

PUBLIC DISCLOSURE

August 8, 1996

COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION

Community National Bank  
Charter Number: 21119  
222 Haddon Avenue  
Westmont , New Jersey 08108

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 Community National Bank , Westmont, NJ prepared by Comptroller of the Currency, the institution's Community Reinvestment Act (CRA) performance of Community National Bank, Westmont, supervisory agency, as of August 8, 1996. 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 is reasonable at 61%.
- The majority of loan originations are within the bank's assessment area.
- The distribution of loans among different geographies within the assessment area and to borrowers of different income levels is reasonable.

The following table indicates the performance level of Community National Bank, Westmont NJ with respect to each of the five performance criteria.

SMALL  
INSTITUTION  
ASSESSMENT  
CRITERIA  
Community National Bank  
PERFORMANCE LEVELS

Exceeds  
Standards  
for  
Satisfactory  
Performance

Meets  
Standards  
for  
Satisfactory  
Performance  
Does not  
meet  
Standards  
for  
Satisfactory  
Performance

Loan to  
Deposit  
Ratio

X

Lending in  
Assessment  
Area

X

Lending to  
Borrowers  
of  
Different  
Incomes and  
to  
businesses  
of  
Different  
sizes

X

Geographic  
Distribution of Loans

X

Response to  
Complaints

No  
since  
complaints  
prior  
received  
examination

## DESCRIPTION OF INSTITUTION

Community National Bank (CNB), headquartered in Westmont, NJ is the sole and wholly-owned subsidiary of Community Financial Holding Corporation. CNB is a full service retail bank with four banking offices. All banking offices have

extended hours of operation and three of the four branch locations have ATMs. A wide array of loan and deposit products are available to consumers and businesses. CNB is not a residential mortgage underwriter but facilitates community credit demand through participation with several secondary market mortgage investors. The bank is also a certified Small Business Administration lender and has ranked as one of New Jersey's top small business lenders during 1994 and 1995. As of June 30, 1996, CNB reported total assets of \$117 million centered in loans of \$66 million. Approximately 75% of total loans are home equity, home improvement and small business loans secured by real estate. Remaining loans consist primarily of commercial loans 17% and consumer loans 8%. CNB's lending focus is the small business operator.

The assessment area is highly competitive with branches of national, state and thrift institutions. CNB is not subject to any known financial, legal or regulatory restrictions or other impediments that preclude the bank from helping to meet the credit needs of its assessment area.

#### DESCRIPTION OF ASSESSMENT AREA

The assessment area of CNB is primarily comprised of the local communities within a seven mile radius of the main office in Camden County. It also includes the adjacent communities in northern Gloucester and western Burlington counties. The Bank's assessment area is part of MSA 6160. This assessment complies with regulatory requirements and does not arbitrarily exclude any low or moderate income census tracts. The assessment area contains 56 census tracts (Cts). According to 1990 census information, the bank's assessment area contains no low income Cts and is comprised of four moderate income Cts, twenty nine middle income Cts and twenty three upper income Cts. The population for the assessment area was 196,287 and contained 73,836 households. The assessment area's MSA median family income was \$47,100 and the median home value was \$111,000. The local economy is characterized as active and diverse. There are no dominant employers or industries within the assessment area. It consists primarily of service industry companies and corporate offices. Communities are older and consist primarily of middle and upper income families. Through discussions with management it was ascertained that small business lending is the primary credit need of the assessment area.

#### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

##### Loan to Deposit Ratio Analysis

CNB's loan to deposit (LTD) ratio averaged 61% for the prior eight quarters.

We compared the bank's LTD ratio with similarly sized institutions located within the adjacent counties surrounding the bank's assessment area. CNB's LTD ratio exceeded the average LTD ratio of 59% for these institutions.

#### Credit Extended Inside the Assessment Area

The majority of the loans originated by CNB during this review period were commercial and real estate secured loans. Mortgage applications are actively solicited by the bank, and subsequently forwarded to the various secondary market investors for the credit decision. As the chart below indicates, the majority of HMDA reportable loans (home equity and home improvement) originated during our review period were within the assessment area.

#### Distribution of HMDA Originations 1/1/94 -12/31/95

Number  
\$(000)

Total HMDA Originations

136  
6,389

HMDA Originations within AA

85  
4,089

Percent of Originations within AA

62%  
63%

We also sampled 21 commercial loan originations from January 1, 1994 to December 31, 1995. Twelve of the loans in our sample, with a dollar volume of \$6.8 million were in the assessment area. This represents 57% of the number and 71% of the dollar volume of our sample. Management states that this distribution is representative of the commercial portfolio.

#### Geographic Distribution of Credit

Our analysis of the distribution of credit within the assessment area indicates that there are no discernible patterns of inadequate loan penetration. The assessment area is comprised of no low income Cts (0%), four moderate-income Cts (7%), twenty-nine middle-income Cts (52%) and twenty-three upper-income Cts (41%). Our review of HMDA reportable loans indicates during the years 1994-5, the bank originated 4%, 65%, 31% and 0% of these loans respectively in the aforementioned census tracts.

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

The distribution of HMDA reportable loans to borrowers of different income levels is reasonable. During the period under review, the bank originated 26 HMDA reportable loans for \$913 thousand to low income applicants, 16 HMDA loans for \$851 thousand to moderate income applicants, 12 loans for \$154 thousand to middle income applicants and 82 loans totaling \$4,471 thousand to upper income applicants. Management does not maintain sufficient data on their commercial loan portfolio to analyze the distribution of business loans by borrower revenue. However, our sample of commercial loan files indicates that the majority of originations were in amounts less than \$500 thousand, to businesses with revenue of less than \$1 million dollars. Information obtained from the June 30, 1996 Report of Condition and Income indicates 100% of commercial loans and loans to nonfarm, nonresidential borrowers secured by real estate were defined as small business loan originations of less than \$1 million dollars. This amount represented approximately 46% of the bank's total loan portfolio.

#### Compliance with Antidiscrimination Laws

Our Fair lending examination did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations. In addition, we found no evidence of discriminatory or other illegal practices.