Level of Census Tract in AA	# of Loans	% of Total	\$ Amt of Loans (000s)	% of Total	Geographic Distribution of Census Tracts in AA
Low	2	1%	\$102	0%	6%
Moderate	8	2%	\$359	2%	8%
Middle	152	38%	\$5,667	31%	54%
Upper	233	59%	\$12,223	67%	29%
Not Avail.	0	0%	0	0%	3%
Total	395	100%	\$18,351	100%	100%

GEOGRAPHIC LOAN DISTRIBUTION OF BUSINESS LOANS WITHIN THE ASSESSMENT AREA (ORIGINATIONS FROM 1/1/96 - 10/14/98)					
Income Level of Census Tract in AA	# of Loans	% of Total	\$ Amt of Loans (000s)	% of Total	Geographic Distribution of Census Tracts in AA
Low	0	0%	0	0%	6%
Moderate	11	3%	\$2,774	3%	8%
Middle	217	56%	\$48,201	52%	54%
Upper	154	40%	\$40,414	44%	29%
Not Avail.	6	1%	\$595	1%	3%
Total	388	100%	\$91,984	100%	100%

It should be noted, in a performance context, that EBNA is competing against large regional banks with a wider variety of consumer products in most of its low- and moderate-income areas. In addition, owner occupancy rates in the low- and moderate-income census tracts were somewhat low. Only 36% of housing in low-income census tracts is owner occupied, and 51% of housing in moderate-income census tracts is owner occupied. The relatively small percentage of owner occupancy in these census tracts provides somewhat limited lending opportunities.

Response to Complaints

The bank has taken appropriate action in response to substantiated complaints about its performance in meeting assessment area credit needs. EBNA has developed a Community Home Ownership and Community Home Improvement loan product in response to complaints from the New Jersey Citizen Action Group. These products were designed to assist low- and moderate-income borrowers attain residential mortgages and home improvement loans. Since the program's inception in 1997, a total of 11 residential purchase money mortgages were made in the assessment area totaling approximately \$1 million, and eight home improvement loans were made in the assessment area totaling approximately \$207 thousand.

Compliance with Antidiscrimination Laws

A fair lending review performed in conjunction with this CRA examination revealed satisfactory compliance with fair lending regulations. We noted no practices intended to discourage or impede potential borrowers from applying for credit.