



Comptroller of the Currency
Administrator of National Banks

Northeastern District
New Jersey Field Office
830 Morris Turnpike, 2nd Floor
Short Hills, New Jersey 07078

PUBLIC DISCLOSURE

October 9, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

AMBOY NATIONAL BANK

**Charter No. 3878
3590 US Highway 9
Old Bridge, New Jersey 08857**

**Office of the Comptroller of the Currency
New Jersey Field Office
830 Morris Turnpike, 2nd Floor
Short Hills, New Jersey 07078**

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.

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The following is a list of the abbreviations and/or acronyms used throughout this Performance Evaluation.

<u>Abbreviation or Acronym</u>	<u>Full Title, Name or Description</u>
AA	Assessment Area
AA1	Assessment Area 1
AA2	Assessment Area 2
ANB	Amboy National Bank
ATM	Automated Teller Machine
BANCORP	Amboy Bancorporation
CDC	Community Development Corporation
CFR	Code of Federal Regulations
CHAS	Consolidated Housing Affordability Studies
CHBP	Fannie Mae Community Home Buyer Mortgage Program
CMSA	Consolidated Metropolitan Statistical Area
CRA	Community Reinvestment Act
CT	Census Tract(s)
FHLB	Federal Home Loan Bank
FHA	Federal Housing Administration
HMDA	Home Mortgage Disclosure Act
HUD	Department of Housing and Urban Development
LMI	Low-and Moderate Income
MSA	Metropolitan Statistical Area
MOMSA	Monmouth-Ocean MSA
MSMSA	Middlesex-Somerset-Hunterdon MSA
NJCHBCC	NJ Community Home Buyer's Counseling Coalition
NJCLF	New Jersey Community Loan Fund
NJEDA	New Jersey Economic Development Authority
NJHMFA	New Jersey Housing and Mortgage Finance Agency
NMSA	Newark MSA
OCC	Office of the Comptroller of the Currency
PE	Performance Evaluation
PMI	Private Mortgage Insurance
REIT	Real Estate Investment Trust
SBA	Small Business Administration
TMSA	Trenton MSA
UHORP	Urban Home Ownership Recovery Program

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 **Amboy National Bank, Old Bridge, NJ** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 9, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. 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."**

Primary factors supporting the bank's overall rating include:

- ▶ an adequate responsiveness to credit needs in assessment areas;
- ▶ a majority of ANB's loans are made within the assessment areas;
- ▶ a reasonable distribution of loans within the assessment area census tracts;
- ▶ a reasonable distribution of loans to individuals of different income levels;
- ▶ a good distribution of loans to small businesses by census tract and size of business;
- ▶ an adequate level of community development lending;
- ▶ a high level of community development investments,
- ▶ an adequate level of readily accessible delivery systems that service the financial needs of the assessment areas.

The following table indicates the performance level of **Amboy National Bank**, with respect to the lending, investment and services tests.

Performance Levels	Amboy National Bank Performance Tests		
	Lending Test	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		X
Needs to Improve			
Substantial Noncompliance			

Description of Institution

Amboy National Bank, (“ANB”) is the principal subsidiary of Amboy Bancorporation (“Bancorp”), headquartered in Old Bridge, New Jersey. ANB has two wholly owned subsidiaries, AMB Investment Company which holds the bank’s municipal securities portfolio and Amboy Realty, Inc., a real estate investment trust (“REIT”). Total REIT assets approximate \$375 million of which \$292 million are residential mortgage loans with the remainder in home equity loans. The activities of both subsidiaries were considered in the evaluation of ANB’s performance.

As of June 30, 1997, total bank assets were \$1.1 billion, of which \$723 million were in loans and \$313 million in the investment portfolio. Total deposits aggregated \$914 million. The loan portfolio is primarily real estate related and is broken down as follows: commercial real estate loans \$309 million (43%) and residential real estate loans (including home equity loans), \$409 million (56%) with the remainder (\$5 million and 1%) in instalment loans. There are no impediments, legal or otherwise, which would impact on the bank’s ability to help meet the credit needs of its assessment area (“AA”).

ANB competes with large banking institutions and large mortgage companies for mortgage lending opportunities to LMI individuals and geographies throughout the AA. ANB operates thirteen branches primarily throughout the central portion of the State of New Jersey. Eight, or 62%, of the offices are clustered in ANB’s primary business area of Old Bridge, Sayreville and South Amboy. In April 1997 ANB opened a branch in Howell, Monmouth County, NJ which expanded its presence within the Monmouth-Ocean MSA.

ANB continues to concentrate its lending activities in the commercial real estate business market. Management recently increased its emphasis on lending to small businesses. Retail lending is focused on real estate and home equity products.

Description of Assessment Areas (AA)

ANB has defined three assessment areas, all of which meet regulatory guidelines and does not arbitrarily exclude any low- and moderate-income (“LMI”) areas. The Metropolitan Statistical Area’s (“MSA”) included in the AA are Middlesex-Somerset-Hunterdon MSA (“MSMSA”), Monmouth-Ocean MSA (“MOMSA”) and Trenton MSA (“TMSA”). Each of the MSA’s is part of the New York-Northern New Jersey-Long Island, NY-NJ Consolidated Metropolitan Statistical Area (“CMSA”). LMI is referred to throughout this document to describe low- and moderate-income individuals and geographies (census tracts). Combined, the AA’s have a total of 158 census tracts and a population of 645 thousand people. The table below reflects the demographics of the consolidated AA.

Community contacts, conducted during the examination, were made to organizations serving the local and wider surrounding area. Discussions focused on the needs of the primary AA of ANB, i.e., Middlesex-Somerset-Hunterdon MSA (“MSMSA”) and adjacent northern Monmouth County. In summary, those interviewed indicated that the area is “mature” in the terms of housing. Senior citizen housing and business loans were identified as community needs.

Consolidated Assessment Area			
Tract Income Level	# Census Tracts	% of Total Tracts	% of Families in Income Level
Low	1	1	12
Moderate	13	8	17
Middle	79	50	25
Upper	65	41	46
Totals	158	100	100

Major employers in the AA range from large multinational corporations to small manufacturing businesses. Large shopping centers in the area provide both employment and business opportunities. Portions of the AA are also considered “bedroom communities” to New York City. There are also a large number of small retail and service businesses (i.e., less than 50 employees) throughout the area, many are service providers and retail businesses. Throughout the AA, there is a total of 21 thousand businesses, of which 16 thousand (76%) have gross annual income of less than \$1 million. Of those 16 thousand, 14 thousand (88%) have gross annual revenues of \$500 thousand or less. There is only a total of 1 thousand businesses (5%) located in LMI census tracts. It should be noted that 76% of all of the businesses are centered in the

primary portion of the overall AA, I.E., Middlesex-Somerset-Hunterdon MSA and adjacent northern Monmouth County.

Management, through its knowledge of the market and its historical business focus, has identified home equity lending as a primary credit need throughout the AA. This determination was made after a review of competition, the level of increased lien filings for secondary lending and customer surveys which all indicate that home equity lending has become a preferred product of the homeowner.

Assessment Area 1 (“AA1”): This is the largest of the three areas consisting of the contiguous portions of Middlesex (MSMSA) and Monmouth (MOMSA) Counties and contains one hundred and forty census tracts (89% of combined census tracts). Nine (69%) of the thirteen offices are located within this AA. As noted in the chart below, 9 % of the census tracts are LMI and 91% are middle or upper income areas. Median family income for the MSMSA is \$55,147 and \$46,615 for MOMSA. The low income census tract is situated on a government military installation, U.S. Naval Weapons Station, Earle. This AA has been, and continues to be, the focus of the bank’s lending, investment and service activities. The credit needs for this AA coincide with the overall AA needs.

Assessment Area 1 (AA1)			
Tract Income Level	# Census Tracts	% of Total Tracts	% of Families in Income Level
Low	1	1	13
Moderate	12	8	16
Middle	71	51	25
Upper	56	40	46
Totals	140	100	100

Assessment Area 2 (“AA2”): This AA consists of seventeen census tracts in Mercer County and Somerset County (MSMSA). Mercer County is part of the Trenton MSA (“TMSA”). Three of the bank’s offices are located in this AA. The median family income for TMSA is \$48,490.

Assessment Area 2 (AA2)			
Tract Income Level	# Census Tracts	% of Total Tracts	% of Families in Income Level
Low	0	0	8
Moderate	1	6	15
Middle	7	41	26
Upper	9	53	51
Totals	17	100	100

Assessment Area 3 (“AA3”): This AA is a single middle income census tract within the City of Woodbridge (MSMSA). ANB’s single office is a courtesy branch within the David T. Wilentz office building whose primary users are the tenants of the building. The level of lending or any other activity generated from this area is insignificant in relation to the overall performance of ANB. Any separate analysis of activity in this AA would not be meaningful.

CONCLUSIONS WITH RESPECT TO PERFORMANCE

Scope of Review: - This review covered the time period from January 1, 1995 to March 31, 1997. All Home Mortgage Disclosure Act (“HMDA”) originated during this time frame were reviewed. Small business loans and community development loans originated during 1996 and the first quarter 1997 were reviewed. At the request of bank management, we included home equity loans originated from January 1, 1996 to June 30, 1997 in our analysis. These loans were not reported on the HMDA disclosure. Investments purchased, matured, and sold over the review period were reviewed. Services offered to retail and business customers were also evaluated. Our analysis and compilation of the tables in this PE were based upon our review of available HMDA information and bank records provided by ANB management.

LENDING TEST

Performance Criteria: ANB is an active lender of real estate, home equity, small business and real estate construction loans. These lending products address the primary credits identified by management and community contacts within the bank’s AA’s. The average loan to deposit ratio from March 31, 1995 to March 31, 1997 was 78% which compares favorably with the national peer group average of 79% for the same time frame.

Overall, 70% of the number of loans and 65% of the dollar volume of loans originated were made within the bank’s AA’s. The following table shows the ratios for the three loan product categories reviewed. The products comprising the HMDA loan category are not shown separately since the individual ratios were fairly represented by the combined ratio.

Ratio of Various Loans Within Combined Assessment Area				
	HMDA	Small Business	Home Equity	Total
Number of Loans in AA	446	198	934	1,578
Total # of Loans	689	268	1,297	2,254
% of Loans Inside AA/Total # of Loans	65%	74%	72%	70%
Dollars (\$000)				
\$ Amt of Loans	\$60,262	\$24,380	\$33,742	\$118,384
Total \$ Amt of Loans	\$103,990	\$32,006	\$46,243	\$182,239
% of \$ Amt Loans/Total \$ Amt of Loans	58%	76%	73%	65%

During the review period, 94% of the number and 93% of the dollar amount of HMDA loans made within the combined AA were originated in the southeastern portion of MSMSA which is comprised mainly of the towns of Old Bridge, Sayreville and South Amboy. Overall, the primary area (AA1) of ANB's activities accounted for 92% of both the number and dollar amount of all loans made during the review period.

Geographic Distribution

Home Mortgage Lending

ANB's average level of loan activity (6%) in the LMI tracts is adequate when compared to the percentage of owner occupied housing in these tracts. Lending in the low tract, a military installation is nonexistent as housing is provided by the military to its personnel. In the moderate tracts the percentage of owner occupied housing is 5%. Also, only 7% of the housing are single family structures which would indicate a high level of renter and/or multi-family dwellings.

Geographic Distribution of HMDA Loans Within Consolidated Assessment Area

Income Level	% of Loans by Income Level of Census Tract			% Census Tracts in AA	% Owner Occupied Households in AA
	1995	1996	Mar-31-97		
Low	0	0	0	1	0
Moderate	7	3	9	8	5
Middle	55	54	44	50	49
Upper	38	43	47	41	46
Total	100	100	100	100	100

Small Business Lending

ANB is reasonably meeting the credit needs of small businesses. The table that follows shows that in 1996 ANB originated 198 loans totaling more than \$24 million. Nine percent of the number and 5% of the dollar amount of loans made were to businesses located in LMI census tracts within the combined AA. This level of lending is considered good as 5% of the small businesses in the AA are located in LMI tracts.

Small Business Lending by Census Tracts Within Consolidated AA

CT Income Level	# Loans	%	\$ Amt (000)	%	% of Businesses in AA	% of CT's in AA
Low	0	0	0	0	0	1
Moderate	18	9	1,301	5	5	8
Middle	90	46	10,818	45	47	50
Upper	90	45	12,261	50	48	41
Totals	198	100	24,380	100	100	100

Home Equity Loans

This type of lending has become one of the primary credit products offered by ANB and has been identified by bank management as a primary credit need of the overall AA. The level of home equity lending from January 1, 1996 to June 30, 1997 accounted for 57% of the number and 25% of the dollar amount of all loans made in that time frame. The following chart indicates that the distribution of the product by census tract is reflective of the characteristics of the consolidated AA and is deemed to be reasonable.

Home Equity Loans - January 1, 1996 to June 30, 1997- Consolidated AA					
CT Income Level	#Loans	% of Total	\$ Amt Loans (000)	% of Total	% of Tracts in AA
Low	1	*	10	*	1
Moderate	55	6	1,481	4	8
Middle	503	54	16,453	49	50
Upper	375	40	15,798	47	41
Totals	934	100	33,742	100	100

* Less Than 1%

Borrowers' Profile

Home Mortgage Loans

Overall, the level of HMDA related loans to persons of different income levels is reasonable. The table that follows shows the distribution of lending by borrower income. In AA1, an average of 24% of the number of loans originated were to LMI borrowers as compared to 29% of low or moderate income families in the AA. The remainder of loans is reasonably distributed throughout the AA.

In AA2, an average of 14% of the number of HMDA loans was originated to LMI borrowers compared to with 23% of LMI families in AA2. As noted, this area is comprised of only seventeen census tracts and comprises only a small portion of the bank's lending activity. Total number of loans originated in this AA accounted for only 2% of all loans originated by the bank. There were no loans made in the first quarter of 1997. An analysis for AA3 is not meaningful due to the limited operations of the office and its location in an office building. During the review period, only one loan was originated in this area to an LMI applicant.

Borrowers' Profile of HMDA Loans Within Consolidated AA												
Income Level	% of Families by Income Level			% of Loans by Income of Borrower								
				1995			1996			1st Qtr 1997		
	AA1	AA2	AA3(*)	AA1	AA2	AA3	AA1	AA2	AA3	AA1	AA2	AA3
Low	13	8	17	4	0	0	5	6	0	0	0	0
Moderate	16	15	21	16	8	0	28	13	100	18	0	0
Middle	25	26	29	34	33	0	23	37	0	30	0	0
Upper	46	51	33	46	59	0	44	44	0	52	0	0
Total	100	100	100	100	100	0	100	100	100	100	0	0

(*) The AA consists of only one census tract.

Small Business Loans:

Overall, the distribution of ANB's small business loans based upon business size is good. The tables below reveals that 78% of the number of loans originated, representing 68% of the total dollar amount, were to small businesses, i.e., businesses with gross annual sales of \$1 million or less. The average size of the loan to a small business was \$108 thousand.

Distribution of Small Business Loans by Business Size - Consolidated AA				
Within Assessment Area				Business Size (*)
# Loans	%	\$ Amt (000)	%	
154	78	16,622	68	\$1 million or Less
44	22	7,758	32	Greater than \$1 million
198	100	\$ 24,380	100	Totals

(*) Gross Annual Sales

Our analysis of the Small Business Collection register indicates that ANB's distribution of business loans by business size is good. For the entire review period, 69% of the number of loans originated were in amounts of \$100 thousand or less, 18% in amounts greater than \$100 thousand and up to \$250 thousand and 13% were for loans of more than \$250 thousand. This performance is a strong indicator of ANB's commitment to serve the small businesses in their combined AA.

Small Business Loans in Consolidated Assessment Area by Loan Amount at Origination				
Amount	# Loans	%	\$ Amt (000)	%
Less than \$100,000	137	69	5,660	23
\$100,000 to \$250,000	35	18	5,748	24
More than \$250,000	26	13	12,972	53
Totals	198	100	24,380	100

COMMUNITY DEVELOPMENT LENDING

ANB originated an adequate level of community development loans. Community development loans are those that do not meet the definition of home mortgage, small business or small farm loans but do meet the definition of community development contained in the CRA regulation (12 CFR 25.12(h)). ANB originated one community development loan totaling \$7.4 million which met the above definition. Below are the details of the loan:

Pine Street Developers - \$4.7 million loan participation in the New Jersey Housing and Mortgage Finance Agency's (NJHMFA) Urban Home Ownership Recovery Program (UHORP). Under UHORP, developers of urban housing in eligible targeted municipalities have access to subsidy pool money. NJHMFA benefits a wide region which also includes the bank's assessment area. The project consists of 120 residential units in Lakewood, NJ located in the MOMSA. Twenty-four of the units are classified as low income and fifty-one are classified as moderate income. Remainder of the units are priced at market rates.

Additionally, a \$660 thousand permanent commercial mortgage used to construct rental units for LMI senior citizens was noted. This loan is included in the discussion of small business lending as it is considered a small business loan by definition. This total level of lending having community development purposes is considered adequate.

Innovative or Flexible Lending Practices

The bank originates mortgage, home equity, and auto loans under its "Helping Hand" program. The mortgage program offers more flexible underwriting standards including reduced fees, lower rates, and no points for a fixed rate mortgage loan. Additionally, mortgages up to 90% of loan-to-value and a waiver of the first two years PMI premium is available. The home equity program offers flexible terms, no application fee, and loan amounts from \$500 to \$15,000. The auto program offers low interest rates and flexible terms for both new and used vehicles. Qualifications for these programs are based on the borrower's household income.

In the eighteen-month period from July 1995 to December 1996, the bank originated \$2.7 million in "Helping Hand" loans. These loans were primarily home equity and mortgage loans which are

detailed elsewhere in this performance evaluation (“PE”). The bank’s goal during this time period was \$2 million.

ANB became an approved lender under the Fannie Mae Community Home Buyer Mortgage Program (CHBP) in February 1996. Under the CHBP, the bank offer loans with as little as 3% down and maintain the ability to sell them on the secondary market. This program has met with minimal success to date due primarily to a delay in obtaining Fannie Mae certification.

INVESTMENT TEST

ANB’s level of qualified investments is good. The investments are not innovative and contain only minimal complexities.

Investments made during the review period totaled \$1,160,000. Below is a breakdown of type and description of each investment:

New Jersey Community Loan Fund (NJCLF) - \$225,000

- The NJCLF is a statewide, nonprofit community development financing entity. It provides below-market rate funding, with flexible terms for community based affordable housing and economic development projects that benefit LMI communities throughout the State of New Jersey. This organization benefits a wide area which also includes ANB’s AA.

Federal Home Loan Bank (“FHLB”) Affordable Housing Program - \$94,000

- The FHLB of NY launched this program in 1990. Member banks and sponsoring not-for-profit groups have joined together to fund affordable housing initiatives targeted to LMI individuals or geographies throughout the region, which also includes the bank’s AA. The above amount represents ANB’s contribution in aggregate during the review period.

Carriage Point Senior Citizen Housing - \$758,000

- Low income housing tax credits. The project consisted of an 18-unit rental housing project in Old Bridge for LMI senior citizens.

Other grants and donations - \$83,000

- The grants and donations represent various contributions to affordable housing groups, youth programs, and other organizations supporting activities essential to LMI individuals and/or geographies.

The above represents an overall significant level of investments throughout its assessment area based upon the level of known investment and community development opportunities within the AA.

ANB has and continues to actively participate in community development related investments within the MSMSA. The local area of Old Bridge/Sayreville/South Amboy experienced a need for affordable rental housing targeted to LMI senior citizens. This need was noted in the most recent Consolidated Housing Affordability Studies (“CHAS”) reports compiled by the U. S. Department of Housing and Urban Development (“HUD”). ANB has determined that there is a need for affordable housing investments, in general and senior citizens housing in particular. During the review period, ANB has shown a willingness to become involved in investments related to affordable housing for LMI senior citizens. Through continual contacts with local governments, bank management, has indicated that within the primary AA, the Carriage Point project was the only senior citizen investment made available within the last four years. This would indicate that such types of investments are limited.

ANB had also purchased investment tax credits in other senior citizen LMI housing projects in the AA in 1992 and 1993. The benefits of these investments continue to accrue to the community as, unlike single family loans, rental units may be turned over several times during their life to accommodate a number of individuals. The balance of the tax credits purchased prior to the review period is \$3.3 million. This amount is not included in the above breakdown.

SERVICE TEST

ANB’s delivery systems are reasonably accessible to all portions of ANB’s assessment area. During the review period, no offices were closed. Branch hours are reasonable and are convenient to ANB’s customers.

As reflected in the following table, 85% of the bank’s offices are in middle and upper income census tracts and 15% are in moderate income census tracts. The moderate areas are in census tracts in several townships in Middlesex and Monmouth counties. The only low income area is a low income census tract which consists of the U.S. Naval Weapons Station, Earle in Colts Neck. Overall, the distribution of branches compares favorably to the geographies in the AA. In April 1997, ANB opened a new branch in Howell, Monmouth County, New Jersey, in a middle income census tract. No other changes to offices were affected during the review period.

Distribution of Delivery Systems			
Census Tract Characteristics	# of Branches	% of Total Branches	% of Geographies
Low	0	0	1
Moderate	2	15	8
Middle	9	70	50
Upper	2	15	41
Totals	13	100	100

Branch hours are reasonable and convenient to ANB's customers. The majority of the branches offer Saturday or extended banking hours. Seven of the 13 offices (53%) provide 24 hour a day access via automated teller machines (ATM's). One of the ATM's is located in a moderate income census tract. The two offices in moderate income census tracts only offer extended hours during weekdays. In 1997, management introduced two telephone services. AMBOY 24 allows access to all deposit account information 24 hours a day and permits transferring of funds between accounts. AMBOY Direct, is a call center with extended hours which allows consumers to apply for loan products and open accounts.

COMMUNITY DEVELOPMENT SERVICES

ANB provides an adequate level of community development services. Primary services include providing standard financial services, credit counseling, and first time home buyer seminars. The bank's services include those targeted to LMI individuals. In addition, members of management are actively involved in various organizations which primarily promote affordable housing or business development efforts. In some instances, the level of participation has placed bank management in leadership positions within such organizations.

ANB's chief executive officer is a director of the Federal Home Loan Bank of NY which oversees that organization's affordable housing lending program. He provides input as to the affordable housing needs within ANB's assessment area as well as selecting areas for possible investment. In addition to providing expertise to this program, ANB has made investments to the loan fund. (See **Investment Test** discussion for additional information).

New Jersey Community Home Buyer's Counseling Coalition (NJCHBCC)

The NJCHBCC acts as a cooperative entity dedicated to facilitating home ownership through education. Participating banks educate and counsel individuals and families, primarily LMI, to provide them access to products, programs, and services designed to help them achieve home ownership. All NJCHBCC members host at least one seminar per year and follow the Fannie Mae Home Ownership Education program. In addition to the seminars, bank members meet monthly

to discuss success of past seminars, make recommendations for future seminars and new financial products. A feature of the seminars is that the banks may not promote their own products and information relating to all members products are distributed. Amboy has hosted two seminars during the review period with a third scheduled for September, 1997. Also, bank lending personnel have served as seminar leaders and loans counselors.

The following is a list and description of services ANB offers throughout the assessment area:

- Basic Checking account, an affordable low minimum balance checking account with lower fees designed for LMI individuals.
- Redemption of food stamps is available at all branch locations. Also, food stamps are distributed at the South Amboy, Laurence Harbor, Ernston and Old Bridge branches.
- A free seminar entitled "Borrowing to Buy a Home" is offered semiannually at the Old Bridge adult community school. Members of bank management present topics on how to qualify for a loan, types of mortgages available, as well as discussing other home ownership related topics. This program, though targeted to LMI individuals, may include others.

FAIR LENDING REVIEW

A concurrent fair lending review did not identify any violations of the various antidiscrimination laws and regulations. ANB's fair lending policies, procedures, training procedures and internal assessment efforts are effective to ensure compliance.

METROPOLITAN STATISTICAL AREAS

ANB's performance in each of the MSA's follows. Please refer to the Lending, Investment and Service Test discussions presented in the PE for additional data in relation to the bank's performance under those tests.

ANB's performance in helping to meet the credit needs of its AA within each MSA is consistent with the bank's overall performance.

MIDDLESEX-SOMERSET-HUNTERDON MSA (MSA 5015)

This MSA consists of portions of Middlesex and Somerset Counties. It contains 72 census tracts broken down as follows: no low income, 8 moderate income (11%), 49 middle income (68%), and 15 upper income (21%). The median family income for the entire MSA is \$55,147. Total population is 209 thousand people.

The major employers in the MSA are pharmaceutical firms, health care providers, heavy industry including auto assembly, oil refining, chemicals and technology firms. In addition large shopping centers provide employment and business opportunities. Rutgers, the State University of New Jersey, is located in New Brunswick and also is a large employer in the area.

The credit needs in this MSA are home equity, affordable senior citizen housing and small business lending which is consistent with the overall credit needs.

Lending Test

The HMDA lending activity totaled 240 originations for \$30.6 million representing 54% of the total number of loans and 51% of the total dollar amount originated in the combined AA.

The table below reflects that ANB’s average level of mortgage lending during the review period closely approximates that of the owner occupied housing as well as the overall level in moderate income census tracts within this portion of the AA.

Distribution of Loan Products - MSA 5015					
CT Income Level	% Tracts in AA(*)	% of Small Business(*)	% of HMDA Loans(*)	% of Home Equity (*)	% of Owner Occupied Housing
Low	0	0	0	0	0
Moderate	11	14	8	9	7
Middle	68	54	70	74	73
Upper	21	32	22	17	20
Total	100	100	100	100	100

(*) Based upon Number of Loans

Home Equity Loans:

ANB made 555 home equity loans totaling \$18.4 million during the review period in this MSA, which represents 59% of the total number of loans and 55% of the total dollar amount originated. The table that follows also reflects that the level of lending in LMI tracts (9% of total) is reasonable when compared to the overall percentage of census tracts in the MSA and the level of owner occupied housing in those tracts.

Small Business Lending

ANB originated 128 small business loans totaling \$12.0 million representing 65% of the total number and 49% of the total dollar amount made within the AA . Additionally, 18 (14%) of the

loans were made in LMI census tracts throughout the MSA. This represents all of the small business loans made in LMI census tracts throughout the combined AA. ANB’s performance in making loans to businesses in LMI census tracts is good.

Borrower’s Profile

ANB has a good record of lending to borrowers with different income levels in the MSA. The number of HMDA loans to LMI borrowers, which averaged 31%, compares favorably to the total of 34% of LMI families within the MSA. In addition, the average number of home equity loans to LMI borrowers averaged 32% during the review period compared to the level of LMI families (34%).

Distribution by Borrower Income - MSA 5015			
Borrower Income Level	% Families in AA	% HMDA Loans (*)	% Home Equity Loans (*)
Low	14	11	11
Moderate	20	20	21
Middle	28	37	35
Upper	38	32	33
Totals	100	100	100

(*) Average of Number of Loans

Small Business Loans:

Our analysis by loan size indicates that during the review period, 98 (77%) of the loans originated were for \$100 thousand or less, 18 (14%) greater than \$100 thousand and less than or equal to \$250 thousand, and 12 (9%) were for amounts greater than \$250 thousand. This indicates a good response to making small business loans within this MSA.

Community Development Loans:

One loan (Carriage Point Senior Citizen Housing) having a community development purpose totaling \$660 thousand was originated in this MSA.

INVESTMENT TEST

The qualified investments made by ANB in the MSMSA are primarily investment tax credits and grants and donations to affordable housing groups, youth programs and other organizations supporting activities essential to LMI individuals and/or geographies. A discussion of this area is detailed under the **Investment Test** elsewhere in this PE.

SERVICES TEST

The following table reflects that the majority of offices are located in this MSA. The distribution of offices provides reasonable access to that portion of the MSA that the bank serves.

Distribution of Delivery Systems - MSA 5015			
Census Tract Characteristic	# of Branches	% of Total Branches	% of Geographies
Low	0	0	1
Moderate	2	18	8
Middle	8	73	50
Upper	1	9	41
Totals	11	100	100

Community Development Services

ANB's level of community development services is adequate. Services include providing standard financial services, credit counseling, and first time home buyer seminars. For a more detailed listing and description of services offered, see **Community Development Services** portion of this PE.

MONMOUTH-OCEAN MSA (MSA 5190) :

The portion of MSA 5190 included in ANB's assessment area consists of 84 census tracts, 1 (1%) low income, 5 (6%) moderate income, 30 (36%) middle income, and 48 (57%) upper income tracts. The median family income of the entire MSA is \$46,615. Major employment is provided by the tourist industry, small businesses and several large regional shopping centers. Total population is 372 thousand people. The credit needs in this MSA are home equity, affordable senior citizen housing and small business lending which is consistent with the overall credit needs.

Lending Test

HMDA related loan originations within the MSA totaled 203 loans and represents 46% of the total number of loans and 48% of the dollar amount originated in the combined AA. The following table reflects that ANB's average level of mortgage lending in LMI geographies exceeds that of owner occupied housing and is equal to the level of LMI tracts within the MSA.

Distribution of Loan Products - Review Period- MSA 5190					
CT Income Level	% Tracts in AA	% of Small Business	% of HMDA Loans	% of Home Equity	% of Owner Occupied Housing
Low	1	0	0	0	0
Moderate	6	0	6	1	3
Middle	36	31	27	26	34
Upper	57	69	67	73	63
Total	100	100	100	100	100

Home Equity Loans:

ANB originated 365 home equity loans totaling \$14.9 million during the review period in this MSA, which represents 39% of the total number of loans and 44% of the total dollar amount originated overall. The average lending (1%) in LMI tracts is less than adequate when compared to the overall percentage of census tracts in the MSA and owner occupied housing. Owner occupied housing in the moderate income census tracts accounts for only 3% of all such housing in this portion of the AA. (Note: The low income census tract is located on a military installation having no owner occupied housing.)

Small Business Lending

The geographic distribution of small business loans in the MSA is adequate. ANB originated 64 small business loans during the review period, all in middle and upper census tracts. This represents 33% of all small business loans originated during the review period. As noted prior, the low income tract is located on a military installation, therefore no lending is expected to be made there.

Borrower's Profile

ANB's level of lending, as indicated by the following table, indicates that the bank has a less than reasonable record of lending to borrowers with different income levels in the MSA. The number of loans to LMI borrowers averaged 10% of the total loans originated during the review period while 25% of families are within those income levels.

Small Business Loans:

ANB originated 64 small business loans during the review period in this MSA of which 49 (77%) were to businesses with revenue \$1million or less. Our analysis by loan size indicates that 36 (56%) of the loans were for \$100 thousand or less, 17 (27%) were between \$100 thousand and \$250 thousand, and 11 (17%) were for an amount greater than \$250 thousand.

Home Equity Loans:

The table that follows indicates that the bank has a reasonable record of lending to borrowers of different income levels within the MSA. The number of home equity loans to LMI borrowers averaged 7% of the total loans originated during the review period while 25% of the families are within those income levels. This ratio is similar to the level of HMDA lending within the MSA.

Distribution by Borrower Income - MSA 5190			
Borrower Income Level	% Families in AA	% HMDA Loans	% Home Equity Loans
Low	11	2	1
Moderate	14	12	6
Middle	23	25	25
Upper	52	61	68
Totals	100	100	100

Community Development Loans

ANB originated one community development loan in this MSA. See **Community Development Lending** discussion concerning ANB’s participation in the NJHMFA program for affordable housing in Lakewood, NJ.

SERVICE TEST

One full service branch is located in the portion of the MSA in the bank’s assessment area. The branch, opened in March 1997 in Howell, Monmouth County, NJ, is in a middle income census tract. Services and products offered are consistent with overall performance. The LMI census tracts in this MSA area immediately adjacent to the MSMSA and are in closer proximity to ANB’s offices there. Those offices primarily serve the LMI areas in this MSA. The census tracts surrounding the new office are primarily middle income.

Community Development Services

ANB's level of community development services is adequate. For a more detailed listing and description of services offered, see **Community Development Services** portion of this PE.

TRENTON MSA (MSA 8480) :

The portion of MSA 8480 included in ANB's assessment area consists of only two upper income census tracts. The median family income of the entire MSA is \$48,490. Full service banking is provided by one office of the bank located in Hopewell, NJ. This office provides a full range of services including ATM access. Total population is 64 thousand people.

The overall lending within this MSA was minimal as evidenced by the total of twenty-three loans made during the review period. Three HMDA, fourteen home equity and six business loans comprised this total. No meaningful analysis can be derived from such a small level of lending in these two products.

There were no community development loans made in the MSA. The qualified investments made by ANB in the Trenton MSA are primarily grants and donations to organizations supporting activities to LMI individuals/geographies. See **Investment Test** section of this PE for a discussion of the bank's investment activities.

ASSESSMENT AREA ANALYSIS

ANB has three AA's. The AA's include portions of Middlesex-Somerset-Hunterdon MSA, Monmouth-Ocean MSA and Trenton MSA. Each of the MSA's is part of the New York-Northern New Jersey-Long Island, NY-NJ CMSA. Though the bank has delineated three areas, the vast majority of its operations and business focus is centered in the largest of the three areas. This area, known as **Assessment Area 1**, consists of the contiguous portions of Middlesex and Monmouth Counties and is primarily comprised of middle and upper income areas. Each of the AA's activities was reviewed at the bank's administrative offices. Nine of the bank's thirteen banking offices are located within this AA. See **Description of Assessment Areas** section of this PE for further details.

During the review period, 94% of the number and 93% of the dollar amount of HMDA loans made within the combined AA were originated in AA1. Overall, this primary area of the ANB's activities accounted for 92% of both number and dollar amount of all loans made during the review period. Any further analysis, other than what has already been stated throughout this PE, would not serve any meaningful purpose. Please refer to the analysis of the **Lending, Investment and Service Tests** in this PE to gain additional insight into the bank's performance as it relates to each AA.

Community contacts conducted during the examination were made to organizations which benefited both the local and a wider surrounding area. Identified were needs for senior citizen housing and small business loans. ANB has sought to address the need for senior citizen housing by assisting in financing rental housing as well as purchasing investment tax credits. Small business lending is being addressed through the bank's increased emphasis in this area.

The following is presented for informational purposes only. No analysis of the bank's activities in these areas is considered warranted to the comparatively low level of activity in these areas when compared to AA1.

Assessment Area 2 : This AA is comprised of contiguous portions of Mercer County in the TMSA and Somerset County in the MSMSA consisting of seventeen census tracts. Three of the bank's offices. See **Description of Assessment Areas** section of this PE for further details.

Assessment Area 3 : This AA is a single census tract within the City of Woodbridge. ANB's single office is a courtesy branch within the David T. Wilentz office building. See **Description of Assessment Areas** section of this PE for further details.

SCOPE OF EXAMINATION

Time Period Reviewed	January 1, 1995 to June 30, 1997		
Financial Institution Amboy National Bank Old Bridge, New Jersey			Products Reviewed Mortgage Loans, Small Business Loans and Home Equity Loans
Affiliate(s)	Affiliate Relationship		Products Reviewed
AMB Investment Company	Subsidiary		Investment Portfolio
Amboy Realty, Inc.	Subsidiary		Home Equity and Mortgage Loans
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
AA1 - Middlesex-Somerset- Hunterdon MSA and Monmouth-Ocean MSA	On-Site	Administrative Offices, Old Bridge, NJ	None
AA2 - Trenton MSA and Middlesex-Somerset MSA	On-Site		
AA3 - Middlesex-Somerset MSA	On-Site		