



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Public Disclosure

March 2, 1998

Community Reinvestment Act

Performance Evaluation

**Pennsville National Bank
Charter Number: 15733**

**Pennsville National Bank
170 Broadway
Pennsville, New Jersey 08070**

**Office of the Comptroller of the Currency
Northeastern District
Eastern Pennsylvania Field Office
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Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate- income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Pennsville National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 2, 1998**. 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**.

The bank's rating is based on its overall performance. Although the aggregate loan-to-deposit ratio is low, residential lending activity is in line with local peer banks. Furthermore, Pennsville National Bank either met or exceeded the standards for satisfactory performance for lending in the assessment area, geographic distribution of loans, and lending to borrowers of different incomes and businesses of different sizes.

The following table indicates the performance level of **Pennsville National Bank** with respect to each of the five performance criteria.

Small Institution Assessment Criteria	Pennsville National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to- deposit ratio			X
Lending in assessment area	X		
Geographic distribution of loans		X	
Borrower's Profile: Lending to borrowers of different incomes and to businesses of different sizes		X	
Response to complaints	No complaints were received.		

Description of Institution

The Pennsville National Bank (Pennsville) was chartered in 1969 and is located in Pennsville, New Jersey. The bank is a full service financial institution with trust services. The main office and three branches are open during the week until 5:00 p.m., except until 6:00 p.m. on Thursday and Friday. Saturday hours are from 9:00 a.m. to noon. Automated teller machines (ATMs) and drive-up facilities are maintained at each office. No branch was opened or closed since the last CRA Public Evaluation in August 1995.

As of December 31, 1997, Pennsville reported total assets of \$124 million including loans of \$47 million. Pennsville's loan portfolio contains \$36.5 million in residential mortgages (77%), \$7 million (15%) commercial and municipal loans, and \$3.6 million (8%) in individual/consumer loans. Historically, the institution has limited the growth of its commercial loan portfolio.

Pennsville is not subject to any known financial, legal or regulatory restrictions which would impede its ability to help meet the credit needs of its community.

Description of Assessment Area - Salem County, New Jersey

Salem County, NJ is situated approximately 30 miles south of Philadelphia and is part of the Philadelphia MSA 6160. In addition to the main office in Pennsville, branches are located in Carney's Point, Elmer, and Pedericktown. All branches are located within Salem County, NJ.

Pennsville's assessment area encompasses all 23 census tracts comprising Salem County. The assessment area contains one low-income tract, five moderate-, 17 middle-, and no upper-income tracts. Total population of the assessment area is approximately 65,300 and contains approximately 23,800 households comprising 17,800 families. The 1997 median family income is \$51,300 and the median value of housing is \$81,577.

The local economy, as described by bank's management, is stagnant with an assortment of small business and service companies. Bank's management also indicated that the primary credit needs of the community are housing and small business related loans. A discussion was held with a community group that revealed a need for educating the low- and moderate-income community regarding banks and banking, as a prelude to their home ownership.

Conclusions with Respect to Performance Criteria

Please note: For purposes of this review, the examination period covers loan activity from August 1995 to March 1998.

Loan to Deposit Ratio Analysis

Pennsville's loan to deposit ratio is below the level for satisfactory performance. Since the previous examination (approximately ten quarters,) loan-to-deposits averaged only 41%, while its local banking peer group ranged from 69% to 73%.

Pennsville's substantial variance from peer group loan-to-deposit ratios is primarily the result of very limited commercial lending activity. Pennsville has a significantly smaller commercial loan portfolio than any of its local peer banks. Only 21% of Pennsville's total loans are considered "commercial," while the local peer banks' commercial portfolios ranged from 27% to 67% of total loans. This commercial lending activity has materially increased the peer banks' total loan-to-deposit ratios.

It should be noted that Pennsville's residential lending activity was in line with its local peer group. Using only residential lending activity, Pennsville's loan-to-deposit ratio was 30% as of March 31, 1998, and the peer banks' residential loan-to-deposit ratios ranged from 24% to 47% for the same period.

Lending in Assessment Area (AA)

A substantial majority of Pennsville's HMDA reported loans (237) are made within the assessment area. In 1996, all HMDA originations were within the AA; in 1997, 93% were in the AA. Additionally, the commercial loans originated during the evaluation period were extended within the assessment area.

Geographic Distribution of Loans

Lending penetration of HMDA reported loans in low- and moderate-income census tracts is reasonable. Of the 23 census tracts in the bank's assessment area, there is one low-income census tract (4%), five moderate- (22%), and 17 middle-income census tracts (74%), with no upper-income tracts. A meaningful analysis cannot be performed when focusing on only one low-income census tract. Therefore, the low- and moderate-income categories have been combined in the following tables to better illustrate lending patterns.

Distribution of Loans by Census Tract - 1996

1996	% of Census Tracts	# of Loans	%	\$ of Loans (000)	%
Low- & Moderate-income	26	13	11.6	649	14.5
Middle-income	74	99	88.4	4456	87.2

Distribution of Loans by Census Tract - 1997

1997	% of Census Tracts	# of Loans	%	\$ of Loans (000)	%
Low- & Moderate-income	26	12	9.6	666	15.2
Middle-income	74	113	90.4	3730	84.8

By way of comparison, in 1996, over 16% (versus 11.6% for the bank) of all loans made in Salem County were originated in low- moderate-income census tracts.

Borrower Profiles: Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Lending to low- and moderate-income families is reasonable based on the percentage of families within those income categories. In fact, 1996 market share data revealed that Pennsville ranked first with 10% in market share for number (14) and dollar amount (\$300,000) of originated mortgages to Salem County's low-income individuals. This compares to 9% and 4% for Pennsville's immediate banking competitors. Also, Pennsville held a 5.03% market share with 17 loans totaling \$582,000 in loans extended to moderate-income borrowers for the same time period. These ratios compare favorably to Pennsville's overall market share of 6.74% within their assessment area.

The following table illustrates that Pennsville originates HMDA reported loans to each income group.

Distribution of Loans by Income Level - 1997

1996	# of Loans	%	\$ of Loans (000)	% of Families in each income category
Low-income	14	12.6	300	21.5
Moderate-income	17	15.3	582	20.0
Middle-income	40	36.0	1785	27.8
Upper-income	40	36.0	2333	30.7

Distribution of Loans by Income Level - 1997

1997	# of Loans	%	\$ of Loans (000)	% of Families in each income category
Low-income	10	8.1	143	21.5
Moderate-income	32	25.8	693	20.0
Middle-income	31	25.0	1417	27.8
Upper-income	51	41.1	2138	30.7

Small Business Loan Activity

The bank originated only ten small business loans during the evaluation period. This was not a sufficient enough number to review demographic patterns.

Compliance with Antidiscrimination Laws

The concurrent fair lending examination did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations. In addition, no evidence was found of discriminatory or other illegal practices.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a legal definition.

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

Metropolitan Statistical Area (MSA) - An area defined by the Director of the United States Office of the Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations. A CT contains an average population of 4,000 and may have its boundaries defined with every ten-year census.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in an MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and income of applicants, the amount of the loan request, and its disposition (e.g., approved, denied, withdrawn).

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level of 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.

Low-Income - Income levels that are less than 50% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Upper-Income - Income levels that are 120% or more of MFI.

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loan with an original amount of \$500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.