



Comptroller of the Currency
Administrator of National Banks

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

PUBLIC DISCLOSURE

September 24, 1997

COMMUNITY REINVESTMENT ACT

PERFORMANCE EVALUATION

VALLEY NATIONAL BANK

Charter No. 15790
615 Main Street
Passaic, New Jersey 07055

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

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

General Information	4
Description of Institution	5
Description of Assessment Area	6
Conclusions with Respect to Performance Tests	
Scope of Review	7
Lending Test	7
Investment Test	13
Service Test	14
Community Development Services	15
Fair Lending Review	16
 Metropolitan Statistical Areas	
Newark MSA	17
Bergen-Passaic MSA	20
Jersey City MSA	23
Middlesex-Somerset MSA	24
 Appendix A	
Scope of Examination	

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

<u>Abbreviation or Acronym</u>	<u>Full Title, Name or Description</u>
AA	Assessment Area
ATM	Automated Teller Machine
Bancorp	Valley National Bancorp
BPMSA	Bergen-Passaic MSA
CDC	Community Development Corporation
CFR	Code of Federal Regulations
CMSA	Consolidated Metropolitan Statistical Area
CRA	Community Reinvestment Act
FFG	First Financial Group
FHA	Federal Housing Administration
FNMAC	Federal National Mortgage Assistance Corporation
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
MBTC	Midland Bank & Trust Company
MSA	Metropolitan Statistical Area
MSMSA	Middlesex-Somerset MSA
NC DLC	New Community Development Loan Corporation
NJCLF	New Jersey Community Loan Fund
NJEDA	New Jersey Economic Development Authority
NMSA	Newark MSA
OCC	Office of the Comptroller of the Currency
PE	Performance Evaluation
SBA	Small Business Administration
SNAPS	Strategic Neighborhood Assistance Program
VA	Veterans Administration
VNB	Valley National Bank

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **Valley National Bank, Passaic, New Jersey** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 24, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Institution's CRA Rating: This institution is rated **"Satisfactory."**

Primary factors supporting the bank's overall rating include:

- ▶ an adequate responsiveness to credit needs within the assessment area;
- ▶ a high percentage of loans made within the assessment area;
- ▶ an adequate geographic distribution of loans ;
- ▶ an adequate distribution of loans among borrowers of different income levels and businesses of different sizes;
- ▶ a poor level of investments;
- ▶ a good level of readily accessible delivery systems to all segments of the assessment area, and,
- ▶ a high level of community development services.

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

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

Description of Institution

Valley National Bank (“VNB”) is the principal subsidiary of Valley National Bancorp (“Bancorp”), a bank holding company. In addition, VNB has seven wholly-owned subsidiaries. The activities of these subsidiaries were not relevant to CRA.

Since the last review, Bancorp acquired two local banking organizations: First Financial Group, (“FFG”), Succasunna, NJ, the parent of Lakeland State Bank, and Midland Bancorporation, Inc., the parent of The Midland Bank and Trust Company, (“MBTC”) Paramus, New Jersey. These acquisitions increased VNB’s branch offices from sixty-four to ninety-five. The offices acquired from MBTC are in the Bergen-Passaic MSA, and FFG’s are in the Newark MSA.

As of March 31, 1997, total bank assets were \$5.1 billion, including investments of \$1.2 billion, loans of \$3.4 billion and total deposits of \$4.6 billion. The loan portfolio is broken down as follows: residential real estate loans \$878 million (25%), commercial loans secured by real estate, \$840 million (25%), instalment loans and credit cards, \$1.2 billion (35%) and \$483 million (15%) in commercial loans. Commercial loans include \$25 million in Small Business Administration loans (SBA). There are no impediments, legal or otherwise, which would hinder the bank’s ability to help meet the credit needs of its assessment area.

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 ninety-five branches are primarily located throughout the northern portion of the State of New Jersey. Sixty-three, or 66%, of the bank’s offices are located in the counties of Bergen, Passaic and Essex. VNB is an active business lender and has been recognized by the SBA as both a leading and preferred lender throughout the State of New Jersey.

Description of Assessment Area (AA)

VNB’s single assessment area includes the counties and MSAs where their branches are located. The AA contains the Newark MSA - 5640 (“NMSA”), Middlesex-Somerset MSA - 5015 (“MSMSA”), except Hunterdon County, Bergen-Passaic MSA - 0875 (“BPMSA”) and Jersey City MSA - 3640 (“JCMSA”). Each of the MSAs is part of the New York-Northern New Jersey-Long Island, NY-NJ Consolidated Metropolitan Statistical Area (“CMSA”).

The AA meets regulatory guidelines and does not arbitrarily exclude any LMI areas. The total approximate population of the assessment area is 4.7 million people. LMI is referred throughout this document to describe low- and moderate- income individuals and geographies (census tracts). The AA contains 1,183 contiguous census tracts. The table below reflects the AA demographics. Twenty-seven percent of the census tracts and 38% of the families are categorized as LMI.

Assessment Area Demographics			
Designation	# Census Tracts	% of Total Tracts	% of Families in Income Category
Low	90	8	19
Moderate	223	19	19
Middle	539	45	24
Upper	267	23	38
Income Not Available	64	5	-
Totals	1,183	100	100

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 also considered “bedroom communities” to New York City. Throughout the AA, there is a total of 180 thousand businesses, of which 133 thousand (74%) have gross annual income of less than \$1 million. Of those 133 thousand, 115 thousand (86%) have gross annual revenues of \$500 thousand or less. It should be noted that 75% of the businesses are centered in the Newark MSA and Bergen-Passaic MSA.

Bank management has determined that the primary credit need in the assessment area is lending to businesses of different sizes. Community contacts made at prior reviews and by other government agencies have indicated a need for loans to purchase affordable housing throughout the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE

Scope of Review:

The review period includes January 1, 1995 to June 7, 1997. All Home Mortgage Disclosure Act ("HMDA") reportable loans for 1995, 1996 and quarter ending March 31, 1997 and commercial loans (including SBA loans) originated in 1996 were evaluated. The review included data compiled by bank management on small business lending and community development loans as required by the regulation. Investments purchased, sold and matured during the review period were evaluated. Services offered by the bank to its retail and business customers were also reviewed.

LENDING TEST

Performance Criteria:

Lending Activity - VNB's average loan to deposit ratios for the eight quarters between March 31, 1995 and March 31, 1997 is 67%. The average deposit ratio for a national peer group of similar banks' loan to deposit ratios for the same period was 79%. VNB's loan to deposit ratio is consistently lower than the peer group due in part to management's strategy to maintain liquidity at a level that would permit them to respond to changing market conditions including opportunities to acquire financial service providers.

VNB originated a high percentage of HMDA and small business loans in its assessment area. The table that follows reflects that an average of 89% of the number of HMDA reportable loan originations and 90% of the dollar amount are in the assessment area. Additionally, 95% of the number of small business loan originations and 92% of the dollars are also in the assessment area.

Ratio of HMDA Loans Within the Assessment Area						
Loan Type	1995		1996		Mar-31-97	
	# Loans	\$ Amt (in millions)	# Loans	\$ Amt (in millions)	# Loans	\$ Amt (in millions)
Home Purchase	386	\$56	366	\$50	39	\$5
Refinancing	164	\$22	362	\$51	32	\$5
Home Improvement	0	0	8	*	0	0
Govt Home Purchase	0	0	0	0	0	0
Multifamily	7	4	21	11	0	0
Number and \$ Amt of Loans in AA	557	\$82	757	\$112	71	\$10
Total Number and \$ Amt of Loans	600	\$89	847	\$128	84	\$11
% of Loans and \$Amt Originated in AA	93%	92%	89%	88%	85%	91%

(*) Less than \$1 million

The table that follows reflects that 97% of the number and 92% of the dollar amount of small business loans were made within the AA.

Ratio of Small Business Loans Within the Assessment Area - 1996	
Number of Loans in AA	1,132
Total # of Loans	1,172
% of Loans Inside AA /Total # Loans	97%
\$ Loans in AA (Millions)	\$142
Total \$ Amt of Loans (Millions)	\$154
% of \$ Amt Loans/ Total \$ Amt Loans	92%

Geographic Distribution

Home Mortgage Lending

VNB's geographic distribution of HMDA loans is adequate. VNB's HMDA reportable loans averaged 6% in LMI census tracts, which is reasonable when compared to the percentage of owner occupied housing in those tracts. Competition for housing loans in LMI geographies is strong in the AA. A 1995 market analysis indicated that fifteen lenders in the assessment area dominate lending in LMI census tracts. These lenders originated 41% of all HMDA reportable loans within those tracts. VNB ranked fiftieth in loan originations in LMI census tracts.

Geographic Distribution of HMDA Loans Within Assessment Area					
Income Level	Percentage of Loans in AA by Census Tracts			% Census Tracts in AA	% of Owner-Occupied Households in AA
	1995	1996	Mar-31-97		
Low	1	1	1	8	1
Moderate	6	4	6	19	11
Middle	49	50	49	45	54
Upper	44	45	44	23	34
NA	-	-	-	5	-
Total	100	100	100	100	100

Small Business Lending

VNB continues to meet the need for small business lending. The table that follows shows that in 1996 VNB originated 1,132 small business loans totaling more than \$141 million in the AA. Eighteen percent of the number of loans and 13% of the dollar amount are to businesses located in LMI census tracts.

VNB was recognized by the SBA as the number one originator of SBA loans in the New Jersey region for the seven month period ending April 30, 1997 and as the second leading volume producer of loan originations for fiscal year 1996. As a preferred SBA lender, VNB has the ability to offer reduced documentation SBA products and accelerated loan processing. In 1995 VNB originated 64 SBA loans totaling \$13 million increasing to 112 originations and \$25 million in 1996. In the first four months of 1997, VNB originated \$9 million in SBA loans to 43 borrowers.

1996 Business Lending by Census Tracts					
Income Level of Census Tracts	Within Assessment Area				
	# Loans	%	\$ Amt (000)	%	% Census Tracts in AA
Low	31	3	3,268	2	8
Moderate	172	15	14,785	11	19
Middle	486	43	81,082	57	45
Upper	443	39	42,637	30	23
Total	1132	100	141772	100	(*)

(*) Does not add up to 100%. 5% of tracts had no income data available.

The following table reflects the geographic distribution of small business loans for each MSA.

Business Lending Distributed by MSA - 1996 - (\$ Amt in 000)																
MSA	Low Income Tracts				Moderate Income Tracts				Middle Income Tracts				Upper Income Tracts			
	# Loans	%	\$ Amt	%	# Loans	%	\$ Amt	%	# Loans	%	\$ Amt	%	# Loans	%	\$ Amt	%
Newark	10	32	1326	41	107	62	7161	48	170	35	30,851	38	303	68	25061	59
Jersey City	1	3	75	2	4	2	244	2	14	3	1,411	2	26	6	4876	11
Middlesex - Somerset	0	0	0	0	10	6	1363	9	77	16	9354	11	10	2	692	2
Bergen-Passaic	20	65	1867	57	51	30	6017	41	225	46	39466	49	104	24	12008	28
Totals	31	100	3268	100	172	100	14785	100	486	100	81082	100	443	100	42637	100

Borrowers' Profile

Home Mortgage Loans

The overall distribution of HMDA reportable loans to borrowers of different income levels is adequate. As indicated in the table below, an average of 26% of the number of all mortgage related retail loans originated during the review period were to LMI borrowers. Overall, 37% of all of the families located within the assessment area have incomes that would classify them as low or moderate.

Borrowers' Profile of HMDA Loans Within Assessment Area				
	% of Loans by Income Level of Borrower (HMDA Loans only)			
Income Level	% of Families by Income Level	1995	1996	Mar-31-97
Low	19	6	6	7
Moderate	18	19	15	24
Middle	25	25	29	35
Upper	38	49	47	31
NA	-	1	3	3
Total	100	100	100	100

Small Business Loans:

VNB's small business lending based upon business size is good. In 1996 VNB originated 50% of the number of its commercial loans within the AA to small businesses. The average size loan to a small business was \$123 thousand.

Business Loans by Size of Business Within AA- 1996				
	Within Assessment Area			
Business Size(*)	# Loans	%	\$ Amt (000)	%
Greater \$1 Million	567	50	72,044	51
Less \$1 Million	565	50	69,728	49
Totals	1132	100	141772	100

(*) Gross Annual Sales

Source: Bank Small Business Collection Register

Our analysis of the Small Business Collection Register indicates that VNB's distribution of the size of business loans is good. In 1996, 70% of the number of loans and 22% of the total dollar amount originated were for less than \$100 thousand. An additional 17% of the number of loans and 25% of the dollar amount of loans ranged between \$100 thousand and \$250 thousand. Further, 72% of the total loans to businesses with revenues \$1 million or less, had dollar amounts of \$100 thousand or less. This performance is a good indicator of VNB's commitment to serve the small businesses in their assessment area. Included in these amounts are eleven loans whose purposes may be considered as community development. Seven of the loans were made through the New Jersey Economic Development Authority ("NJEDA"). The NJEDA is a State agency that provides resources to attract businesses to designated cities for economic development.

Business Loans in Assessment Area by Loan Amount at Origination				
Amount	# Loans	%	\$Amt (000)	%
Less than \$100,000	790	70	30,338	22
\$100,000 to \$250,000	189	17	36,049	25
More than \$250,000	153	13	75,385	53
Totals	1132	100	141772	100

Community Development Lending

VNB originates a good level of community development loans. Community development loans are those that do not meet the definition of home mortgage, small business or small farm loans but do meet the definition of community development contained in the CRA regulation (12 CFR 25.12(h)). We determined through our review of bank reports and loan files that VNB originated two community development loans during the evaluation period totaling \$6.5 million. One loan assisted in providing affordable housing units in Franklin Boro, Sussex County, NJ. The other loan was used to construct affordable rental units for LMI individuals in Wayne, Passaic County, NJ.

VNB also originated HMDA reportable loans for the purpose of purchasing, constructing, or improving multi-family dwellings (buildings with five or more units) in LMI income tracts and/or for the benefit of LMI individuals. During the review period, VNB originated nine loans totaling \$2.7 million for multi-family dwellings.

In addition, there are small business loans which have community development purposes. These loans have been reported under Small Business Loans.

Flexible Lending Practices

VNB offers affordable and first-time home buyer programs to consumers through the State of New Jersey Housing Mortgage Financing Agency, the Federal National Mortgage Assistance Corporation (“FNMAC”), and the Government National Mortgage Association (“GNMA”). The bank also offers a fixed rate and variable rate first time homeowner loan that has reduced rates and lower closing expenses.

VNB introduced the Federal Housing Administration (“FHA”) and Veterans Administration (“VA”) mortgage products in the third quarter of 1996. Management reports that the number of loan originations under the FHA and VA programs has been limited.

The bank offers secured and unsecured home improvement products with more flexible underwriting terms and below market interest rates. The program was offered in conjunction with a state wide community group to residents of Dover, N.J., in September 1996. The program has had limited success.

INVESTMENT TEST

VNB's level of qualified investments since the last review is poor. The investments are not innovative and contain only minimal complexities. The bank's investments in the assessment area during the review period follow.

Investments in Community Loan Funds:	\$ 182,500
Grants and donations:	<u>213,920</u>
Total	\$ 396,420

VNB has continued its investment in the New Community Development Loan Corporation, Newark, NJ ("NCDLC") and New Jersey Community Loan Fund, Trenton, NJ ("NJCLF"). The NCDLC is a Newark-based community development organization which provides financing for small businesses primarily based in the City of Newark. This community development corporation ("CDC") makes loans to small businesses that are unable to obtain traditional financing.

The NJCLF is a statewide, nonprofit community development financing entity. It provides below-market rate funding, with flexible terms for community based affordable housing and economic development projects that benefit LMI communities throughout the State of New Jersey.

The grants and donations listed above represent qualified contributions to affordable housing groups, youth programs and other organizations supporting activities that benefit LMI individuals' and/or geographies throughout the bank's AA.

The table that follows reflects VNB's investments in each **MSA**:

MSA	1995	1996	YTD 1997
Newark	\$ 32,500	\$ 208,590	\$ 4,000
Middlesex-Somerset	500	500	-0-
Bergen-Passaic	44,100	16,880	12,250
Jersey City	-0-	-0-	-0-
NJ Community Loan Fund	25,000	5,000	5,000
New Community	16,100	24,750	1,250
Totals	\$ 118,200	\$ 255,720	\$ 22,500

SERVICE TEST

The accessibility of services is good. VNB's primary delivery system is their branch office network. The branches are reasonably accessible to all portions of VNB's assessment area.

The following table indicates that 91% of the bank's offices are in middle- and upper-income census tracts with the remaining 9% in LMI tracts. The offices located in low-income areas are in Newark (Newark MSA), and Passaic (Bergen-Passaic MSA). The offices located in moderate-income tracts are located in Moonachie (one office), Englewood (two offices-former Midland Bank) and Passaic (two offices) in the Bergen/Passaic MSA. The remaining two branches are in the City of Newark.

Distribution of Delivery Systems			
Census Tract Characteristic	# of Branches	% of Total Branches	% of Geographies
Low	2	2	8
Moderate	7	7	19
Middle	56	59	45
Upper	30	32	23
Totals	95	100	(*)

(*) Does not add up to 100%. 5% of tracts have no income data.

The bank's record of opening/closing offices has not adversely affected the accessibility to bank services. Since the last review, VNB opened two new branch offices, both in the Newark MSA, one in a moderate-income census tract in Newark, NJ and one in a middle-income tract in Fairfield, NJ. Additionally, in the Bergen-Passaic MSA, one office was closed, two were consolidated, and two were relocated to new facilities. Details are provided in the Newark and Bergen-Passaic MSA sections of the PE.

Eighty-four of VNB's banking facilities offer extended hours on Saturdays. Also, branch offices have extended weekday hours. The Fort Lee Office is located in a supermarket and is open on Sunday (10:00 A.M. to 4:00 P.M.).

VNB has seventy automated teller machines ("ATM"), four are located in LMI areas. Sixty-seven, or 71%, of the branches provide access 24 hours a day via ATMs. The remaining three ATMs dispense cash only and are located in two hospitals and an insurance company.

Since the last review, VNB introduced a Telephone Banking Center/Customer Service Department. This service provides customers with an alternate banking method. Customers can obtain balance information, transfer funds, apply for a consumer loan, request an application for a mortgage loan and arrange to meet with a lender. This center operates on weekdays from 6:00 A.M. to 11:00 P.M. and on Saturdays from 9:00 A.M. to 4:00 P.M.

Management also introduced a bilingual program. Bank personnel are available to discuss banking services in other languages, such as Spanish, Polish, Portuguese and Russian.

Community Development Services

VNB is active in community development services throughout its AA and has taken a leadership role in the development of the New Community Development Loan Corporation. Bank employees and management are actively involved in organizations that promote affordable housing or business development. Primary services include providing standard financial services, credit counseling, first time home buyer seminars, technical assistance on financial matters and loan processing.

VNB provided technical assistance in developing the New Community Development Loan Corporation. The NCDLC is a Newark-based community development organization which provides financing for small businesses primarily based in that city. This CDC primarily makes loans to small businesses that are unable to obtain traditional financing. In addition to providing expertise in helping this fund become operational, VNB has made investments to the loan fund. (See **Investment Test** discussion for additional information.)

VNB has been active in conducting and participating in various first time home buyer seminars throughout its AA. The seminars provide guidance to residents in the AA on home ownership and related financial responsibilities. VNB participates with organizations such as The Housing

Partnership of Morris County and La Casa de Don Pedro.

VNB provides additional services to LMI individuals, small businesses and affordable housing groups. The following is a listing and description of a sample of the services offered throughout the assessment area. 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 participates on the board of directors and provides lending expertise to the Housing Partnership for Morris County (“HPMC”).
- Two officers of the bank provide expertise through their membership on the La Casa de Don Pedro’s board of directors and corporate advisory board. This Newark, NJ organization is an advocacy group for low-income individuals offering home ownership counseling and developing low-income housing.
- VNB provides officers who participate on the board of directors, the loan committee and the investment committee of New Community Development Loan Corporation, Newark, NJ, a nonprofit housing and economic development organization. This organization provides economic assistance to inner-city borrowers.
- Members of management actively participate in business seminars to promote the bank’s SBA loan program. Meetings were held throughout the State of New Jersey. Bank management participates in this activity on an ongoing basis.
- VNB management assists businesses in qualifying for loans through the N.J. Department of Community Affairs special program known as SNAPS (Strategic Neighborhood Assistance Program) in Dover, NJ. The state designates certain cities for revitalization and rehabilitation projects. SNAPS provides the soft financing and the bank makes the loan directly to businesses in the designated areas.

FAIR LENDING REVIEW

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

METROPOLITAN STATISTICAL AREAS

VNB's performance in each MSA follows. Please refer to the **Lending and Investment Test discussions presented in the PE** for additional data regarding the bank's performance under those tests.

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

Description of Newark MSA (MSA 5640):

The MSA includes all of Essex, Morris, Union, Sussex, and Warren counties. The MSA contains 483 census tracts consisting of 62 low-income tracts (13%), 109 moderate income tracts (23%), 176 middle income tracts (36%) and 121 upper income tracts (25%). Fifteen census tracts or 3% do not have income data. The median family income is \$50,047. Total population is 1.9 million people. The MSA contains the largest city in the state, Newark, which is a major center for transportation and commerce. Seton Hall, Rutgers, and Drew Universities are located in this MSA. The major employers are AT&T, Lucent Technologies, Allied Signal Corporation, and Merck Pharmaceutical Corporation. The credit needs in the MSA are affordable housing and small business lending. Management has determined that multi-family affordable housing is a need in the urban areas.

Within this MSA, there is a total of 73 thousand businesses of which 54 thousand (74%) have gross annual revenues of \$1million or less. Of this latter total, 48 thousand (88%) have annual revenues of \$500 thousand and less.

Lending Test

The 1995 HMDA lending activity totaled 317 loans for \$46.3 million representing 57% of the number of loans and 52% of the dollar amount originated in the AA. The 1996 activity in the MSA showed that VNB originated 449 loans totaling \$68 million. This represents 59% of the number and 61% of the dollar amount of all HMDA loans originated in 1995. In the first quarter of 1997, HMDA loan originations amounted to 45 loans (63%) amounting to \$6.1 million (65%).

The table that follows indicates that lending is primarily concentrated in the middle and upper income census tracts. Lending in LMI tracts is at a level that is more reflective of the composition of owner-occupied housing. Rental units dominate the housing in LMI tracts and opportunities for residential mortgage lending may be limited. There is increased competition for loan originations in LMI geographies and to LMI income applicants in the MSA. During 1995 and 1996, VNB originated a low level of mortgage loans throughout the MSA.

Valley National Bank - Newark MSA -5640					
	% of Loans by Income Level of Census Tract (HMDA Loans)			% Census Tracts	% of Owner-Occupied Households
Income Level	1995	1996	Mar-31-97		
Low	1	1	0	13	2
Moderate	3	2	7	23	12
Middle	45	47	36	36	44
Upper	51	50	57	25	42
NA	0	0	0	3	0
Total	100	100	100	100	100

The geographic distribution of small business loans in the MSA is good and is generally reflective of the level of LMI census tracts in this portion of the AA. Refer to the **Lending Test** section of the PE for details.

Borrowers Profile

The following table indicates that the bank has a reasonable record of lending to borrowers with different income levels within the MSA. The number of HMDA loans to LMI borrowers averaged 19% during the evaluation period. LMI families represent 38% of all families in the assessment area.

Valley National Bank -Newark MSA				
	% of Loans by Income Level of Borrower (HMDA Loans)			% Families in Each Income Category
Income Level	1995	1996	Mar-31-97	
Low	6	4	2	20
Moderate	16	14	20	18
Middle	25	31	38	24
Upper	51	49	36	38
NA	2	2	4	-
Total	100	100	100	100

Business Loans

In 1996, VNB originated 590 commercial loans amounting to \$64.4 million within this portion of the AA. This represents 52% of the total number and 45% of the dollar amount of all commercial loans in the consolidated AA. Refer to the **Lending Test** section of the PE for small business lending distribution by census tract.

Our analysis by size of the loan indicates that during the review period, 73% of the loans originated were for less than \$100 thousand, 14% between \$100 thousand and \$250 thousand and 13% were for amounts greater than \$250 thousand. Further, 68% of the total loans to businesses with revenues \$1 million or less, had dollar amounts of \$100 thousand or less. This indicates that VNB is making a good level of small loans to small businesses. Loan originations to businesses with gross annual revenues of \$1million or less totaled 230, or 38% of all originations in the MSA.

Community Development Loans

VNB originated a reasonable volume of community development loans within the MSA. One loan for \$1.9 million was in the MSA. Additionally, the bank originated three loans (33%) totaling \$600 thousand (23%) for multi-family properties (five or more housing units) that were located in LMI tracts. Refer to the **Lending Test in the PE for additional details.**

Investment Test

VNB's qualified investments in the Newark MSA are primarily grants and donations to affordable housing groups, youth programs and other organizations supporting activities essential to LMI individuals' and/or geographies. A discussion of this area is detailed under the **Investment Test.**

Service Test

VNB has 42 branch offices and 29 ATMs in this MSA. Additionally, the telephone service provides customers with an alternate banking method. Refer to discussion under the Service Test section of the PE.

The following table reflects that three offices, or seven percent of the bank's offices in this MSA, are located in LMI census tracts, all in Newark. VNB opened a new branch office in a moderate-income census tract since the last review. Additionally, a new office was opened in a middle-income tract in Fairfield, NJ.

Distribution of Delivery Systems - MSA 5640			
Census Tract Characteristic	# of Branches	% of Total Branches	% of Geographies
Low	1	2	13
Moderate	2	5	23
Middle	23	55	36
Upper	16	38	25
Totals	42	100	(*)

(*) Does not add up to 100%. 3% of tracts have no income data.

Community Development Services

Refer to the **Community Development Services** section of the PE for details.

Description of Bergen-Passaic MSA (MSA 0875):

The MSA includes Bergen and Passaic counties. The MSA has 303 census tracts consisting of 20 low income tracts (7%), 46 moderate income tracts (15%), 129 middle income tracts (43%) and 67 upper income tracts (22%). Forty-one census tracts or 13% do not have income data. The median family income for the entire area is \$52,659. Total population of this area is 1.3 million people.

The housing stock consists of 60% owner-occupied units. Rental occupied units account for 34% of housing in the MSA. Approximately 21% of households are in LMI census tracts. The economy is closely aligned with that of the greater New York region. The MSA is a major center for transportation related industries and for warehousing and distribution. Additionally, retail shopping malls, a major sports complex and small businesses provide employment opportunities. Management has identified small business lending as the primary credit need in this MSA.

Within this MSA, there is a total of 58 thousand businesses of which 43 thousand (74%) have gross annual revenues of \$1million or less. Of this latter total, 36 thousand, or 84% of the businesses have annual revenues of \$500 thousand and less.

Lending Test

HMDA lending activity within the MSA in 1995 totaled 196 loans representing 36% of the total number of loans and 33% of the dollar amount originated in the AA. In 1996, 237 loans were originated or 31% of the number of loans and 30% of the dollar amount in the AA. In the first quarter of 1997, loan originations totaled 18 loans.

The table that follows indicates that the majority of HMDA lending is in the middle- and upper-income census tracts. Lending in LMI census tracts is at a level that generally reflects the composition of owner-occupied housing in those tracts.

Valley National Bank - Bergen-Passaic MSA					
	% of Loans by Income Level of Census Tract (HMDA Loans)			% Census Tracts	% of Owner-Occupied Households
Income Level	1995	1996	Mar-31-97		
Low	2	2	6	7	1
Moderate	11	9	6	15	11
Middle	53	55	71	43	56
Upper	34	34	17	22	32
NA	0	0	0	13	0
Total	100	100	100	100	100

The geographic distribution of small business loans in this MSA is good. Please refer to the **Lending Test** section of this PE for details.

Borrowers Profile

The following table indicates that the bank has a good record of lending to borrowers with different income levels in the MSA. The number of loans to LMI borrowers in the MSA for the evaluation period is 131 totaling \$435 million. The number of HMDA loans to LMI borrowers averaged 36% during the evaluation period. This performance is good when compared to the 37% of LMI families in the MSA.

Valley National Bank -Bergen-Passaic MSA				
	% of Loans by Income Level of Borrower (HMDA Loans)			% Families in Each Income Category
Income Level	1995	1996	Mar-31-97	
Low	7	11	22	18
Moderate	23	16	28	19
Middle	24	27	33	24
Upper	43	43	17	39
NA	3	3	0	-
Total	100	100	100	100

Business Loans

In 1996, VNB originated 400 commercial loans within this portion of the AA. Loans originated in the MSA represent 35% of the number of loans and 42% of the dollar amount in the AA. A review of business loans by size indicates that 66% of the loans originated were for less than \$100 thousand, 19% between \$100 thousand and \$250 thousand and 15% were for amounts greater than \$250 thousand. Further, 74% of the total loans to businesses with revenues \$1 million or less, had dollar amounts of \$100 thousand or less. This indicates that VNB is making a good level of small loans to small businesses. Loan originations to businesses with gross annual revenues of less than \$1 million totaled 232, or 58% of loan originations in the MSA.

The distribution of small business loans by census tracts in this MSA is good. Refer to the **Lending Test section of the PE for details.**

Community Development Loans

One community development loan for \$4.6 million was originated in this MSA. In addition, VNB originated six (67%) multi-family HMDA loans in LMI tracts totaling \$2.1 million (78%). Refer to the **Lending Test section of the PE for details.**

Investment Test

VNB investments in this MSA are qualified grants and donations. Refer to the **Investment Test** section of the PE for details.

Service Test

Since the last review one office in an upper income census tract was closed, two were consolidated in a middle-income tract, and two offices were relocated to new facilities. Branch closings have not had a negative affect on the accessibility to bank services in the MSA.

VNB has 44 branch offices and 33 ATMs in this MSA. Additionally, the telephone service provides customers with an alternate banking method. Refer to discussion under the Service Test section of the PE.

The following table reflects that six offices or 13% of the branches in this MSA are located in LMI census tracts. These offices are primarily located in Englewood (Bergen County) and Passaic (Passaic County). The distribution of offices approximates the geographies of MSA 0875 and provides access to bank services to essentially all portions of the bank's assessment area in the MSA.

Distribution of Delivery Systems- MSA 0875			
Census Tract Characteristic	# of Branches	% of Total Branches	% of Geographies
Low	1	2	7
Moderate	5	11	15
Middle	26	60	43
Upper	12	27	22
Totals	44	100	(*)

(*) Does not add up to 100%. 13% of tracts have no income data.

Community Development Services

Refer to the **Community Development Services** section of this PE for a detailed listing of services.

JERSEY CITY MSA (MSA 3640)

Description of Jersey City MSA:

The MSA includes all of Hudson County and consists of 161 census tracts consisting of 3 low income tracts (2%), 29 moderate income tracts (18%), 94 middle income tracts (58%) and 30 (19%) upper income tracts. Five census tracts or 3% do not have income data. The median family income is \$35,250. The county's population is 553 thousand.

Major cities are Jersey City, Bayonne, and Union City. The area's median housing age is 67 years. Housing mix contains 55% one -to-four family residences and 42% multifamily units. Sixty-one percent of the housing units are rental. The economy is recovering from the recession of the late 1980's and there is a renewed interest for professional occupancy along the Jersey City waterfront. Hudson County is a transportation and manufacturing center and its favorable location to New York City has resulted in warehousing and distribution businesses locating to the area. Banking and brokerage operations are also major employers in the area. The credit needs of this MSA coincide with the needs of the overall AA, i.e., affordable housing and small business lending.

Within this MSA, there is a total of 18 thousand businesses of which 13 thousand (72%) have gross annual revenues of \$1million or less. Of this latter total, 11 thousand, or 85% of the businesses have annual revenues of \$500 thousand and below.

Lending Test

The volume of lending is adequate for mortgage and business loans in the MSA. Lending distribution in LMI tracts is adequate in relation to the bank's locations. Lending to LMI individuals and to businesses with gross annual revenues of \$1 million or less is also adequate.

VNB mortgage lending for the evaluation period, totaled 52 loan originations representing less than 3 percent of the total originations in the AA. One loan was made in an LMI income tract and six were made to LMI income borrowers.

Business lending for 1996 totaled 45 loans aggregating \$6.6 million. Five were in LMI census tracts and 33 were less than \$100 thousand. Additionally, 27 loans were to businesses with annual revenues of \$1 million or less. Further, 88% of the total loans to businesses with revenues \$1 million or less, had dollar amounts of \$100 thousand or less.

No community development loans or investments were originated during the evaluation period.

Service Test

VNB has five offices and 4 ATMs in this MSA. The communities in which the offices are located all border the Passaic River and are in close proximity to the City of Newark. The offices are located in middle- and upper-income census tracts and provide reasonable access to the portion of the MSA the bank serves. Additionally, the telephone service provides customers with an alternate banking method. Refer to discussion under the Service Test section of the PE.

Community Development Services

Refer to the **Community Development Services** section of the PE for details.

MIDDLESEX-SOMERSET MSA (MSA 5015):

Description of Middlesex-Somerset MSA:

MSA 5015 contains Middlesex and Somerset counties and has 236 census tracts broken down as follows: five low-income tracts (2%), 39 moderate-income tracts (17%), 140 middle-income (59%), 49 upper-income areas (21%) and 3 (1%) with no income data available. Low income tracts are located in New Brunswick and Perth Amboy. Moderate census tracts are dispersed throughout the MSA with most located in Middlesex County. The MSA has a diverse housing stock ranging from older suburban single family homes to newer large residences located in municipalities of Watchung and Warren Township. The median family income for the entire MSA is \$55,147. Total population in the portion of the MSA designated as VNB's AA is 912 thousand.

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

Within this MSA, there is a total of 31 thousand businesses of which 22 thousand (71%) have gross annual revenues of \$1million or less. Of this latter total, 19 thousand, or 86% of the businesses have gross annual revenues of \$500 thousand or less.

Lending Test

Overall lending for mortgage products and business lending is adequate. Mortgage lending activity in MSA 5015 totaled 71 loans aggregating \$11.2 million for the evaluation period. The number of loan originations represents 5% of the total number of loans and dollar amount of all mortgage lending in the AA for the evaluation period.

The table below reflects that VNB's average level of mortgage lending approximates that of the percentage of owner-occupied housing within the census tracts.

Valley National Bank - Middlesex-Somerset MSA					
	% of Loans by Income Level of Census Tract (HMDA Loans)			% Census Tracts in AA	% of Owner-Occupied Households in AA
Income Level	1995	1996	Mar-31-97		
Low	0	0	0	2	(*)
Moderate	4	5	0	17	9
Middle	60	33	75	59	65
Upper	36	62	25	21	26
NA	0	0	0	1	0
Total	100	100	100	100	100

(*) Less than 1%

Borrowers' Profile

The following table indicates that the bank has an adequate record of lending to borrowers with different income levels in the MSA.

Valley National Bank Middlesex-Somerset MSA				
	% of Loans by Income Level of Borrower (HMDA Loans)			% Families in Each Income Category
Income Level	1995	1996	Mar-31-97	
Low	0	7	0	16
Moderate	32	21	25	20
Middle	24	29	50	27
Upper	44	43	25	37
Total	100	100	100	100

Business Loans

In 1996, VNB originated 97 commercial loans in this MSA totaling \$11.5 million. The number of originations represents 9% of all business loans in the AA. No loans were made in low-income census tracts, and 6% of the number of small business loans were in moderate-income census tracts. Refer to the **Lending Test section of the PE** for additional data regarding lending distribution.

Our analysis by loan size indicates that 48% of the loans originated were for less than \$100 thousand, 20% between \$100 thousand and \$250 thousand and 32% were for amounts greater than \$250 thousand. Approximately 44% of all loans were to businesses with annual revenues of less than \$1 million. Further, 53% of the total loans to businesses with annual revenues \$1 million or less, had dollar amounts of \$100 thousand or less.

No community development loans were originated in this MSA during the evaluation period. A total of \$1,000 of qualified investments was made. Refer to the **Investment Test** portion of this PE for details.

SERVICE TEST

VNB has 4 offices and 4 ATMs located in middle-income census tracts. Three offices are in Somerset County, clustered around the Route 22 business corridor and one office is in Middlesex County. The distribution of offices provides reasonable access to bank services in the portion of the MSA the bank serves. Additionally, the telephone service provides customers with an alternate banking method. Refer to discussion under the Service Test section of the PE.

Community Development Services

Refer to **Community Development Services** section of this PE for details.

Appendix A

SCOPE OF EXAMINATION

Time Period Reviewed	January 1, 1995 to June 7, 1997		
Financial Institution Valley National Bank Passaic, NJ			Products Reviewed Mortgage loans, small business loans and SBA loans.
Affiliate(s)	Affiliate Relationship		Products Reviewed
VNB Mortgage Services, Inc.	Bank Subsidiary		None
BNV Realty Incorporated	Bank Subsidiary		None
VN Investment, Inc.	Bank Subsidiary		Investments
VNB Financial Advisors	Bank Subsidiary		None
GAP Realty	Bank Subsidiary		None
VNB Loan Services, Inc.	Bank Subsidiary		None
VNB International Services, Inc.	Bank Subsidiary		None
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
Bergen-Passaic, Newark, Jersey City, and Middlesex-Somerset MSAs	On-Site	Corporate Offices, Wayne, NJ	