



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

February 13, 2012

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Saddle River Valley Bank  
Charter Number: 717988

171 East Saddle River Road  
Saddle River, New Jersey 07458

Office of the Comptroller of the Currency

New York Metro Field Office (8123)  
Harborside Financial Center – Plaza Five, Suite 1600  
Jersey City, New Jersey 07311

**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 neiSRV/Borhoods consistent with safe and sound operation of the institution. 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.

## **INSTITUTION'S CRA RATING: This institution is rated Outstanding.**

Major factors supporting the institution's rating include:

- The bank's average net loan-to-deposit ratio over the last six quarters is reasonable at 61 percent, meeting the standards for satisfactory performance.
- A substantial majority of loans were originated within the assessment area, meeting the standards for outstanding performance.
- The bank's record of lending to borrowers of different incomes and to businesses of different sizes is excellent and meets the standard for outstanding performance.
- The geographic distribution of loans made to low- and moderate-income census tracts is reasonable, meeting the standards for satisfactory performance.
- The bank has not received any CRA-related complaints since the previous evaluation. As such, the bank's responsiveness to CRA-related complaints was not evaluated.
- SRVB demonstrated adequate responsiveness to the community development needs of its AA through charitable donations made to not-for-profit organizations dedicated to serving the needs of low- and moderate-income families.

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses Saddle River Valley Bank's (SRVB) record of meeting the credit needs of the communities in which it operates. SRVB was evaluated under the five performance criteria of the Small Bank Lending Test, which included the loan-to-deposit ratio, lending within the bank's designated assessment area (AA), lending to borrowers of different incomes and businesses of different sizes, geographic distribution of loans, and responses to CRA-related complaints. At the bank's option, we also reviewed the level and nature of community development activities engaged by the bank. The bank was previously rated Needs to Improve on their initial CRA performance evaluation, dated September 7, 2010.

The evaluation period under the Lending Test and *optional* Community Development Test covers the bank's performance from July 1, 2010 through February 10, 2012. Conclusions regarding the bank's lending performance were based on an evaluation of lending activities to residential consumers and businesses within its AA.

## **DESCRIPTION OF INSTITUTION**

SRVB opened for business in June 2006 as a thrift institution. The bank operates two branches in Bergen County, which consists mainly of upper-income geographies. The main office is located in Saddle River, New Jersey, and the secondary branch is in Oakland, New Jersey. Over the evaluation period, no new branches were added to their network. Products and services offered at each branch include a full range of deposit and lending products, tailored to meet the needs of businesses, professionals and local community residents. These include personal and business checking, savings, money market, IRA, certificates of deposits, on-line banking, telephone banking,

remote deposit capture services, mortgages and personal and commercial loans. ATM services are also available at both branch locations.

Over the evaluation period, SRVB has grown 54 percent. As of December 31, 2011, SRVB reported total assets of \$120 million, up from \$78 million reported at September 30, 2010. Current assets are supported by \$56 million in gross loans, \$48 million in cash and investments, and \$15 million in mortgage backed securities. Prior to 2010, the bank had primarily operated as a commercial lender. Since 2010, however, the loan mix has shifted more towards residential lending. Of the \$51 million in real estate loans, 49 percent, or \$25 million, are residential-related mortgages. See Table 1 for a distribution of the bank’s loan portfolio by loan type.

| <b>Table 1 – Loan Distribution</b>                       |                             |                                   |
|----------------------------------------------------------|-----------------------------|-----------------------------------|
| <b>Loan Type</b>                                         | <b>Dollar Amount (000s)</b> | <b>Percent of Total Loans (%)</b> |
| Construction and Land Development                        | 2,075                       | 4                                 |
| 1-4 Family Residential Properties Closed-end First Lien  | 18,424                      | 33                                |
| 1-4 Family Residential Properties Closed-end Junior Lien | 1,897                       | 3                                 |
| 1-4 Family Residential Properties Open-end               | 4,765                       | 9                                 |
| Multifamily Residential                                  | 5,265                       | 9                                 |
| Owner Occupied Non-Farm Non-Residential Properties       | 18,149                      | 33                                |
| Other Non-Farm Non-Residential Properties                | 450                         | 1                                 |
| <b>Total Real Estate Loans</b>                           | <b>51,025</b>               | <b>92</b>                         |
| Commercial and Industrial                                | 4,557                       | 8                                 |
| Lease Financing Receivables                              | 0                           | 0                                 |
| Consumer Open-end                                        | 0                           | 0                                 |
| All Other                                                | 142                         | 0                                 |
| <b>Total Loans</b>                                       | <b>55,724</b>               | <b>100</b>                        |

Source: December 31, 2011 Uniform Thrift Performance Report.

There are no regulatory or legal constraints preventing SRV from helping to meet the credit needs of its community.

## **DESCRIPTION OF ASSESSMENT AREA**

SRVB’s main office and branch are located in the upper-income geographies of Bergen County and serve all of Bergen County as well as Passaic County. The counties fall under the New York-White Plains-Wayne, NY-NJ Metropolitan Division (MD), 35644. The bank’s AA originally excluded one census tract (2239) in Totowa as it did not contain any residential units within the tract. However, we requested management to adjust its AA to include the entire political subdivision of Totowa to better comply with the regulatory delineation requirements of 12 CFR §25.41. The bank’s AA was adjusted and is in compliance with the regulation.

The AA consists of 247 census tracts (CTs), of which 164 CTs are upper-income tracts, 52 CTs are middle-income tracts, 24 CTs are moderate-income tracts and 7 CTs are low-income tracts. Based on 2000 US Census data, there are 1.4 million persons living in the two counties, 35 percent of whom are minority in origin. The total number of persons living in Bergen and Passaic counties account for 494,808 households, with one percent living in low-income CTs, seven percent in moderate-income CTs, 22 percent in middle-income CTs, and 69 percent in upper-income CTs. The majority of the households, 80 percent, are living on salaried incomes, while 28 percent are on

social security, 16 percent on retirement income and two percent on public assistance. There are 35,503 households (seven percent) living below the poverty level. In the area, there are a total of 509,868 housing units available with 61 percent of the units being owner-occupied and 36 percent being rented. Three percent of the available units are vacant. The weighted average HUD updated MSA Median Family Income for 2011 is \$67,400.

Based on 2011 Business Demographic Data, there are a total of 142,044 established businesses and farms in Bergen and Passaic Counties. In 2010, the number of established businesses (farm and non-farm) totaled 105,906 for the AA, representing a 34 percent increase over a 12-month time horizon. Of the number of operating businesses in 2011, 68 percent reported revenues of less than \$1 million. This revenue category, when further segregated into less than \$500,000, and \$500,000 to \$1 million, reflect that a significant portion of the revenues (64 percent) were earned by businesses in the less than \$500,000 category. Businesses exceeding \$1 million in revenues accounted for four percent of the businesses. Over 27 percent of the businesses did not report any revenues in 2011 as would be expected of new start-ups in the AA during the year.

Businesses in the AA tend to be micro-small businesses in nature. Nearly 62 percent of the businesses have an employee base of 1-4 persons. Local businesses are primarily service-oriented in its mission and are single location entities.

SRVB operates in a market area that is highly competitive in terms of banking services and products. Within their AA, there are numerous community banks, thrift institutions, and banking offices of several large regional and multi-national financial institutions. A total of 59 established institutions are all competing for the same customer base and potential funding opportunities. Hudson City Savings Bank leads the market at a 14 percent market share, operating 29 offices in the surrounding area. TD Bank NA and Bank of America NA, each hold the market at 13 percent, followed by Valley National Bank at nine percent and JPMorgan Chase Bank NA at eight percent. SRVB, with its two branches in Bergen County, owns 0.19 percent of the market share and ranks 35 out of the 59 established institutions in the area.

The collapse of the financial markets in 2008 has impacted the local economy of the bank's AA. There are small signs of recovery from the prolonged recession. Total employment has grown 1.2 percent in the area, while the unemployment rate remained relatively flat at nine percent. For Bergen County, the unemployment rate of 7.8 percent is slightly better than the national and state average of 9 and 9.3 percent, respectively. Passaic County's unemployment rate, however, is higher than the national and state average at 10.9 percent. Personal bankruptcies are also on the rise and are expected to top out in 2012 before reversing trends. With households tightening up on non-essentials spending, many businesses are hurting from the lack of demand. Newer businesses entering the market are particularly hard hit as they struggle to achieve profitability. They are also finding it difficult to obtain credit from financial institutions in the absence of a demonstrated performance trend.

Credit needs in the AA were determined through discussions with management, review of current housing and demographic information, and an interview with a local community group. Identified needs in the AA are small business lending and affordable financial products and services for low- and moderate-income households.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

- SRVB's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and identified credit needs within its AA.

The quarterly average LTD ratio was calculated using bank reported financial information from September 30, 2010 through December 31, 2011. Since our last evaluation, the bank's overall quarterly average LTD ratio increased from 52 percent to 61 percent, reflecting a satisfactory performance. Quarterly ratios fluctuated from a high of 71 percent at December 31, 2010 to a recent low of 52 percent at December 31, 2011. The decline in performance was primarily attributed to deposit growth outpacing loan growth on an annual basis. At year-end 2011, SRVB's overall deposit growth was 64 percent, while loan growth was 25 percent.

While competition for loans and deposits has certainly impacted the LTD ratio, a more pronounced factor affecting the ratio in recent years was the tightening of the credit market and the impact of market conditions on the livelihood of existing businesses and residents alike in the area. Although both external factors have compressed lending opportunities overall, SRVB has demonstrated the ability and willingness to lend, most notably within its AA. The bank's LTD ratio indicates a reasonable responsiveness to community credit needs and meets the standards for satisfactory performance.

### Lending in Assessment Area

- A substantial majority of the bank's loans were made inside the bank's AA.

The bank's level of lending reflects an outstanding responsiveness to identified credit needs within its AA based on the asset size of the bank, its financial condition, and local competition. As illustrated in Table 2, 81 percent of the number of loans and 75 percent of the dollar amount of loans were made within their AA. The bank has demonstrated an outstanding performance in meeting the credit needs of its communities, given the market in which the bank operates and the competition it faces.

| Loan Type        | Number of Loans |           |           |           |           | Dollars of Loans (000) |           |              |           |               |
|------------------|-----------------|-----------|-----------|-----------|-----------|------------------------|-----------|--------------|-----------|---------------|
|                  | Inside          |           | Outside   |           | Total     | Inside                 |           | Outside      |           | Total         |
|                  | #               | %         | #         | %         |           | \$                     | %         | \$           | %         |               |
| Home Purchase    | 8               | 73        | 3         | 27        | 11        | 1,788                  | 43        | 2,395        | 57        | 4,183         |
| Home Improvement | 2               | 67        | 1         | 33        | 3         | 180                    | 73        | 65           | 27        | 245           |
| Refinancing      | 38              | 84        | 7         | 16        | 45        | 13,305                 | 83        | 2,660        | 17        | 15,965        |
| Commercial Loans | 13              | 81        | 3         | 19        | 16        | 3,489                  | 77        | 1,065        | 23        | 4,554         |
| <b>Totals</b>    | <b>61</b>       | <b>81</b> | <b>14</b> | <b>19</b> | <b>75</b> | <b>18,762</b>          | <b>75</b> | <b>6,185</b> | <b>25</b> | <b>24,947</b> |

Source: HMDA and CRA data.

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

- Distribution of lending reflects an excellent penetration of loans to borrowers of different incomes and businesses of different sizes

SRVB originated a total of eight home purchase loans over the period and as reflected in Table 3, 33 percent of the loans were made to moderate-income borrowers. This lending percentage well exceeded the percentage of low- and moderate-income families combined, demonstrating the bank’s willingness to provide financial assistance in making homes more affordable to low- and moderate-income borrowers, particularly in a geography where the weighted average cost of housing is \$228 thousand.

| <b>Table 3 - Borrower Distribution of Residential Real Estate Loans</b> |                         |                             |                         |                             |                         |                             |                         |                             |
|-------------------------------------------------------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|
| <b>Borrower Income Level</b>                                            | <b>Low</b>              |                             | <b>Moderate</b>         |                             | <b>Middle</b>           |                             | <b>Upper</b>            |                             |
| <b>Loan Type</b>                                                        | <b>% of AA Families</b> | <b>% of Number of Loans</b> | <b>% of AA Families</b> | <b>% of Number of Loans</b> | <b>% of AA Families</b> | <b>% of Number of Loans</b> | <b>% of AA Families</b> | <b>% of Number of Loans</b> |
| Home Purchases                                                          | 12                      | 0                           | 12                      | 33                          | 17                      | 17                          | 59                      | 50                          |
| Home Improvements                                                       | 12                      | 0                           | 12                      | 0                           | 17                      | 0                           | 59                      | 100                         |
| Refinances                                                              | 12                      | 0                           | 12                      | 0                           | 17                      | 0                           | 59                      | 100                         |

Source: US Census Data and HMDA data.

Table 3A reflects the percentage of bank loans made to businesses in their AA. The chart shows that a comparable percentage of the bank’s loans were made to businesses with revenues of less than \$1 million.

| <b>Table 3A - Borrower Distribution of Loans to Businesses</b> |                     |                        |                            |              |
|----------------------------------------------------------------|---------------------|------------------------|----------------------------|--------------|
| <b>Business Revenues (or Sales)</b>                            | <b>≤\$1,000,000</b> | <b>&gt;\$1,000,000</b> | <b>Unavailable/Unknown</b> | <b>Total</b> |
| % of AA Businesses                                             | 68                  | 5                      | 27                         | 100          |
| % of Bank Loans in AA by #                                     | 69                  | 31                     | 0                          | 100          |
| % of Bank Loans in AA by \$                                    | 87                  | 13                     | 0                          | 100          |

Source: US Census Data and CRA data.

However, since a good percentage of businesses did not report any revenues in 2011, an alternative performance measure was used to assess SRVB’s lending to small businesses. Table 3B provides a breakdown of the bank’s small business lending using loan size as a proxy for revenues. The bank originated a total of 13 commercial loans over the evaluation period. The chart highlights that 62 percent by number and 27 percent by dollar amount of the loans were for amounts of \$250,000 or less, demonstrating an excellent penetration of loans to smaller businesses in the AA, given the number of smaller loans originated.

| <b>Table 3B - Borrower Distribution of Loans to Businesses by Loan Size</b> |                        |                          |                               |                                 |
|-----------------------------------------------------------------------------|------------------------|--------------------------|-------------------------------|---------------------------------|
| <b>Loan Size (000's)</b>                                                    | <b>Number of Loans</b> | <b>Percent of Number</b> | <b>Dollar Volume of Loans</b> | <b>Percent of Dollar Volume</b> |
| \$0 - \$100,000                                                             | 4                      | 31                       | 287,000                       | 8                               |
| \$100,001 - \$250,000                                                       | 4                      | 31                       | 653,000                       | 19                              |
| \$250,001 - \$1,000,000                                                     | 5                      | 38                       | 2,549,000                     | 73                              |
| Over \$1,000,000                                                            | 0                      | 0                        | 0                             | 0                               |
| <b>Total</b>                                                                | <b>13</b>              | <b>100</b>               | <b>3,489,000</b>              | <b>100</b>                      |

Source: CRA data.

**Geographic Distribution of Loans**

- Distribution of lending among borrowers reflects a reasonable dispersion of loans to small businesses.

Bergen and Passaic Counties consist of 247 CTs, with more than 66 percent (164) of the tracts designated as upper-income tracts. Middle-income tracts account for 21 percent at 52 tracts, followed by moderate-income tracts at 10 percent, or 24 tracts. Three percent of the tracts (seven tracts) are low-income tracts.

Table 4 provides a percentage breakdown of residential loans made in each of the income tracts. SRVB did not make any residential related loans in low- or moderate-income CTs. However, one loan was made to a borrower of a multi-family unit located in a moderate-income tract. While the geographic dispersion of 1-4 family residential loans in moderate-income tracts is below the percentage of owner occupied homes in the AA, the bank's geographic penetration of loans is reasonable in light of current market conditions and competition from larger regional financial institutions. This chart also highlights that loans originated by the bank to moderate-income borrowers (Table 3) for home purchases were made for residential properties located in middle-and/or upper-income tracts.

| <b>Table 4 - Geographic Distribution of Residential Real Estate Loans</b> |                                       |                             |                                       |                             |                                       |                             |                                       |                             |
|---------------------------------------------------------------------------|---------------------------------------|-----------------------------|---------------------------------------|-----------------------------|---------------------------------------|-----------------------------|---------------------------------------|-----------------------------|
| <b>Census Tract Income Level</b>                                          | <b>Low</b>                            |                             | <b>Moderate</b>                       |                             | <b>Middle</b>                         |                             | <b>Upper</b>                          |                             |
| <b>Loan type</b>                                                          | <b>% of AA Owner Occupied Housing</b> | <b>% of Number of Loans</b> | <b>% of AA Owner Occupied Housing</b> | <b>% of Number of Loans</b> | <b>% of AA Owner Occupied Housing</b> | <b>% of Number of Loans</b> | <b>% of AA Owner Occupied Housing</b> | <b>% of Number of Loans</b> |
| Home Purchases                                                            | 0                                     | 0                           | 3                                     | 0                           | 14                                    | 25                          | 83                                    | 75                          |
| Home Improvements                                                         | 0                                     | 0                           | 3                                     | 0                           | 14                                    | 0                           | 83                                    | 100                         |
| Refinances                                                                | 0                                     | 0                           | 3                                     | 0                           | 14                                    | 0                           | 83                                    | 100                         |
| Multi-Family                                                              | 4                                     | 0                           | 11                                    | 100                         | 32                                    | 0                           | 52                                    | 0                           |

Source: US Census Data and HMDA data.

Table 4A provides a percentage breakdown of businesses in each income tract and the percentage of bank loans made in each income tract. Over the evaluation period, SRVB originated one loan to a business located in a moderate-income tract, which exceeded the percentage of businesses located in that geography.

| Table 4A - Geographic Distribution of Loans to Businesses |                    |                      |                    |                      |                    |                      |                    |                      |
|-----------------------------------------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Census Tract Income Level                                 | Low                |                      | Moderate           |                      | Middle             |                      | Upper              |                      |
| Loan Type                                                 | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans |
| Commercial                                                | 1                  | 0                    | 5                  | 8                    | 20                 | 23                   | 73                 | 69                   |

Source: US Census Data and CRA data.

**Qualified Investments and CD Services**

SRVB received positive consideration for the various grants and donations made by the bank since July 1, 2010. A total of \$7,327 was made to eight qualified not-for-profit organizations whose missions are to address the needs of and to provide assistance to disadvantaged individuals living in the AA. Two of the organizations assisted in making housing affordable directly to low- and moderate-income families.

**Responses to Complaints**

A review of OCC’s Customer Assistant Group, as well as the bank’s Public CRA File, did not reveal any CRA-related complaints filed since the last evaluation.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.