



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

May 6, 2013

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Newfield National Bank  
Charter Number: 14240

18-24 West Boulevard  
Newfield, NJ 08344

Office of the Comptroller of the Currency

Philadelphia Field Office  
1150 Northbrook Drive, Suite 303  
Trevese, PA 19053

**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, 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 Satisfactory.**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

The major factors that support this rating include:

- Newfield National Bank's (NNB) distribution of loans represents reasonable penetration among individuals of different income levels and businesses of different sizes.
- NNB's geographical distribution of loans reflects a reasonable dispersion of loans throughout its combined assessment areas.
- A majority of NNB's loan products were originated within the bank's combined assessment areas.
- NNB's overall loan-to-deposit ratio is reasonable.
- NNB's responsiveness to community development needs and opportunities in its combined assessment areas is adequate.

## **Scope of Examination**

Newfield National Bank (NNB) was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and community development services.

The lending test for NNB covers its performance from January 1, 2010 through December 31, 2011, as this is representative of its lending strategy since the last CRA examination. The evaluation period for the CD test is from April 13, 2010 through May 6, 2013.

NNB's primary loan products are home mortgage and small business loans. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The reported HMDA data was tested and found to be reliable. Therefore, HMDA data was used to evaluate the bank's home mortgage performance. In addition, the bank collects, but does not report, CRA small business and consumer loan data. The collected data was also tested and found to be reliable. This data was used to evaluate the bank's small business and consumer loan performance.

## **Selection of Areas for Full-Scope Review**

Based on our review of HMDA and CRA data, branch dispersion, deposit market share, and demographic information, we identified the following assessment areas (AAs) for full scope review: Gloucester County, NJ MSA AA (MSA #47980) – Philadelphia/Camden/Wilmington, PA-NJ-DE-MD and Cumberland County, NJ MSA AA (MSA #47220) – Vineland/Millville/Bridgeton, NJ.

The full scope AAs were weighted more heavily than the limited scope reviews during this examination as the full scope AAs represent 88 percent of the loans, 98 percent of the deposits, 92 percent of the offices, 73 percent of the families, 81 percent of the households, 74 percent of the housing and 80% of the geographies.

We conducted a limited scope review on the following AA: Cape May County, NJ MSA AA (MSA #36140).

The AAs are consistent with the requirements of the regulation, and do not arbitrarily exclude low- or moderate-income geographies.

## **Description of Institution**

NNB is a full-service intrastate bank headquartered in Newfield, New Jersey. As of December 31, 2011, NNB had total assets of \$514 million and tier one capital of \$46 million. NNB is wholly owned by Newfield Bancorp, Inc., a one-bank holding company established in July 1990. NNB has one subsidiary, FNBN Investment Corporation (FNBN), which was established in 1988 and is based in Delaware. FNBN holds most of NNB's investment securities, including any qualified CRA investments.

The bank offers a full range of deposit and loan products and services. Residential mortgage and small business loans are NNB's primary loan products. Within the residential mortgage portfolio, the bank originates long-term mortgage loans for sale on the secondary market. Deposit products and services include several types of personal and business accounts as well as checking accounts that offer free internet banking and bill-pay.

The bank operates a network of 12 branches and 10 ATMs. All 12 branches are equipped with drive-in facilities and are open from 8:00am until at least 6:00pm each weekday, and on Thursdays and Fridays until at least 7:00pm. Saturday hours vary at each location; however, all branch offices are open from at least 8:00am to 12:00pm. NNB did not open or close any branches during the evaluation period.

As of December 31, 2011, NNB reported net loans of \$328 million and had a net loans and leases to total assets ratio of 64 percent. The total loan portfolio of \$333 million is comprised of 84 percent real estate loans, 14 percent commercial & industrial loans, 2 percent individual loans, and less than 1 percent other type loans.

<b>Loan Portfolio Summary by Loan Product December 31, 2011</b>	
<b>Loan Category</b>	<b>% of Gross Loans and Leases</b>
Home Mortgage Loans	32.5%
Commercial RE Loans	49.3%
Commercial & Industrial	11.2%
Construction and Land Development	2.8%
Consumer Loans	1.8%
Other Loans	2.4%

The bank has no financial or legal impediments to meeting the credit needs of the community. The bank was rated “Satisfactory” at the last CRA examination using intermediate small bank procedures dated April 12, 2010.

## **Description of Assessment Areas**

### **Gloucester County- Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA #47980**

The Gloucester County AA is comprised of portions of central and southern Gloucester County, NJ. The county is located in Southern New Jersey and is part of the Camden, NJ Metropolitan Division #15804 which is part of the even larger Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA #47980. NNB operates 7 full service branch offices located within this AA. The AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

The Table below presents a summary of demographic information for this AA:

Demographic Information for the Gloucester County AA:						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	45	0.00	6.67	80.00	13.33	0.00
Population by Geography	196,074	0.00	5.30	79.86	14.84	0.00
Owner-Occupied Housing by Geography	55,892	0.00	3.78	81.13	15.09	0.00
Business by Geography	17,386	0.00	6.63	78.08	15.29	0.00
Farms by Geography	502	0.00	2.99	75.50	21.51	0.00
Family Distribution by Income Level	51,798	17.04	18.01	26.05	38.90	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	18,155	0.00	8.44	83.15	8.41	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		\$62,032 \$86,000 6.5%	Median Housing Value Unemployment Rate		\$121,798 9.8%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 US Census and 2011 US Department of Labor and Industry statistics.

According to the 2000 U.S. Census Data, there are a total of 45 census tracts in this AA. There are no low-income tracts, three moderate-income tracts, 36 middle-income tracts, and six upper-income tracts.

The 2000 U.S. Census Data reported the total population of the AA at 196,074. This population was comprised of 68,488 households and 51,798 families. There are 71,592 housing units, of which 90 percent are one to four family units. Owner-occupied housing is 78 percent, rental-occupied housing is 18 percent, and vacant housing is 4 percent. The median housing cost is \$121,798.

The median family income was \$62,032, and the 2011 HUD updated median family income is \$86,000. Approximately six percent of the households are below poverty level. Approximately 17 percent of the families in the AA are low-income, 18 percent are moderate-income, 26 percent are middle-income, and 39 percent are upper-income.

According to the 2011 Business Demographic Data, there are a total of 17,386 businesses and 502 farms in the AA. Approximately seven percent of businesses are located in moderate-income tracts, 78 percent are located in middle-income tracts, and 15 percent are located in upper-income tracts. Approximately 69 percent of the businesses reporting have revenues of less than \$1 million.

The primary industries in the area are healthcare, education, food-packing services, and both the federal and local governments. Major employers in Gloucester County include the Underwood Memorial Hospital System, Rowan University, and Kennedy Memorial Hospital. The unemployment rate not seasonally adjusted, as of December 2011, for Gloucester County, NJ is 9.8 percent, which is down from 11.2 percent in February 2010. This is higher than the national unemployment rate as of December 2011, which was 8.5 percent.

Gloucester County, NJ is a highly competitive market with 304 lenders originating mortgage loans. NNB is ranked 23<sup>rd</sup> in this market with a market share of 0.094 percent and faces competition from larger national and regional institutions as well as several mortgage/finance companies. The bank's competitors include Wells Fargo Bank, NA (ranked 1<sup>st</sup> with a 16.88 percent market share), Bank of America, NA (ranked 2<sup>nd</sup> with an 8.7 percent market share), TD Bank NA (ranked 3<sup>rd</sup> with a 6.68 percent market share), and JPMorgan Chase Bank NA (ranked 4<sup>th</sup> with a 5.49 percent market share).

Based on the June 30, 2012 FDIC Summary of Deposits, Newfield National Bank ranks 61<sup>st</sup> out of 143 institutions in the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA #47980 with a 0.06 percent market share and seven offices. According to the June 30, 2012 deposit data, major competitors include FIA Card Services, National Association (22.57 percent market share, one office), ING Bank (19.25 percent market share, one office), TD Bank (15.51 percent market share, 152 offices), and Chase Bank (7.27 percent market share, three offices).

During this examination, we performed a community contact with a local non-profit organization that provides housing to low- and moderate-income individuals in the Gloucester County area. During our interview, the community contact indicated that there is a great deal of opportunity within the area for lending to non-profit organizations who assist low- to moderate-income individuals. Specifically, the contact indicated he would like to see “more zero-equivalent mortgage financing to his organization as well as to other financing that promote the social needs and welfare of the local community.” The contact specifically detailed that in his opinion, “Newfield NB has done an excellent job at providing financing for his agency and he only hopes that they will be able to provide more financing for endorsed projects going forward.”

**Cumberland County, NJ AA MSA #47220 – Vineland/Millville/Bridgeton, NJ.**

The Cumberland County AA is comprised of all of Cumberland County. The county is located in Southern New Jersey and is part of the Vineland-Millville-Bridgeton, NJ MSA #47220. NNB operates four full service branches within the AA. This AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

The Table below presents a summary of demographic information for this AA:

Demographic Information for the Cumberland County AA:						
Demographic Characteristics	#	% Low	% Moderate	% Middle	% Upper	% NA*
Geographies (Census Tracts)	34	5.88	20.59	44.12	20.59	8.82
Population by Geography	146,438	5.07	17.50	54.11	23.32	0.00
Owner-Occupied Housing by Geography	33,392	1.56	10.01	59.09	29.35	0.00
Businesses by Geography	10,458	7.67	16.15	48.47	27.71	0.00
Farms by Geography	345	0.29	4.06	50.43	45.22	0.00
Family Distribution by Income Level	35,373	21.78	17.56	20.35	40.31	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	13,915	5.12	23.84	55.33	15.70	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below the Poverty Level	\$45,377 \$62,400 13.7%	Median Housing Value Unemployment Rate				\$87,791 13.5%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census and 2011 updated MFI

According to the 2000 U.S. Census Data, there are a total of 34 census tracts in this AA. There are two low-income tracts, seven moderate-income tracts, 15 middle-income tracts, seven upper-income tracts, and three that have not been assigned an income classification.

The 2000 U.S. Census Data reported the total population of the AA at 146,438. This population was comprised of 49,096 households, and 35,373 families. There are 52,863 housing units, of which, 88 percent are one to four family units. Owner-occupied housing is 63 percent rental-occupied housing is 30 percent and vacant housing is seven percent. The median housing cost is \$87,791.

The median family income for 2011 was \$45,377, and the 2011 HUD updated MSA median family income is \$62,400. Approximately 14 percent of the households are below poverty level. Approximately 21.78 percent of the families in the AA are low-income, 17.56 percent are moderate-income, 20.35 percent are middle-income, and 40.31 percent are upper-income.

According to the 2011 Business Demographics Data, there are a total of 10,458 businesses and 345 farms in the AA. Approximately 7.67 percent of the businesses are located in low-income tracts, 16.15 percent are located in moderate-income tracts, 48.47 percent are located in middle-income tracts, and 27.71 percent are located in upper-income tracts. Approximately 66 percent of the businesses reporting have revenues of less than \$1 million.

The major industries in Cumberland County are healthcare, construction, hospitality/tourism, and manufacturing. Major employers in the county include the South Jersey Hospital System, Wal-Mart, and Gerresheimer Glass. The unemployment rate not seasonally adjusted, as of December 2011, for Cumberland County, NJ is 13.5 percent, which is down from 14.9 percent in February 2010. This is also higher than the national unemployment rate as of December 2011, which was 8.5 percent.

Cumberland County, NJ is a highly competitive market with 214 lenders originating mortgages within this market. NNB is ranked 11<sup>th</sup> with 2.08 percent share of the market and faces competition from larger regional institutions as well as several mortgage/finance companies. The bank's competitors include Wells Fargo Bank NA (ranked 1<sup>st</sup> with a 14.54 percent market share), Bank of America NA (ranked 2<sup>nd</sup> with a 9.09 percent market share), Gateway funding DMS LP (ranked 3<sup>rd</sup> with a 7.47 percent market share), and TD Bank NA (ranked 4<sup>th</sup> with a 5.56 percent market share).

Based on the June 30, 2012 FDIC Summary of Deposits, Newfield National Bank ranks 8<sup>th</sup> out of 12 institutions in the Vineland-Millville-Bridgeton, NJ MSA #47220 with a 6.30 percent market share and four offices. According to the June 30, 2012 deposit data, major competitors include Sun National Bank (19.98 percent market share, five offices), Colonial Bank (15.92 percent market share, seven offices), Susquehanna Bank (14.01 percent market share, six offices); and TD Bank (13.90 percent market share, five offices).

In assessing the bank's performance in the Cumberland County AA, we reviewed several interviews of local economic development organizations recently conducted by the OCC during 2012. The organizations characterized the economy in Cumberland County as distressed with a high unemployment rate due to the recent nationwide recession and housing market downturn. Through these community contacts and through our internal research, we determined that opportunities exist for community development lending.

## **Cape May County AA – MSA #36140**

The Cape May County AA is comprised of the northern portion of Cape May County, New Jersey. The county is located in extreme Southeastern New Jersey and comprises the entire Ocean City, NJ MSA # 36140. NNB operates one full service branch within this AA. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

The Table below presents a summary of demographic information for this AA:

Demographic Information for the Cape May County AA:						
Demographic Characteristics	#	% Low	% Moderate	% Middle	% Upper	% NA*
Geographies (Census Tracts)	9	0.00	11.11	33.33	55.56	0.00
Population by Geography	32,451	0.00	8.37	36.45	55.18	0.00
Owner-Occupied Housing by Geography	10,141	0.00	4.47	35.19	60.34	0.00
Businesses by Geography	3,952	0.00	4.00	36.11	59.89	0.00
Farms by Geography	139	0.00	3.60	43.88	52.52	0.00
Family Distribution by Income Level	8,702	13.78	14.24	21.75	50.23	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	2,438	0.00	14.11	38.31	47.58	0.00
Median Family Income	\$51,584	Median Housing Value		\$264,957		
HUD Adjusted Median Family Income for 2011	\$70,100	Unemployment Rate		12.6%		
Households Below the Poverty Level	5.4%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census and 2011 HUD updated MFI

According to the 2000 U.S. Census Data, there are nine census tracts in this AA. There are no low-income tracts, one moderate-income tract, three middle-income tracts, and five upper-income tracts.

The 2000 U.S. Census Data reported the total population of the AA at 32,451. This population was comprised of 11,817 households, and 8,702 families. There are 26,295 housing units, of which, 92 percent are one to four family units. Owner-occupied housing is 39 percent, rental-occupied housing is six percent, and vacant housing is 55 percent. The median housing cost is \$264,957.

The 2011 HUD updated MSA median family income is \$70,100. Approximately 5 percent of the households are below poverty level. Within this AA, 13.78 percent of the families are low-income, 14.24 percent of the families are moderate-income, 21.75 percent are middle-income, and 50.23 percent are upper-income.

According to the 2011 Business Demographics Data, there are a total of 3,952 businesses and 139 farms in the AA. Approximately four percent of businesses are located in moderate-income tracts, 36.11 percent are located in middle-income tracts, and 59.89 percent are located in upper-income tracts. Approximately 68 percent of the businesses reporting have revenues of less than \$1 million.

The Cape May County economy is primarily based upon its seashore resort activities and the industries and services that support it. Primary employment is in education, health and social services, entertainment, recreation, and food services. Major employers in the county include Cape Regional Medical Center, Wawa, Atlantic Pier Amusements, Inc., and the county government. The unemployment rate not seasonally adjusted, as of December 2011, for Cape May County, NJ is 12.6 percent, which is down from 17.5 percent in February 2010. This is also higher than the national unemployment rate as of December 2011, which was 8.5 percent.

Cape May County, NJ is a highly competitive market with 259 lenders originating loans. NNB is ranked 83<sup>rd</sup> with a 0.15 percent market share and faces competition from well-established local savings banks, larger national institutions, as well as several mortgage/finance companies. The bank's competitors include Wells Fargo Bank NA (ranked 1<sup>st</sup> with a 18.20 percent market share), Bank of America, NA (ranked 2<sup>nd</sup> with a 6.31 percent market share), JP Morgan Chase Bank NA (ranked 3<sup>rd</sup> with a 5.83 percent market share), and TD Bank NA (ranked 4<sup>th</sup> with a 4.27 percent market share).

Based on the June 30, 2012 FDIC Summary of Deposits, Newfield National Bank ranks 14<sup>th</sup> out of 14 institutions in the Cape May, NJ MSA #36140 with a 0.31 percent market share and one office. According to the June 30, 2012 deposit data, major competitors include Sturdy Savings Bank (16.31 percent market share, eight offices), Cape Bank (14.02 percent market share, seven offices), TD Bank (12.39 percent market share, four offices); and Crest Savings Bank (11.18 percent market share, eight offices).

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

### **LENDING TEST**

#### **Conclusions**

The bank's performance under the lending test is rated Satisfactory. Based on full-scope reviews, the bank's performance in the Gloucester County AA and Cumberland County AA is satisfactory. A majority of NNB's primary loan products are within NNB's combined assessment areas. In addition, NNB's loan-to-deposit ratio is reasonable. Based on limited-scope reviews, the bank's performance under the lending test in the Cape May County AA is inconsistent with the bank's overall "Satisfactory" performance; however, the full-scope reviews were weighted more heavily in the overall lending test rating.

## Loan-to-Deposit Ratio

This portion of the evaluation was performed at the bank level. NNB's net loan-to-deposit ratio is reasonable. The bank's net loan-to-deposit ratio averaged 75.81 percent over the last eight quarters since the previous CRA examination. This ratio ranged from a quarterly low of 70.91 percent to a quarterly high of 80.44 percent during the period. During the evaluation period, NNB sold over \$22 million of their home loans to the secondary market. If NNB had retained the loans, their loan to deposit ratio would have been somewhat higher.

The bank's net loan-to-deposit ratio compares reasonably with other financial institutions of similar size, location, and product offerings. The average net loan-to-deposit ratios for the other four banks in a custom peer group in the state of New Jersey over the same eight quarters was 85.87 percent and ranged from 67 percent to 111 percent.

## Lending in Assessment Area

This portion of the evaluation was also performed at the bank level. A majority of NNB's loan products were originated within the bank's AAs. The following table details the bank's lending within the AAs by number of loans. Approximately seventy-five percent of loans (by number of loans) originated by NNB were originated within the bank's AAs.

Loan Type	Number of Loans				Total
	Inside		Outside		
	#	%	#	%	
Home Purchase	23	67.65	11	32.35	34
Home Refinance	207	74.73	70	25.27	277
Home Improvement	154	79.78	40	20.62	194
Business	392	74.67	133	25.33	525
Consumer	932	74.32	322	25.68	1254
Totals	1,708	74.78	576	25.22	2,284

*Source: HMDA data and CRA small business and consumer loan data 1/1/2010-12/31/2011*

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

### Conclusions for Areas Receiving Full-Scope Reviews

The borrower distribution of NNB's home mortgage and consumer loans reflects reasonable penetration among borrowers of different income levels in the AA. The distribution of small loans to businesses is also reasonable.

We considered demographic factors including the high cost of housing compared to the median family income of a low-income person and the high percentage of individuals below the poverty level in our home mortgage analysis.

## **Gloucester County- Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA #47980**

The distribution of loans for the Gloucester County AA reflects excellent penetration among individuals of different income levels and businesses of different sizes.

### *Home Loans*

Overall, the distribution of home loans to borrowers reflects excellent penetration among borrowers of different income levels.

The bank's percentage of home purchase loans made to low-income borrowers exceeds the percent of low-income families in the Gloucester County AA. Considering that the 2011 HUD updated Median family income is \$86,000 in this AA and that a low-income family earns less than \$43,000, while the median housing value for this same period is \$121,798, this performance is considered excellent.

The bank's percentage of home purchase loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the Gloucester County AA. Considering that the 2011 HUD updated Median family income is \$86,000 in this AA and that a moderate-income family earns less than \$68,800 while the Median housing value for this same period is \$121,798, this performance is considered excellent.

The bank's percentage of home improvement loans made to low-income borrowers exceeds the percent of low-income families in the Gloucester County AA. The bank's percentage of home improvement loans made to low-income borrowers reflects excellent penetration especially considering prevailing economic conditions in this AA detailed above.

The bank's percentage of home improvement loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the Gloucester County AA. The bank's percentage of home improvement loans to moderate-income borrowers reflects excellent penetration considering economic conditions in the AA.

The bank's percentage of home refinance loans made to low-income borrowers is lower than the percent of low-income families in the Gloucester County AA. The bank's percentage of home refinance loans made to low-income borrowers reflects reasonable penetration when considering current demographic information and NNB's overall market share of 1.06 percent for home refinance loans in this geography.

The bank's percentage of home refinance loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the Gloucester County AA. The bank's percentage of home refinance loans made to moderate-income borrowers reflects excellent penetration considering prevailing economic conditions in this AA detailed above.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2010 through December 31, 2011 as compared to the percent of families in each income category.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Families	% of Bank Loans	% of Families	% of Bank Loans	% of Families	% of Bank Loans	% of Families	% of Bank Loans
Home Purchase	17.04	20.00	18.01	20.00	26.05	40.00	38.90	20.00
Home Improvement	17.04	17.44	18.01	24.42	26.05	34.88	38.90	23.26
Home Refinance	17.04	10.91	18.01	23.64	26.05	34.55	38.90	30.91

Source: HMDA data for 1/1/2010-12/31/2011 and HUD-updated 2000 U.S. Census data

### *Business Loans*

The distribution of small loans to businesses is excellent when considering the distribution by size of loan and the strong competition from larger, nationwide lenders that offer small business credit.

The percentage of small loans to businesses (businesses with gross annual revenues of \$1 million or less) is higher than the percentage of businesses in the Gloucester County AA. This is a good indication that business lending is primarily to small businesses. Additionally, the distribution by size of loan shows that 69.38 percent of the loan originations are for \$100,000 or less and 17.5 percent are for \$100,000 but less than \$250,000.

The following table shows the distribution of commercial loans among different sized businesses in the AA.

Total Small Loans to Businesses		Businesses with Revenues < \$1 million		Loans by Amount Regardless of Business Size		
#	% of Total	% of Businesses	% of Bank Loans	\$100,000 or less	\$100,000 to \$250,000	\$250,000+
160	37.56	68.93	72.50	69.38	17.50	13.13

Source: CRA small business data for 1/1/2010 to 12/31/2011 and 2000 U.S. Census data.

### *Consumer Loans*

The borrower distribution of consumer loans is excellent. The percentage of consumer loans made to low-income borrowers exceeds the percent of low-income households in the Gloucester County AA. The bank's percentage of consumer loans made to moderate-income borrowers also exceeds the percentage of moderate-income households in the Gloucester County AA. Overall, the bank's percentage of consumer loans to low- and moderate- income borrowers reflects excellent penetration.

The following table shows the penetration of consumer loan products among borrowers of different income levels for the period of January 1, 2010 through December 31, 2011 as compared to the percent of households in each income category.

Borrower Income Level	Low		Moderate		Middle		Upper	
Assessment Area	% of Families	% of Bank Loans	% of Families	% of Bank Loans	% of Families	% of Bank Loans	% of Families	% of Bank Loans
	19.95	41.89	15.81	23.02	21.00	22.64	43.24	11.70

Source: CRA consumer loan data for 1/1/2010 to 12/31/2011 and 2000 U.S Census data.

### **Cumberland County, NJ AA MSA #47220 – Vineland/Millville/Bridgeton, NJ**

The distribution of loans for the Cumberland County AA reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

#### *Home Loans*

The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels.

The bank's percentage of home purchase loans made to low-income borrowers is significantly lower than the percent of low-income families in the Cumberland County AA. However, considering the median home price in 2011 in this AA was \$87,791 and a low-income family earns less than \$31,200, this performance is considered reasonable, as a low-income borrower would have difficulty qualifying for home mortgage loans. In addition, competition is also strong. NNB has 6.3 percent of the market share of deposits for this AA and approximately 10 percent of the total branches (seven branches) versus the top five competitors in this AA which have a range of approximately 6 percent to 22 percent of the market share and significantly more offices (1 office to 207 offices).

The bank's percentage of home purchase loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the Cumberland County AA. Considering economic conditions, demographics and competition in this AA, this performance reflects excellent penetration.

The bank's percentage of home improvement loans made to low-income borrowers is significantly lower than the percent of low-income families in the Cumberland County AA. However, taking into consideration AA economic factors, such as the higher than average poverty level, and NNB's overall market share of 2.38 percent for home improvement loans, it makes lending in this geography difficult. Competition in this AA is high. The bank's performance reflects reasonable penetration when considering the aforementioned items.

The bank's percentage of home improvement loans made to moderate-income borrowers is near the percentage of loans made to moderate-income families in the Cumberland County AA. However, when considering NNB has just 2.38 percent of the overall market share for home improvement loans in the AA, along with current economic conditions and AA demographics, this performance is considered reasonable.

The bank's percentage of home refinance loans made to low- and moderate-income borrowers is lower than the percentage of low- and moderate-income families, respectively, in the Cumberland County AA. Considering, NNB has just 1.22 percent of the overall market share for this product in these geographies, along with current economic conditions, demographics and competition, this performance is considered reasonable and reflects reasonable penetration.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2010 through December 31, 2011 as compared to the percent of families in each income category.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Families	% of Bank Loans	% of Families	% of Bank Loans	% of Families	% of Bank Loans	% of Families	% of Bank Loans
Home Purchase	21.78	6.67	17.56	20.00	20.35	20.00	40.31	53.33
Home Improvement	21.78	6.45	17.56	14.52	20.35	30.65	40.31	48.39
Home Refinance	21.78	3.61	17.56	13.25	20.35	25.62	40.31	55.17

Source: HMDA data for 1/1/2010-12/31/2011 and HUD-updated 2000 U.S. Census data

### *Business Loans*

The percentage of small loans to businesses (businesses with gross annual revenues of \$1 million or less) is lower than the percentage of businesses in the Cumberland County AA. However, the distribution by size of loan shows that approximately 65 percent of the loan originations are for \$100,000 or less and 83 percent of the loan originations are for \$250,000 or less. This is a good indication that business lending is primarily to small businesses. The percentage of small loans to businesses in the Cumberland County AA reflects reasonable penetration.

The following table shows the distribution of commercial loans among different sized businesses in the AA.

Total Small Loans to Businesses		Businesses with Revenues < \$1 million		Loans by Amount Regardless of Business Size		
#	% Total	% of Businesses	% of Bank Loans	\$100,000 or less	\$100,000 to \$250,000	\$250,000+
211	49.53	65.50	53.55	64.45	18.48	17.06

Source: CRA small business data for 1/1/2010 to 12/31/2011 and 2000 U.S. Census data.

### *Consumer Loans*

The borrower distribution of consumer loans is reasonable. The percent of consumer loans originated to low-income borrowers is near the percentage of low-income households within the AA. However, competition in the AA is strong and the bank has

6.3 percent of the market share of deposits for this AA. Additionally, there are just two low-income census tracts in the Cumberland County AA.

The percent of consumer loans originated to moderate-income borrowers significantly exceeds the percentage of moderate-income households within the AA. This performance is considered excellent.

The following table shows the distribution of consumer loan products among borrowers of different income levels for the period of January 1, 2010 through December 31, 2011 as compared to the percent of households in each income category.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Families	% of Bank Loans	% of Families	% of Bank Loans	% of Families	% of Bank Loans	% of Families	% of Bank Loans
Assessment Area	24.15	21.86	16.06	25.10	18.68	21.05	41.12	30.36

*Source: CRA consumer loan data for 1/1/2010 to 12/31/2011 and 2000 U.S. Census data.*

### **Conclusions for Areas Receiving Limited-Scope Reviews**

The borrower penetration of NNB’s home mortgage loans is inconsistent with the bank’s overall “Satisfactory” performance. However, based on the bank’s limited presence and limited deposit and lending activity in this AA these results had little impact on the banks overall rating. NNB has one branch in this AA and 0.31 percent market share of the deposits.

### **Geographic Distribution of Loans**

#### **Conclusions for Areas Receiving Full-Scope Reviews**

The borrower distribution of NNB’s home mortgage, small loans to businesses, and consumer loans reflects reasonable dispersion throughout the AA.

#### **Gloucester County- Philadelphia-Camden-Wilmington, PA-NJ-DE-MD AA MSA #47980**

The geographic distribution of loans reflects a reasonable dispersion throughout the Gloucester County AA; however, this portion of the test was not given as much weight as the AA contains no low-income census tracts and only three moderate-income census tracts.

#### *Home Loans*

The geographic distribution of home loans in NNB’s AA reflects a reasonable dispersion throughout the moderate-income census tracts.

Since there are no low-income census tracts, an analysis of these geographies would not be meaningful and was therefore not completed.

The percentage of lending for home purchase loans in the moderate-income geographies significantly exceeds the percent of owner-occupied housing in these geographies. This percentage of lending for home purchase loans in the moderate-income geographies reflects an excellent dispersion.

NNB made no home improvement or home refinance loans in this AA in moderate-income geographies. However, considering only 3.78 percent of the housing units in this geography are owner occupied, this performance is considered reasonable.

The following is a table that details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of Owner Occupied Units	% of Bank Loans	% of Owner Occupied Units	% of Bank Loans	% of Owner Occupied Units	% of Bank Loans	% of Owner Occupied Units	% of Bank Loans
Home Purchase	N/A	N/A	3.78	20.00	81.13	80.00	15.09	0.00
Home Improvement	N/A	N/A	3.78	0.00	81.13	97.73	15.09	2.27
Home Refinance	N/A	N/A	3.78	0.00	81.13	94.69	15.09	5.31

Source: HMDA data for 1/1/2010-12/31/2011 and 2000 U.S. Census data

### *Business Loans*

The percentage of small business loans NNB originated in moderate-income census tracts was lower than the percentage of small businesses located in moderate-income census tracts. However, NNB's performance is considered reasonable given the relatively low number of total businesses (6.63 percent) in the three moderate-income census tracts. In addition, strong competition from larger national and regional banks makes it difficult for a bank of NNB's size to originate loans of this type in this AA.

The following is a table that details the bank's performance as compared to the percentage of businesses in each census tract income level.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Assessment Area	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans
	N/A	N/A	6.63	1.88	78.08	92.50	15.29	5.63

Source: CRA small business data for 1/1/2010 to 12/31/2011 and 2000 U.S. Census data.

*Consumer Loans*

The bank’s geographic distribution of consumer loans does not meet the standard for satisfactory performance. NNB originated no consumer loans within the three moderate-income geographies during the evaluation period. However, due to the low level of moderate-income households within this geography, lending opportunities are limited.

The following is a table that details the bank’s consumer loan performance as compared to the percentage of households in each census tract income level.

<b>Table 3B - Geographic Distribution of Consumer Loans in Gloucester County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of Households	% of Bank Loans	% of Households	% of Bank Loans	% of AA Households	% of Bank Loans	% of AA Households	% of Bank Loans
AA	N/A	N/A	5.96	0.00	80.77	97.74	13.27	2.26

*Source: CRA consumer loan data for 1/1/2010 to 12/31/2011 and 2000 U.S. Census data.*

**Cumberland County, NJ AA MSA #47220 – Vineland/Millville/Bridgeton, NJ**

The geographic distribution of loans reflects a reasonable dispersion throughout the Cumberland County AA.

*Home Loans*

The bank’s geographic distribution of home loans in the Cumberland County AA reflects a reasonable dispersion among census tracts of different income levels.

The bank’s percentage of home purchase loans made in low-income geographies significantly exceeds the percentage of owner-occupied units in this AA. This performance is considered excellent when considering the strong competition and limited number of branch offices in those geographies.

The bank’s percentage of home purchase loans made in moderate-income geographies is lower than the percentage of owner occupied units in the Cumberland County AA. The percentage of home purchase loans made to moderate-income geographies reflects a reasonable dispersion throughout the moderate-income geography when considering that competition to lend within the seven moderate-income census tracts in the AA is strong. There were 214 lenders competing for this pool of loans. NNB originated more home purchase loans (5.88 percent) than its share of the market (0.00 percent) within the moderate-income geographies in this AA. In addition, the top five lenders within the moderate-income census tracts were made up of larger national and regional institutions who dominated over 40% of the market share for home mortgage loans. This makes it difficult for an institution of NNB’s size to compete.

The bank's percentage of home improvement loans originated in low-income geographies exceeds the percentage of owner occupied housing units within this AA. This percentage reflects excellent dispersion.

The bank's percentage of home improvement loans to moderate-income geographies is somewhat lower than the percentage of moderate-income families in the Cumberland County AA. The percentage of home improvement loans to moderate-income geographies reflects reasonable dispersion throughout these geographies given the strong competition within the AA.

The bank's percentage of home refinance loans to low- and moderate-income geographies is lower than the percentage of owner occupied housing in the low- and moderate-income geographies in this AA. The percentage of home refinance loans to low-income borrowers reflects poor dispersion throughout the low- and moderate-income geographies.

The following is a table that details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of Owner Occupied Units	% of Bank Loans	% of Owner Occupied Units	% of Bank Loans	% of Owner Occupied Units	% of Bank Loans	% of AA Owner Occupied Units	% of Bank Loans
Home Purchase	1.56	5.88	10.01	5.88	59.09	52.94	29.35	35.29
Home Improvement	1.56	1.59	10.01	7.94	59.09	47.62	29.35	42.86
Home Refinance	1.56	0.00	10.01	3.41	59.09	59.09	29.35	37.50

Source: HMDA data for 1/1/2010-12/31/2011 and 2000 U.S. Census data

### *Business Loans*

The bank's geographic distribution of business loans reflects reasonable dispersion among census tracts of different income levels.

The percentage of small loans to businesses originated in low-income geographies exceeds the percentage of businesses within such geographies. This performance reflects excellent dispersion of small loans to businesses originated in low-income geographies.

The percentage of small loans to businesses originated in moderate-income geographies is lower than the percentage of businesses within these geographies. However, considering there is strong competition from other larger institutions and there are only 1,688 businesses operating within the moderate-income geographies, this is considered reasonable and reflects a reasonable dispersion of small loans to businesses originated in these geographies.

The following is a table that details the bank's performance as compared to the percentage of businesses in each census tract income level.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Assessment Area	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans
	7.67	14.22	16.15	9.48	48.47	33.65	27.71	42.65

Source: CRA small business data for 1/1/2010 to 12/31/2011 and 2000 U.S. Census data.

### Consumer Loans

The bank's geographic distribution of consumer loans reflects poor dispersion among census tracts of different income levels. The percentage of consumer loans originated in moderate-income geographies is lower than the percentage of households in those geographies. Of the 247 consumer loans originated within the AA during the evaluation period, only one was made to a household located in a low-income census tract, while 17 were made to households located in moderate-income census tracts.

The following is a table that details the bank's consumer loan performance as compared to the percentage of households in each census tract income level.

Census Tract Income Level	Low		Moderate		Middle		Upper	
AA	% of Households	% of Bank Loans	% of Households	% of Bank Loans	% of Households	% of Bank Loans	% of Households	% of Bank Loans
	2.71	0.40	16.81	6.88	55.00	55.47	25.48	37.25

Source: CRA consumer loan data for 1/1/2010 to 12/31/2011 and 2000 U.S. Census data

### Conclusions for Areas Receiving Limited-Scope Reviews

The geographic distribution of NNB's home mortgage loans is inconsistent with the bank's overall "Satisfactory" performance primarily resulting from its record of originating home purchase, home improvement, small business loans and consumer loans in moderate-income AA geographies. However, based on the bank's limited presence and limited deposit and lending activity in this AA these results had little impact on the banks overall rating. NNB has one branch in this AA and 0.31 percent market share of the deposits.

### Responses to Complaints

NNB did not receive any CRA complaints during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The Community Development Test is rated Satisfactory. NNB's community development activities demonstrate adequate responsiveness to the Community Development needs in each of the bank's AAs, when considering the bank's capacity, its performance context, and the availability of community development opportunities in the bank's AAs.

### **Number and Amount of Community Development Loans**

#### **Gloucester County- Philadelphia-Camden-Wilmington, PA-NJ-DE-MD AA MSA #47980**

The bank's performance in community development lending in the Gloucester County AA was excellent. NNB made a high level of community development loans throughout the evaluation period in this AA.

During this evaluation period, NNB originated four community development loans to four different organizations benefitting low- and moderate-income individuals within the Gloucester County AA. The amount originated totaled \$5.2 million.

A summary of the CD loans follows:

- \$10,000 working capital line of credit originated to a produce store located in a moderate-income census tract, which will help revitalize and stabilize the area by providing needed jobs and services.
- \$4.8 million bond anticipation note used to acquire and redevelop properties located in a moderate-income census tract for the purposes of revitalization.
- \$176 thousand term loan used to renovate a business office located in a moderate-income census tract used for the purposes of economic development.
- \$187 thousand term loan used to renovate an office building located in a moderate-income census tract. This loan will also help revitalize and stabilize the moderate-income census tract in which it is located by providing needed business and services.

#### **Cumberland County, NJ AA MSA #47220 – Vineland/Millville/Bridgeton, NJ**

The bank's performance in community development lending in the Cumberland County AA was excellent. NNB made a high level of community development loans in this AA.

During this evaluation period, NNB originated 22 community development loans to 15 different organizations benefitting low- and moderate-income individuals within the Cumberland County AA. The amount originated totaled approximately \$1.1 million.

Of the 22 community development loans originated, 17 promoted economic development by supporting or creating permanent job creation and improvements in low- or moderate-income geographies, three loans provided financing to organizations

that provide community services that are targeted to low- and moderate-income individuals, and two loans financed affordable housing for low- and moderate-income individuals.

Examples of CD loans originated are listed below.

- \$262,000 loan to a local real estate developer used to purchase and renovate properties for rental purposes located in a moderate-income census tract. The loan has promoted economic development and will help revitalize and stabilize the area by providing needed jobs.
- \$40,000 loan to finance building improvements for a local Christian ministry that is located in a moderate-income geography. The ministry provides various community services that are targeted to low- and moderate-income individuals and families.
- \$148,000 loan to finance property improvements for a local quasi-governmental, volunteer-based organization that is located in a moderate-income geography. The organization provides various community services that are targeted to low- and moderate-income individuals and families.
- \$92,000 loan for the purchase and rehabilitation of rental properties that are primarily targeted to low- and moderate-income individuals who qualify for the Section 8 housing program.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on the limited-scope review, the bank's performance under community development lending test in the Cape May County AA is weaker than the bank's overall "Satisfactory" performance under the community development test in the full-scope review AAs of Gloucester County and Cumberland County. There were minimal community development loans, made within this AA. However, the bank's weaker performance in this AA had minimal impact on the overall community development test rating, as we considered that this AA is very small in size and opportunities to originate CD loans is extremely limited.

### **Number and Amount of Qualified Contributions and Investments**

#### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the investment test is rated Satisfactory. Based on full-scope reviews, the bank's performance in the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD AA MSA #47980, and the Vineland-Millville-Bridgeton, NJ AA MSA #47220, is adequate.

#### **Gloucester County- Philadelphia-Camden-Wilmington, PA-NJ-DE-MD AA MSA #47980**

NNB has a good level of qualified investments and grants and exhibits adequate responsiveness to meeting the identified needs of the AA.

During the evaluation period, NNB made ten qualifying grants and donations totaling approximately \$25 thousand in the Gloucester County AA. These grants and donations were made to benefit low- and moderate-income individuals and families as well as small businesses within the assessment area. NNB also made four qualifying community development investments to two entities during the evaluation period totaling \$1 million.

### **Cumberland County, NJ AA MSA #47220 – Vineland/Millville/Bridgeton, NJ**

NNB has a low level of qualified investments and grants and exhibits poor responsiveness to meeting the identified needs of the AA.

During the evaluation period, NNB made qualifying grants and donations totaling over \$45 thousand in the Cumberland County AA. This represents roughly 0.01 percent of Tier 1 Capital. These grants and donations were made to benefit low- and moderate-income individuals and families as well as small businesses within the assessment area. Included in the \$45 thousand, is an in-kind donation of \$15 thousand to the South Jersey chapter of SCORE (Service Corps of Retired Executives), as the bank currently leases a property to the organization at no cost. Assuming a market rental rate of \$400/month, the bank could have earned \$15 thousand in the open market over the 37-month evaluation period the lease has been in existence. SCORE works closely with the Small Business Administration and provides free counseling and workshops to existing small business owners as well as prospective small business owners.

NNB made one qualifying community development investment totaling \$120 thousand during the evaluation period. Investment opportunities are limited in the Cumberland County AA.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on the limited-scope review, the bank's performance under the community development investment test in the Cape May County AA is weaker than the bank's overall "Satisfactory" performance under the community development test in the full-scope review AAs of Gloucester County and Cumberland County. There were minimal community development investments, and grants made within this AA. However, the bank's weaker performance in this AA had minimal impact on the overall community development test rating, as this AA is relatively small in size and opportunities to provide CD grants and investments is limited.

### **Extent to Which the Bank Provides Community Development Services**

#### **Gloucester County- Philadelphia-Camden-Wilmington, PA-NJ-DE-MD AA MSA #47980**

The bank's performance under the community development services test in the Gloucester County AA is adequate. NNB's deposit and loan products include free personal checking accounts with a \$100 minimum balance and free business checking

accounts with no minimum balance. The bank also offers unlimited check writing for each checking account in addition to free internet banking and bill-pay. NNB also offers a “Helping Hand” loan program, which provides unsecured loans of \$1 thousand to low- and moderate-income individuals within the AA. Loans originated under this program have more relaxed underwriting standards than traditional unsecured consumer loans.

During the evaluation period, three bank employees provided financial expertise and leadership services to three different qualifying community development organizations serving the Gloucester County AA. The following are the CD services provided by NNB in which board members hold key positions:

- A non-profit corporation that contributes to the economic growth of the southern eight counties of Jew Jersey by working cooperatively with county economic development directions.  
-Board Member
- A non-profit organization that promotes economic development throughout Gloucester County.  
-Board Member
- A nonprofit commission that attracts new business to the township and determines available vacant or underutilized commercial properties, including property that could be used for economic development.  
-Board Member

### **Cumberland County, NJ AA MSA #47220 – Vineland/Millville/Bridgeton, NJ**

The bank’s performance under the community development services test in the Cumberland County AA is adequate. Of NNB’s four branches located within the Cumberland County AA, one is located in a low-income geography.

NNB’s deposit and loan products include free personal checking accounts with a \$100 minimum balance and free business checking accounts with no minimum balance. The bank also offers unlimited check writing for each checking account in addition to free internet banking and bill-pay. NNB also offers a “Helping Hand” loan program, which provides unsecured loans to low- and moderate-income individuals within the AA. Loans originated under this program have more relaxed underwriting standards than traditional unsecured consumer loans.

During the evaluation period, eleven bank employees or board members provided financial expertise and leadership services to fourteen different qualifying community development organizations serving the Cumberland County AA. The following are the CD services provided by NNB in which employees hold key positions:

- A program geared toward teaching elementary students located in low- and moderate-income areas financial literacy skills.  
-Seven Bank Employees

- A non-profit organization that promotes economic development and humanitarian projects that address challenges such as hunger, poverty and illiteracy. Members donate time, expertise and funds to support local projects that help people in need, including those in low- and moderate-income geographies such as the Bridgeton, NJ area.  
-Board Member
- A non-profit, public partnership created to encourage growth and stability of the small business sector and facilitate opportunities for banks to make business loans in low-income urban areas in southern New Jersey.  
-Board Member
- A non-profit organization responsible for the development of LMI census tracts as well as assisting in the funding of troubled and/or redeveloping businesses within the city of Vineland.  
-Board Member
- A non-profit organization whose main goal is to revitalize Landis Avenue in Downtown Vineland, NJ, which is primarily located in a low-income geography.  
-Board Member

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on a limited-scope review, the bank's performance under the community development test in the Cape May County AA is weaker than the bank's overall "Satisfactory" performance under the community development test. There were minimal community development services provided in this AA. However, the bank's weaker performance in this AA had minimal impact on the overall community development test rating, as this AA is relatively small in size and the bank has only one branch office in this AA thus opportunities to provide CD services are limited.

### **Responsiveness to Community Development Needs**

Given the bank's capacity and availability of community development opportunities in the AA, NNB demonstrates adequate responsiveness to community development needs in its AA through community development loans, qualified donations, and community services.

### **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.