



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 19, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Gibraltar Bank
Charter Number 704804

5527 Berkshire Valley Road
Oak Ridge, NJ 07438-9763

Office of the Comptroller of the Currency

343 Thornall Street
Suite 610
Edison, NJ 08837

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The primary factors supporting this rating are as follows:

- The bank's average loan-to-deposit ratio is more than reasonable.
- By number and dollar amount, the bank originated a majority of its loans inside its assessment area.
- The distribution of loans to borrowers reflects reasonable penetration among borrowers of different income levels.
- The bank's geographic distribution of loans meets the standard for satisfactory performance based on its community development lending in low- and moderate-income census tracts.

SCOPE OF EXAMINATION

The evaluation period covers January 24, 2008 through November 19, 2012 and represents the time period between the start of the bank's prior and current CRA Performance Evaluations. We evaluated the bank using the small bank performance criteria, which consists of a lending test and an optional community development test. The lending test evaluates the bank's record of helping to meet the credit needs of its assessment area through its lending activities. The evaluation period for the lending test covered loans originated between January 1, 2010 and December 31, 2011. Based on a review of the number and dollar amount of loans originated, we determined that home mortgage refinance loans were the bank's primary loan product during this time period. We used the bank's 2010 and 2011 HMDA data to conduct our analyses and form conclusions regarding the bank's lending performance with respect to home mortgage refinance loans. The evaluation period for community development loans was January 24, 2008 through November 19, 2012. The integrity of both the bank's HMDA data and community development loan records was determined to be satisfactory during an on-site data integrity review performed in April 2012.

DESCRIPTION OF INSTITUTION

Gibraltar Bank, established in 1909, is a mutual savings bank headquartered in Oak Ridge, New Jersey. Oak Ridge is located in northern New Jersey, in Morris County. The bank operates two other branch offices: one in Whippany, also in Morris County, and one in Newark, in nearby Essex County. All branch offices offer a full line of products and services for consumers and businesses.

As of September 30, 2012, Gibraltar had total assets of \$106 million, with \$78 million in total deposits and \$91 million in total loans. The loan portfolio consists of \$85 million in residential real estate loans, predominantly mortgages on one-to-four family dwellings, \$5 million in nonresidential real estate loans, and less than \$1 million in other loans. During the review period, the primary focus of Gibraltar's lending was home mortgage refinance loans.

There are no financial or legal impediments to hinder Gibraltar’s ability to help meet the credit needs of the communities it serves. The bank received a “Satisfactory” rating on its prior CRA Performance Evaluation dated January 24, 2008.

DESCRIPTION OF ASSESSMENT AREA(S)

Gibraltar has one assessment area that consists of five contiguous counties within the State of New Jersey: Essex, Hunterdon, Morris, Sussex and Union. These five counties comprise the New Jersey portion of the Newark-Union, NJ-PA Metropolitan Division. The assessment area is described below.

Demographic Information for Gibraltar Bank’s Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	483	16.15	22.98	28.78	32.09	0.00
Population by Geography	2,052,541	11.19	22.22	30.44	36.15	0.00
Owner-Occupied Housing by Geography	451,735	3.15	12.31	35.02	49.52	0.00
Businesses by Geography	196,930	8.92	16.51	31.46	43.11	0.00
Farms by Geography	3,814	1.18	6.55	36.42	55.85	0.00
Family Distribution by Income Level	526,425	22.05	16.60	20.25	41.11	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	203,424	20.66	33.46	27.86	18.02	0.00
Census Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		68,424 90,600 9.39%	Median Housing Value Unemployment Rate (BLS- December 2011)	370,500 8.4%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2011 HUD updated MFI, Bureau of Labor Statistics, and National Association of Realtors 2011

The 2000 U.S. Census reported the total population of this assessment area at 2,052,541 living within 483 census tracts. Of the 483 census tracts, 16.15 percent are low-income geographies, 22.98 percent are moderate-income geographies, 28.78 percent are middle-income geographies, and 32.09 percent are upper-income geographies.

The 2011 HUD adjusted median family income for this assessment area was \$90,600. Within this assessment area, 22.05 percent of the families were low-income, earning a median income of \$45,300 or less; 16.60 percent were moderate-income, earning a median income of no more than \$72,480; 9.39 percent of all households had incomes below the poverty level.

Of the approximately 452 thousand owner-occupied housing units within the bank’s assessment area, 15.46 percent are located in low- and moderate-income census tracts; 59.92 percent of all renter-occupied units are located in low- and moderate-income census tracts; 26.59 percent of the assessment area’s single family (1-4 units)

homes and 59.12 percent of all multifamily housing are located in low- and moderate-income census tracts. Throughout the assessment area, 13.69 percent of all households have rental costs that exceed 30 percent of income.

The assessment area's principal city is Newark, the largest city in New Jersey and the seat of Essex County. In the past, manufacturing was the city's most important economic activity. It has recently been surpassed by transportation-related industries and telecommunications firms. Newark's busy international airport, shipping terminal, railway routes, and seven major highways make it a major mid-Atlantic distribution and retail trade center. The top employers are Newark International Airport, Verizon Communications, Prudential Financial, Continental Airlines, and University of Medicine and Dentistry.

The assessment area's unemployment rate is similar to the national unemployment rate. As of December 2011, the Bureau of Labor Statistics reported the unemployment rate in the Newark-Union, NJ-PA Metropolitan Division as 8.4 percent, compared to the state rate of 8.7 percent and the national rate of 8.5 percent.¹

Gibraltar operates in a highly competitive financial services market with competition from nationwide, large regional and local financial institutions. According to June 30, 2012 FDIC Summary of Deposit data, Gibraltar ranked 49 out of 61 institutions competing within its assessment area, with a deposit market share of 0.11 percent. In regards to loan market share, Gibraltar ranked 82 out of 417 institutions with a home mortgage refinance loan market share of 0.12 percent for the calendar year 2010.

During the evaluation period, OCC representatives met with two community development organizations operating in the assessment area. The contacts identified home financing, loans for small and midsize businesses, and credit for community support organizations as current community needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Gibraltar's average loan-to-deposit ratio is more than reasonable. The bank's average loan-to-deposit ratio over the twenty quarters since the last CRA examination was 96.95 percent. During this period, Gibraltar's performance ranged from a low of 72.90 percent on December 30, 2007 to a high of 115.48 percent on September 30, 2012.

Gibraltar's average loan-to-deposit ratio compares favorably to the average for three similarly situated banks over the same time period. The loan-to-deposit ratios for the

¹ The national unemployment rate is seasonally adjusted. The unemployment rates for the metropolitan division and the state are not seasonally adjusted.

three other banks averaged 73.53 percent. The bank exceeds the standard for satisfactory performance under this criterion.

Lending in Assessment Area

Gibraltar, by number and dollar amount, originated a majority of its home mortgage refinance loans inside its assessment area. The following table details the bank’s lending in the assessment area by number and dollar amount of loans. Based on HMDA data for 2010 and 2011, 73.38 percent of the loans by number and 72.95 percent by dollar volume were within the bank’s assessment area. As Gibraltar originated a majority of its loans in the assessment area, the bank meets the standard for satisfactory performance under this criterion.

Lending in Gibraltar Bank’s Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage Refinance Loans	102	73.38	37	26.62	139	\$29,002	72.95	\$10,753	27.05	\$39,755

Source: 2010 and 2011 HMDA Data

Lending to Borrowers of Different Incomes

The distribution of loans to borrowers reflects reasonable penetration among borrowers of different income levels. The bank made 8.82 percent of its home mortgage refinance loans to low- and moderate-income borrowers. While this is below the aggregate lender’s level of 14.63 percent of total home mortgage refinance loans originated, the bank has funded community development loans during the review period that benefit low- and moderate-income families.

Distribution of Gibraltar Bank’s Home Mortgage Refinance Loans By Borrower Income Level in the Assessment Area				
Borrower Income Category	% of Loans	% of \$ Volume	% Family Distribution	% of Aggregate
Low	1.96	.48	22.05	2.81
Moderate	6.86	3.49	16.60	11.82
Middle	14.71	9.03	20.25	23.08
Upper	76.47	87.00	41.11	62.29
Total # or \$	100.00	100.00	100.01	100.00

Source: 2010 and 2011 HMDA Data

In addition, the high cost of housing in this marketplace makes homeownership difficult for most low- and moderate-income borrowers. Recent data from the National Association of Realtors shows that the median sales price of an existing single family home in the assessment area is \$371 thousand. The updated median family income for the assessment area indicates that a moderate-income family earns less than \$73 thousand a year. Therefore, it is difficult for low- and moderate-income borrowers to afford homes in this area.

Based on the institution’s size and competitive factors, including the institution’s involvement in community development lending, Gibraltar’s lending to borrowers of different income levels meets the standard for satisfactory performance.

Geographic Distribution of Loans

The bank’s geographic distribution of loans reflects poor dispersion throughout census tracts of different income levels. The bank made 0.98 percent of its home mortgage refinance loans to borrowers located in low- and moderate-income census tracts. This is below the percentage of 6.48 of total home mortgage refinance loans achieved by aggregate lenders. However, during the review period, the bank has funded eight community development loans; all located in low- and moderate-income census tracts in its assessment area.

Distribution of Gibraltar Bank’s Home Mortgage Refinance Loans By Census Tract Income Level in the Assessment Area				
Census Tract Income Category	% of Loans	% of \$ Volume	% Owner Occupied	% of Aggregate
Low	0.00	0.00	3.15	1.15
Moderate	0.98	0.08	12.31	5.33
Middle	27.45	19.68	35.02	30.67
Upper	71.57	80.24	49.52	62.85
Total # or \$	100.00	100.00	100.00	100.00

Source: 2010 and 2011 HMDA Data

Based on Gibraltar’s size, competitive factors and considering the bank’s involvement in area community development lending, the bank’s geographic distribution of loans meets the standard for satisfactory performance.

Community Development Lending

Gibraltar is an active community development lender in its assessment area. The bank has ongoing relationships with the Unified Vailsburg Service Organization (UVSO) and Housing and Neighborhood Development Services, Inc. (HANDS). UVSO is a nonprofit neighborhood-based human services and community development agency located in Newark, New Jersey. Current services provided by the organization include, but are not limited to, meals on wheels, special transportation, health care and screening, crisis intervention, day care, a senior citizen center and housing development. The bank’s president serves on the board of directors for this organization and is the organization’s treasurer. HANDS is a nonprofit community development organization in Orange, New Jersey formed to provide affordable housing, stabilize neighborhoods and promote economic opportunity.

The bank also participates in projects organized by the Thrift Institutions Community Investment Corporation of New Jersey (TICIC), a subsidiary of the New Jersey League

of Community Bankers. TICIC is a consortium of lenders that provides loans for affordable housing and community development.

During the review period, Gibraltar provided funding for eight community development loans. All of the loans were for properties located in low- and moderate-income census tracts in the bank's assessment area. The bank funded six loans for UVSO:

- A \$324,000 purchase money mortgage loan and an \$80,000 bridge loan to acquire residential property in a moderate-income census tract in Newark. The property provides four units of affordable rental housing for low- and moderate-income families.
- A \$60,000 mortgage loan for residential property located in a moderate-income census tract in Newark. The property was a single-family home that was converted into a two-family home to provide affordable rental housing for low- and moderate-income families.
- A \$200,000 lead loan participation to provide permanent financing for several buildings owned and used by UVSO for its various community service activities. The properties are all located in a moderate-income census tract in Newark.
- A \$150,000 line of credit that provides pre-development funds.
- A \$525,000 loan for the construction of three new two-family homes, the rehabilitation of two single-family homes, and the rehabilitation of one two-family home. The bank renewed this loan at least once in 2009, 2010, and 2011. The properties are located in either low- or moderate-income census tracts in Newark.

In addition, Gibraltar funded a \$192,000 loan for HANDS that provides pre-development funds. The bank also participated with TICIC, funding \$125,000 of a \$3,350,000 permanent mortgage loan to Lincoln Park Lofts Urban Renewal, LLC. This project is part of an effort to revitalize downtown Newark and involved renovating historic apartments located in a low-income census tract in Newark and creating 29 market rate rental units.

Gibraltar has demonstrated its continuing commitment to meeting community development needs by its involvement on numerous loans that revitalize and/or stabilize local neighborhoods and provide affordable housing to low- and moderate-income families, in low- and moderate-income geographies.

Responses to Complaints

Gibraltar Bank did not receive any CRA complaints during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.