



**CRA Decision #163  
October 2014**

October 3, 2014

Alan D. Eskow  
Senior Executive Vice President  
Chief Financial Officer  
Valley National Bank  
1455 Valley Road  
Wayne, New Jersey 07470

Re: Application for the merger of 1<sup>st</sup> United Bank, Boca Raton, Florida with into Valley National Bank, Passaic, New Jersey  
OCC Control Nos.: 2014-NE-138547, 2014-NE-138574 thru 138580

Dear Mr. Eskow:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the application to merge 1<sup>st</sup> United Bank, Boca Raton, Florida (1<sup>st</sup> United) into Valley National Bank, Passaic, New Jersey (the Bank or Valley National), under the charter and title of the latter. The OCC also approves seven wholly-owned subsidiaries (Subsidiaries) of 1<sup>st</sup> United and concludes that the activities of the operating subsidiaries are legally permissible for national banks and their operating subsidiaries.

These approvals are granted after a thorough review of the application, other materials each of the banks and its representatives supplied, and additional information available to the OCC, including commitments and representations made in the application and by the banks' representatives during the application process.

**I. The Transaction**

1<sup>st</sup> United is a wholly owned subsidiary of 1<sup>st</sup> United Bancorp, Inc., Boca Raton, Florida (FUB Bancorp), a one-bank holding company. 1<sup>st</sup> United is a Florida state-chartered non-member bank that operates 22 branches and seven operating subsidiaries throughout Florida.

The Bank is a wholly owned subsidiary of Valley National Bancorp, Wayne, New Jersey (VNB Bancorp), a one-bank holding company. The Bank is a national bank with its main office in Passaic, New Jersey with 214 branches throughout New Jersey and New York.

VNB Bancorp will file a request with the Federal Reserve Bank of New York to waive the BHC application filing to acquire FUB Bancorp and indirectly acquire 1<sup>st</sup> United. After the holding companies merge, 1<sup>st</sup> United will become a subsidiary of VNB Bancorp and immediately merge into Valley National.

## **II. Legal Authority for the Transactions**

The Bank applied to the OCC for approval to merge 1<sup>st</sup> United with and into the Bank under 12 U.S.C. §§ 215a and 1828(c), and the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Riegle-Neal), 12 U.S.C. § 1831u, which authorizes mergers between insured banks with different home states. 12 U.S.C. § 1831u(a)(1). Riegle-Neal amended the National Bank Consolidation and Merger Act to permit national banks to engage in interstate merger transactions. 12 U.S.C. § 215a-1. As discussed below, the OCC has determined that the merger satisfies relevant legal requirements.

Riegle-Neal permits a state to elect to prohibit interstate merger transactions by enacting legislation that expressly prohibits all mergers with out-of-state banks. 12 U.S.C. § 1831u(a)(2) (state “opt-out” laws). The OCC may not approve an interstate merger if the transaction involves a bank whose home state enacted a law between September 29, 1994, and June 1, 1997, that expressly prohibits all mergers with all out-of-state banks. The home state of Valley National is New Jersey, and the home state of 1<sup>st</sup> United is Florida. Neither of these states opted-out. Accordingly, the merger of Valley National and 1<sup>st</sup> United is legally authorized as an interstate merger transaction under Riegle-Neal, 12 U.S.C. §§ 215a-1 and 1831u(a), subject to certain requirements and conditions set forth in 12 U.S.C. §§ 1831u(a)(5) and 1831u(b) for affiliated banks. These conditions relate to: (1) compliance with state-imposed age limits, if any; (2) compliance with certain state filing requirements; and (3) capital and management requirements. Pursuant to 12 U.S.C. § 1831u(d)(1), the Bank may retain its main office and branches as well as the main office and branches of 1<sup>st</sup> United following consummation of the merger. The OCC has determined that each of the requirements has been met.

A national bank “may conduct in an operating subsidiary, activities that are permissible for a national bank to engage in directly either as part of, or incidental to, the business of banking, as determined by the OCC, or otherwise under statutory authority.” 12 CFR 5.34(e). The activities of Subsidiaries are legally permissible for national banks and Subsidiaries qualify as operating subsidiaries.

## **III. Bank Merger Act**

The Bank’s proposed merger with 1<sup>st</sup> United is also subject to the OCC review under the Bank Merger Act. The OCC reviewed the proposed merger under the criteria of the Bank Merger Act, 12 U.S.C. § 1828(c), and applicable OCC regulations and policies. Under the Bank Merger Act, the OCC generally may not approve a merger that would substantially lessen competition. The Bank Merger Act also requires the OCC to take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. 12 U.S.C. § 1828(c)(5). The OCC must also consider the

effectiveness of any insured depository institution involved in the proposed merger transaction in combating money laundering activities. 12 U.S.C. § 1831(c)(11). Furthermore, the OCC must consider the risk of the transaction to the stability of the United States banking or financial system. 12 U.S.C. § 1831(c)(5) (as amended by section 604 of Dodd-Frank). The OCC considered these factors and found them consistent with approval of this application.

#### **IV. Community Reinvestment Act**

The Community Reinvestment Act (CRA) requires the OCC to take into account the records of the banks' performance in helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods, when evaluating applications under the Bank Merger Act. The OCC considered the CRA performance evaluation (PE) of each bank involved in this transaction. Under the regulations implementing the CRA, a bank's record of performance may be the basis for denying or conditioning approval of an application subject to the Bank Merger Act. 12 CFR 25.29(d). For the reasons described below, after a review of the banks' records, information provided by Valley National in response to public comments relating to the proposed transaction, and information provided by Valley National in response to additional information requests, the OCC has concluded that the banks' records of helping to meet the needs of their communities support approval of this application with the condition discussed in Part V.H. of this letter.

##### **A. Valley National Bank**

Valley National's most recent PE, dated June 3, 2013, assigned the bank an overall "Satisfactory" rating.<sup>1</sup> The major factors supporting the overall "Satisfactory" rating were: (i) excellent lending activity and lending in the bank's assessment areas (AA), which helped to mitigate overall poor geographic and borrower income distribution of loans; (ii) an excellent overall level of community development lending, which helped elevate the overall lending test performance from adequate to good; (iii) an adequate volume of qualified investments in the evaluation period that demonstrated responsiveness to the identified investment needs of its communities; (iv) a branch network that was reasonably accessible to geographies and individuals of different income levels in the bank's AAs; and (v) an adequate level of community development services, which are responsive to the bank's AAs' needs.

Valley National's performance in the New York-Newark-Edison (NY-NJ-PA) Multistate Metropolitan Statistical Area (New York MMSA)<sup>2</sup>, which accounted for approximately 98 percent of the bank's deposits as of June 30, 2013, carried the greatest weight in the PE. The major factors supporting the overall "Satisfactory" rating in the New York MMSA were: (i) an excellent level of home mortgage and small business loans; (ii) a poor distribution of home mortgage loans to geographies of different income levels; (iii) a poor distribution of small business loans to geographies of different income levels; (iv) a poor distribution of home

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<sup>1</sup> Valley National was evaluated for CRA purposes as a large bank on June 3, 2013 for the period between January 1, 2009 and December 31, 2012 for home mortgage and small business loans, and the period between July 1, 2009 and June 3, 2013 for community development loans, investments, and services. A copy of the PE is available at: <http://www.occ.gov/static/cra/craeval/jun14/15790.pdf>.

<sup>2</sup> See footnote 5.

mortgage loans to borrowers of different income levels; (v) a poor distribution of loans to businesses of different income levels; (vi) a significantly positive level of community development loans that were responsive to community development needs, which elevated otherwise adequate lending test performance to good; (vii) an adequate level of community development investments that were responsive to community needs; (viii) a branch distribution system that was accessible to individuals living in all income geographies in the AA, after considering the additional access by branches located near low- and moderate-income geographies; and (ix) an adequate level of community development services.

## **B. 1<sup>st</sup> United Bank**

1<sup>st</sup> United's most recent PE, dated July 23, 2012, assigned the bank an overall "Satisfactory" rating.<sup>3</sup> The major factors that support this rating include: (i) a reasonable average loan-to-deposit ratio; (ii) a substantial majority of the bank's loans were made inside the bank's AAs; (iii) excellent geographic distribution of loans throughout the bank's AAs; (iv) a reasonable distribution of lending to businesses of different revenue sizes; and (v) an excellent level of community development loans, investments, and services that were responsive to the community development needs of the bank's AAs.

## **V. Public Comments and Analysis**

Three commenters provided the OCC with 11 public comments<sup>4</sup> addressing Valley National's record of helping to meet the needs of its communities. The initial comment letters expressed concerns related to Valley National's retail branch distribution, community development activities, home mortgage lending, multifamily housing lending, and small business lending. In light of these concerns, the commenters criticized the absence of a plan outlining the anticipated public benefits of the proposed transaction. Valley National responded to each of the commenters in writing. After reviewing Valley National's responses, each of the commenters submitted follow-up comment letters that reiterated and elaborated on many of their original concerns.<sup>5</sup>

All three commenters expressed concerns related to Valley National's branch distribution. Two of the commenters expressed broad concerns about Valley National's branching pattern in the

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<sup>3</sup> 1<sup>st</sup> United was evaluated for CRA purposes as an intermediate small bank on July 23, 2012 for the period between January 1, 2011 and December 31, 2011 for the lending test, and the period between July 26, 2010 and July 23, 2012 for the community development test. A copy of the PE is available at: [http://www.frbatlanta.org/banking/cra\\_pes/2012/2860440.pdf](http://www.frbatlanta.org/banking/cra_pes/2012/2860440.pdf).

<sup>4</sup> Some of the commenters' concerns were directed at the OCC's CRA performance evaluation process and, as such, are not addressed in this letter.

<sup>5</sup> Valley National received a CRA rating for the New York MMSA and the State of New Jersey. The concerns expressed by the commenters focus on Valley National's performance in the New York MMSA. Valley National has four AAs within the New York MMSA, including, the New York-White Plains-Wayne MD (New York MD), the Newark-Union MD in New Jersey (Newark MD), the Edison-New Brunswick MD in New Jersey (Edison MD), and the Nassau-Suffolk MD in New York (Nassau MD). Each of the commenters used different terminology to refer to the communities Valley National serves. For the purpose of this letter, Valley National's AAs are referenced in the text as set out in this footnote.

New York Metropolitan Division (MD), the Newark MD, and the Edison MD, while one commenter's concerns focused on Valley National's branching pattern in only the New York MD. The commenters asserted that Valley National's branch network is failing to serve minority and low- and moderate-income neighborhoods. The commenters asserted that, as compared to other lenders in the market, Valley National has a smaller percentage of its branches in low- and moderate-income census tracts. One commenter asserted that in New York City and Northern New Jersey, Valley National has 12 percent of its branches in low- and moderate-income-census tracts, whereas all lenders, as a group have 21 percent of their branches in low- and moderate-income census tracts. Another commenter asserted that in Manhattan, New York (Manhattan), Valley National does not have any branches north of 88<sup>th</sup> Street, and, as a result, Valley National does not have a branch presence in many predominantly African American and Latino/Hispanic neighborhoods. Moreover, this same commenter asserted that Valley National's branch network similarly excludes predominantly African American and Latino/Hispanic neighborhoods in Queens, New York (Queens) and Brooklyn, New York (Brooklyn).

Two of the commenters expressed concerns related to Valley National's community development activities in recent years. The commenters asserted that Valley National is not meeting the community development needs of its AAs. Specifically, the commenters asserted that Valley National's community development lending has decreased every year between 2010 and 2012. One of the commenters did note, however, that Valley National's community development lending in the New York MD increased in 2013. In addition, two of the commenters expressed concerns with Valley National's level of CRA qualified investments,<sup>6</sup> including grants, in recent years.

All three of the commenters expressed concerns related to Valley National's home mortgage lending practices. The commenters cited 2012 Home Mortgage Disclosure Act (HMDA) data for the New York MMSA as the basis for their contention that Valley National is not meeting the credit needs of minority individuals and minority communities and low- and moderate-income individuals and low- and moderate-income communities in its AAs. Specifically, in the New York MD, Nassau MD, Newark MD, and Edison MD, the commenters asserted that Valley National made significantly more home refinance loans, home purchase loans, and home improvement loans to white borrowers than to minority borrowers, particularly African American and Latino/Hispanic borrowers. The commenters claimed that, in some instances, Valley National did not originate any loans to African American or Latino/Hispanic borrowers. Moreover, one of the commenters alleged that Valley National's HMDA data reflect denial ratio disparities in some of the bank's AAs between white applicants and African American and Latino/Hispanic applicants. In addition, the commenters asserted that Valley National made a smaller percentage of its home mortgage loans in majority-minority census tracts than did "all lenders, as a group." The commenters asserted also that Valley National originated a smaller percentage of its home mortgage loans to low- and moderate-income individuals and in low- and moderate-income census tracts than "all lenders, as a group." Two of the commenters noted that the CRA PE indicates that Valley National had an overall "poor" geographic distribution and borrower income distribution of home mortgage loans and small business loans and alleged that

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<sup>6</sup> One of the commenters focused on the New York MD, while the other commenter did not specify an AA in its investment-related comments.

this performance supports their assertion that Valley National is not meeting the credit needs of low- and moderate-income individuals and geographies.

One of the commenters expressed concerns related to Valley National's multifamily housing lending practices. The commenter asserted that, in the New York MD, of the 102 HMDA reportable multifamily housing loans that Valley National originated in 2011 and 2012, only one was in a low- or moderate-income census tract. In addition, the commenter asserted that Valley National made a smaller percentage of its multifamily housing loans in low- and moderate-income census tracts than the percentage of total<sup>7</sup> multifamily housing loans made in low- and moderate-income census tracts.

All three commenters expressed concerns related to Valley National's small business lending practices in the New York MD, Newark MD, and Edison MD in 2012. The commenters alleged that in each of these areas Valley National made a smaller percentage of its small business loans in low- and moderate-income census tracts than did "all lenders, as a group." Further, one of the commenters asserted that in the Newark MD, Valley National's low percentage of lending to small business in low- and moderate-income census tracts was particularly troublesome because the percentage of small businesses located in low- and moderate-income census tracts was more than double the percentage of Valley National's loans in those areas.

Based on these concerns, the commenters expressed the overall concern that Valley National is not meeting the needs of low- and moderate-income and minority communities and that the proposed acquisition does not create a benefit to the public. Therefore, the commenters requested that the OCC extend the comment period, remove the application from expedited review, and hold public hearings on the application. In addition, the commenters requested that, in the absence of a public benefits plan by the bank, the OCC deny the application.

The OCC has carefully considered the commenters' concerns as they relate to the statutory and regulatory factors considered by the OCC when reviewing an application under the Bank Merger Act. The commenters' concerns are addressed below.

## **A. Convenience and Needs**

The commenters expressed concerns regarding the extent to which the resulting bank would benefit the communities it serves. As mentioned above, the commenters asserted that Valley National's existing branch network fails to serve minority and low- and moderate-income communities in its AAs. Specifically, the commenters expressed concerns regarding the percent of Valley National's branches that are located in minority and low- and moderate-income communities. The commenters also asserted that Valley National is not adequately meeting the needs of its communities through its community development activities, in particular its community development lending and investments. The commenters' concerns about Valley National's past record of performance provide the basis for the commenters' assertion that the proposed transaction will not provide a public benefit. As previously discussed, the Bank

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<sup>7</sup> The comment stated "total NY-NJ MD".

Merger Act requires the OCC to take into consideration the convenience and needs of the community to be served when reviewing a proposed merger.<sup>8</sup>

*i. Branch Network*

In the CRA PE, the OCC considered how Valley National’s branch network serves its AAs. The PE reflects that Valley National received an overall “High Satisfactory” rating for the service test. The PE stated that Valley National’s branches are accessible to individuals living in low- and moderate-income geographies, when additional access to branches located near low- or moderate-income geographies (i.e., branches located within one-half mile of a low- or moderate-income geography) is considered. Similarly, within the New York MD, the PE indicates that branch distribution was good after considering branches “near-to” low- and moderate-income geographies and that branch openings and closings improved the accessibility of Valley National’s delivery systems since the previous CRA evaluation. In the remainder of the New York MMSA, the PE indicates that branch distribution was adequate.

Valley National represented that it currently operates 204 branches and two stand-alone drive-up bank locations in the states of New York and New Jersey. Consistent with the conclusions reflected in the PE, Valley National further represented that over the past five years it has increased its overall branch distribution in low- and moderate-income geographies. Specifically, Valley National represented that from 2005 through 2008, 13 percent of its total branches (in all AAs) were located in a low- or moderate-income geography, while currently 16 percent of its branches are located in a low- or moderate-income geography. Valley National also represented that 22 percent of its branches are located in high-minority census tracts and an additional 17 percent of its branches (39 percent total) are located within one-half mile of a high-minority census tract. Valley National stated that it does not plan to close any branches in connection with the proposed transaction.

Valley National further represented that it currently operates 15 branches in Manhattan, six branches and one stand-alone drive-up facility in Queens, and nine branches in Brooklyn. Of the branches located in Manhattan, Valley National represented that 11 of the branches are located in a low- or moderate-income census tract or within one-half mile of a low- or moderate-income census tract. Valley National also represented that three of its Manhattan branches are in a high-minority census tract and an additional 10 branches are within one-half mile of a high-minority census tract. In Queens, Valley National represented that one of its branches is located in a low- or moderate-income census tract and an additional five branches are within one-half mile of a low- or moderate-income census tract. In addition, in Queens, Valley National represented that three of its branches are in a high-minority census tract and the remaining four branches are within one-half mile of a high-minority census tract. In Brooklyn, Valley National represented that three of its branches are located in low- or moderate-income census tracts and the remaining

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<sup>8</sup> As noted in the text, the commenters refer to the need for the merger to create a “public benefit.” Under 12 CFR 225.24(a)(2)(iii), which applies to proposals submitted to the Board of Governors of the Federal Reserve System by bank holding companies seeking to engage in nonbanking activities, the holding company is required to provide a “statement of the public benefits that can reasonably be expected to result from the proposal.” In reviewing a financial institution’s application to merge with another financial institution, in this instance the application to merge 1<sup>st</sup> United with and into Valley National, the OCC considers the “convenience and needs of the community to be served” as required under 12 U.S.C. § 1828(c)(5).

six branches are located within one-half mile of a low- or moderate-income census tract. Valley National further represented that three of its Brooklyn branches are located in a high-minority census tract and an additional five branches are located within one-half mile of a high-minority census tract.

In addition, Valley National indicated that it has developed foreign language resources to serve the non-English speaking population in its AAs. Valley National represented it employs approximately 1,400 employees across its branch network. Of these employees, Valley National represented that approximately 50 percent are bilingual, and the bank is seeking to hire additional bilingual staff. Approximately 340 of the bilingual employees, or approximately 25 percent of all employees, have identified Spanish as their second language. Valley National also provided examples of marketing materials available in several foreign languages, including Spanish and Russian. Additionally, to supplement its branch network, Valley National represented that it offers online, mobile, and text message banking services in Spanish, as well as English.

## *ii. Community Development*

In addition to its branch network, Valley National's PE indicates that the bank also serves its community through its community development activities. The PE indicates that in the New York MMSA, Valley National had a significantly positive level of community development lending, which was responsive to community needs. Further, the PE indicates that Valley National's community development lending elevated the bank's otherwise adequate lending test performance to good. The PE discusses several performance context factors that banks in the New York MMSA must contend with, including strong competition from several nationwide lenders, the high cost of housing, weak economic conditions, and high poverty levels. Given the challenges presented by these and other factors, Valley National's community development lending had a significantly positive impact on the bank's lending test rating. The significantly positive impact was due to the overall volume of community development lending and the fact that Valley National's community development loans in the New York MMSA were responsive to identified community development needs, including the need for affordable housing.

In the New York MMSA, Valley National's PE also indicates that the bank had an adequate level of community development investments that were responsive to community development needs. Specifically, the PE indicates that Valley National's poor performance in terms of community development investments in the New York MD was offset by excellent performance in the Newark MD. Notably, the PE indicates that Valley National originated nine new investments overall in the New York MMSA during the evaluation period, several of which were originated in 2012. In contrast, in the State of New Jersey<sup>9</sup>, the PE indicates that Valley National did not meet its AA's qualified investment needs. In the State of New Jersey, Valley National received an overall "Needs to Improve" rating based in part on an overall investment test rating of "Substantial Noncompliance." The PE reflects that Valley National did not make any qualified investments in the bank's New Jersey AA, the Allentown-Bethlehem-Easton MSA (Allentown MSA), during the evaluation period.

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<sup>9</sup> The "State of New Jersey" does not include those parts of the state that are included in the New York MMSA.

In responding to the commenters' concerns, Valley National represented that it has collaborated with community development organizations and government in its AAs to help meet the community development lending and investment needs of low- and moderate-income individuals and communities. For example, Valley National represented that it participated in several partnerships that resulted in community development activities in 2012 through the present, including: (i) a partnership with the Federal Home Loan Bank of New York through which Valley National sponsored seven affordable housing projects totaling \$4.9 million, (ii) an \$8 million investment<sup>10</sup> in an economic development project in Elizabeth, New Jersey through the use of New Markets Tax Credits, which it anticipates will provide 100 permanent jobs for low- and moderate-income individuals, and (iii) two grants totaling \$25,000<sup>11</sup> to community organizations that serve the housing needs of low- and moderate-income communities. Valley National further represented that since the conclusion of the CRA performance evaluation, across its AAs the bank has originated eight community development investments, totaling \$13.9 million, and 35 community development loans, totaling \$62.3 million.<sup>12</sup> Of the \$13.9 million in community development investments that Valley National originated, Valley National represented that \$2.8 million was in the New York MD and \$131,000 was in the Allentown MSA. In addition, Valley National represented that from January 2012 through June 2014, the bank conducted 23 financial literacy courses for children in grades one through 12 in low- and moderate-income neighborhoods. Furthermore, Valley National represented that it has worked with over 260 community organizations, local chambers of commerce, civic groups, schools, and churches in its communities.<sup>13</sup>

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<sup>10</sup> Valley National's investment helped fund the construction of a refrigerated warehouse and adjoining office space for Seafrigo NA Cold Storage, Inc. Valley National represented that it is anticipated that there will be an increase in demand for goods and services, which will be served by providing 100 permanent jobs in a previously vacant location.

<sup>11</sup> Valley National represented that it approved an enterprise-wide \$100,000 2014 grant budget and plans to increase the enterprise-wide 2015 grant budget to \$250,000.

<sup>12</sup> Valley National represented that following the financial crisis the opportunity to finance community development loans decreased as lenders' credit standards tightened, resulting in less affordable housing being built. Valley National represented that institutions with greater resources compete for the same community development loans as mid-sized institution, such as Valley National, and often require the affordable housing developers to place the construction and permanent financing with the lender providing the community development loans. Examiners recognized the competition in the New York MMSA and other factors specific to that market when assessing Valley National's community development lending and investments. As mentioned above, community development lending had a significantly positive impact on Valley National's lending test performance, and Valley National had an overall adequate level of qualified investments.

<sup>13</sup> Some of the other organizations that Valley National represented that it has partnered with include: (i) Asian Americans for Equality, an organization that helps primarily low- and moderate-income Asian people and communities; (ii) Housing and Neighborhood Development Services, an organization that focuses on revitalizing low- and moderate income neighborhoods in Orange and East Orange, New Jersey; (iii) New Jersey Community Capital, a community development lending intermediary; (iv) Unified Vailsburg Service Organization, an organization that provides a comprehensive program of services for children, teens, families, and senior citizens and encourages neighborhood improvement in the Vailsburg section of Newark, New Jersey; and (v) Habitat for Humanity, an organization that builds housing for people in need, regardless of race or religion.

In addition to Valley National's community development activities discussed above, Valley National represented that certain of its community development activities have helped meet the needs of African American and Latino/Hispanic individuals and communities. For example, Valley National represented that it partnered with the Ironbound Community Corporation (ICC) in a \$400,000 Neighborhood Revitalization Tax Credit in 2012, which helped fund the construction of an Early Head Start Center. ICC's mission "is to engage and empower individuals, families and groups in realizing their aspirations and, together, work to create a just, vibrant and sustainable community," in the Ironbound section of Newark, New Jersey. Valley National represented that the population of the Ironbound section of Newark, New Jersey is 66 percent minority. Additionally, in marketing its products and services, Valley National represented that it consciously markets its products in a generic, non-targeted manner using images of persons who reflect the range of races and ethnicities that make up its markets so as not to risk alienating any segment of the population. Valley National further represented that in 2014, well before the comment letters associated with the proposed transaction were received, the bank started to increase its outreach to community organizations. Valley National stated that it intends to increase its lending, services, and investments as it develops relationships with existing partners and new organizations.

Upon consummation of the proposed transaction, Valley National represented that it plans to offer its entire consumer product line in Florida, subject to applicable limitations under Florida law. In its communications with the OCC, Valley National committed to developing a program called the "Valley Affordable 1<sup>st</sup> Time Home Buyer Program" (1<sup>st</sup> Time Home Buyer Program), discussed in detail below, that will offer lower down payments, less restrictive credit underwriting requirements, and required homebuyer education and counseling. Valley National represented that the 1<sup>st</sup> Time Home Buyer Program will be marketed to low- and moderate-income individuals in its current AAs and will be made available in Florida following the consummation of the proposed transaction.

In addition, Valley National indicated that because 1<sup>st</sup> United is primarily a commercial bank, Valley National's entry into the Florida market would benefit 1<sup>st</sup> United customers and the market as a whole by increasing competition for retail services and consumer credit options. Valley National further represented that it has recently begun working with digital advertising partners that have the ability to geo-target by zip code and by internet protocol (IP) address and thereby promote products that are best suited to the population within each identified zip code, if possible, in the language of the IP address.<sup>14</sup> Finally, at the recommendation of 1<sup>st</sup> United, Valley National represented that it has begun to engage in the Florida community by making a small grant to the Florida Housing Coalition, which brings affordable housing and community development to Florida communities.

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<sup>14</sup> Although Valley National indicated that it has recently begun to work with new digital partners with these capabilities, Valley National represented also that it does not target market any of its products or services that it believes are particularly suited to meet the needs of low- and moderate-income individuals.

## **B. Fair Lending**

The commenters expressed concerns regarding Valley National's level of lending to African American borrowers, Latinos/Hispanic borrowers, low- and moderate-income borrowers, borrowers in low- and moderate-income census tracts, and borrowers in majority-minority census tracts in the New York MMSA. The commenters stated that, based on an analysis of 2012 HMDA data as compared to "all lenders, as a group," Valley National's home mortgage lending within the New York MMSA did not adequately meet the credit needs of the above referenced groups.

Pursuant to 12 CFR 25.28(c), the results of the OCC's evaluation of a bank's CRA performance may be adversely affected by evidence of discriminatory or other illegal credit practices. The OCC may lower the overall rating of an institution based on findings of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by any affiliate whose loans are considered part of the bank's lending performance. Valley National's PE dated June 3, 2013, noted that the OCC had not identified evidence of discriminatory or other illegal credit practices with respect to Valley National during the evaluation period. Further, section 1025 of the Dodd-Frank Wall Street Reform and Consumer Protection Act assigns to the Consumer Financial Protection Bureau (CFPB) exclusive examination authority, and primary enforcement authority, to ensure compliance by banks and federal savings associations (FSA) with Federal consumer financial laws including the ECOA, if the bank or FSA has more than \$10 billion in assets. The PE states that the CFPB has not provided the OCC with any information about, or other evidence of, discriminatory or other illegal credit practices relative to Valley National with respect to the Federal consumer financial laws.

Regarding the lending concerns raised by the commenter, it should be noted that HMDA data alone are not adequate to provide a basis for concluding that a bank is engaged in lending discrimination or to indicate whether its level of lending is sufficient. Specifically, HMDA data do not take into consideration borrower creditworthiness, housing prices, collateral values, credit scores, and other factors relevant to each credit decision, nor do they fully reflect the range of a bank's lending activities and efforts.

In considering the proposed transaction, the OCC reviewed Valley National's 2012 HMDA data for refinance loans<sup>15</sup> and compared the results to the commenters' concerns relating to Valley National's refinance originations to African American and Latino/Hispanic borrowers, low- and moderate-income borrowers, and borrowers residing in low- and moderate-income census tracts. The OCC's review revealed lending data similar to most of the data presented by the commenters. Additionally, the OCC's review took into account HMDA data reported by other lenders in the New York MMSA and relevant factors such as Valley National's conservative underwriting practices and the competition in the New York MMSA. Based on an OCC assessment of Valley National's lending data, and due to its conservative lending philosophy, Valley National is more likely to deny applications from all types of borrowers, irrespective of race or income, than its peers. Accounting for the additional factors noted above, and other information available to the OCC as part of its regulatory responsibilities, the OCC review has

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<sup>15</sup> Refinance originations comprised 95.46 percent of Valley National's applications in 2012; therefore, the OCC focused its analysis on refinance originations in the New York MMSA.

not resulted in findings of discrimination related to Valley National's home mortgage lending in the New York MMSA.

Valley National responded to the commenters' concerns by representing that it is dedicated to meeting the needs of the diverse communities located throughout its geographic footprint, and committed to helping its many neighbors prosper by offering products and services for all community businesses and consumers, including low- and moderate-income households. Valley National provided a chart that it represented set forth non-discriminatory reasons for the denied applications in the New York MMSA during 2012.

Valley National represented that it maintains a fair lending program that is intended to ensure that the bank's products and services are available to all applicants on a consistent and fair basis. Valley National represented that as part of the bank's fair lending program, Valley National's Board of Directors approves the bank's fair lending policies and procedures. Valley National further represented that, pursuant to the terms of its fair lending program, Valley National's Board of Directors is responsible for appointing a Fair Lending Officer, who oversees the development, implementation, and maintenance of the fair lending program. Valley National represented its fair lending program requires periodic reviews of the key activities that impact fair lending, including: lending policies, marketing plans, underwriting, appraisals and pricing guidelines, third party relationships and agreements, and the forms used for loan applications and other loan documents. Valley National further represented that its fair lending program requires that the bank conduct annual risk assessments to assess inherent discriminatory risk factors in the following categories: overt discrimination, underwriting risk, pricing risk, steering risk, redlining risk, marketing risk, products and services risk, and geography risk.

In addition, Valley National represented also that it periodically: reviews fair lending-related complaints; evaluates HMDA-reportable data to ensure information filed with the Federal Financial Institutions Examination Council is accurate; reviews risk-based pricing activities for discriminatory treatment or price discrimination based on prohibited factors; reviews loan application decisioning to ensure consistency in underwriting decisions; and reviews the treatment of borrowers in servicing, collections, workout, and other post-closing processes in an effort to confirm that the bank does not discriminate on the basis of any prohibited factors. Valley National represented that its Regulatory Compliance Department conducts regular fair lending analyses focused on testing for disparate treatment in underwriting, pricing, steering, redlining, marketing, loan servicing, loss mitigation, and loan modifications of the bank's various consumer lending and service areas.

To ensure compliance with fair lending statutes and regulations, Valley National represented that its Educational Resources Department administers the bank's compliance training program. Valley National represented that on an annual basis employees involved in selling, originating, servicing, and collecting on consumer loans are required to take five fair lending and consumer compliance training courses as part of the bank's compliance training program. Employees who fail to pass the courses with at least an 80 percent score are provided face-to-face remedial training.

Valley National represented that it analyzes its HMDA data annually and compares the results to prior years. Valley National further represented that it has engaged Wolters Kluwer Financial Services,<sup>16</sup> which provides Valley National's Regulatory Compliance Department with a year-end lending package update that includes a summary report of the HMDA Loan Application Register (LAR). Valley National further represented that it reviews its HMDA data to evaluate its lending strategies to LMI borrowers and geographies and compares the findings to the products of Valley National's peers in each of its AAs.<sup>17</sup>

Valley National addressed the commenters' concerns related to its home mortgage lending in the New York MMSA by providing additional information on its lending philosophy, underwriting standards, home mortgage products, marketing and outreach efforts, and the market conditions in the New York MMSA. In responding to the commenters' concerns, Valley National highlighted general difficulties in lending in the New York MMSA. Specifically, Valley National stated that the home mortgage lending market in the New York MMSA has been impacted by higher-than-average real estate taxes and property values and strong competition.<sup>18</sup> Although all lenders must contend with these factors when lending in the New York MMSA, Valley National represented that it has a longstanding conservative lending philosophy that compounds the lending challenges caused by these factors. Valley National represented that its lending philosophy requires all applications to demonstrate: (i) a verifiable ability to repay consistent with detailed regulatory requirements and prudent residential mortgage lending standards, (ii) a credit history reflecting the timely payment of the applicant's obligations, (iii) a mortgaged property that meets regulatory requirements and prudent residential mortgage lending standards, and (iv) equity in the mortgaged property that meets the requirements of the applicable loan program. Valley National stated that it offers a wide variety of programs with different loan-to-value (LTV) ratios. Valley National further represented that it currently offers, or has offered in the past, a number of home mortgage programs targeted to low- and moderate-income borrowers.<sup>19</sup> Valley National also stated that it does not engage in targeted marketing aimed at

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<sup>16</sup> The Wolters Kluwer Financial Services website describes the organization as a global information services and publishing company focused on professionals. The Wolters Kluwer analysis included HMDA loan application register (HMDA LAR) "plus data" and in-depth regression analysis of each protected class.

<sup>17</sup> Valley National represented that this review looked at all mortgage lending across the bank for 2012 and 2013 compared to peer data for 2011, but did not indicate any breakdown by product or AA. Valley National's response included limited information on the results of this review and whether or how the results of this review are factored into its business strategy.

<sup>18</sup> The CRA PE reflects that examiners considered these factors prior to determining that Valley National's overall distribution of loans by income level of the borrower and by income level of the geography was poor.

<sup>19</sup> Valley National represented that it currently offers, or has offered in the past, the following programs targeted to low- and moderate-income borrowers: (i) the Fannie Mae *MyCommunityMortgage* program, a program designed to provide affordable financing to low- and moderate-income applicants seeking to purchase a home or refinance their existing mortgage that offers maximum LTV ratios of 95 percent for single family homes and 90 percent for two family homes (total of four loans closed under the program, all in 2007 and earlier); (ii) the *New Jersey Housing Community Homebuyer* program, a program designed to provide affordable financing to serve low- and moderate-income applicants seeking to purchase a home for the first time that offers a maximum LTV ratios of 90 percent for single family homes and 80 percent for two family homes (total of five loans closed under the program, all in 2006 and earlier); (iii) Federal Housing Administration (FHA) loans, a program that offered substantially below-market interest rates with discounts of up to 1 percent (Valley National represented that its FHA loan program was

ensuring that low- and moderate-income individuals are aware of the bank's products and services, particularly those that are tailored to serve the needs of such individuals.<sup>20</sup> Valley National represented that due to the general difficulties associated with lending in the New York MMSA and the bank's conservative lending philosophy it has not closed any loans under the majority of these programs since 2007.

Valley National discussed several steps the bank is taking to address its CRA performance areas in need of improvement, such as its home mortgage lending. As mentioned above, Valley National represented that it began increasing its outreach to community organizations in 2014.<sup>21</sup> Valley National also represented that it plans to increase its lending, services, and investments in its communities as it develops relationships with existing partners and new organizations in all of the communities it serves. Valley National further represented that it is in the process of identifying Department of Housing and Urban Development-approved not-for-profit community-based housing education providers in New York, New Jersey, and Florida that may be a source of low- and moderate-income applicants, particularly for the proposed 1<sup>st</sup> Time Home Buyer Program discussed in detail below.

In addition, in Valley National's response to a series of questions asked by the OCC, the bank made a voluntary home mortgage lending-related commitment. The CRA does not require banks to enter into commitments or agreements with any private party.<sup>22</sup> The CRA also does not require a bank to engage in any particular type of lending, investment, or service. Nonetheless, during the OCC's review of Valley National's record in connection with the proposed transaction, Valley National committed to developing a new 1<sup>st</sup> Time Home Buyer Program, which was approved by the bank's Board of Directors. Valley National represented that the 1<sup>st</sup> Time Home Buyer Program will include the features discussed above, including, lower down payments, less restrictive credit underwriting requirements, and required homebuyer education and counseling, and be marketed to low- and moderate-income individuals throughout the bank's New York and New Jersey markets. Valley National represented that it will earmark \$30

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discontinued by the U.S. Department of Housing and Urban Development (due to lack of volume); (iv) Home Affordable Refinance Program (HARP), a program designed for borrowers that are not delinquent on mortgage payments but have been unable to qualify for traditional refinancing due to the decline in value of the underlying mortgage property; HARP offers a maximum LTV ratio of 120 percent (in 2012-2013 Valley National closed 247 HARP loans); (v) Valley First Time Home Club Initiative, a down payment assistance program offered to low- and moderate-income individuals between 2003 and 2007 that was offered in conjunction with high LTV, affordable loan programs such as the *MyCommunityMortgage* (only one loan closed under the program).

<sup>20</sup> Valley National represented that its most impactful home mortgage products for low- and moderate-income borrowers are its packaged closing cost purchase and refinance programs. However, these products form the core of Valley National's home mortgage lending, and the CRA PE states that Valley National had a poor distribution of home mortgage lending by income level of the borrower and income level of the geography.

<sup>21</sup> For example, Valley National represented that since the end of the CRA PE evaluation period, its CRA department participated in 45 meetings and events with community organizations designed to establish or advance relationships, as well as to develop a strategy to incorporate Valley National into the activities of those organizations.

<sup>22</sup> "Interagency Questions and Answers Regarding Community Reinvestment," 75 Fed. Reg. 11,666 (Mar. 11, 2010) (Q&A § \_\_.29(b) – 2).

million<sup>23</sup> in mortgage funds to support the 1<sup>st</sup> Time Home Buyer Program. Valley National further represented that the 1<sup>st</sup> Time Home Buyer Program will be marketed through realtors in low- and moderate-income areas, through the bank's branch network, on the Internet, and through neighborhood signage. Further, Valley National stated that it will offer to purchase first time homebuyer loans made by other "approved"<sup>24</sup> mortgage loan originators that meet Valley National's loan program standards at premiums up to 101 percent of the purchased loan amount. Prospectively, Valley National stated that the 1<sup>st</sup> Time Home Buyer Program will be made available in the Florida market upon consummation of the proposed transaction.

These efforts indicate that Valley National is taking some steps to meet the needs of low- and moderate-income individuals and communities and minority individuals and communities. These programs, however, remain in the early stages of development and implementation, and Valley National has not provided any measurable results demonstrating an improvement in the bank's home mortgage lending performance for such borrowers and communities since the period covered by the PE.

### **C. Multifamily Lending**

One of the commenters expressed concerns relating to Valley National's multifamily housing lending. The commenter asserted that multifamily housing is an important source of affordable housing in the New York MMSA. The commenter further asserted that, of the 102 HMDA-reported multifamily loans that Valley National made in 2011 and 2012, only one was in a low- or moderate-income census tract.<sup>25</sup> Moreover, the commenter asserted that Valley National made a smaller percentage of its multifamily loans in low- and moderate-income census tracts than the percentage of total multifamily loans made in low- and moderate-income census tracts.<sup>26</sup>

Valley National's PE reflects that, in the New York MD<sup>27</sup> Valley National's overall geographic distribution of multifamily loans was poor. Of the 80 multifamily loans that Valley National originated in the New York MD during the evaluation period, only 1.25 percent of the bank's multifamily loans were in low-income geographies, while 12.84 percent of the total number of multifamily units in the New York MD were located in such geographies. In addition, only 17.5 percent of the bank's multifamily loans were in moderate-income geographies, as compared with

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<sup>23</sup> Valley National stated that it cannot guarantee the full \$30 million earmarked for the new 1<sup>st</sup> Time Home Buyer Program will result in funded loans as it cannot forecast demand of the percentage of applicants that will pull through to funded transactions; however, Valley National stated it will make a best-efforts attempt to fully deploy the \$30 million earmarked.

<sup>24</sup> Valley National did not define what constitutes an "approved" mortgage loan originator.

<sup>25</sup> The CRA PE indicates that from January 1, 2009, through December 31, 2011, Valley National originated 93 multifamily loans in the New York MMSA.

<sup>26</sup> As noted above, the commenter did not define the comparison group represented by the term total.

<sup>27</sup> The CRA PE states that multifamily loans were a primary loan product only in the New York MD. The PE also states that multifamily loans meeting the community development definition were also considered as part of the evaluation of community development lending.

29.4 percent of the total number of multifamily units in the New York MD that were located in such geographies.<sup>28</sup> In addition, the PE reflects that Valley National's multifamily lending market share in low- and moderate-income geographies was well below its overall market share and reflected very poor performance. Lastly, the PE indicates that one of the most important needs in the New York MMSA is the acquisition and construction of affordable housing.

Valley National represented that its multifamily lending performance has improved since the 2009 through 2011 period reflected in the CRA PE. Valley National represented that it originated 73 multifamily loans in 2012, totaling \$159 million, in the New York MD, Newark MD, and Nassau MD, of which 12.74 percent were in low-income geographies and 20.55 percent were in moderate-income geographies. Valley National further represented that it originated 173 multifamily loans in 2013, totaling \$553 million, in the New York MD, Newark MD, and Nassau MD, of which 4.05 percent were in low-income geographies and 13.29 percent were in moderate-income geographies. Valley National represented that, although it strives to increase its multifamily lending market share, there is significant competition in this segment of the market.

As an alternative to conventional lending, Valley National represented that it has pursued Low Income Housing Tax Credit (LIHTC) investments as a means to meet the New York MMSA's identified need for affordable housing. Valley National represented that in 2013, the bank invested over \$6.9 million in three LIHTC projects that supported the creation of 158 multifamily housing units. These transactions represented Valley's first LIHTC project since 2009. Going forward, Valley National represented that it has incorporated LIHTC investments into its overall long-term financial strategy and plans to evaluate new investment opportunities as tax capacity allows. Valley National further represented that it invested \$3.8 million in 2013 in collateral trust notes issued by Community Preservation Corporation, which has a primary purpose of financing affordable housing.<sup>29</sup>

#### **D. Small Business Lending**

All three commenters expressed concerns related to Valley National's record of meeting the needs of small businesses in low- and moderate-income census tracts. Specifically, the commenters asserted that Valley National made a smaller percentage of its total small business loans to businesses in low- and moderate-income census tracts than did "all lenders, as a group."

As with HMDA data, it should be noted that small business lending data alone are not adequate to provide a basis for concluding whether a bank's level of lending is sufficient. Small business lending data do not take into consideration relevant factors such as creditworthiness, collateral values, and the prior record of the business. Further, the CRA small business lending data reported each year cover only a portion of the credit extended to small businesses. They do not

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<sup>28</sup> The performance tables one through 12 in Appendix D of the CRA PE include only data covered by the 2000 Census, namely 2009 through 2011. Data covered by the 2010 Census, i.e., 2012, was analyzed in the same manner as 2009 through 2011 data and was discussed in the applicable narrative sections of the evaluation.

<sup>29</sup> Valley National also represented that it currently provides a warehouse line of credit to two other multifamily lending intermediaries; however, these intermediaries were not asked to provide Valley National with the addresses and census tracts of projects when advances were made by Valley National's line of credit.

include small business lending either by small depository institutions that are not required to report CRA data or by other lenders not covered by CRA, such as commercial finance companies.

The OCC considered Valley National's record of originating small loans to businesses during its CRA evaluation. Overall, Valley National's PE indicates that the bank had a poor geographic distribution of small business loans to geographies of different income levels. In the New York MMSA, the PE indicates that the percentage of small business loans in low- and moderate-income geographies was significantly below the percentage of small businesses located in those geographies.

Valley National represented that it applies its conservative lending philosophy to its small business lending. As such, Valley National represented that its small business lending focuses on companies and individuals with credit histories that demonstrate an ability to repay current and proposed future debts. Valley National indicated that it originated 3,652 small business loans in the New York MD from 2009 – 2011. Also, Valley National represented that .99 percent of these loans were in low-income census tracts and 6.65 percent in moderate-income census tracts.

Valley National represented that it offers a full range of commercial lending products and that its most impactful small business lending product is the bank's EZ Line of Credit. Valley National's EZ Line of Credit is a revolving line of credit that is offered to small business owners for use as working capital, in the event of unforeseen emergencies, small equipment purchases, or other general business purposes. Valley National further represented that the bank intends to offer all of its small business products in Florida following consummation of the proposed transaction.

Valley National represented that in an effort to increase its small business lending, in 2014, it established a Small Business Lending unit based in the Consumer Lending Division. The Small Business Lending unit will concentrate on automated and efficient delivery of credit lines and loans up to \$100,000. Valley National did not provide information or data demonstrating how this unit will improve the bank's small business lending performance, as evaluated under the CRA, nor how it plans to ensure that qualified small business borrowers in low- and moderate-income geographies are aware of Valley National's commercial lending products. In addition, Valley National stated that in response to an appeal made at a Federal Reserve Bank of New York breakfast held on May 6, 2014, it committed to hiring a dedicated lending team to develop commercial loans in the Bronx, New York (Bronx). Pursuant to this commitment, Valley National represented that it has hired two additional lending officers.<sup>30</sup>

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<sup>30</sup> Valley National did not provide additional detail related to the work of the new dedicated lending team in the Bronx.

## **E. Request for an Extension of the Comment Period**

One of the commenters requested that the OCC extend the comment period and deny the application. The standard that the OCC applies to determine whether to extend a public comment period is set forth in 12 CFR 5.10(b)(2), which provides:

The OCC may extend the comment period if: (i) The applicant fails to file all required publicly available information on a timely basis to permit review by interested persons or makes a request for confidential treatment not granted by the OCC that delays the public availability of that information; (ii) Any person requesting an extension of time satisfactorily demonstrates to the OCC that additional time is necessary to develop factual information that the OCC determines is necessary to consider the application; or (iii) The OCC determines that other extenuating circumstances exist.

After careful consideration, the OCC has determined not to extend the public comment period.<sup>31</sup> None of the reasons set forth in 12 CFR 5.10(b)(2) as justification for extending the comment period were evident in connection with this application.

## **F. Request for Removal of the Application from Expedited Review**

Two of the commenters requested that the OCC remove the application from expedited review. The standard that the OCC applies to determine whether to remove an application from expedited review is set forth in 12 CFR 5.13(a)(2)(ii), which provides:

The OCC will remove a filing from expedited review procedures, if the OCC concludes that the filing, or an adverse comment regarding the filing, presents a significant supervisory, CRA (if applicable), or compliance concern, or raises a significant legal or policy issue, requiring additional OCC review.

The OCC removed the application from expedited review after receiving adverse comments regarding the application that presented significant CRA concerns requiring additional OCC review. On June 19, 2014, Valley National was sent a letter explaining the OCC's decision to remove the application from expedited review.

## **G. Request for Public Hearings**

All of the commenters requested that the OCC hold public hearings on the application. The standard that the OCC applies to determine whether to grant or deny a hearing request is set forth in 12 CFR 5.11(b), which provides:

The OCC generally grants a hearing request only if the OCC determines that written submissions would be insufficient or that a hearing would otherwise benefit the decisionmaking process. The OCC also may order a hearing if it concludes that a hearing would be in the public interest.

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<sup>31</sup> It is the OCC's practice to accept public comments after the close of the comment period.

After careful consideration, the OCC has determined not to hold public hearings. The OCC received numerous and detailed comments and is not aware of any reason why the written comments submitted would be insufficient or why a public hearing would be in the public interest. The OCC has thoroughly reviewed all of the written comments submitted, including several received after the close of comment period and up to the date of this letter.

## **H. Summary and Condition of Approval**

As stated above, the CRA requires that the OCC consider the records of the banks' performance in helping to meet the credit needs of their communities, including low- and moderate-income individuals and geographies, when evaluating applications under the Bank Merger Act. The OCC applies the convenience and needs standard, discussed above, when considering the banks' performance in helping to meet the credit needs of their communities. As explained in the Public Notice and Comments booklet of the Comptroller's Licensing Manual (Mar. 2007), the convenience and needs standard is distinguished from the CRA requirements in that the convenience and needs analysis is prospective.

Valley National's CRA PE identified areas of strength for the bank, such as its community development lending in the New York MMSA, but the PE and the public comments on the pending application also identified areas of concern, particularly with regard to Valley National's provision of products and services to low- and moderate-income individuals and in low- and moderate-income geographies, and its making of CRA-qualified investments, particularly in the New York MD and in the State of New Jersey. Valley National has undertaken efforts to engage such individuals and geographies, as described above, and has made a commitment<sup>32</sup> to the OCC to develop a CRA Plan to enhance the bank's CRA performance.

Valley National's commitment to the OCC includes enhancements in areas of CRA performance including home mortgage lending to low- and moderate-income individuals, home mortgage lending in low- and moderate-income geographies, small business lending in low- and moderate-income geographies, multifamily housing lending, and community development investment needs. Valley National also has committed to submit the CRA Plan to the OCC and make it available on Valley National's website; to regularly report on progress in achieving the goals of the CRA Plan to Valley National's Board of Directors and to the OCC; and to make available to the public a CRA Plan summary report demonstrating the measurable results of that plan prior to the commencement of Valley National's next CRA performance evaluation.<sup>33</sup>

Accordingly, based upon our review of the application, the public comments and Valley National's response to those comments, the bank's response to the OCC's additional information requests, and supervisory materials and other information available to the OCC as part of its regulatory responsibilities, the application is approved, subject to the following condition:

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<sup>32</sup> This commitment is set forth in a letter from Valley National Bank to Stephen Lybarger, OCC Deputy Comptroller for Licensing, dated September 29, 2014.

<sup>33</sup> The OCC will factor Valley National's measurable progress implementing the strategies and meeting the goals set forth in the CRA Plan into future CRA performance evaluations and ratings.

Valley National shall comply with all the terms and conditions of its CRA Plan, as set forth in its commitment letter to the Deputy Comptroller for Licensing dated September 29, 2014.

This condition of approval is a condition “imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request” within the meaning of 12 U.S.C. § 1818. As such, the condition is enforceable under 12 U.S.C. § 1818.

## **VI. Consummation Requirements**

The Northeastern District Office must be advised in writing in advance of the desired effective date for the merger, so it may issue the necessary certification letter. Additionally, we will not issue a letter certifying consummation until 15 days after the date of our approval, a period during which the DOJ may file an injunction to stop the transaction.

The OCC will issue a letter certifying consummation of the transaction when we receive:

- A copy of a letter from the Federal Reserve Bank of New York granting approval of the bank holding company merger.
- Secretary’s Certificate from each bank certifying approval of the merger.

If the merger has not been consummated within 12 months from the approval date, the conditional approval shall automatically terminate, unless the OCC grants an extension of the time period. The OCC must be advised in writing of the desired effective date for the merger so it may issue the necessary certification letter.

These approvals and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our approval is based on the bank’s representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this decision if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

All correspondence and documents concerning this transaction should be directed to Licensing Analyst Robin J. Miller at (212) 790-4055 or [Robin.Miller@occ.treas.gov](mailto:Robin.Miller@occ.treas.gov).

Sincerely,

*signed*

Beverly L. Evans  
Acting Deputy Comptroller for Licensing



**Gerald H. Lipkin**

Chairman of the Board, President & CEO

September 29, 2014

Deputy Comptroller Stephen Lybarger  
Office of the Comptroller of the Currency  
400 7<sup>th</sup> Street, SW  
Licensing Department, Office 10E-214  
Washington, D.C. 20219

Dear Deputy Comptroller Lybarger:

The Board of Directors (Board) of Valley National (Bank) commits to developing and implementing a Community Reinvestment Act (CRA) Plan to enhance the Bank's CRA Performance in its current and future assessment areas (AA). As detailed below, the Bank will submit a CRA Plan to the OCC for review and written determination of no supervisory objection before posting the final plan to the Bank's website. After securing the OCC's approval, the Bank will promptly take all steps necessary to fully implement, and ensure ongoing adherence to, the CRA Plan.

The Bank's CRA Plan will include three general categories: (i) CRA lending and investment related commitments, (ii) reporting commitments, and (iii) visibility commitments. The essential components of these categories are outlined as follows:

**i. CRA lending and investment related commitments**

The CRA Plan will contain a complete description of the actions that the Bank will take to ensure that on a prospective basis the Bank is meeting the needs of its AAs, including:

- Home mortgage lending to low- and moderate-income individuals.
- Home mortgage lending in low- and moderate-income geographies.
- Small business lending in low- and moderate-income geographies.
- Multifamily housing lending.
- Community development investment needs.

**ii. Reporting commitments**

The CRA Plan will set forth measurable goals, and timetables for the achievement of those goals, to address the needs of each of its AAs, including any newly acquired AAs, with particular focus on the needs of low- and moderate-income individuals and low- and moderate-income geographies, through lending, investments, and services.

The CRA Plan will specify which Board committees are responsible for overseeing the Bank's actions towards fully meeting the goals and timetables outlined in the CRA Plan. The CRA Plan will specify the frequency of Bank management's written progress reports to those Board committees, and provide that the Bank will furnish copies of all such reports to the OCC within one month of the relevant Board or committee meeting. The Bank will also furnish copies of the Board or committee minutes describing the consideration and discussion of each report and any additional measures the Board or committee directs to achieve full compliance with its obligations under the CRA Plan. In addition to this periodic reporting, the Bank will submit to the OCC, and make available to the public on its website and by any other appropriate means, a CRA Plan summary report that demonstrates the measurable results of the CRA Plan, at least one month prior to the commencement of the Bank's next OCC CRA performance evaluation.

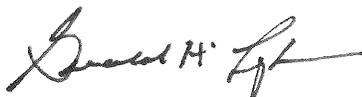
**iii. Visibility commitments**

The CRA Plan will include a description of the Bank's strategies for conducting outreach in the communities it serves, with the goal of engaging in regular ongoing dialogue with local community groups. The CRA Plan will require that the Bank continue to employ at least one full time CRA Officer, in order to ensure that it is effectively serving the needs of its AAs. In developing the CRA Plan, Bank management will engage in outreach and report all comments and feedback received, as well as management's recommendations regarding any proposed changes or additions to the CRA Plan to address such comments, to the Board or its designated committee.

The Bank may decide to submit additional information to support the CRA Plan to the OCC on a confidential basis; however, the goals and timetables set forth in the public CRA Plan document will be sufficiently specific to enable the public and the OCC to understand and evaluate the Plan.

The Bank will submit the CRA Plan, and any additional confidential information supporting the Plan, to the OCC for review and written determination of no supervisory objection within 90 days of this letter. The Bank will promptly post the final CRA Plan on its public website and make it easy for the public to find, after receiving a written determination of no supervisory objection. The Bank also will provide copies of the CRA Plan to members of the public upon request.

Very truly yours,



Gerald H. Lipkin  
Chairman of the Board,  
President & CEO