



---

Comptroller of the Currency  
Administrator of National Banks

**Bank**

**Large**

---

Northeastern District  
Eastern Pennsylvania Field Office  
Four Greenwood Square, Suite 120  
3325 Street Road  
Bensalem, PA 19020

## **Public Disclosure**

**January 11, 1999**

### **Community Reinvestment Act Performance Evaluation**

**Farmers and Merchants National Bank of Bridgeton  
Charter Number: 9498  
53 South Laurel Street  
Bridgeton, New Jersey 08302**

**Comptroller of the Currency  
Eastern Pennsylvania Field Office  
Four Greenwood Square, Suite 120  
3325 Street Road  
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 **Farmers and Merchants National Bank of Bridgeton** by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 11, 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 high percentage of loans are made within the assessment area.
- < The level of lending to low- and 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 readily accessible to geographies and individuals of different income levels in the assessment area. This is largely due to five branch offices located within low- and moderate-income census tracts. Additionally, there is an adequate level of community development services.

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

**Table I. Results of Performance Tests**

Performance Levels	Farmers and Merchants National Bank of Bridgeton Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	x		x
Low satisfactory			
Needs to improve			
Substantial noncompliance		x	

\* 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 all of 1997 and 1998. The analysis is based on 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 randomly selected loan files. Specific loan products evaluated include: HMDA-reportable loans (i.e., home purchase mortgage, refinance, and home improvement loans), loans to small businesses, loans to small farms, and community development loans. We also evaluated community development investments, retail services, and community development services. F&M's last CRA evaluation was performed as of January 7, 1997, and covered all of 1995 and 1996. HMDA and small business loan performance were weighted equally when determining the Lending Test rating.

## Description of Institution

Farmers and Merchants National Bank (F&M) is a \$465 million institution located in Bridgeton, New Jersey. The bank was chartered in 1909 and is a wholly-owned subsidiary of Southern Jersey Bancorp of Delaware. The holding company is almost entirely comprised of F&M's assets. F&M is a full service, intrastate bank offering a wide array of loan and deposit products. The bank's sole operating subsidiary is F&M Investment Company which is located in Wilmington, Delaware. Strong competition is provided by several larger interstate and regional banking companies, and local community bank and thrift institutions.

During 1997, F&M incurred commercial loan losses that substantially reduced earnings for the year. For fiscal year 1998, the bank reported a \$6.8 million after tax net loss, due primarily to continued increasing commercial loan losses. F&M's financial losses, while resulting in increased regulatory scrutiny, have not significantly impaired its ability to lend, invest or provide services to its assessment

area. In addition, the bank is not under statutory restrictions which impact its ability to help meet its community credit needs.

F&M operates sixteen full service branches throughout Cumberland, Salem, and Gloucester counties. The bank offers automated teller machines (ATMs) at twelve offices and drive-through facilities are provided at ten locations. Additionally, a separate stand-alone ATM is available to customers at Bottino's Center Square in Washington Township which is located in Gloucester County. This ATM was installed in this grocery store within the past year. F&M did not open or close any branches during the evaluation period.

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 September 30, 1998, the institution had total loans approximating \$285 million, or 61% of total assets. The composition of the loan portfolio consists of commercial and real estate loans at 49%, consumer loans at 29%, and residential real estate loans at 22%.

## Description of Assessment Area

F&M has defined one assessment area which includes all of Cumberland County (MSA 8760), a large portion of Salem County, and southern portions of Gloucester County (both included in MSA 6160). The assessment area comprises 52 census tracts (CTs) within the Philadelphia-Wilmington-Atlantic City CMSA. The assessment area complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income CTs.

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	2%	<1%	<1%
Moderate	11	21%	17%	16%
Middle	28	54%	54%	54%

<b>Upper</b>	12	23%	29%	30%
<b>Total</b>	52	100%	100%	100%

The assessment area contains one low-income CT which is located in Cumberland County. From a total of eleven moderate-income CTs, six (55%) are also situated in this county. The remaining five moderate-income CTs (45%) are located in Salem County.

Based on 1990 census data, F&M's assessment area has a population of 217,025 which includes total families of 56,714. As indicated in the above table, approximately 16% of total families in the assessment area are located in low- and moderate-income CTs.

The median family income for the assessment area per revised 1997 Department of Housing and Urban Development (HUD) guidelines averages \$39,329. Housing units total 78,764 of which 82% are one-to-four family units. Owner-occupied housing is 68% of the total, and rental occupied housing is 26% of the total. Vacant housing units equal 6% of the total units.

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 F&M's assessment area are much higher during the same time frame. They are as follows: Cumberland County - 9.2%, Salem 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. Management is hopeful this new EZ designation will create numerous job opportunities and help turn around the local economy.

Major employers include Minots Foods, C. Pappas & Company, Bridgeton Hospital, Sunny Slope Farms, and both state and federal prisons located 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 local community group. Both indicated that primary credit needs are affordable housing loans that provide flexible underwriting standards and readily available small business loans.

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

## Lending Test

### Lending Activity

F&M's lending levels reflect good responsiveness to assessment area credit needs. During 1997, F&M originated 179 HMDA reportable loans within its assessment area for approximately \$8 million. F&M ranked sixth with 2.81% of the market share. The top three lenders had market share ranging from 3.19% to 4.37%. Additionally, less than 100 loans separated the first ranked institution with F&M. All market share data included in this report is based on 1997 originations. Market share data for 1998 was not available at the time this report was issued. In 1998, F&M originated 120 HMDA reportable loans totaling \$4.3 million.

F&M is very active in both small business and small farm lending. During 1997, F&M originated 383 small business and 30 small farm loans for approximately \$32 million. F&M ranked first in business loan originations with 22% market share. F&M also ranked first in farm loan originations with 47% market share. Although the number of originations is modest, F&M is one of only two banks actively involved in farm lending within the assessment area. In 1998, F&M originated 274 loans to businesses and farms for \$18.7 million.

### Assessment Area Concentration

F&M originates a high percentage of loans in its assessment area. During 1997, 90% of the number and 86% of the dollar amount of total HMDA, business, and farm originations were within the assessment area. During 1998, 84% of the number and 73% of the dollar amount of originations were within the assessment area. Overall, F&M's lending activity reflects good responsiveness to the credit needs of its assessment area. The following tables provide a breakdown of HMDA, business, and farm loans extended during 1997 and 1998.

<b>HMDA Loan Originations Within the Assessment Area During Evaluation Period</b>			
<b>Number of Loans</b>			
	<b>1997</b>	<b>1998</b>	<b>Total</b>
Number of Loans Made in AA	179	120	299
Total Loans	196	155	351
Percent of Originations in AA	91%	77%	85%
<b>Dollar Amount of Loans (\$000)</b>			
Dollar Amount of Loans in AA	8,006	4,302	12,308
Total Dollar Amount of Loans	8,880	7,819	18,699

Percent of Dollar Amount in AA	90%	55%	66%
--------------------------------	-----	-----	-----

<b>Small Business &amp; Farm Loan Originations Within Assessment Area During Evaluation Period</b>			
<b>Number of Loans</b>			
	<b>1997</b>	<b>1998</b>	<b>Total</b>
# of Loans Made in AA	413	274	687
Total Loans	459	314	773
% Originations in AA	90%	87%	89%
<b>Dollar Amount of Loans (\$000)</b>			
\$ Amount of Loans Made in AA	31,995	18,737	50,732
Total \$ Amount of Loans	37,710	22,920	60,630
% \$ Amount in AA	85%	82%	84%

Note: The vast majority of these originations by number and dollar amount were small business loans (approximately 93% in number and 94% by dollar amount in 1997; unable to determine breakdown in 1998).

The bank's average loan-to-deposit ratio since the last examination (past eight quarters) is 70%. This figure is slightly lower than the national peer average which approximates 75%. F&M's lower ratio is somewhat mitigated by the sale of most conforming residential mortgages to Freddie Mac. The bank sold approximately \$4 million in loans in 1997 and \$12.3 million in 1998.

## Lending to Borrowers of Different Income Levels

The bank's record of lending to borrowers of different income levels was evaluated using various reports generated from HMDA loan information for 1997 and 1998.

Our review revealed good lending penetration to borrowers of different income levels, particularly low- and moderate-income borrowers. For 1997, 46% of the number and 29% of the dollar amount of total originations were to low- and moderate-income borrowers. For 1998, 49% of the number and 35% of the dollar amount of total originations were to low- and moderate-income borrowers. The percentages for number of loans to low- and moderate-income borrowers compare very favorably to the percentage of total families that are low- and moderate-income (36%) within the assessment area.

When considered separately, the percentage of HMDA loans originated to low-income borrowers in 1997 approximated, and in 1998 slightly exceeded, the percentage of low- income families in the assessment area. The percentage of HMDA loans originated to moderate-income borrowers well exceeded the percentage of moderate-income families in the assessment area in both 1997 and 1998.

Lender market share reports for 1997 HMDA-reportable loans reflect very favorably on the bank as F&M is ranked among the top ten banks located within its assessment area. F&M's market share equates to 2.81% of all HMDA loans originated within its assessment area. The bank ranked third by originating 56 loans totaling \$1.7 million, for a market share of 4.56%, to moderate-income borrowers during this time frame. F&M ranked first by originating 27 loans totaling \$593 thousand, for a market share of 6.82%, to low-income borrowers.

The following table provides a detailed breakdown of HMDA lending levels to borrowers of all income levels.

<p style="text-align: center;"><b>HMDA Loan Originations to Borrowers of Different Income Levels by Number and Dollar Amount</b></p>
--

Income Category	Low		Moderate		Middle		Upper		Total	
	# of Loans	%	# of Loans	%						
1997	27	15%	56	32%	38	21%	58	32%	179	100%
1998	28	23%	31	26%	33	28%	28	23%	120	100%
	\$ Amt. (000)	%	\$ Amt. (000)	%						
1997	593	8%	1,744	22%	1,567	19%	4,102	51%	8,006	100%
1998	514	12%	998	23%	1,696	40%	1,094	25%	4,302	100%
Total Families	10,600 or 19%		9,620 or 17%		13,243 or 23%		23,251 or 41%		56,714 or 100%	

## Lending to Small Businesses and Small Farms

We evaluated F&M's record of lending to small businesses and small farms during 1997 and 1998. Small businesses/farms are defined as entities with less than or equal to \$1 million in gross annual revenues.

The bank is very responsive to the credit needs of small businesses and small farms in its assessment area. There are 4,160 companies which qualify as small businesses representing 75% of total businesses within the assessment area. There are also 163 small farms which equate to 87% of total farms within the assessment area. In 1997, 91% of F&M's small business loans by number and 70% by dollar amount were made to small businesses. All small farm loans were made to small farms. In 1998, 89% of the bank's small business and farm loans by number and 69% by dollar amount were made to small businesses and small farms. Additionally, the majority (83%) of all small business and small farm loans originated during the evaluation period are for less than \$100,000.

As noted earlier in the evaluation, lender market share reports for 1997 small business and small farm loans reflect very favorably on the bank. F&M originated 383 small business and 30 small farm loans for approximately \$32 million. F&M ranked first in business loan originations with 22% market share. F&M also ranked first in farm loan originations with 47% market share. Although the number of originations is modest, F&M is one of only two banks actively involved in farm lending within its assessment area. In 1998, F&M originated 274 loans to businesses and farms for \$18.7 million.

The following tables provide a breakdown by loan size of small business and small farm loans originated in the bank's assessment area during 1997 and 1998.

<b>Small Business Loans Originated in 1997 within the Assessment Area</b>				
<b>Loan Size Category</b>	<b>Small Business Loans</b>			
	<b># of Loans</b>	<b>%</b>	<b>\$ Amount (000)</b>	<b>%</b>
<b>Less than \$100,000</b>	316	83%	9,790	33%
<b>\$100,000 to \$250,000</b>	39	10%	6,526	22%
<b>Greater than \$250,000</b>	28	7%	13,623	45%
<b>Total</b>	383	100%	29,939	100%
<b>Businesses with Revenues Less than \$1,000,000 (i.e., Loans to Small Businesses)</b>	349	91%	21,072	70%

<b>Small Farm Loans Originated in 1997 within the Assessment Area</b>				
<b>Loan Size Category</b>	<b>Small Farm Loans</b>			
	<b># of Loans</b>	<b>%</b>	<b>\$ Amount (000)</b>	<b>%</b>
<b>Less than \$100,000</b>	24	80%	841	41%
<b>\$100,000 to \$250,000</b>	4	13%	585	28%
<b>Greater than \$250,000</b>	2	7%	630	31%
<b>Total</b>	30	100%	2,056	100%
<b>Farms with Revenues Less than \$1,000,000 (i.e., Loans to Small Farms)</b>	30	100%	2,056	100%

Small Business and Small Farm Loans Originated in 1998 within the Assessment Area				
Loan Size Category	Small Business and Small Farm Loans			
	# of Loans	%	\$ Amount (000)	%
Less than \$100,000	229	84%	6,698	36%
\$100,000 to \$250,000	30	11%	4,627	25%
Greater than \$250,000	15	5%	7,412	40%
<b>Total</b>	274	100%	18,757	100%
<b>Businesses and Farms with Revenues Less than \$1,000,000 (i.e., Loans to Small Businesses and Small Farms)</b>	245	89%	12,873	69%

## Geographic Distribution of Loans

We evaluated the bank's geographic distribution of loans using various reports generated from HMDA loan information for 1997 and 1998. Additionally, information regarding small business and small farm loans for 1997 and 1998 was also evaluated.

Our analysis reflects very good lending penetration throughout geographies with various income characteristics within F&M's assessment area, including low- and moderate-income CTs. Our analysis illustrates that most loans are made within middle- and upper-income CTs which is considered reasonable since such tracts comprise 77% of the bank's assessment area. However, lending within low- and moderate-income CTs is also prevalent when compared to the percentage of such tracts that exist within F&M's assessment area. Specifically, the percentage of loan originations within moderate-income CTs is high when compared to the percentage of such tracts within the assessment area. In 1997, 34% of total HMDA loans by number and 33% by dollar amount were made within F&M's 11 moderate-income CTs (21% of total CTs). In 1998, 31% of total HMDA loans by number and 36% by dollar amount were made within moderate-income tracts. Only one CT within the bank's assessment area is designated as low-income, and lending levels within this tract during the examination period are considered reasonable.

Additionally, HMDA originations in low- and moderate-income tracts are high considering only 11% of all owner-occupied housing is located within such CTs. No gaps in lending activity for each income category were identified during our analysis.

As noted earlier in this evaluation, lender market share reports for 1997 HMDA-reportable loans reflect very favorably on the bank as F&M is ranked among the top ten banks located within its assessment area. F&M's market share equates to 2.81% of all HMDA loans originated within its

assessment area. F&M ranks first among banks located within its assessment area for loan originations in both low- and moderate-income CTs. Specifically, F&M originated 61 loans equating to \$2.6 million for a market share of 8% within moderate-income CTs in the assessment area. The bank also originated 5 loans totaling \$173 thousand for a market share of 23% within its sole low-income CT during the same time frame.

The following tables provide a detailed breakdown of F&M's geographic distribution of HMDA loans during the examination period.

<b>HMDA Loan Originations by Census Tract Characteristic for 1997</b>							
<b>Census Tract Characteristic</b>	<b># of Loans</b>	<b>%</b>	<b>\$ Amount (000)</b>	<b>%</b>	<b>Census Tracts Within AA</b>	<b>% of Total Census Tracts</b>	<b>% of Owner Occupied Housing by CT</b>
<b>Low</b>	5	3%	173	2%	1	2%	<1%
<b>Moderate</b>	61	34%	2,603	33%	11	21%	11%
<b>Middle</b>	107	60%	4,801	60%	28	54%	58%
<b>Upper</b>	6	3%	429	5%	12	23%	31%
<b>Total</b>	179	100%	8,006	100%	52	100%	100%

Note: AA = Assessment Area

<b>HMDA Loan Originations by Census Tract Characteristic for 1998</b>							
<b>Census Tract Characteristic</b>	<b># of Loans</b>	<b>%</b>	<b>\$ Amount (000)</b>	<b>%</b>	<b>Census Tracts Within AA</b>	<b>% of Total Census Tracts</b>	<b>% of Owner Occupied Housing by CT</b>
<b>Low</b>	1	1%	13	<1%	1	2%	<1%
<b>Moderate</b>	37	31%	1,543	36%	11	21%	11%
<b>Middle</b>	79	66%	2,675	62%	28	54%	58%
<b>Upper</b>	3	2%	71	2%	12	23%	31%
<b>Total</b>	120	100%	4,302	100%	52	100%	100%

Note: AA = Assessment Area

F&M's small business lending in low- and moderate-income CTs approximates or exceeds the number

of small businesses in low- and moderate-income CTs. Within F&M's assessment area, 5% of all small businesses and no small farms are located in low-income CTs. Additionally, 18% of small businesses and 4% of small farms are located in moderate-income CTs.

In comparison, 2% of small business loans originated in 1997 were in low-income CTs. No farm loans were extended in such tracts since no farms exist in these areas. Also in 1997, F&M originated 25% of its small business loans and 17% of its small farm loans in moderate-income tracts. In 1998, 7% of small business loans were originated in low-income CTs. Additionally, 23% of small business and small farm loans were extended in moderate-income tracts.

Lender market share reports for 1997 show F&M originated 100 loans totaling \$4.9 million in moderate-income CTs. F&M easily ranks first in lending in such tracts with 26% market share. In low- income CTs, the bank originated six loans totaling \$211 thousand. This equates to 10% market share and a third place ranking. Regarding small farm loans, F&M originated five of the six loans extended in moderate-income CTs within their assessment area. This equates to 83% market share. This is a significant activity considering only seven farms exist within moderate-income CTs in the bank's assessment area. As noted above, no farms are located within low-income CTs.

The following tables provide a detailed breakdown of F&M's geographic distribution of small business and small farm loan originations during the examination period.

<b>Small Business Loan Originations by Census Tract Characteristic for 1997</b>						
<b>Census Tract Characteristic</b>	<b># of Loans</b>	<b>%</b>	<b>\$ Amount (000)</b>	<b>%</b>	<b># of CTs in Each Category</b>	<b>% of Total CTs</b>
<b>Low</b>	6	2%	211	1%	1	2%
<b>Moderate</b>	95	25%	4,752	16%	11	21%
<b>Middle</b>	249	65%	22,223	74%	28	54%
<b>Upper</b>	33	8%	2,753	9%	12	23%
<b>Total</b>	383	100%	29,939	100%	52	100%

<b>Small Farm Loan Originations by Census Tract Characteristic for 1997</b>						
<b>Census Tract Characteristic</b>	<b># of Loans</b>	<b>%</b>	<b>\$ Amount (000)</b>	<b>%</b>	<b># of CTs in Each Category</b>	<b>% of Total CTs</b>

<b>Low</b>	0	0%	0	0%	1	2%
<b>Moderate</b>	5	17%	106	5%	11	21%
<b>Middle</b>	22	73%	1,853	90%	28	54%
<b>Upper</b>	3	10%	97	5%	12	23%
<b>Total</b>	30	100%	2,056	100%	52	100%

Note: No farms are located within low-income CTs in the bank's assessment area. Additionally, only 7 farms are located within moderate-income CTs in the bank's assessment area (all are considered small farms).

<b>Small Business and Small Farm Loan Originations by Census Tract Characteristic for 1998</b>						
<b>Census Tract Characteristic</b>	<b># of Loans</b>	<b>%</b>	<b>\$ Amount (000)</b>	<b>%</b>	<b># of CTs in Each Category</b>	<b>% of Total CTs</b>
<b>Low</b>	19	7%	1,668	9%	1	2%
<b>Moderate</b>	63	23%	3,626	19%	11	21%
<b>Middle</b>	183	67%	12,629	68%	28	54%
<b>Upper</b>	9	3%	814	4%	12	23%
<b>Total</b>	274	100%	18,737	100%	52	100%

Note: The vast majority of these originations by number and dollar amount were small business loans.

## **Community Development Lending**

The bank did not make any community development loans during the evaluation period. However, F&M did extend six loans totaling \$294,600 which have a primary purpose of community development. These loans, which are further described below, are accounted for in HMDA-reportable and small business loan totals.

The bank extended five loans for an aggregate amount of \$256,600 to landlords for rental housing in conjunction with HUD's Section 8 housing program during the evaluation period. Under this program, low- and moderate-income borrowers' monthly rents are subsidized through monetary assistance from HUD.

The bank extended a \$38 thousand refinance mortgage to a child care center during October of 1998. This business offers day care services solely to low- and moderate-income families. The business is also located in a moderate-income CT in Salem, New Jersey.

## **Product Innovation**

F&M uses innovative and/or flexible lending practices in order to serve the credit needs of its assessment area. The bank introduced a new “Secondary Mortgage Program” in 1997 targeted towards first time homebuyers. Based on discussions with management, this product was implemented to provide low- and moderate-income individuals within the bank’s assessment area easier access to credit. Formerly, many such prospective customers could not afford the bank’s standard fifteen- and twenty-year mortgage products. F&M now offers adjustable rate mortgages; twenty-five- and thirty-year mortgages; and Federal Housing Administration (FHA), and Veteran’s Administration (VA) loan products. In 1997, F&M originated 43 loans totaling \$4 million under these programs. In 1998, the bank originated 112 loans totaling \$12.3 million under these programs. All loans are sold in the secondary market.

## **Investment Test**

The bank has a nominal level of qualified community development grants. Specifically, F&M has made only \$200 in qualified donations during the evaluation period even though ample investment opportunities exist within the bank’s assessment area, the state of New Jersey, and a broader regional area.

F&M made a \$100 donation to a local non-profit agency that plays a pivotal role in community development in the bank’s assessment area. This organization works with local non-profit housing agencies by rehabilitating low- and moderate-income housing units throughout the bank’s assessment area. They also provide credit and home ownership counseling for prospective low- and moderate-income borrowers.

During March of 1997, the bank also donated \$100 to another non-profit organization that provides affordable housing for low- and moderate-income individuals.

As noted earlier, ample investment opportunities are available to the bank. The following is a brief synopsis of typical investment opportunities available to F&M. These are simply examples, and this is not meant to be an all inclusive list.

- < Freddie Mac structured pass-through certificates / mortgage-backed securities which are backed by housing loans made to low- and moderate-income borrowers are accessible to F&M.
- < Equity investments in housing projects for individuals and/or senior citizens with low-incomes determined by HUD guidelines are also accessible to F&M.
- < The New Jersey Community Loan Fund was recently created solely for the purpose of creating

improved housing conditions or aiding other community development needs of low- and moderate-income residents of New Jersey. Within the past 2 years, this fund has provided about \$150,000 for community development projects in Salem and Gloucester counties.

- < There are several non-profit organizations that play a pivotal role in community development in the bank's assessment area. F&M has opportunities to make grants to such organizations.
- < There are a substantial number of community development investment opportunities at the statewide level. We provided the bank with a comprehensive list of statewide community development investments opportunities.

## **Service Test**

### **Retail Banking Services**

F&M's branch service delivery systems are readily accessible to geographies and individuals of different income levels within the assessment area. F&M provides banking services throughout Cumberland County with eleven branch locations. F&M also offers retail banking services to southeastern portions of Salem and Gloucester Counties as five branches are located within this segment of the assessment area. F&M offers thirteen ATMs to its customers. This encompasses twelve ATMs at various branch locations, and one stand-alone ATM at a shopping center in Gloucester County. Ten branches are equipped with drive-in facilities. As noted earlier in this evaluation, no branches were opened or closed during this evaluation period. Additionally, four branches are located in moderate-income CTs, and another is located within the bank's sole low-income CT in its assessment area in Vineland, New Jersey. Furthermore, 31% of F&M's branches are located in low- and moderate-income CTs. This figure exceeds the total amount of low- and moderate-income census tracts (23%) within the bank's assessment area.

Please refer to the following table for more details on the bank's branch distribution compared to census tract characteristics within the assessment area.

<b>Branch Distribution by Census Tract Characteristic</b>				
<b>Census Tract Characteristic</b>	<b>Number of CTs in Assessment Area</b>	<b>Percentage of Total CTs</b>	<b>Number of Branches by CT</b>	<b>Percentage of Total Branches</b>
<b>Low</b>	1	2%	1	6%
<b>Moderate</b>	11	21%	4	25%
<b>Middle</b>	28	54%	9	56%
<b>Upper</b>	12	23%	2	13%
<b>Total</b>	52	100%	16	100%

Note: All four branches located in moderate-income CTs are equipped with ATMs; the sole branch in a low-income CT is not equipped with an ATM.

Offices and service delivery systems are readily accessible to all segments of the assessment area. Office hours meet the convenience and needs of the entire community and include extended weekday hours at all locations and Saturday hours at thirteen branch locations. Additionally, Saturday hours are offered at each of the five branches located in low- and moderate-income CTs. The majority of low- and moderate-income families reside within low- and moderate-income CTs. Additionally, low- and moderate-income families comprise 35% of total families living within middle-income CTs and 23% 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.

In addition to ATMs and bank-by-mail, the bank also offers a website on the Internet. The website discloses all services and products offered by F&M. Customers are able to send F&M electronic mail and request such information as loan applications and account disclosures. However, the bank does not compile statistics to determine the impact these services have on low- and moderate-income individuals residing within the assessment area. Therefore, we did not place a lot of weight on these particular services when determining the rating for the service test.

F&M offers a standard array of products and services 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.

## **Community Development Services**

F&M provides an adequate level of community development services within its assessment area.

During 1998, F&M participated in three seminars co-sponsored by the SBA and the following local organizations: Greater Vineland Chamber of Commerce, Greater Salem Chamber of Commerce, and Cumberland County Economic Development. In addition, F&M participated in a two day Cumberland County Business Exposition sponsored by the Bridgeton, Vineland, and Millville Chambers of Commerce in October of 1998. These programs provide local small business owners with an opportunity to benefit from the combined expertise of the participants on matters of general business development. For example, the bank can provide advice to an entrepreneur interested in a new business or to an existing business with a growth problem or a new idea. The bank also uses this forum to inform and educate people of the various financial products offered by the bank. These seminars are utilized by the assessment area's large low- and moderate-income population. These sessions and the organizations involved promote community development and economic revitalization. They also provide financial support for small businesses throughout F&M's assessment area. Additionally, these seminars lay the groundwork for creating permanent employment for low- and moderate-income individuals residing within the assessment area.

Management conducts "School Banking Programs" at several schools within its assessment area. Two of these schools, Buckshutem and Cherry Street, are located in moderate-income CTs. A significant majority of the children attending these two schools are from low- and moderate-income families. Management lends their financial expertise by educating these students about basic aspects of the financial world. Additionally, the bank has established savings programs with these children.

During the summer farming season, F&M offers two part-time employees as Spanish interpreters in its Main Office lobby to assist low-income migratory farm workers. The majority of the farm workers do not speak English, so this service is imperative for them to complete their banking needs such as cashing checks, opening savings accounts, and purchasing money orders.

## **Compliance with Antidiscrimination Laws**

A fair lending review performed in conjunction with this CRA examination revealed that F&M is complying with fair lending regulations. Specifically, we assessed F&M's underwriting of home purchase mortgages using denied black applicants as our prohibited basis group. No violations of the substantive provisions of the anti-discrimination laws were discovered.

<b>Scope of Examination</b>			
<b>Time Period Reviewed</b>	January 1, 1997 through January 11, 1999		
<b>Financial Institution:</b> Farmers and Merchants National Bank of Bridgeton, New Jersey	<b>Products Reviewed:</b> HMDA Reportable Loans Small Business Loans Small Farm Loans Community Development Loans, Investments, and Services		
<b>Affiliates</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>	
F&M Investment Company	F&M is a Wholly-Owned Subsidiary of Southern Jersey Bancorp of Delaware	None	
<b>List of Assessment Areas and Type of Examination</b>			
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Branches Visited</b>	<b>Other Information</b>
Includes Portions of MSA 6160 & MSA 8760 within the Philadelphia-Wilmington-Atlantic City CMSA	On-Site	F&M's Main and West Side Offices in Bridgeton, NJ	None