



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

February 27, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Hope Bank, a National Banking Association
Charter Number 10118

1301 Hope-Bridgeville Road
Hope, NJ 07844

Office of the Comptroller of the Currency

New York Metro Field Office
340 Madison Ave, 4th Floor
New York, NY 10173

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, and should not 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.

Table of Contents

| | |
|----------------------------------------------------------------------|-----------|
| OVERALL CRA RATING | 3 |
| DEFINITIONS AND COMMON ABBREVIATIONS | 4 |
| DESCRIPTION OF INSTITUTION | 8 |
| SCOPE OF THE EVALUATION..... | 8 |
| DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW | 12 |
| CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS..... | 13 |
| LENDING TEST | 13 |
| COMMUNITY DEVELOPMENT TEST..... | 19 |

Overall CRA Rating: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors supporting First Hope Bank's ("First Hope" or "Bank") overall CRA rating include:

- The loan-to-deposit ("LTD") ratio is reasonable based on the size of the Bank, the financial condition of the Bank, the credit needs of the assessment areas ("AAs"), as well as competition for loans and deposits;
- A majority of the Bank's loans were originated within the AAs;
- The Bank's distribution of loans to borrowers reflects reasonable distribution among borrowers of different income levels;
- The Bank's responsiveness to community development needs and opportunities within its AAs is adequate; and
- First Hope Bank did not receive any Community Reinvestment Act ("CRA") related complaints since the previous CRA evaluation.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

First Hope is an OCC-regulated national bank with its main office in Hope, NJ. First Hope Bancorp independently owns First Hope. First Hope's strategy is to continue to operate as an independent community bank providing a variety of financial services. The Bank has one operating subsidiary, First Hope Invescorp, which manages portions of the Bank's investment holdings. The financial condition and activities of the subsidiary do not adversely affect First Hope's ability to meet the credit needs of its community. The previous CRA evaluation, completed on March 24, 2014, concluded with an overall "Satisfactory" rating.

First Hope operates six branches with automated teller machines ("ATMs") in Sussex, Morris, and Warren Counties in New Jersey. The Sparta and Andover branches are located within Sussex County; the Hackettstown branch is located within Morris County; and the Hope, Blairstown, and Great Meadows branches are located within Warren County. There is one stand-alone ATM in Blairstown, New Jersey. There were no branch openings or closings during the review period.

As of December 31, 2016, First Hope had \$488.51 million in assets and \$423.19 million in deposits. Management offers traditional retail deposit accounts, consumer and residential loans, commercial loan products, as well as an array of investment and fiduciary services through the Investment and Trust Division. In addition, management offers specialized deposit products through the Interest on Lawyers Trust Account ("IOLTA") program and the Northwest New Jersey Community Action Partnership ("NORWESCAP") Individual Development Account ("IDA") program. The IOLTA program receives deposits from local law firm clients and pools them into interest bearing accounts maintained by the law firms. The interest proceeds are automatically paid to the IOLTA Fund of the New Jersey Bar Association to support law-related charitable purposes. The NORWESCAP's IDA program is a matched savings account to help income-eligible individuals achieve financial goals.

Competition for loans and deposits is aggressive within the AAs, and management has identified PNC Bank, Highlands Bank, Lakeland Bank, Sussex Bank, Provident Bank, Fulton Bank, and Valley National Bank as its primary competitors.

Scope of the Evaluation

Evaluation Period/Products Evaluated

First Hope's CRA performance was evaluated under the intermediate small bank examination procedures, which include a lending test and a Community Development ("CD") test. The lending test evaluated the Bank's record of meeting the credit needs of its AAs through its lending activities. The evaluation period for the lending test covers home mortgage loan data from January 1, 2014 to December 31, 2016. The CD test evaluates the Bank's responsiveness to CD needs in its AAs through CD loans,

investments, and services. The evaluation period for First Hope’s CD activities is March 25, 2014 to February 27, 2017.

The Bank’s primary loan products are home mortgage loans, which includes home purchase, home improvement, and home refinance loans. Management appropriately reports home mortgage loan data under the Home Mortgage Disclosure Act (“HMDA”). The OCC Data Integrity examination prior to this evaluation determined the HMDA-LAR data from 2014 to 2016 is accurate and reliable. CD loans, investments, and services were verified to ensure compliance with regulatory definitions and standards. Business loans, consumer loans, and farm loans were excluded from this review, as they are not considered primary loan products.

| Loan Originations from January 1, 2014 through December 31, 2016 | | |
|-------------------------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------------------------|
| | % by Number of Loans Originated during the Evaluation Period | % by Dollars of Loans Originated during the Evaluation Period |
| Home Loans | 47.18% | 56.19% |
| Business Loans | 33.68% | 33.40% |
| Consumer Loans | 19.14% | 10.41% |
| Total | 100.00% | 100.00% |

Description of Assessment Areas

The Bank operates in two designated assessment areas: Morris-Sussex Counties and Warren County. Credit and CD needs in the AAs are primarily centered in providing affordable housing and community services to low-to-moderate-income (“LMI”) individuals. The Federal Deposit Insurance Corporation (“FDIC”) releases an annual *Summary of Deposits* report for all insured institutions. Based on the most recent release of this report as of June 30, 2016, total Bank deposits in the Morris and Sussex Counties was \$201.88 million, placing First Hope 18th among 35 banks with 0.78 percent of deposit market share in the counties. The Bank has three branches in Morris and Sussex Counties. First Hope ranks 19th out of 32 banks in the Allentown-Bethlehem-Easton MSA, where it has three branches and \$225.14 million in deposits or 1.37 percent of market share.

As part of our CRA evaluation, we contacted two local community organizations to discuss local economic conditions, community needs, and the level of participation of financial institutions. The organizations serve LMI families within the AAs. According to our community contacts, homelessness continues to be a primary issue in the AAs, and both contacts cited funding and financial literacy training as priorities of the community. The contacts also stated that local financial institutions have been supportive of the community’s needs by providing credit opportunities and donations.

Morris-Sussex Assessment Area Description

According to the 2010 U.S. Census, the Morris-Sussex AA consists of 59 census tracts in Morris and Sussex County, New Jersey. The AA is located in the Newark-Union NJ-PA Metropolitan Statistical Area (MSA) 35084. There are zero census tracts in low-income geographies, three (5.08 percent) in moderate-income geographies, 38 (64.41 percent) in middle-income geographies, and 18 (30.51 percent) in upper-income geographies. The total population within this county based on the 2010 U.S. Census equals 248,835 and is distributed as zero percent low-income, four percent moderate-income, 60.64 percent middle-income, and 35.36 percent upper-income.

There are three branches operating in the Morris-Sussex Counties AA. The Sparta and Andover branches are located within Sussex County and the Hackettstown branch is located in Morris County.

| Demographic Information for Full Scope Area: Morris and Sussex County | | | | | | |
|--------------------------------------------------------------------------------------------------------|---------|------------------------|-----------------|-------------------------------------------------------------------------------------------|-----------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs) | 59 | 0.00 | 5.08 | 64.41 | 30.51 | 0.00 |
| Population by Geography | 248,835 | 0.00 | 4.00 | 60.64 | 35.36 | 0.00 |
| Owner-Occupied Housing by Geography | 75,506 | 0.00 | 2.81 | 61.47 | 35.72 | 0.00 |
| Business by Geography | 14,939 | 0.00 | 4.22 | 55.82 | 39.96 | 0.00 |
| Farms by Geography | 734 | 0.00 | 2.86 | 62.53 | 34.60 | 0.00 |
| Family Distribution by Income Level | 68,895 | 13.76 | 16.95 | 25.16 | 44.12 | 0.00 |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 21,160 | 0.00 | 6.82 | 69.31 | 23.86 | 0.00 |
| Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below Poverty Level | | 90,123 95,100 5% | | Median Housing Value Unemployment Rate (December 2016 - Bureau of Labor Statistics) | 354,284 4.1% | |

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2016 FFIEC updated MF1

Warren Assessment Area Description

According to the 2010 U.S. Census, the Warren AA consists of 23 census tracts in Warren County, New Jersey. The AA is located in the Allentown-Bethlehem-Easton, NJ-PA MSA 10900. There are zero census tracts in low-income geographies, three (13.03 percent) in moderate-income geographies, seven (30.43 percent) in middle-income geographies, and 13 (56.52 percent) in upper-income geographies. The total population within this county based on the 2010 U.S. Census amounts to 108,692 and is distributed as zero

percent low-income, 10.98 percent moderate-income, 24.89 percent middle-income, and 64.13 percent upper-income.

There are three branches located within the Warren County AA in Hope, Great Meadows, and Blairstown, NJ, along with a standalone ATM located in Blairstown, NJ.

| Demographic Information for Full Scope Area: Warren County | | | | | | |
|--------------------------------------------------------------------------------------------------------|---------|------------------------|-----------------|-------------------------------------------------------------------------------------------|-----------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs) | 23 | 0.00 | 13.04 | 30.43 | 56.52 | 0.00 |
| Population by Geography | 108,692 | 0.00 | 10.98 | 24.89 | 64.13 | 0.00 |
| Owner-Occupied Housing by Geography | 31,528 | 0.00 | 7.90 | 24.34 | 67.75 | 0.00 |
| Business by Geography | 6,477 | 0.00 | 7.87 | 26.99 | 65.14 | 0.00 |
| Farms by Geography | 396 | 0.00 | 1.77 | 12.37 | 85.86 | 0.00 |
| Family Distribution by Income Level | 29,747 | 14.02 | 13.19 | 20.74 | 52.04 | 0.00 |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 8,095 | 0.00 | 22.75 | 30.01 | 47.24 | 0.00 |
| Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below Poverty Level | | 68,935 70,900 7% | | Median Housing Value Unemployment Rate (December 2016 - Bureau of Labor Statistics) | 299,529 3.8% | |

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 US Census and 2016 FFIEC updated MFI

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c) and 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. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development ("HUD"), and the Consumer Financial Protection Bureau ("CFPB").

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

The OCC will consider any evidence of discriminatory or other illegal credit practices relative to this institution that other regulators may provide to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

The Bank's performance under the lending test is rated Satisfactory. The evaluation period covered home mortgage loans reported under the Home Mortgage Disclosure Act from January 1, 2014 through December 31, 2016.

Loan-to-Deposit Ratio

First Hope's net loan-to-deposit ("LTD") ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas. The Bank's average LTD ratio for the prior 13 quarters is 76 percent, with a quarterly high LTD of 79 percent in 4Q2013 and a quarterly low LTD of 72 percent in 3Q2014. Although the average ratio for similarly situated financial institutions ranged from 96 percent to 103 percent, First Hope's ratio remains reasonable in light of high competition within the AA. The ratio is in line with the size and risk appetite of the Bank, reflective of the Bank's slow growth strategy.

Lending in Assessment Area

First Hope's loan originations within the AAs is satisfactory. The Bank originated a majority of its home mortgage loans inside the AAs. First Hope originated 66.49 percent by number and 52.17 percent by dollar amount inside the AA during the evaluation period. This result was based on small business loans and home purchase, home improvement, and home refinance loans.

| Lending in Morris-Sussex Counties & Warren County Assessment Areas | | | | | | | | | | |
|--------------------------------------------------------------------|-----------------|--------|---------|--------|-------|--------------------------|--------|----------|--------|-----------|
| Type of Loan | Number of Loans | | | | | Dollars of Loans (000's) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Total Home Purchase Loans | 71 | 42.77% | 95 | 57.23% | 166 | \$15,877 | 33.61% | \$31,367 | 66.39% | \$47,244 |
| Total Home Refinance | 112 | 60.54% | 73 | 39.46% | 185 | \$19,718 | 43.22% | \$25,905 | 56.78% | \$45,623 |
| Total Home Improvement | 79 | 79.00% | 21 | 21.00% | 100 | \$8,241 | 52.91% | \$7,334 | 47.09% | \$15,575 |
| Small Business Loans | 252 | 78.26% | 70 | 21.74% | 322 | \$46,376 | 71.93% | \$18,100 | 28.07% | \$64,476 |
| Total | 514 | 66.49% | 259 | 33.51% | 773 | \$90,212 | 52.17% | \$82,706 | 47.83% | \$172,918 |

Lending to Borrowers of Different Incomes

The distribution of home loans to borrowers of different income levels is reasonable.

Morris-Sussex Assessment Area

Overall, lending levels in the Morris-Sussex AA reflect reasonable penetration among borrowers of different income levels. *Refer to the table below for additional information.*

Home Purchase Loans

The borrower distribution for home purchase loans reflects reasonable penetration among families of different income levels. The percentage of home purchase loans made to low-income families is lower than the percentage of low-income families in the AA; however, the percentage of home purchase loans made to moderate-income families exceeds the percentage of moderate income families in the AA. The Bank originated 8.57 percent of home purchase loans to low-income families, while over 13 percent of families in the AA are low-income. This represents poor penetration of the low-income families. The Bank originated 20 percent of home purchase loans to moderate-income families while 16.95 percent of families in the AA are moderate-income, reflecting excellent penetration.

Home Improvement Loans

The borrower distribution for home improvement loans reflect poor penetration among families of different income levels. The percentage of home improvement loans made to low-income families is poor, and the percentage of loans made to moderate-income families is poor. During the evaluation period, the Bank originated 8.89 percent of home improvement loans to low-income families in the AA, while 13.76 percent of total families in the AA are low-income. The Bank's performance among moderate-income families was poor, as they originated only 8.89 percent of home improvement loans in the AA to moderate-income families, while 16.95 percent families in the AA are moderate-income.

Home Refinance Loans

The borrower distribution for home refinance loans reflects reasonable penetration among families of different income levels. The Bank originated 9.09 percent of home refinance loans to low-income families. In the AA, 13.76 percent of families are low-income; this indicates poor penetration. The Bank's performance among moderate-income families was excellent, as First Hope originated 20 percent of home refinance loans to moderate-income families, while moderate-income families make up 16.96 percent of total families within the AA.

| Borrower Distribution of Home Loans in Morris-Sussex AA | | | | | | | | |
|---------------------------------------------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans |
| Home Purchase | 13.76 | 8.57 | 16.95 | 20.00 | 25.16 | 40 | 44.12 | 31.43 |
| Home Improvement | 13.76 | 8.89 | 16.95 | 8.89 | 25.16 | 24.44 | 44.12 | 57.78 |
| Home Mortgage Refinance | 13.76 | 9.09 | 16.95 | 20.00 | 25.16 | 25.45 | 44.12 | 45.45 |

Warren Assessment Area

Overall, lending levels in the Warren AA reflect poor penetration among borrowers of different income levels. For all three primary loan products (home purchase, refinance, and home improvement), penetration of low-income families is poor. *Refer to the table below for additional information.*

Home Purchase Loans

The borrower distribution for home purchase loans reflects reasonable penetration of home mortgage loans among families of different income levels. The percentage of home purchase loans made to low-income families is lower than the percentage families in the AA that are low-income. Lending to moderate-income families is excellent. The Bank's poor penetration among low-income families is mitigated by excellent penetration among moderate-income families. Throughout the evaluation period, the Bank originated 2.86 percent of home purchase loans to low-income families in the AA, which is significantly lower than the percentage of low-income families in the AA at 14.02 percent. However, there was excellent penetration to moderate-income families, as the Bank originated 20 percent of home purchase loans to moderate-income families, while 13.19 percent of families in the AA are moderate-income.

Home Improvement Loans

The borrower distribution for home improvement loans reflect poor penetration among families of different income levels. First Hope's performance in the Warren County AA represents poor distribution to low-income and moderate-income families for home improvement loans. Home improvement lending to low-income families is poor as the Bank originated 2.94 percent of home improvement loans to low-income families, while low-income families made up 14.02 percent of the total families in the AA during this period. Similarly, the Bank's performance among moderate-income families is poor, as

they originated 5.88 percent of home improvement loans to moderate-income families, while 13.19 percent of families in the AA are moderate-income families.

Home Refinance Loans

The borrower distribution for home refinance loans reflect poor penetration among families of different income levels. During the evaluation period, the Bank originated 1.85 percent of home refinance loans to low-income families. This indicates poor penetration as low-income borrowers made up 14.02 percent of the total families in the AA during this period. Similarly, the Bank’s lending to moderate-income families is poor, as the Bank originated 9.26 percent of home refinance loans to moderate-income families, while 13.19 percent of families in the AA are moderate-income.

| Borrower Distribution of Home Loans in Warren AA | | | | | | | | |
|--------------------------------------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans |
| Home Purchase | 14.02 | 2.86 | 13.19 | 20 | 20.74 | 28.57 | 52.04 | 48.57 |
| Home Improvement | 14.02 | 2.94 | 13.19 | 5.88 | 20.74 | 29.41 | 52.04 | 61.76 |
| Home Mortgage Refinance | 14.02 | 1.85 | 13.19 | 9.26 | 20.74 | 25.93 | 52.04 | 62.96 |

Geographic Distribution of Loans

First Hope’s lending to geographies of different income levels within its AAs reflects poor dispersion. There are no low-income geographies located in either AA. There is a low level of moderate-income geographies in the AAs. As such, less reliance is placed on this lending test. All home loans made in moderate-income census tracts were located within the Morris-Sussex AA with no originations made in moderate-income tracts within the Warren AA.

Morris-Sussex Assessment Area

First Hope’s lending levels of home loans in the Morris–Sussex Counties AA reflect reasonable dispersion among moderate-income census tracts. *Refer to the table below for additional information.*

Moderate-income geographies comprise 5.08 percent of the census tracts and four percent of the population resides in this census tract. In addition, 2.81 percent of owner occupied housing units are located there.

Home Purchase Loans

Lending levels in the Morris-Sussex AA reflect reasonable dispersion among geographies of different income levels for home purchase loans. The Bank originated 2.78 percent of home purchase loans to borrowers in moderate-income geographies, which reflects satisfactory performance considering only 2.81 percent of owner occupied housing was in this geography.

Home Improvement Loans

Lending levels in the Morris-Sussex AA reflect reasonable dispersion among geographies of different income levels for home improvement loans. The Bank originated 2.22 percent of home improvement loans to borrowers in moderate-income geographies, which is reasonable considering only 2.81 percent of owner occupied housing was to borrowers in moderate-income geographies.

Home Refinance Loans

Lending levels in the Morris-Sussex AA reflect reasonable dispersion among geographies of different income levels for home refinance loans. The Bank originated 1.79 percent home refinance loans out of the 2.81 percent of owner occupied housing units to borrowers in moderate-income geographies.

| Geographic Distribution of Home Loans in Morris-Sussex AA | | | | | | | | |
|------------------------------------------------------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans |
| Home Purchase | 0 | 0 | 2.81 | 2.78 | 61.47 | 63.89 | 35.72 | 33.33 |
| Home Improvement | 0 | 0 | 2.81 | 2.22 | 61.47 | 33.33 | 35.72 | 64.44 |
| Home Mortgage Refinance | 0 | 0 | 2.81 | 1.79 | 61.47 | 44.64 | 35.72 | 53.57 |

Warren Assessment Area

First Hope’s lending levels in the Warren County AA reflect poor dispersion among moderate-income census tracts. *Refer to the table below for additional information.*

Moderate-income geographies comprise 13.04 percent of the census tracts and 10.98 percent of the population resides in this census tract. In addition, 7.90 percent of owner occupied housing units are located there.

Home Purchase Loan

Lending levels in the Warren County AA reflect poor dispersion among geographies of different income levels for home purchase loans. The Bank did not originate any home purchase loans to borrowers in the moderate-income geographies, and 7.90 percent of the owner occupied housing units were located in the moderate-income tracts.

Home Improvement Loans

Lending levels in the Warren County AA reflect poor dispersion among geographies of different income levels for home improvement loans. The Bank did not originate any home improvement loans to borrowers in the moderate-income geographies and 7.90 percent of the owner occupied housing units were located in the moderate-income tracts.

Home Refinance Loans

Lending levels in the Warren County AA reflect poor dispersion among geographies of different income levels for home refinance loans. The Bank did not originate any home refinance loans to borrowers in the moderate-income geographies and 7.90 percent of the owner occupied housing units are located in the moderate-income tracts.

| Geographic Distribution of Home Loans in Warren AA | | | | | | | | |
|----------------------------------------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan type | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans |
| Home Purchase | 0 | 0 | 7.90 | 0 | 24.34 | 22.86 | 66 | 63.89 |
| Home Improvement | 0 | 0 | 7.90 | 0 | 24.34 | 11.76 | 67.75 | 88.24 |
| Home Mortgage Refinance | 0 | 0 | 7.90 | 0 | 24.34 | 12.73 | 67.75 | 87.27 |

Responses to Complaints

First Hope did not receive any complaints regarding the Bank's performance in helping to meet credit needs in the AA during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The Bank's level of responsiveness to the CD needs of its AAs is adequate, when considering the Bank's capacity, performance context, and the availability of CD opportunities in each AA.

Number and Amount of Community Development Loans

The amount of CD loans originated is adequately responsive to the community needs. The total number of CD loans originated is ten, totaling \$6.16 million. All CD loans considered were reviewed and were determined to meet the criteria outlined in interagency guidance. There were three CD loans that benefited MSA 35084, and six CD loans that benefited MSA 10900. The remaining loan benefited low- and moderate-income individuals outside of the Bank's AAs. Proceeds of almost all loans were primarily used to support affordable housing and provide for the economic development of the community.

Number and Amount of Qualified Investments

The level of qualified investments is adequately responsive to the CD needs of the AAs. First Hope made three qualified investments during the evaluation period (one MBS and two FHLB donations totaling \$920 thousand) and held three investments from a prior period, for a grand total of \$4.10 million. The qualified investments primarily support affordable housing. There were four mortgage backed securities that included loans made to LMI borrowers within the AAs. The other two investments were made to the Federal Home Loan Bank (FHLB) for their affordable housing program. The FHLB investments benefit the statewide region, including the AAs.

First Hope made 58 qualifying donations during the evaluation period totaling \$68.3 thousand. Of the 58 qualified donations, 57 donations totaling \$67.1 thousand benefited causes within the Bank's AAs. The donations supported local organizations focusing on various CD initiatives, which included serving the needs of low- and moderate-income individuals in the Warren, Sussex, and Morris Counties AAs through educational programs, affordable housing, and community services.

Extent to Which the Bank Provides Community Development Services

The level of CD services in each AA shows adequate responsiveness. First Hope offered services to eight organizations that meet the definitions outlined in the interagency guidance. These services include providing financial literacy education and technical assistance to organizations that promote economic development that benefit low- and moderate-income individuals and families.

Responsiveness to Community Development Needs

The Bank demonstrated excellent responsiveness through to the CD needs of the AAs through its offering of qualified CD loans, services, and investments. Many of the CD loans and investments made during the evaluation period addressed the community needs for affordable housing in both AAs. In total, First Hope's qualified CD loans, donations, and investments within the AAs make up \$10.33 million, or 21.92 percent of tier one capital plus the allowance, and First Hope's qualified new CD loans, donations, and investments make up \$7.14 million, or 15.16 percent of tier one capital plus the allowance.