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Comptroller of the Currency  
Administrator of National Banks

Small Bank

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Northeastern District  
1114 Avenue of the Americas, Suite 3900  
New York, New York 10036

## **Public Disclosure**

**May 25, 1999**

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

**First National Bank of Absecon  
Charter Number 10823  
106 New Jersey Avenue  
Absecon, New Jersey 08201**

**Office of the Comptroller of the Currency  
Eastern Pennsylvania Duty Station  
4 Greenwood Square, Suite 120  
3325 Street Road  
Bensalem, Pennsylvania 19020**

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

## **General Information**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with 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 **First National Bank of Absecon** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 25, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

**Institution's CRA Rating:** This institution is rated Satisfactory.

- ! The bank's average loan-to-deposit ratio reflects an improving trend but remains below satisfactory levels.
- ! A substantial majority of loans were made within the bank's assessment area.
- ! The bank's lending performance reflects satisfactory distribution of credit to borrowers of different income levels.
- ! The bank exhibits a good record of lending to small businesses.

## **Scope of the Examination**

The evaluation of The First National Bank of Absecon (FNBA) performance covers the period from January 1, 1997 through March 31, 1999. The evaluation includes an analysis of FNBA's assessment area, which covers the eastern half of Atlantic County, New Jersey. This analysis is based on the bank's HMDA Loan Activity Reports (HMDA-LAR) and Loan Registers. These reports were tested for accuracy during the examination. We used the Small Bank CRA Procedures to complete this examination.

## **Description of Institution**

FNBA is a wholly owned subsidiary of Absecon Bancorp and is situated in the southeastern portion of Atlantic County, New Jersey. This location is just northwest of Atlantic City, separated by waterway boundaries. FNBA is a full service financial institution with trust services. The bank operates four banking offices. The main office and one branch are located in Absecon; the other branches are located in Northfield and Galloway Township, New Jersey. Each banking location is equipped with drive-up banking facilities. Extended banking hours are available Thursday and Friday at all locations except Northfield, where extended banking hours are available Friday only. The bank is closed on Saturday. No branch was opened or closed since the prior CRA Public Evaluation in May 1996.

As of March 31, 1999, FNBA's total assets were \$114 million, indicating a 3% growth rate between evaluations. The balance sheet reflects \$43 million in loans and \$100 million in deposits. FNBA's loan portfolio consists of 77% residential loans, 20% commercial loans, and 3% consumer loans. Total loans have increased approximately 34% since May 1996. Management attributes loan growth to the decline in interest rates, new product development and its ability to decision loan applications rapidly.

The bank primary business focus is residential mortgages and real estate secured lending for personal and business purposes. Major competition within the assessment area includes branches of regional, state and savings institutions. There are also numerous private mortgage companies operating within the bank's assessment area.

FNBA 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.

FNBA's last CRA assessment was performed as of May 3, 1996. The bank received a Satisfactory rating.

## **Description of Assessment Area - Eastern Atlantic County**

FNBA has defined its assessment area within the Atlantic/Cape May MSA 0560. The assessment area includes the eastern half of Atlantic County except for the areas separated by water boundaries. The

bank=s assessment area consists of thirty-two census tracts reflecting no low-income, one moderate-income, twenty-one middle-income, and ten upper-income tracts. The assessment area complies with the regulation and does not arbitrarily exclude low- or moderate-income areas.

Based upon 1990 census data the population of the assessment area is approximately 102,200 and contains 37,332 households comprising 26,541 families. Housing units within the assessment area total 41,305. This total reflects 66% owner occupied, 24% rental, and 10% vacant housing units. The 1998 median family income is \$39,034 and the median value of housing is \$105,046. The unemployment rate is 2.67%

The local economy is stable. Casino and tourism related activities continue to positively impact economic conditions. Employment opportunities are centered in casino, medical, service and retail industries. The completion of the tunnel between Atlantic City and the Marina area should enhance future employment, housing and business activities within the assessment area.

Management indicated that the primary needs for its assessment area are residential mortgages, home equity products, and small business lending. One community contact was made with the Absecon Business and Commercial Development Corporation, Inc. (ABCD, Inc.), a non-profit corporation organized to promote and support business and commercial development in Absecon, NJ. Our discussion focused on business development within the City of Absecon. FNBA was commended for its efforts to support small business ownership and its community involvement within Absecon, NJ.

## **Conclusions with Respect to Performance Criteria**

### **Loan-to-Deposit Ratio**

The loan-to-deposit ratio does not meet the standards for satisfactory performance. FNBA=s loan-to-deposit ratio has improved over the last nine quarters (1/1/97 - 3/31/99) but remains below the level for satisfactory performance. Our review determined steady improvement over the review period as the loan-to-deposit ratio has increased to 43% at March 31, 1999 from 34% at the beginning of the review period. The bank=s loan-to-deposit ratio averaged 38% over the review period while nationally its peers averaged 70%. A review of similarly sized banking institutions located in southern New Jersey reflects a loan-to-deposit ratio of approximately 51% for the same time period.

FNBA=s variance from peer group loan-to-deposit ratios results from competitive pressures, limited commercial lending opportunities and prior conservative lending practices. Since the prior review, management has developed new products to meet community mortgage needs. As a result, residential lending has increased approximately \$5 million or nearly 60% of the total loan growth during the review period.

### **Lending in the Assessment Area**

The bank meets the standards for satisfactory performance for lending in the assessment area. We reviewed the bank=s HMDA-LAR to determine the location of loan originations. The bank has a good record of serving the credit needs of its community based on this review. A substantial majority of

FNBA's HMDA reportable loans originated within the assessment area, as indicated in the following table.

<b>LENDING WITHIN THE ASSESSMENT AREA (AA)</b> <b>HMDA Loan Originations from 1/1/97 - 3/31/98</b>			
	<b># of Loans</b>		
<b>Year</b>	<b>In AA</b>	<b>Out of AA</b>	<b>% In AA</b>
<b>1997</b>	<b>60</b>	<b>12</b>	<b>83%</b>
<b>1998</b>	<b>166</b>	<b>34</b>	<b>83%</b>
<b>YTD 3/31/99</b>	<b>30</b>	<b>2</b>	<b>94%</b>
<b>Total</b>	<b>256</b>	<b>48</b>	<b>84%</b>

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

FNBA meets the standards for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes. The Bank's record of lending to borrowers of different income levels was evaluated using HMDA reportable loans originated in 1997, 1998 and the first three months of 1999. Overall, our review of HMDA reportable loans to borrowers of different income levels revealed satisfactory lending patterns. While the penetration of loans to low- and moderate-income borrowers is low, the type of individuals comprising these totals impacts this performance. Approximately 39% of the households within the assessment area are retired persons and/or social security recipients. Additionally, residents of the assessment area one moderate-income census tract are primarily college students. Hence, lending opportunities within these demographic groups are limited.

<b>Lending to Borrowers of Different Income levels</b> <b>HMDA loans from 1/1/97 - 3/31/99</b>							
	<b>1997</b>		<b>1998</b>		<b>Through 3/31/99</b>		
<b>Income</b>	<b>\$ Amt</b>	<b># of</b>	<b>\$ Amt</b>	<b># of</b>	<b>\$ Amt</b>	<b># of</b>	<b>Total Families</b>
<b>Low</b>	<b>1%</b>	<b>4%</b>	<b>1%</b>	<b>4%</b>	<b>1%</b>	<b>3%</b>	<b>13%</b>
<b>Moderate</b>	<b>4%</b>	<b>12%</b>	<b>5%</b>	<b>12%</b>	<b>10%</b>	<b>22%</b>	<b>17%</b>
<b>Middle</b>	<b>20%</b>	<b>28%</b>	<b>16%</b>	<b>26%</b>	<b>11%</b>	<b>16%</b>	<b>25%</b>

<b>Upper</b>	<b>75%</b>	<b>56%</b>	<b>78%</b>	<b>58%</b>	<b>78%</b>	<b>59%</b>	<b>45%</b>
<b>Total</b>	<b>100%</b>						

## **Small Business Loans**

We reviewed all commercial loans originated during the evaluation period to assess the bank=s record of lending to small businesses. A small business is defined as a business with less than or equal to \$1 million in gross annual revenues.

The bank is very responsive to the credit needs of small businesses within its assessment area. During the review period 80% of FNBA=s business loans by number and 85% by dollar amount were to small businesses. Additionally, 77% of all small business loans made during the examination period were for amounts less than \$100 thousand and 100% were for amounts less than \$500 thousand.

**Small Business loans Originated in 1997 within the Assessment Area**

<b>Original Loan Amounts to Businesses with Revenue &lt;= \$1 Million</b>	<b>Small Business loans Made to Small Businesses</b>			
	<b># of Loans</b>	<b>%</b>	<b>\$ Amount (000)</b>	<b>%</b>
<b>Less than \$100,000</b>	<b>23</b>	<b>72%</b>	<b>748</b>	<b>29%</b>
<b>\$100,000 to \$250,000</b>	<b>6</b>	<b>19%</b>	<b>659</b>	<b>26%</b>
<b>\$250,001 to \$500,000</b>	<b>3</b>	<b>9%</b>	<b>1,131</b>	<b>45%</b>
<b>\$500,001 to \$1,000,000</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Total</b>	<b>32</b>	<b>100%</b>	<b>2,538</b>	<b>100%</b>

**Small Business loans Originated in 1998 within the Assessment Area**

<b>Original Loan Amounts to Businesses with Revenue &lt;= \$1 Million</b>	<b>Small Business loans Made to Small Businesses</b>			
	<b># of Loans</b>	<b>%</b>	<b>\$ Amount (000)</b>	<b>%</b>
<b>Less than \$100,000</b>	<b>28</b>	<b>80%</b>	<b>980</b>	<b>42%</b>
<b>\$100,000 to \$250,000</b>	<b>6</b>	<b>17%</b>	<b>1,040</b>	<b>45%</b>
<b>\$250,001 to \$500,000</b>	<b>1</b>	<b>3%</b>	<b>300</b>	<b>13%</b>
<b>\$500,001 to \$1,000,000</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Total</b>	<b>35</b>	<b>100%</b>	<b>2,320</b>	<b>100%</b>

### **Small Business loans Originated in YTD 3/31/1999 within the Assessment Area**

<b>Original Loan Amounts to Businesses with Revenue &lt;= \$1 Million</b>	<b>Small Business loans Made to Small Businesses</b>			
	<b># of Loans</b>	<b>%</b>	<b>\$ Amount (000)</b>	<b>%</b>
<b>Less than \$100,000</b>	<b>6</b>	<b>86%</b>	<b>320</b>	<b>72%</b>
<b>\$100,000 to \$250,000</b>	<b>1</b>	<b>14%</b>	<b>122</b>	<b>28%</b>
<b>\$250,001 to \$500,000</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>\$500,001 to \$1,000,000</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Total</b>	<b>7</b>	<b>100%</b>	<b>442</b>	<b>100%</b>

### **Geographic Distribution of Loans**

The bank meets the standards for satisfactory performance for the geographic distribution of loans. FNBA=s assessment area includes no low-income census tracts. The sole moderate-income census tract is largely rural. It contains portions of the New Jersey Pine Barrens and Stockton State College campus. Residents of this census tract are primarily students making lending opportunities limited. Based on these facts, we determined our analysis of FNBA=s geographic distribution of credit does not provide any meaningful data.

### **Responses to Complaints**

There were no complaints received by the bank since the prior evaluation.

### **Record of Compliance with Antidiscrimination Laws**

A Fair Lending review was performed in conjunction with this CRA examination. The terms approach was used comparing single female applicants seeking residential mortgage financing to married applicants to test for discrimination on a prohibited basis. No disparate treatment was noted. In addition, no violations of the substantive provisions of antidiscrimination laws and regulations were identified.