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Comptroller of the Currency  
Administrator of National Banks  
Bank

Large

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Northeastern District  
Mid-Size and Credit Card Banks  
New Jersey Field Office  
830 Morris Turnpike, 2<sup>nd</sup> Floor  
Short Hills, New Jersey 07078

## **PUBLIC DISCLOSURE**

**April 19, 1999**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Valley National Bank  
Charter Number 15790  
1455 Valley Road  
Wayne, New Jersey 07470**

**Office of the Comptroller of the Currency  
Northeastern District  
Mid-Size and Credit Card Banks  
New Jersey Field Office  
830 Morris Turnpike, 2<sup>nd</sup> 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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## 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 Reinvestment Act (CRA) performance of **Valley National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 19, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory. Primary factors supporting the bank's overall rating include:

- Good responsiveness to credit needs within the assessment area;
- A high percentage of loans made within the assessment area;
- A good distribution of loans among borrowers of different income levels with loans to moderate income borrowers exceeding area demographics;
- A good distribution of loans to businesses of different sizes with a significant amount of loans originated at \$250 thousand or less;
- A good level of community development lending;
- A good geographic distribution of small business loans and an adequate geographic distribution of HMDA loans;
- An adequate level of investments;
- Services and delivery systems are reasonably accessible to geographies and individuals of different income levels in the assessment area with specific programs targeted to the non-English speaking population; and
- A good level of community development services.

## Abbreviations and Acronyms

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

<u>Abbreviation or Acronym</u>	<u>Full Title, Name or Description</u>
AA	Assessment Area
ATM	Automated Teller Machine
Bancorp	Valley National Bancorp
BPMSA	Bergen-Passaic MSA
CDBG	Community Development Block Grant
CFR	Code of Federal Regulations
CMSA	Consolidated MSA
CRA	Community Reinvestment Act
CT	Census Tract
FHA	Federal Housing Administration
FNMAC	Federal National Mortgage Assistance Corp
GNMA	Government National Mortgage Association
HMDA	Home Mortgage Disclosure Act
HPMC	Housing Partnership for Morris County
JCMSA	Jersey City MSA
LMI	Low- and Moderate-Income
MSA	Metropolitan Statistical Area
MSMSA	Middlesex-Somerset MSA
NCDLC	New Community Development Loan Corp
NJCAG	New Jersey Citizens Action Group
NJCLF	New Jersey Community Loan Fund
NJEDA	New Jersey Economic Development Agency
NJHMFA	NJ Housing Mortgage Finance Agency
OCC	Office of the Comptroller of the Currency
PE	Performance Evaluation
SBA	Small Business Administration
VA	Veteran Administration
VNB	Valley National Bank

The following table indicates the performance levels of Valley National Bank with respect to the lending, investment, and service tests.

<b>Performance Levels</b>	<b>Valley National Bank Performance Tests</b>		
	<b>Lending Test</b>	<b>Investment Test</b>	<b>Service Test</b>
<b>Outstanding</b>			
<b>High Satisfactory</b>	X		X
<b>Low Satisfactory</b>		X	
<b>Needs to Improve</b>			
<b>Substantial Noncompliance</b>			

## **DESCRIPTION OF INSTITUTION**

Valley National Bank (VNB) is a \$5.5 billion full service, intrastate, retail banking institution. It is the principal subsidiary of Valley National Bancorp (Bancorp), a \$5.5 billion, one bank holding company. In addition, VNB has nine wholly owned bank subsidiaries. We evaluated the investment activities in VN Investments. The remaining operating subsidiaries have no impact on the bank's capacity to lend for community reinvestment purposes.

Since the last review, Bancorp acquired a local banking organization, Wayne Bancorp, a \$270 million retail banking institution with six branches. This acquisition, combined with the opening of five branches, increased VNB's branch network from 95 to 106. In addition, Bancorp has signed a definitive agreement to acquire Ramapo Financial Corporation. Ramapo Bank, its principal subsidiary, has \$330 million in assets and operates eight branches. Recent acquisitions did not have any significant affect on VNB's assessment area (AA) or its products and services. A pending acquisition is also not anticipated to change the bank's AA or product line.

As of March 31, 1999 total bank assets were \$5.5 billion, including investments of \$1.3 billion and loans of \$4.1 billion. Total deposits amounted to \$4.7 billion. The loan portfolio is broken down as follows: residential real estate loans \$800 million (20%), commercial loans secured by real estate \$1.6 billion (40%), instalment loans and credit cards \$1.2 billion (29%), and \$450 million (11%) in commercial loans. There are no impediments, legal or otherwise, which would hinder the bank's ability to help meet the credit needs of its AA.

VNB competes with large banking institutions and mortgage companies for mortgage lending opportunities to low- and moderate-income (LMI) individuals and geographies throughout the AA. The bank's 106 branches are primarily located throughout the northern portion of the State of New Jersey. Eighty-one, or 76%, of these branches are in Bergen, Essex, Morris, and Passaic Counties.

VNB is an active lender and has been recognized by the Small Business Administration (SBA) as both a leading and preferred lender throughout the State of New Jersey. VNB has received several annual SBA awards. Included is the SBA's highest award, The Diamond Award in 1997 for being the top dollar volume lender in the New Jersey Region. VNB maintains its status as a certified, preferred, express SBA lender and has the ability to offer reduced documentation loan products and accelerated loan processing. For the period from January 1, 1998 to March 1999 VNB originated approximately 246 SBA loans totaling \$52 million. These loans are included in Tables 5 and 10 of Appendix B.

## DESCRIPTION OF BANK'S ASSESSMENT AREA

VNB's single AA includes the counties and Metropolitan Statistical Areas (MSAs) where the bank's branches are located. The AA includes the entire Bergen-Passaic MSA - 0875 (BPMSA), and portions of the Newark MSA - 5640 (NMSA), the Middlesex-Somerset MSA - 5015 (MSMSA), and the Jersey City MSA - 3640 (JCMSA). Each of the MSAs are a part of the New York-Northern New Jersey-Long Island, NY-NJ Consolidated Metropolitan Statistical Area (CMSA). The table below details AA information for individual MSAs.

	% of CT in Area	Updated Median Family Income	Median Housing Age	Population	Owner Occupied Housing Units	Census Median Family Income
AA	100%	\$65,194	45 years	3.5 million	1.2 million	\$50,516
BPMSA	36%	\$67,000	46 years	1.3 million	464 thousand	\$52,657
NMSA	50%	\$64,700	45 years	1.7 million	595 thousand	\$50,047
MSMSA	8%	\$72,900	36 years	309 thousand	111 thousand	\$55,147
JCMSA	6%	\$47,700	50 years	193 thousand	73 thousand	\$35,250

"Source: 1990 Census Bureau"

The AA meets regulatory guidelines and does not arbitrarily exclude any LMI areas. The approximate population of the AA is 3.5 million. LMI is referred to throughout this document to describe low- and moderate-income individuals and/or geographies (census tracts). The AA contains 850 contiguous census tracts (CTs). AA demographics are reflected in the table below. Two hundred twenty one, or 26% of the CTs are designated LMI. Furthermore, 43% of LMI tracts are located within the cities of Paterson, Passaic, and Newark.

	Unknown*		Low		Moderate		Middle		Upper		AA Total	
	#	%	#	%	#	%	#	%	#	%	#	%

Bergen-Passaic	41	13%	20	7%	46	15%	129	43%	67	22%	303	100%
Newark	12	3%	59	14%	81	19%	148	35%	121	29%	421	100%
Middlesex-Somerset	0	0%	0	0%	7	10%	43	58%	24	32%	74	100%
Jersey City	1	2%	0	0%	8	15%	28	54%	15	29%	52	100%
<b>Totals</b>	<b>54</b>	<b>6%</b>	<b>79</b>	<b>9%</b>	<b>142</b>	<b>17%</b>	<b>348</b>	<b>41%</b>	<b>227</b>	<b>27%</b>	<b>850</b>	<b>100%</b>

"Source: 1990 Census Bureau"

\* CTs which did not report income as of the 1990 Census Count

The major employers in the AA range from large multinational corporations to small retail and service businesses. Additionally, large shopping centers provide employment and business opportunities. Portions of the AA are considered suburbs of New York City. Throughout the AA there are 151 thousand reported businesses, of which 112 thousand (74%) have gross annual revenues of \$1 million or less. Of those 112 thousand, 99 thousand (88%) have gross annual revenues of \$500 thousand or less. The Newark MSA and Bergen-Passaic MSA represent the AA's primary business centers.

The table below details reported business information for individual MSA's.

	<b>Total Number of Businesses</b>	<b>Gross Revenues &lt; \$500 thousand</b>	<b>Gross Revenues &gt; \$501 thousand</b>	<b>Income Not Reported</b>
<b>AA Totals</b>	<b>151,000</b>	<b>99,000</b>	<b>32,000</b>	<b>20,000</b>
<b>Bergen-Passaic</b>	61,000	39,000	14,000	8,000
<b>Newark</b>	69,000	47,000	13,000	9,000
<b>Middlesex-Somerset</b>	13,000	8,000	3,000	2,000
<b>Jersey City</b>	8,000	5,000	2,000	1,000

\* Information from Dun and Bradstreet

Three community groups were contacted during this examination. One represented a local senior citizens group; one represented a LMI housing group; and one represented a statewide group that addresses LMI housing, small business, and service needs.

Each of these groups identified a significant credit need for home improvement and rehabilitation loans in LMI areas. However, home improvement lending opportunities are limited because:

- a significant percentage of owner occupied housing units are found within the AA's middle and upper income CTs; and
- the AA is comprised primarily of middle and upper income CTs.

In addition, the senior citizens group representative identified a need for banking services that target the elderly citizens. The LMI housing and local statewide representative also noted a need for local home ownership support in the form of educational home finance seminars and credit counseling assistance for both purchase mortgages and home improvement services in LMI areas. The LMI housing and local statewide representatives also identified a small business lending need for working capital and

capital improvement loans within LMI areas. They noted that this type of small business lending would serve to promote economic viability in LMI areas.

Each group indicated active participation and support by VNB regarding local lending efforts for both home mortgages and home improvements. This participation has historically been centered in efforts to target the bank's products and services to LMI populations. While VNB's recent efforts to target LMI geographies were noted by these community representatives, each group expressed a need for all financial institutions in the market area to focus additional efforts on targeting lending and deposit services to both LMI populations and geographies.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

### Scope of Review

The primary period of review includes HMDA, small business, and community development lending, as well as, investment, and service activities from January 1, 1997 through December 31, 1998. Bank compiled data for SBA lending, investments and services were also included. Farm lending is not a part of VNB's primary lending activities and is not included in this assessment. Small business, home purchase lending, and community development activities received more consideration in assessing the overall rating. VNB was rated "Satisfactory" at the June 1997 CRA examination.

## **LENDING TEST**

### Lending Activity

VNB demonstrates a good responsiveness to the community's credit needs. VNB's commitment to the community is indicated by:

- A high loan to deposit average;
- A significant volume of HMDA and small business loans made and;
- A strong history of small business lending.

VNB's average quarterly loan to deposit ratio since September 30, 1997 is 85%. The loan to deposit ratio at March 31, 1999 is also 85%. The quarterly average ratio is below the quarterly national peer ratio of 104% and reflects management's continued strategy to maintain liquidity sufficient to respond to changing market conditions, including opportunities to acquire financial service providers.

VNB ranks 35<sup>th</sup> among home purchase and 33<sup>rd</sup> among home refinancing lenders in an area serviced by over 500 reporting mortgage lenders. VNB's market rank in home improvement lending is 14<sup>th</sup> of 170 reporting lenders in the AA. VNB ranks 12<sup>th</sup> of 189 small business lenders within its AA.



## Assessment Area Concentration

VNB originates a high level of its housing loans within their AA. HMDA loan data available for the period from January 1, 1997 to March 31, 1999 indicates 76% by volume and 78% of the dollar amount of housing related loans were made within the AA.

The table below details reported HMDA lending within the AA.

Loan Type	Total		In the AA		Percentage in the AA	
	#	\$ (000)	#	\$ (000)	#	\$
<b>Home Purchase</b>	1,460	213,972	1,089	162,699	75%	76%
<b>Refinance</b>	2,327	310,028	1,734	238,849	75%	77%
<b>Home Improvement</b>	309	7,369	301	7,137	97%	97%
<b>Multifamily</b>	18	28,655	15	27,761	83%	97%
<b>Totals</b>	<b>4,114</b>	<b>560,024</b>	<b>3,139</b>	<b>436,446</b>	<b>76%</b>	<b>78%</b>

VNB originated a substantial majority of its small business loans within the AA. Small business data available for the period from January 1, 1997 to December 31, 1998 indicates 87% of the volume and 82% of the dollar amount of small business loans were made within the AA. The high volume of small business lending reflects VNB's historical marketing efforts to small business lending. Table 1 of Appendix B details VNB's overall lending activities.

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

### Home Mortgage Lending:

VNB's record of housing related lending to borrowers of different income levels is good. The percentage of HMDA reported loans to moderate income borrowers exceeds the percentage of moderate income families in the AA for each loan type, particularly home purchase and home improvement loans. HMDA lending among low income borrowers is below the percentage of low income families in the AA. However, lending activity among low income borrowers is impacted by a high average housing cost. Given a 1990 Census Bureau median housing costs of \$200 thousand and low median family income of \$32,597, and an approximate interest rate of 7%, the cost of financing a mortgage appear prohibitive to low income borrowers. Tables 7, 8, and 9 of Appendix B detail VNB's distribution of housing loans among borrowers of different income levels.

### Small Business Lending:

VNB's distribution of loans among businesses of different sizes is good. VNB's commitment to small business lending is demonstrated in its leadership role with the

SBA and overall market rank in a highly competitive market. 1997 market data indicates that 76% of businesses within the AA are small businesses, with annual gross revenues \$1 million or less. During the assessment period VNB extended 63% of total loans to businesses with gross revenues \$1 million or less. VNB ranks 12<sup>th</sup> among 189 business lenders in the AA. A significant majority (79%) of total small business loans reported is in original amounts of \$250 thousand or less. Of those, VNB has demonstrated a commitment to small dollar lending by providing 55% of loans to area businesses at under \$100,000. These loans are included in Tables 5 and 10 of Appendix B. Table 10 of Appendix B details the bank's lending patterns and market share for small business lending.

#### Community Development Lending:

VNB originates a good level of Community Development loans, totaling \$13 million. Community Development loans are defined as those that are not reported under Small Business loans and have as their primary purpose community development. Since our prior examination the bank has extended five Community Development loans totaling \$12 million. These loans were primarily made to facilitate economic development in LMI areas or to promote employment activity among LMI individuals. In addition, small business loans reported in Tables 5 and 10 of the Appendix B include 37 loans totaling \$12 million which were determined to have community development as their primary purpose.

VNB also originated HMDA reportable multi-family loans (buildings with five or more units) in low and moderate income areas that benefit LMI borrowers. The bank extended four loans totaling \$1.2 million, all in moderate income CTs, during the examination period.

#### Flexible Lending Practices:

VNB offers a variety of loan programs to prospective applicants. Standard Federal and State programs offered include Federal Housing Administration (FHA) loans, Veterans Administration (VA) loans, the Federal National Mortgage Assistance Corporation (FNMAC), the Government National Mortgage Association (GNMA), and the New Jersey Housing Mortgage Finance Agency (NJHMFA).

VNB is actively involved with the New Jersey Citizens Action Group (NJCAG) through a commitment to develop and extend affordable housing within the AA. The programs detailed under this commitment involve a variety of mortgage and home improvement plans that include flexible and innovative underwriting guidelines. These loans are included among total HMDA reportable totals in Appendix B. For the period January 1, 1998 through December 31, 1998 the bank extended 205 loans totaling \$21 million, exceeding its five year \$9 million annual commitment under the agreement.

The bank also participates with the NJCAG to promote and extend affordable housing loans in its AA. This program includes a wide variety of housing loan options regarding both purpose and financing. For example, some of the program's options include fixed and adjustable rate loans, extended payment options, reduced interest rates, flexible down payment options, and reduced fee structures.

VNB participates in housing related programs targeting LMI areas. Loans under these programs are included as HMDA reportable loans in Appendix B. For example, VNB has been participating with the New Jersey Citizens Action Group in the Paterson Home Improvement Counseling Office since November 1998. This office assists homeowners in LMI areas with contractor information, reviews home improvement work plans, and provides information regarding financing sources. Loans are extended under the NJCAG program. As of March 31, 1999 the program had originated one loan for \$3 thousand under the program. The limited amount of loans originated under these programs is reportedly due to administrative issues of the community group regarding staffing concerns at its offsite offices.

VNB participates in two business lending programs targeting LMI areas, including the River Road Improvement Corporation (RRIC) and the Newark Business District Loan (NBDLP) program. The loans under these programs, as well as other targeted lending programs, are also reported under Tables 5 and 10 of Appendix B.

### Geographic Distribution of Loans

#### Home Mortgage Lending:

VNB's geographic distribution of HMDA loans is adequate given the AA's demographics. We determined that there were no conspicuous gaps in lending within the AA. While VNB's home improvement lending is comparable to area demographics, loans for home mortgages and home refinancings are below owner occupied distribution among LMI geographies. Home mortgage and home refinance opportunities in low and moderate income CTs of the AA are limited due primarily to significant proportion of owner occupied housing being concentrated in the middle and upper income CTs.

Overall, VNB's HMDA reportable loans averaged 1.0% and 5.1% in LMI geographies, respectively. This is below the AA's owner occupied housing distribution within LMI geographies which is 1.3% and 9.1%, respectively. However, lending activity reasonably reflects the very competitive mortgage banking environment and VNB's historic focus on small business lending.

#### Small Business Lending:

The geographic distribution of small business loans within the AA is good. The distribution of small business loans among LMI CT's approximates the distribution of

businesses within those same tracts. VNB's overall market share is 2.1%. The bank's market share in lending in moderate income census tracts is 2.4%, exceeding its overall market share. Table 5 of Appendix B details geographic distribution by the percentage of reporting small businesses and the VNB's small business lending activity within the AA.

## **INVESTMENT TEST**

VNB's level of qualified investments is adequate. The bank has significantly increased the dollar and volume of activity in this area since the prior examination. VNB added five qualified investments totaling \$1.2 million during this review period and maintains another two investments totaling \$45 thousand from the prior review. Additionally, VNB extended \$154 thousand in qualified grants and donations to 47 projects during the examination period representing affordable housing groups, youth programs, and other organizations supporting activities that benefit LMI individuals or geographies throughout the AA. The investments are not innovative and contain only minimal complexities. Refer to Table 12 of Appendix B.

The bank primarily invests in both New Jersey based economic development funds and affordable housing projects. These programs are generally nonprofit and provide below market rates and flexible underwriting for small businesses and affordable housing projects.

Investment opportunities within VNB's AA are limited due primarily to highly competitive market conditions. According to management and community group leaders, larger, regional financial institutions have a greater capability of obtaining community development investments as they become available in the marketplace.

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## **SERVICE TEST**

VNB's services are reasonably accessible to individuals and geographies of different income levels in the AA. Branches, which are VNB's primary delivery system, are reasonably accessible to all portions of the AA. Branch services and hours compare adequately to similarly situated financial institutions within the AA.

VNB has 106 full service branches and a network of 105 Automated Teller Machines (ATMs). The distribution of these branches and ATMs are detailed in Table 13 of Appendix B. VNB's branch and ATM network is comparable to the AA's population demographics.

VNB's record of closing offices has not adversely affected the accessibility to bank

services. Since the last examination, the bank acquired six branches in connection with the acquisition of Wayne Bancorp. Two of these branches improved accessibility and retail services in moderate income areas. The remaining four branches are in middle or upper income CT's. VNB also opened five additional branches as part of its overall strategic plan to expand the availability of bank services. These newly opened branches are located in middle or upper income CTs. Lastly, VNB consolidated two branches since the last examination. These branches were located in very close proximity to each other and did not impact accessibility of services.

Ninety-six branches have extended weekday or weekend hours, including those in LMI areas. Branches that do not offer extended hours are situated in close geographic proximity to other branches.

VNB's extensive ATM network includes 85 full service facilities located within all segments of the AA, including LMI areas. The bank has 17 ATMs that are cash dispensing facilities and three offsite full service ATMs. Cash dispensing facilities are primarily located in hospitals, malls, and an insurance company.

VNB offers telephone banking to all customers and a personal computer (pc) banking operation to businesses. Other retail services offered are typical given the VNB's size and geographic presence. These services include, but are not limited to business payroll services, direct lockbox services, wire transfer services, direct deposit services, and electronic bill and tax payment services. VNB recently developed an Internet website, but does not currently offer on-line banking. We could not place significant emphasis on the alternative delivery systems because data was unavailable to determine how effective these systems are to LMI individuals.

Management continues to develop and promote a bilingual banking program. This program promotes accessibility of banking services to the diverse ethnic population within the bank's AA. The bank's customer service center compiles and maintains a comprehensive list of foreign languages spoken by the bank's employees. Customers or bank employees can access this list for service through the bank's Customer Service Department. There are more than 500 employees in this program with capabilities that include a wide range of European, East Asian, South American, East Indian, and African languages.

#### Community Development Services:

VNB's record of developing and providing community development services is good. The bank continues to support the New Community Development Loan Fund. VNB has been a principal originator and participant in the Fund which was begun prior to the current examination period. Senior management and a significant number of employees participate in key areas to develop and promote affordable housing and economic development. Primary services include providing standard financial services, credit

counseling, first time home buyer seminars, technical assistance on financial matters, and loan processing.

VNB also serves as a funding conduit between the Federal Home Loan Bank (FHLB) and the principals for affordable housing projects. VNB received and transferred \$102 thousand in this funding, known as Direct Subsidy Grants, during the examination period.

VNB has provided credit counseling targeting LMI communities as a result of their Community Advisory Board. Several specific service activities resulted from Advisory Board recommendations, including, but not limited to:

- Providing pro bono servicing for loans closed under the Paterson Habitat for Humanity Project;
- Targeting credit counseling services for LMI geographies;
- Taking a leadership role in first time home buyer and small business seminars within the AA. VNB sponsors and manages these programs throughout LMI geographies in the AA; and
- Developing and implementing affordable home improvement programs targeting LMI areas.

VNB provides additional community development services to low and moderate income individuals, small businesses, and affordable housing groups. VNB employees provide technical assistance to various AA community groups. The following is a listing and description of a sample of the services offered throughout the AA. This list is not intended to be all inclusive.

- Several senior officers serve on the board of directors and finance committee of the Paterson Habitat for Humanity;
- VNB's senior management participates on the board of directors and provides lending expertise to the Housing Partnership for Morris County (HPMC) through its lending committee and finance committee;
- VNB provides officers who participate on the board of directors, as well as the loan and investment committees of New Community Development Loan Corporation, Newark, NJ (NCDLC). NCDLC is a nonprofit housing and economic development organization that provides economic assistance to inner-city borrowers;
- Members of management actively sponsor and participate in business seminars to promote the bank's SBA loan program. Meetings are held throughout the State of New Jersey.
- VNB sponsors and participates in Empowerment Summits under the New Jersey Redevelopment Agency. This agency coordinates and oversees economic development and assistance among various state programs.
- VNB is a sponsor of, and participates in, the Greater Newark Business Development Consortium which promotes economic development in LMI areas in the greater Newark region.

## **FAIR LENDING REVIEW**

A fair lending examination was conducted to evaluate compliance with fair lending regulations. We reviewed the VNB's home purchase mortgage lending for the calendar year 1998. Examination included a review of lending policy and lending practices for possible overt discrimination or discriminatory impact on protected classes of citizens. We also conducted a comparative file analysis of both approved and denied home purchase mortgage loans. The sample was derived using VNB's 1998 Home Mortgage Disclosure Act Loan Application Register.

Seven Hispanic and five African-American denied applicants were selected. This represented the entire population of denied minority applicants. These were compared to a control group of eighty-two non-minority borrowers. Our review of the mortgage lending policy and procedures and the results of our comparative file analysis indicate that the bank is in compliance with the fair lending regulations.

We determined that mortgage lending policy and procedures are not discriminatory nor have a disparate impact on protected classes of citizens. The results of the comparative file analysis did not identify any cases where minority applicants were evaluated by lenders in a manner that differed from the control group of approved non-minority borrowers.

Appendix A

SCOPE OF EXAMINATION

<b>Time Period Reviewed</b>			
HMDA and small business reportable loan data	January 1, 1997 to December 31, 1998		
SBA, community development, and investments	July 1, 1997 to March 31, 1999		
<b>Financial Institution</b>		<b>Products Reviewed</b>	
Valley National Bank Wayne, NJ		Mortgage Loans, small business loans, community development loans, and investments	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>	
VN Investments	Banking Subsidiary	Qualified Investments	
<b>List of Assessment Areas and Type of Examination</b>			
<b>Assessment Area</b>	<b>Type of Examination</b>	<b>Branches Visited</b>	<b>Other Information</b>
New York-Northern New Jersey-Long Island, NY-NJ CMSA	On-Site	Corporate Offices, Wayne, NJ	



## Appendix B

### Standard Tables

VNB does not consider farm lending as a primary product line. Accordingly, Tables 6 and 11 which detail small farm activity are not included in this Appendix.

Charter Number: 15790

**Table 1. Lending Volume**

LENDING VOLUME State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998												
MSA /Assessment Area	% of Total VNB Deposits in Rated Area	Home Mortgage		Small Business		Small Farms		Community Development		Total Reported Loans		% of Total reported VNB Loans in Rated Area
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full Scope:												
New York-Northern New Jersey-Long Island, NY-NJ CMSA	100%	3,139	436,446	1,050	176,480	0	0	9	13,010	4,199	625,936	100%

Table 2. Geographic Distribution of Home Purchase Loan Originations

Geographic Distribution: HOME PURCHASE State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Over all Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% VNB Loans	% Owner Occ Units	% VNB Loans	% Owner Occ Units	% VNB Loans	% Owner Occ Units	% VNB Loans		Over all	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
New York-Northern New Jersey-Long Island, NY-NJ CMSA	1.3%	0.3%	9.1%	5.4%	49.7%	50.0%	40.0%	44.4%	35	0.8%	0.1%	1.9%	0.8%	0.7%	1,089	100%

(\* ) Based on 1997 Aggregate HMDA Data only.

**Table 3. Geographic Distribution of Home Improvement Loan Originations**  
**15790**

**Charter Number:**

Geographic Distribution: HOME IMPROVEMENT State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Over all Market Rank*	Market Share by Geography*					Total Home Improvement Loans	
	% Owner Occ Units	% VNB Loans	% Owner Occ Units	% VNB Loans	% Owner Occ Units	% VNB Loans	% Owner Occ Units	% VNB Loans		Over all	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
New York - Northern New Jersey-Long Island, NY-NJ CMSA	1.3%	1.0%	9.1%	5.7%	49.7%	56.5%	40.0%	36.9%	14	1.7%	0.8%	0.6%	1.9%	1.9%	301	100%

(\*) Based on 1997 Aggregate HMDA Data only.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations Charter Number: 15790**

Geographic Distribution: HOME MORTGAGE REFINANCE State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% VNB Loans	% Owner Occ Units	% VNB Loans	% Owner Occ Units	% VNB Loans	% Owner Occ Units	% VNB Loans		Over all	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
New York-Northern New Jersey-Long Island, NY-NJ CMSA	1.3%	0.6%	9.1%	4.2%	49.7%	49.5%	40.0%	45.7%	33	0.9%	0.00%	0.4%	0.9%	1.0%	1,734	100%

(\* ) Based on 1997 Aggregate HMDA Data only.

**Table 5. Geographic Distribution of Small Business Loan Originations**  
**15790**

**Charter Number:**

Geographic Distribution: SMALL BUSINESS State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Over all Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% VNB Loans	% of Businesses	% VNB Loans	% of Businesses	% VNB Loans	% of Businesses	% VNB Loans		Over all	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
New York-Northern New Jersey-Long Island, NY-NJ CMSA	4.5%	3.6%	12.2%	10.6%	48%	47.9%	35.3%	37.9%	12	2.1	1.6%	2.4%	2.1%	2.2%	1,050	100%

(\* ) Based on 1997 Aggregate Small Business Data only.

**Table 7. Borrower Distribution of Home Purchase Loan Originations**

**Charter Number: 15790**

Borrower Distribution: HMDA HOME PURCHASE State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Over all Market Rank**	Market Share by Borrower Income**					Total Home Purchase Loans	
	% of Families	% VNB Loans *	% of Families	% VNB Loans *	% of Families	% VNB Loans *	% of Families	% VNB Loans *		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
New York-Northern New Jersey-Long Island, NY-NJ CMSA	18.1%	10.4%	17.7%	24.4%	23.6%	24.7%	40.6%	34.6%	35	0.8%	2.3%	1.2%	0.8%	0.7%	1,089	100%

(\*) As a percentage of loans with borrower income information available. No information was available for 5.9% of loans originated by VNB.

(\*\*) Based on 1997 Aggregate HMDA Data only.

**Table 8. Borrower Distribution of Home Improvement Loan Originations**  
**15790**

**Charter Number:**

Borrower Distribution: HOME IMPROVEMENT State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Over all Market Rank**	Market Share by Borrower Income**					Total Home Improvement Loans	
	% of Families	% VNB Loans *	% of Families	% VNB Loans *	% of Families	% VNB Loans *	% of Families	%VNB Loans *		Over all	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
New York-Northern New Jersey-Long Island, NY-NJ CMSA	18.1%	13.0%	17.7%	20.9%	23.6%	24.6%	40.6%	41.2%	14	1.7%	1.5%	1.6%	1.6%	2.0%	301	100%

(\* ) As a percentage of loans with borrower income information available. No information was available for .3% of loans originated by VNB.

(\*\* ) Based on 1997 Aggregate HMDA Data only.

**Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations Charter Number: 15790**

Borrower Distribution: HOME MORTGAGE REFINANCE State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Over all Market Rank**	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans	
	% of Families	% VNB Loans *	% of Families	% VNB Loans *	% of Families	% VNB Loans *	% of Families	% VNB Loans *		Over all	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
New York-Northern New Jersey-Long Island, NY-NJ CMSA	18.1%	3.6%	17.7%	17.9%	23.6%	27.7%	40.6%	47.6%	33	0.9%	0.4%	1.0%	1.0%	1.3%	1,734	100%

(\*) As a percentage of loans with borrower income information available. No information was available for 3.2% of loans originated by VNB.

(\*\*) Based on 1997 Aggregate HMDA Data only.



Table 10. Borrower Distribution of Small Business Loan Originations

Borrower Distribution: SMALL BUSINESS State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998											
MSA /Assessment Area	Business with Revenues of \$1 million or less			Loans by Original Amount regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% VNB Loans**	% Market Loans***	\$100,000 or Less	>\$100,00 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg. Loan Size
Full Scope:											
New York-Northern New Jersey-Long Island, NY-NJ CMSA	75.8%	62.9%	39.8%	55%	24%	21.0%	2.1%	3.8%	1,050	100%	\$168.

(\* ) As a percentage of businesses with known revenues.

(\*\* ) As a percentage of loans with revenue information available. No information was available for 1.2% of loans originated by VNB.

(\*\*\*) The market consists of all other Small Business reporters in VNB's assessment area and is based on 1997 Aggregate Small Business Data only.

(\*\*\*\*) Based on 1997 Aggregate Small Business Data only.

**Table 12. Qualified Investments**

**Charter Number: 15790**

QUALIFIED INVESTMENTS State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998									
MSA /Assessment Area	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$'s
Full Scope:									
New York-Northern New Jersey-Long Island, NY-NJ CMSA	2	45	100%	52	1,350	100%	54	1,395	100%

(\* ) "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.

(\*\* ) Percentage of the dollars invested in that MSA/AA that are prior period investments or current period investments.

**Table 13. Distribution of Branch and ATM Delivery System**

**Charter Number: 15790**

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM State: New Jersey Evaluation Period: January 1, 1997 to December 31, 1998																	
MSA /Assessment Area	Deposits	Branches						ATMs				Population					
	% of Total VNB Deposits	# of VNB Branches	% of Total VNB Branches	Location of Branches by Income of Geographies				# of VNB ATMs	% of Total VNB ATMs	Location of ATMs by Income of Geographies				% of the Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Scope:																	
New York-Northern New Jersey-Long Island, NY-NJ CMSA	100%	106	100%	2%	8%	57%	33%	105	100%	1%	9%	57%	33%	6%	17%	46%	31%