EXAMINER'S COMMENTS (Cont.)

PUBLIC DISCLOSURE

January 12, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community Bank of Bergen County
02-34-1865

125 West Pleasant Avenue
Maywood, New Jersey 07607

Federal Reserve Bank of New York

33 Liberty Street

New York, New York 10045-0001

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.

EXAMINER'S COMMENTS (Cont.)

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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 ***Community Bank of Bergen County ("Community")*** *prepared by the* ***Federal Reserve Bank of New York*** *on behalf of the Board of Governors of the Federal Reserve System, the institution's supervisory agency, as of* ***January 12, 1998****. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

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

Over the examination period of October 15, 1996 through January 12, 1998, Community's performance with regard to the CRA is rated "Satisfactory." This determination is based on the following performance criteria: 1) a more than reasonable loan-to-deposit ratio; 2) a majority of loans originated within the bank's assessment area; and 3) a reasonable dispersion of loans to borrowers of different income levels (including low- and moderate-income individuals) and businesses of different sizes. However, the geographic distribution of loans reflects poor dispersion throughout the assessment area.

EXAMINER'S COMMENTS (Cont.)

DESCRIPTION OF INSTITUTION

Community Bank of Bergen County ("Community") was established in 1928 and operates two offices in Maywood and Rochelle Park, New Jersey. The bank is a full service, retail oriented, financial institution headquartered in the borough of Maywood in Bergen County (one of the state's most affluent counties). The bank is not part of a holding company or affiliated with any other financial institution. Community does not plan to establish another office in the immediate future. As of September 30, 1997, Community had total assets of $157 million, total deposits of $136 million and total loans of $103 million. Approximately 92 percent of the loan portfolio is secured by real estate, 4 percent are loans to consumers for automobiles and other personal expenditures, and the balance consists of commercial loans. Community's CRA performance was assessed as satisfactory at the last examination, October 15, 1996. There are no financial impediments preventing the bank from meeting the credit needs of its assessment area.

The bank offers a variety of loan products, including purchase money and refinancing mortgages, home improvement and commercial real estate loans. Home equity loans and lines of credit are also extended by the bank and generally are used by individuals to meet consumer credit needs. Some borrowers, however, use this type of financing for their small business credit needs.

DESCRIPTION OF COMMUNITY BANK OF BERGEN COUNTY'S ASSESSMENT AREA

Community's assessment area has not changed since the last examination and is located in central Bergen County which is part of Metropolitan Statistical Area ("MSA") 0875 (Bergen-Passaic, New Jersey.) The assessment area is entirely suburban and includes the boroughs of Paramus, Lodi and Maywood; the townships of Rochelle Park and Saddle Brook; and the cities of Garfield and Hackensack. The assessment area comprises 31 census tracts, of which two are unpopulated and therefore are not considered significant for analytical purposes. The assessment area contains no low-income census tracts, 10 moderate-income census tracts, 16 middle-income census tracts and three upper-income census tracts. The moderate-income tracts represent 35 percent of all populated census tracts in the assessment area. Six of the 10 moderate-income tracts are in the City of Garfield and they represent all census tracts in the city. Three of Lodi's four census tracts are moderate-income, and one of Hackensack's seven census tracts is moderate-income.

The following demographic and economic information was obtained from publicly available sources that include the United States Department of Commerce's Bureau of Census, 1990, the United States Department of Labor, the Department of Housing and Urban Development ("HUD"), and the Real Estate Center at Texas A&M University.

According to the 1990 census, 11 percent of the MSA's population (139,588 of 1,268,982) and 17 percent of Bergen County's population (139,588 of 825,388) are within the bank's assessment area. Thirty-seven percent of the population in the assessment area resides in moderate-income tracts, 54 percent in middle-income tracts, and 9 percent in upper-income tracts.

EXAMINER'S COMMENTS (Cont.)

Of the 36,716 families in the bank's assessment area, 22 percent are of low-income, 21 percent are of moderate-income, 26 percent are of middle-income, and 31 percent are of upper-income. Of the 54,902 households in the bank's assessment area, 26 percent are of low-income and 19 percent are of moderate-income. According to 1990 census data, the median family income of the assessment area is $47,580 as compared to $52,659 for MSA 0875 and $47,589 for the state. The 1997 HUD-adjusted median family income of MSA 0875 is $65,300.

There are 57,457 housing units within the assessment area, of which, 51 percent are owner-occupied and 45 percent are rental units. Most housing units in the moderate-income census tracts are rental units. Of the 21,272 housing units in these census tracts, 8,261, or 39 percent, are owner-occupied, while 56 percent are rental units. The majority of the census tracts in the assessment area are classified as middle-income. There are 16 such tracts in the assessment area, which represent 55 percent of the assessment area populated tracts. There are 31,973 housing units in middle-income tracts and 16,886, or 53 percent of these housing units are owner-occupied. Most of the housing units in these census tracts are owner-occupied. Of the 4,212 housing units in upper-income census tracts, 3,948, or 94 percent, are owner-occupied. Most of the housing stock (70 percent) in the assessment area is one-to-four family residential dwellings. In 1990, the median value of a house in the assessment area was $199,073 and the median value for MSA 0875 was $212,905.

In 1995, the primary types of employers in Bergen County were the following: service (15,894 or 53 percent), manufacturing (9,246 or 31 percent) retail (5,004 or 17 percent). The economic conditions in the Bergen County are stable. According to data from the U.S. Bureau of Labor Statistics and the Real Estate Center at Texas A&M University, the unemployment rate in MSA 0875 was 4.6 percent as of November 1997, a decline of 1.6 percent since August 1996. The reduction in Bergen County's unemployment rate reflects improved economic conditions from the early part of this decade when significant job losses were experienced in the region.

EXAMINER'S COMMENTS (Cont.)

MAP
OF
ASSESSMENT
AREA

EXAMINER'S COMMENTS (Cont.)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The CRA examination of Community covered the period of October 15, 1996 through January 12, 1998. The CRA performance of the bank is "Satisfactory" and is based on the favorable assessment of most of the bank's core performance criteria.

For the lending, income, and geographic distribution performance criteria, the following number of loans were reviewed: all 139 housing-related loans as reported under the Home Mortgage Disclosure Act ("HMDA"), a sample of 155 of the 253 consumer loans and all 28 small business loans originated during the examination period.

Loan-to-Deposit Ratio

Community's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition and the credit needs of the assessment area. Based on information contained in its Consolidated Report of Condition and Income for the four most recent quarters ending September 30, 1997, the bank's average loan-to-deposit ratio is 73 percent. This ratio is above the average loan-to-deposit ratio (65 percent) achieved by similarly situated banks in relation to size and location in New Jersey during the same time period. In addition, the bank's loan-to-deposit ratio compares favorably with the national peer ratio (69 percent) as reported in the September 30, 1997, Uniform Bank Performance Report.

Lending in the Assessment Area

Community originated a majority of its loans within its assessment area during the review period. Of the total loans sampled, 61 percent or 196 were within the bank's assessment area. Specifically, 62 percent (33 of 53) of all home purchase - conventional mortgages, 56 percent (14 of 25) refinancing mortgages, 58 percent (35 of 60) home improvement loans, 65 percent (53 of 82) home equity loans, 55 percent (40 of 73) consumer loans, and 75 percent (21 of 28) small business loans were made within the bank's assessment area.

EXAMINER'S COMMENTS (Cont.)

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

Community's overall record of lending to borrowers of different income levels (including low- and moderate-income individuals) and businesses of different sizes is reasonable, given the demographics of its assessment area. The distribution of housing-related loans (HMDA loans, home-purchase, refinance, and home improvement) to low- and moderate-income borrowers is reasonable. Consumer loans represent a large majority of the bank's loan originations made during the review period, and a significant percentage of these loans are made to low- and moderate-income individuals. Excellent performance was noted with respect to small business lending, with 100 percent of the business loan sample made to small businesses with revenues of $1 million or less. Analyses of the distribution of loans across income levels for each loan category are shown in Table A, below, and in Table B on page BB7.

TABLE A
Distribution of Loans Within Assessment Area by Income Level of Borrower
October 15, 1996 through January 12, 1998

	Housing-Related	Consumer	TOTAL
LOW INCOME: *Less Than 50% of Median Income*			
Number	10	36	46
Percentage	12%	39%	26%
Amount($)	$464,000	$631,200	$1,095,200
Percentage	6%	24%	11%
MODERATE INCOME: *At least 50% and less than 80% of Median Income*			
Number	16	20	36
Percentage	20%	21%	21%
Amount($)	$1,367,000	$718,600	$2,085,600
Percentage	18%	27%	21%
MIDDLE INCOME: *At least 80% and less than 120% of Median Income*			
Number	35	15	50
Percentage	43%	16%	29%
Amount($)	$2,783,000	$302,500	$3,085,500
Percentage	38%	12%	31%
UPPER INCOME: *120% or more of Median Income*			
Number	21	22	43
Percentage	25%	24%	24%
Amount($)	$2,796,000	$978,500	$3,774,500
Percentage	38%	37%	37%

EXAMINER'S COMMENTS (Cont.)

TABLE B

Distribution of Loans Within Assessment Area By Size of Business October 15, 1996 through January 12, 1998

Small Business and Farm Lending Summary					
# of Loans to Businesses	# of Loans to Small Businesses*	% of Loans to Small Businesses	$ Amount of Loans to Businesses	$ Amount of Loans to Small Businesses*	% of $ Amount to Small Businesses s
21	21	100%	$745,500	$745,500	100%

* Businesses with gross annual revenues of $1 million or less.

Housing-Related Loans

The bank's housing-related lending to borrowers of different income levels is reasonable. The level of loans to moderate-income borrowers represents 20 percent (Table A) of the mortgage loans sampled. This ratio is reflective of the assessment area demographics where 21 percent of the families are of moderate-income. In addition, Table A shows that loans to low-income borrowers comprise 12 percent of the mortgage loans sampled. While this ratio does not compare favorably with the demographics of the assessment area, where 22 percent of the families are of low-income, this disparity is reasonable given the very high cost of housing in relation to borrower income levels. According to the 1990 census, the median housing value in the assessment area is $199,073, while the median family income is $47,580. Low-income families earn 50 percent or less of the median income ($23,790) and moderate-income families earn between 50 percent and 80 percent of the median family income ($38,064).

Consumer Loans

The bank's consumer lending to borrowers of different income levels is excellent. Table A shows that the bank originated more consumer loans to low- and moderate-income borrowers than to middle- and upper-income borrowers. Of loans sampled, 39 percent were to low-income borrowers, while 21 percent were to moderate-income borrowers. This compares very favorably with the demographics of the assessment area, where 22 percent of families are of low-income and 21 percent are of moderate-income.

Small Business Loans

Lending to small businesses with revenues of $1 million or less is excellent. Table B shows that all business loans originated during the review period within the assessment area were made to small businesses.

EXAMINER'S COMMENTS (Cont.)

Geographic Distribution of Loans Within the Assessment Area

Community's geographic distribution of loans reflects poor dispersion throughout the assessment area. As previously mentioned, there are no low-income geographies in the bank's assessment area. An analysis of the bank's HMDA and small business lending activity on a demand-adjusted basis reveals that lending activity is significantly lower in moderate-income geographies as compared to middle- and upper-income geographies. Lending activity for each of the loan products (HMDA, consumer, and small business loans) is concentrated in middle-income census tracts. An analysis of the dispersion of lending for each loan category is as follows:

Housing-Related Loans

The geographic distribution of the bank's HMDA-reportable loans is weak. Of the HMDA-reportable loans originated by Community within the assessment area during the review period, only 20 percent (16 of 82) were in moderate-income census tracts. This figure indicates weakness because 35 percent of census tracts in the assessment area are designated moderate-income and 36 percent of the assessment area's families resides in such tracts. When HMDA lending activity is adjusted for demand (based upon the number of owner-occupied units), the level of lending shows a deterioration since the last examination. On a demand-adjusted basis, HMDA lending in middle- and upper-income census tracts is 1.64 times greater than lending in moderate-income census tracts, a 37 percent increase since the last examination. Management attributes this decline to the fact that the bank's branches are not in or close to moderate-income census tracts, while the offices of other financial institutions are closer to such tracts. However, 1996 HMDA data for all HMDA reporters within the assessment area indicates that aggregate lending activity was only 1.1 times greater in middle- and upper-income census tracts than in moderate-income tracts, as compared with the 1.64 figure for Community.

Consumer Loans

An analysis of a sample of consumer loans indicates that lending in the moderate-income census tracts is weak. Of the consumer loans originated in the assessment area, 14 percent (13 of 93) were in moderate-income census tracts. This level of consumer lending activity in moderate-income census tracts is not consistent with the demographics of the assessment area. Specifically, as noted above, approximately 35 percent of the census tracts in the bank's assessment area are moderate-income tracts and 36 percent of the families resides in such tracts.

Small Business Loans

An analysis of a sample of small business loans shows that they are poorly dispersed throughout the assessment area. Of the small business loans originated in the assessment area, five percent (1 of 21) were in moderate-income census tracts. This level of small business lending activity in moderate-income tracts is not consistent with the demographics of the assessment area. Approximately 27 percent (1,794 of 6,638) of the small businesses in the assessment area are in moderate-income census tracts. When small business lending is adjusted to reflect the number of small businesses in the assessment area, on a demand-adjusted basis, small business lending in the middle- and upper-income census tracts is 7.4 times greater than small business lending in moderate-income census tracts.

EXAMINER'S COMMENTS (Cont.)

Response to Complaints

Community received no complaints relating to its CRA performance and none have been filed with the Federal Reserve Bank of New York since the last examination.

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act, The Home Mortgage Disclosure Act (Regulation C) and any agency regulations pertaining to nondiscriminatory treatment of credit applications.

EXAMINER'S COMMENTS (Cont.)

APPENDIX

GLOSSARY OF TERMS

CONSUMER LOAN:
A consumer loan means a loan to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include HMDA, small business, or small farm loans.

DEMAND-ADJUSTED:
Proportion of housing-related (HMDA) loans per thousand owner-occupied housing units in a given area, or proportion of small business loans per thousand small business establishments in an area.

GEOGRAPHY:
Census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

HMDA LOANS:
Refers to loans reported by the financial institution under the Home Mortgage Disclosure Act (Regulation C). They include home purchase mortgage loans, refinance mortgage loans, and home improvement loans.

HOUSING-RELATED LOANS:
(See HMDA Loans)

LOW-INCOME:
An individual income that is less than 50 percent of the median family income in an MSA or a census tract in which the median family income is less than 50 percent of the median family income in an MSA.

MIDDLE-INCOME:
An individual income that is at least 80 percent and less than 120 percent of the median family income in an MSA or a census tract in which the median family income is at least 80 percent and less than 120 percent of the median family income in an MSA.

MODERATE-INCOME:
An individual income that is at least 50 percent and less than 80 percent of the median family income in an MSA or a census tract in which the median family income is at least 50 percent and less than 80 percent of the median family income in an MSA.

MSA:
A metropolitan statistical area or a primary metropolitan statistical area as defined by the Office of Management and Budget.

EXAMINER'S COMMENTS (Cont.)

SMALL BUSINESS LOANS:

Such loans are defined in Regulation BB, Section 228.12(u) with reference to the definition of such loans in the instructions for preparation of Consolidated Report of Income and Condition. These instructions define small business loans as loans with original amounts of $1 million or less that have been reported in Schedule RC-C, Part 1,(1.e)(4) of the report.

UPPER-INCOME:

An individual income that is 120 percent or more of the median family income in an MSA or a census tract in which the median family income is 120 percent or more of the median family income in an MSA.