



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

July 9, 2007

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Union Center National Bank  
Charter Number: 12425

2455 Morris Avenue  
Union, NJ 07083

Office of the Comptroller of the Currency  
New York Metro - West  
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, and should not 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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# Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated “**Satisfactory**”.

The following table indicates the performance level of **Union Center National Bank**, with respect to the Lending, Investment, and Service Tests:

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Low Satisfactory	X	X	X
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- Factoring in the absence of low income and limited number of moderate income census tracts, the bank’s lending, investment, and community development services reflect adequate responsiveness to the assessment area needs.
- Lending activity is adequate, with levels reflecting adequate responsiveness to assessment area credit needs. Overall, geographic distribution of lending is good and borrower distribution of loans is adequate. A majority of UCNB’s loans were made within the AA.
- While no new community development investments were made during this evaluation period, UCNB did make a satisfactory effort to increase the number of donations to benefit moderate income families and support community groups. As a percent of capital; however, total community development investments and grants did significantly decline, which contributed to the change from “High Satisfactory” to “Low Satisfactory” for this test.
- The bank’s delivery systems are reasonably accessible to all portions of the bank’s AA. The business hours and services are comparable amongst branch office locations. UCNB provided an adequate level of services within its AA geographies. Given the bank’s census tracts, there are limited opportunities to perform services that would benefit low-moderate income families and individuals. Overall, the bank does make an effort to service low-moderate individuals.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the

bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten

years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting

(TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in ‘loans to small farms’ as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders’ equity, perpetual preferred shareholders’ equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

Union Center National Bank (UCNB) is an intrastate community bank, with nineteen banking locations in Union and Morris Counties. The banking locations include fifteen branches, the Union, NJ headquarters, and four ATM-only locations. The bank's assessment area (AA) includes contiguous sections of Union, Morris, and Essex counties in New Jersey. UCNB is a wholly owned subsidiary of Center Bancorp, Inc., also located in Union, NJ. UCNB also has four subsidiaries, including Center Advertising, Inc. (in-house advertising for the bank), Center Financial Group, LLC (markets insurance and investment services to customers), UCNB NJ Investment Corp., and Center Participation Corp. In May of 2005, UCNB acquired Red Oak Bank in Morristown, increasing the bank's presence in Morris County.

As of December 31, 2006, the bank had total assets of \$1.05 Billion, comprised of \$545 million in net loans and \$388 million in investments. Net loans represent 52 percent of total assets, with a loan to deposit ratio of 75 percent. The loan portfolio is comprised of 89 percent real estate loans, 11 percent commercial loans, and less than one percent in individual and other loans. Total deposits of \$729 million are comprised of \$276 million in savings, \$212 million in money market accounts, \$199 million in certificates of deposit, with the remainder in demand deposits (\$32 million) and NOW accounts (\$10 million). The bank does not hold any foreign deposits, thus there is no impact on the bank's CRA performance. Tier one capital amounts to just over \$82 million.

UCNB continues to offer a full range of loan and deposit products and services, including consumer loans, home equity loans, home equity lines, mortgage loans, commercial loans, and commercial real estate loans. UCNB's lending focus is primarily commercial and residential real estate related. Beyond lending and deposits, the bank also offers a full range of other services, such as financial instruments, wire transfers, savings bonds, internet and telephone banking, and safe deposit boxes.

The bank continues to face the challenge of limited opportunities in the low and moderate income communities, as only 4 percent of the AA is moderate income, with no low income census tracts. To a lesser degree, the bank is constrained by the recent slippage in earnings ratios, as is shown by the return on assets of 0.46 percent and net interest margin of 2.80. No legal factors are present to impede the bank's ability to meet the credit needs in the assessment area.

The last CRA evaluation was dated March 15, 2004, with a "Satisfactory" rating assigned.



## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This public evaluation covers the time period from January 1, 2004 through December 31, 2006 for home mortgage and small business loans. The evaluation period for community development loans, the service test, and the investment test was March 13, 2004 through February 6, 2007.

Products evaluated include home mortgage loans, small business credits, home equity loans, and community development loans. Personal, Home Equity, and low-income loans were also considered, at the bank's request. Small farm loans were not part of the scope, as UCNB did not originate or purchase this type of credit.

### Data Integrity

The data relied upon for this analysis was obtained from the HMDA Loan Application Register (HMDA-LAR). In February 2007, OCC examiners verified the accuracy of the LAR by testing the accuracy of the 2003 through 2006 filings. It should be noted that neither the 2006 CRA-LAR nor the 2006 HMDA-LAR had been submitted, at that time.

During the Data Integrity Examination, we did not review the bank's Community Development (CD) loans, investments, or services because the bank lacked sufficient documentation to qualify their loans, investments, and services.

Reported CRA and HMDA loan data is accurate and reliable. We did not identify any material errors or excessive exception rates.

### Selection of Areas for Full-Scope Review

The UCNB assessment area has expanded since last evaluation period. This is due to the aforementioned Red Oak acquisition and Boonton/Mountain Lakes branch opening. The AA is comprised of 113 census tracts in the Newark-Union MSA, containing no low income, four moderate income (3 percent), 37 middle income (33 percent), and 72 upper income (64 percent). Refer to Appendix A for further details on the scope and assessment area.

### Ratings

The bank's overall rating is based on activities in the Newark-Union MSA. The lending test is weighted more heavily than the investment and service tests, individually.

### Other

*As part of our review, we contacted an Economic Development Organization by telephone to discuss economic conditions, community development opportunities, local financial institution participation, and banking and credit needs in their area. Our contact noted that overall the surrounding financial institutions aided in financial workshops that his organization held. They feel that there is a great need in the area for financial education. The organization is in the process of finding locations to distribute financial materials to educate consumers on improving*

*credit, applying for a loan, etc. They anticipate help from the surrounding financial institutions in their future community development projects. Overall, our contact feels that financial institutions are aiding the needs of the area; however, they feel that they can get more involved. The feedback that we received from our contact had little weight on the results of this evaluation on the bank, since our contact provided us with a state-wide perspective, rather than a perspective closer to the bank's AA.*

## **Fair Lending or Other Illegal Credit Practices Review**

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

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

*The bank's performance under the lending test is rated "low satisfactory". Based on full-scope reviews, the bank's performance in the assessment area is adequate.*

#### Lending Activity

Refer to Tables 1 Lending Volume and 1 Other in appendix C for the facts and data used to evaluate the bank's lending activity.

Union Center's lending activity within the AA is adequate. The bank's deposit market share within the AA is 3.6 percent. Of the 47 depository institutions the AA, Union Center ranks 10th. The market is dominated by a single institution, Wachovia Bank, NA, with a 25 percent market share. Bank of America, NA and JP Morgan Chase, NA round out the top three competitors with 9.4 percent and 6.6 percent, respectively. Conversely, the bank's lending market share for all originated or purchased HMDA related products is 0.47 percent by the number of loans. The bank's overall rank for the AA is 48th of 462 lenders, many of which are non-banking institutions. HMDA 2005 peer data also indicates:

- The bank maintains a 0.01 percent market share in terms of the dollar value of loans for the purpose of home purchase loans (193rd of 346 lenders).
- The bank maintains a 0.19 percent market share in terms of the dollar value of loans for the purpose of home mortgage refinancing (38th of 403 lenders).
- The bank maintains a 1.48 percent market share in terms of the dollar value of loan for the purpose of home improvement (11th of 143 lenders).

For lending to small business, Union Center has a 2.9 percent market share and is ranked 22nd of 72 lenders in the assessment area. However, the market is dominated by credit card lenders who typically carry large numbers of relatively small loans. Of the institutions with greater market shares than Union Center, seven are non-depository credit card lenders. Additionally, Union Center's average loan size to small business, \$265,000, ranks among the highest in the assessment area.

#### Distribution of Loans by Income Level of the Geography

##### *Home Mortgage Loans*

Refer to Tables 2, 3, 4 and 5 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The geographic distribution for home purchase loans is adequate. The census statistic for owner-occupied units within the four moderate-income tracts was 1.54 percent, when compared to the total number of owner occupied units across the AA. Home purchase loans to borrowers in moderate income tracts accounted for 3.13 percent of bank loans, which exceeds the census statistic. The bank's market share of home purchase lending in moderate income level areas is zero, but the usefulness of this measurement is limited due to the bank's low overall market share of 0.03 percent.

The geographic distribution for home improvement loans is excellent. The percentage of loans made in moderate income geographies is 2.44 percent, which exceeds the census statistic. Additionally, the bank's market share in moderate geographies is 4.35 percent, which exceeds its overall home improvement loan market share of 2.57 percent.

The geographic distribution for home mortgage refinance loans is adequate. The percentage of Union Center's home mortgage refinance loans made to borrowers located within moderate income census tracts was less than the census statistic. The bank's 0.41 percent market share of loans in moderate income geographies is also less than its overall market share of 0.54 percent.

### ***Small Loans to Businesses***

Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The geographic distribution of small business lending is excellent. Just over two percent of small businesses in the assessment area are in moderate income census tracts. However, during the evaluation period, 47 small business loans were made to businesses in moderate income tracts totaling \$7.5 million. This is equal to 10.1 percent of total small business lending, exceeding the percentage of small businesses contained within moderate income tracts.

### ***Lending Gap Analysis***

A gap analysis was performed, and no abnormal or conspicuous gaps were detected in UCNB's geographic lending distribution.

### ***Inside/Outside Ratio***

We performed an analysis of Union Center's lending within its AAs at the bank level. A majority of the bank's lending occurs within the assessment area and the inside/outside ratio had a positive effect on the overall lending rating. For HMDA products, 58.48% percent of total loan originations during the evaluation period were within the bank's AA. 41.77% of home purchase lending, 60.29% of home improvement lending, and 63.09% of home refinancing activity took place within the AA. For small loans to businesses, 65 percent of the loans originated during the evaluation period were within the bank's AA.

## **Distribution of Loans by Income Level of the Borrower**

### ***Home Mortgage Loans***

Refer to Tables 8, 9, and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The income distribution of home purchase loans is good. The bank made no loans to low income borrowers for the purpose of purchasing a home, while the percentage of low-income borrowers within the Assessment Area was 11.3 percent. This is partially due to the affordability of home ownership in

the assessment area. High median housing costs of \$385,000<sup>1</sup> limit the ability of low income families to purchase entry-level housing. Loans to moderate income families account for 21.9 percent of all home purchase loans which exceeds the 13.2 percent of families who qualify as moderate income households within the AA. The market share for home purchases to moderate income households was 0.1 percent, which exceeds Union Center’s 0.04 percent overall market share for home purchases.

The income distribution of home improvement loans is good. The level of lending activity (3.7 percent of bank loans) was lower than the population of low-income borrowers within the AA, while lending to moderate income families was near to the census statistic. The bank’s 5.7 percent market share of home improvement lending to low income borrowers exceeds its 2.6 percent overall home improvement market share. The level of lending to low income borrowers for home mortgage refinancing was somewhat lower than the census statistic at 10.3 percent.

The income distribution of home mortgage refinancing is adequate. Lending for refinancing by moderate income families was near to the 13.1 percent census statistic for that group. Union Center’s 1.3 percent market share for refinance loans to low income borrowers exceeds its 0.65 percent market share for lending to all borrowers. Lending market share for moderate income borrowers is near to the overall market share.

***Small Loans to Businesses***

Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank’s origination/purchase of small loans to businesses.

The income distribution for small loans to businesses is adequate. The percentage of the banks reportable loans made to businesses with revenues less than \$1 million was 53.3 percent. This is somewhat lower than the 69.4 percent of businesses in the AA with less than a million dollars in revenue. The bank’s 0.03 percent market share of lending to low-income borrowers is significantly lower than the bank’s 0.37 percent overall market share. The bank’s market share for moderate income borrowers was near to the overall market share.

**Community Development Lending**

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank’s level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

Union Center originated one community development (CD) loan during the assessment period. CD lending is adequate based on community needs and institutional capacity, and therefore has a neutral impact on the bank’s overall lending test rating. The CD loan was a \$1.0 million (1.2 percent of Tier 1 capital), 5-year fixed rate loan. The loan was made to a family service agency for the purchase and construction of a building located adjacent to the organization’s present building. The services provided by the agency include a hospice, meals on wheels, interpretative help for immigrants, visitation of the elderly, tutoring of children and a food pantry for the poor.

**Product Innovation and Flexibility**

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<sup>1</sup> Source: National Association of Realtors, Q2 2007

The bank’s products targeted toward low-moderate income geographies are not innovative or notably flexible. This does not have a negative impact the overall rating of the lending test.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank’s performance under the investment test is rated “Low Satisfactory”. Based on full-scope reviews, the bank’s performance in the Newark-Union MSA is adequate. The bank has an adequate level of qualified community investments and grants; however, they are not considered innovative or complex, as they are routinely offered by other private investors. UCNB does exhibit a good level of responsiveness to community development needs.

Refer to Table 14 in appendix C for the facts and data used to evaluate the bank’s level of qualified investments.

In evaluating the bank volume of investments, we considered community development opportunities in the Assessment Area (AA), as well as the bank’s financial wherewithal and the capacity for the local infrastructure to create qualified investments.

As of the examination date, the bank has two qualified investments and an increased number of donations and grants, over the past CRA cycle. The ratio of qualified investments to Tier I Capital was 1.87 percent, as of 12/31/03. This has decreased from the last assessment period, when the ratio was over five percent. While the total investment dollars and percent of capital declined, the number of organizations receiving assistance from UCNB has doubled to over thirty. Overall, the current level of investment reflects responsiveness to the needs of its AA. The types and dollar amounts of qualified investments made during the evaluation period are as follows:

New Equity Investments	\$	0
Continuing Equity Investments	\$1,500,000	
Grants and Donations	<u>\$ 37,546</u>	
	\$1,537,546	

Continuing equity investments include:

- A \$500 thousand investment in 2003 in a community investment fund that was allocated to acquiring New Jersey Housing and Mortgage Finance Authority Multi-Family Housing Revenue Bonds to provide financing for specific affordable housing programs located in the State of New Jersey. The programs are primarily directed toward low-income individuals.
- A \$1 million investment in 1999 in a community investment fund that acquired mortgage-backed securities, primarily having loans to low-and moderate-income borrowers in the bank's assessment area.

Qualifying donations to community groups totaling \$62,546 were given to over thirty organizations for the support of affordable housing, social services, financial education, child services and homeless initiatives benefiting primarily low- and moderate income families and/or individuals throughout the AA. In addition to the above donations, in January 2006, UCNB made a \$25,000 donation to a charitable organization for their assistance in rebuilding the communities affected by Hurricanes Katrina

and Rita.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test is rated "Low Satisfactory". Based on full-scope reviews, the bank's performance in Newark-Union MSA is adequate. Overall, the bank provides an adequate level of community development services. The bank's delivery systems are reasonably accessible to all portions of the bank's AA.

### **Retail Banking Services**

Refer to Table 15 in appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

UCNB has 15 branch offices, 13 full service branches and 2 limited service branches in the AA. The limited service branches are located in Union Township and consist of walk-up and drive-up windows. The bank does not have any branches in low-income areas. The bank's AA does not contain any low-income areas and no low income areas are in close proximity to any of the branches. Of the 15 branches, one (7 percent) is located in a moderate-income geography, eight (53 percent) are located in middle-income geographies and six (40 percent) are located in upper-income geographies. In comparison, the population is stratified as follows: no low, moderate comprising 3 percent, middle at 38 percent, and upper at 59 percent. The bank's distribution of branch offices throughout the AA is adequate. During our evaluation review, the bank opened two branches located in Morristown and Boonton, New Jersey. The Morristown Branch is located in an upper income geography and Boonton Branch is in a middle income geography. No branches were closed. UCNB has a total of 23 ATM's. Some branches have drive-up or walk-up ATMs, in addition to one inside the branch.

The bank offers traditional banking products and services at all of their branches. The business hours and services are comparable amongst branch office locations. The bank's services and business hours do not vary in a way that would inconvenience portions of the AA.

UCNB does offer Internet and phone banking as alternative delivery systems to their customers. No weight can be placed on these alternative methods of delivery since management does not have any method in place to determine the volume of use of these systems for low-moderate income customers.

### **Community Development Services**

Over the evaluation period, UCNB provided an adequate level of services within its AA geographies. Since the bank's AA does not include any low income census tracts and only four moderate income tracts, there are limited opportunities to perform services that would benefit low-moderate income individuals. Overall, the bank does make an effort to service low-moderate income families and individuals. The bank's services have been consistent since the last Public Evaluation. Community development services provided by UCNB include:

Bank officers assisted several organizations by providing financial education on affordable housing for low-moderate income individuals. Bank employees held a first time home buyers



class for low to moderate income families for a Union Township Organization. On occasion, one of the bank employees contacts this organization regarding financial services that would help them. Bank employees also participated in a credit seminar for a Morris County Organization, regarding the same topic.

A bank employee assists the Education Foundation to raise money for school programs that are not funded by the state or local educational budgets. The school programs are not specifically targeted to low-to-moderate individuals. The student population at large is low-moderate.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 01/01/04 to 12/31/06 Investment and Service Tests and CD Loans: 03/13/04 to 12/31/06	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Union Center National Bank (UCNB) Union, New Jersey	Home mortgage loans, small business credits, home equity loans, and community development loans. Personal, Afford A, and Home Equity loans, at the bank’s request.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
No affiliate activities were considered for this review		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Contiguous portions of the Newark – Union Metropolitan Area (MA) #35084	Full Scope	The AA is comprised of 113 census tracts (portions of the Newark – Union MA), containing no low income, four moderate income (3 percent), 37 middle income (33 percent), and 72 upper income (64 percent).

## Appendix B: Market Profiles for Full-Scope Areas

### Union Center Assessment Area

Demographic Information for Full-Scope Area: Newark-Union MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	113	0.00	3.54	36.28	60.18	0.00
Population by Geography	547,846	0.00	2.72	37.86	59.42	0.00
Owner-Occupied Housing by Geography	152,883	0.00	1.54	33.85	64.61	0.00
Businesses by Geography	44,966	0.00	2.24	40.76	57.01	0.00
Farms by Geography	854	0.00	1.87	33.96	64.17	0.00
Family Distribution by Income Level	147,447		13.19	20.19	55.38	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	36,028	0.00	5.58	50.89	43.52	0.00
Median Family Income	= \$68,424					
HUD Adjusted Median Family Income for 2004	= \$85,400					
Households Below the Poverty Level	=4%					
				Median Housing Value	= \$278,261	
				Unemployment Rate	= 1.87%	

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census and 2004 HUD updated MFI.

UCNB's assessment area includes a portion of the Newark – Union, NJ MSA. In this area, the bank's major competitors include Wachovia Bank, N.A.; Bank of America; Commerce Bank; Union County Savings Bank; Investors Savings Bank; PNC Bank; and World Savings. Amongst their Union County competitors, UCNB ranks eighth in deposit market share, with 4.06 percent. As is shown above, and was mentioned earlier, the assessment area is comprised predominantly of middle and upper income tracts.

**Economic Conditions:** Economic expansion has slowed in the short term and employment growth remains below the national average. Growth of the professional/business services and retail trade industries (two major components of the area's economy) have also slowed considerably. Demand for housing is weak and inventories of unsold homes remain high when compared to historical data. Non-residential construction has and should remain strong throughout New Jersey partially due to demand for warehousing and distribution facilities. To date, consumer spending has remained resilient, but could falter due to the effects of the suppressed housing market on the availability of home equity lines. Likewise, state-wide mortgage delinquency rates (to-date) have remained below national averages but the gap is expected to narrow.

The unemployment rate for the state was 4.6% in 2007. Employment is centered on retail (11.5%), Professional and Business Services (14.8%), and Education/Health Services (14.0%). The state government continues to be a large, steady employer and employs 15.9% of the total state work-force.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE. [Note: Do not renumber the tables.]

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank’s assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms (NOT APPLICABLE)**- The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank’s assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms (NOT APPLICABLE)**- Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For

borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

**Table 1. Lending Volume**

LENDING VOLUME		Geography: UCNB AA				Evaluation Period: JANUARY 1, 2004 TO				
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#
<b>Full Review:</b>										
Union Center CRA Assessment Area	100	262	32,177	435	99,029	0	0	1	1,000	69

\* Loan Data as of December 31, 1006. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is March 13, 2004 to February 6, 2007.

\*\*\* Deposit Data as of January 1, 2007. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE			Geography: UCNB AA				Evaluation Period: JANUARY 1, 2004 TO			
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans
<b>Full Review:</b>										
Union Center CRA Assessment Area (Custom)	32	100.0	0.00	0.00	1.54	3.13	33.85	59.38	64.61	37.50

\* Based on 2005 Peer Mortgage Data: Eastern Region.

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.



**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT				Geography: UCNB AA				Evaluation Period: JANUARY 1, 200			
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Ov I
	#	% of Total* *	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	
<b>Full Review:</b>											
Union Center CRA Assessment Area (Custom)	82	100.0	0.00	0.00	1.54	2.44	33.85	41.46	64.61	56.10	2.5

\* Based on 2005 Peer Mortgage Data: Eastern Region.

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE				Geography: UCNB AA				Evaluation Period: JANUARY 1, 2004			
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		
	#	% of Total*	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	
<b>Full Review:</b>											
Union Center CRA Assessment Area (Custom)	147	100.0	0.00	0.00	1.54	1.36	33.85	46.26	64.61	52.38	

\* Based on 2005 Peer Mortgage Data: Eastern Region.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY			Geography: UCNB AA				Evaluation Period: JANUARY 1, 2004			
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total*	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans
<b>Full Review:</b>										
Union Center CRA Assessment Area (Custom)	1	100.0	0.00	0.00	5.44	100.0	47.60	0.00	46.96	0.00

\* Based on 2005 Peer Mortgage Data: Eastern Region.

\*\* Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 2000 Census information.

**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES				Geography: UCNB AA				Evaluation Period: JANUARY 1, 2004			
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over
	#	% of Total*	% of Businesses**	% BANK Loans	% of Businesses**	% BANK Loans	% of Businesses**	% BANK Loans	% of Businesses**	% BANK Loans	
<b>Full Review:</b>											
Union Center CRA Assessment Area (Custom)	435	100	0.00	0.00	2.24	10.8	40.76	47.59	57.01	41.61	0.

\* Based on 2005 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2006).

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE			Geography: UCNB AA				Evaluation Period: JANUARY 1, 2004			
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total*	% Families**	% BANK Loans**	% Families**	% BANK Loans***	% Families* **	% BANK Loans****	% Families* **	% BANK Loans***
<b>Full Review:</b>										
Union Center CRA Assessment Area (Custom)	32	100.0	11.24	0.00	13.19	21.88	20.19	40.63	55.38	37.50

\* Based on 2005 Peer Mortgage Data: Eastern Region.

\*\* As a percentage of loans with borrower income information available. No information was available for [Percentage] of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT			Geography: UCNB AA				Evaluation Period: JANUARY 1, 200			
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total**	% Families*	% BANK Loans***	% Families*	% BANK Loans***	% Families*	% BANK Loans***	% Families*	% BANK Loans***
<b>Full Review:</b>										
Union Center CRA Assessment Area (Custom)	82	100.0	11.24	3.66	13.19	13.41	20.19	19.51	55.38	63.41

\* Based on 2005 Peer Mortgage Data: Eastern Region.

\*\* As a percentage of loans with borrower income information available. No information was available for [Percentage] of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE				Geography: UCNB AA				Evaluation Period: JANUARY 1, 200			
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		
	#	% of Total**	% Families*	% BANK Loans***	% Families*	% BANK Loans***	% Families*	% BANK Loans***	% Families*	% BANK Loans***	
<b>Full Review:</b>											
Union Center CRA Assessment Area (Custom)	147	100.0	11.24	10.27	13.19	13.01	20.19	31.51	55.38	45.21	

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES				Geography: UCNB AA		Evaluation Period: JANUARY 1, 200	
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size		
	#	% of Total**	% of Businesses*	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000

\* Based on 2005 Peer Mortgage Data: Eastern Region.

\*\* As a percentage of loans with borrower income information available. No information was available for [Percentage] of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\* Based on 2005 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2005).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 11.49% of small loans to businesses originated and purchased by the Bank.

<b>Full Review:</b>							
<b>Union Center CRA Assessment Area (Custom)</b>	435	100.0	67.30	53.33	43.45	22.30	34.25



**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: UCNB AA				Evaluation Period: March 13, 2013		
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of	
<b>Full Review:</b>								
Union Center CRA Assessment Area (Custom)	2	1,500	0	0	2	1,500	100	

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\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: UCNB AA Evaluation Period: JANUARY													
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp
<b>Full Review:</b>													
Union Center CRA Assessment Area (Custom)	100	15	100	0.00	6.67	53.33	40.00	2	0	0	0	+1	+