



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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**PUBLIC DISCLOSURE**

**February 20, 2001**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Crown Bank, National Association  
Charter Number 23071**

**801 Asbury Avenue  
Ocean City, NJ 08226**

**Comptroller of the Currency  
New York Metro-Community/Midsize Banks  
830 Morris Turnpike, Second Floor  
Short Hills, NJ 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.

## GENERAL INFORMATION

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

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Crown Bank, National Association, Ocean City, NJ** as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of **February 20, 2001**. 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”**.

- ◆ Lending to borrowers of different income levels and businesses of different sizes is adequate.
- ◆ The geographic distribution of loans within the assessment areas is excellent.
- ◆ Crown's average loan to deposit ratio of 64.8% is adequate.
- ◆ A majority of the loans originated were in the assessment area.

## DESCRIPTION OF INSTITUTION

Crown Bank, National Association (“Crown”) is an \$88 million intrastate community bank. The bank’s head office is located in Ocean City, New Jersey, which is located in Cape May County, New Jersey, a few miles south of Atlantic City, New Jersey. Crown received its national charter in April 1998. This is the bank’s first Community Reinvestment Act (“CRA”) evaluation.

The bank has four branch offices located in Newark, Essex County NJ, (opened December 1998) Linwood, Atlantic County, NJ (opened November 2000) and Elizabeth, Union County, NJ (opened June 1999). In addition, a deposit taking ATM is located at Crown’s corporate administrative headquarters, located approximately equidistant from the head office and the Newark branch, in Brick, Ocean County, NJ. A full service branch office is scheduled to open at this site in the first quarter or second quarter of 2001. The bank does not have legal or financial condition that would impede their ability to help meet the credit needs of their community.

At December 31, 2000, Crown reported \$57 million in loans and \$77 million in deposits. The bank’s lending activities include commercial loans, residential real estate loans and home equity products. These products represent approximately 90% of the loans originated during the review period. Loans to individuals are comprised primarily of new and used car loans and other installment loans. These loans were not included in this review.

<b>Loan Portfolio Composition - December 31, 2000</b>		
	<b>\$ Amount (000)</b>	<b>%</b>
<b>Commercial Real Estate Loans</b>	<b>\$31,203</b>	<b>55</b>
<b>Other Commercial Loans</b>	<b>\$9,902</b>	<b>17</b>
<b>Residential Real Estate</b>	<b>\$7,588</b>	<b>13</b>
<b>Home Equity Products (not HMDA reported)</b>	<b>\$2,646</b>	<b>5</b>
<b>Loans to Individuals</b>	<b>\$5,745</b>	<b>10</b>
<b>TOTAL LOANS</b>	<b>\$57,084</b>	<b>100</b>

Source: Dec-31-2000 Call Report

The primary focus of Crown’s business plan is on small businesses in their assessment areas. Competition in each assessment area is strong, dominated by branches of much larger multinational and regional banks. In the Newark market, there is additional competition from several thrift institutions and other banks that service the large Portuguese community. Included in this competition is an affiliate of a large Portugal based bank, Banco Portuguese do Atlantico, which recently opened.

According to June 30, 2000 FDIC/OTS Summary of Deposit data, Penn Federal Savings Bank, with three offices, has 37% of the reported deposits while Crown has 4.2% of the deposit base in the zip code where this bank’s office is located. This ranks Crown sixth among the nine banks with offices in the zip code. Similarly in the Elizabeth and Ocean City zip codes where Crown is located, their respective market shares are 4.3% (4<sup>th</sup> of 5 reporting banks) and 4.2% (7<sup>th</sup> out of 8 reporting banks).

## **DESCRIPTION OF ASSESSMENT AREAS**

Crown has delineated three separate assessment areas (“AA”). The three areas are the Southern AA (“Southern”), Central AA (“Central”) and Northern AA (“Northern”). The Central and Northern AA are part of the New York and Northern New Jersey Consolidated Metropolitan Statistical Area (CMSA).

The total population of the combined AA is approximately 398,000 persons. The 1990 median family income (MFI) is \$44,682; this income is used in our geographic analysis. The HUD updated MFI for 2000 is \$61,000; this income is used in our analysis of lending by borrower income. A total of 101 census tracts make up the AA, of which 7 are low income tracts (7%), 32 are moderate income (32%), 44 middle income (43%), 17 upper income 17% and 1 reported no income (1%). The breakdown of families within the AA shows 23% low-income, 21% moderate-income, 24% middle-income, 32% upper-income. All three-assessment areas meet the regulatory requirements and do not arbitrarily exclude any low or moderate-income areas. A detailed description of each AA follows:

### **Southern Assessment Area**

The Southern AA has two branch offices, which includes the bank’s head office. The AA consists of 26 contiguous census tracts within Atlantic and Cape May counties. Both counties are located within the Atlantic-Cape May Metropolitan Statistical Area (MSA 0560). Fifteen of the tracts (58%) are middle income, and 11 (42%) designated as upper income. The total population of the AA is approximately 93,000 persons. The 1990 MFI is \$39,034 and the 2000 HUD updated MFI is \$49,500. The breakdown of families within the AA shows 12% low-income, 17% moderate-income, 23% middle-income, 48% upper-income.

This area is in close proximity to Atlantic City, NJ, which houses many casinos. The casinos have increased year round retail businesses, and new housing. However, the main industry continues to be tourism. In this summer resort area, many businesses depend on a three to four month “season” to earn their living. According to the community contact conducted during the examination, the primary identified credit need is seasonal lending to small businesses. While it was noted that there is intense competition in the area for small business loans, the contact indicated a need for credit decisions to be made quicker and on a local basis.

According to the New Jersey Department of Labor, overall economic conditions are good. Since 1999, most of this region’s new jobs were created in retail trade, services and construction areas. Retail trade benefited most from the many new establishments that opened. New jobs were scattered throughout the broad-based services division with notable increases in business (hotel-casino related) and engineering/accounting/management services. There are several developments expected to create significant numbers of year round jobs through early 2001. These developments include construction of a large home improvement warehouse and a supermarket, along with continuing construction of new hotel-casinos, the Atlantic City Connector project and residential development.

As of October 2000, the area’s unemployment rate was 6.3% down from 7.6% a year earlier but

still in excess of the overall state rate of 3.8%

### **Northern Assessment Area**

The Northern AA has two branch offices, one located in the cities of Newark, and Elizabeth. The AA consists of 48 census tracts in Essex and Union counties. Both counties are located within the Newark, NJ Metropolitan Statistical Area (MSA 5640). Six of the tracts (13%) are low income, 27 tracts (56%) are moderate income, 8 tracts, (16%) are middle income, 6 tracts (13%) are upper income, and 1 tract (2%) does not have income designated. A majority of the AA is made up of low and moderate-income census tracts. The total population of the AA is approximately 187,000 persons. The 1990 MFI is \$46,656 and the 2000 HUD updated MFI is \$46,656. The breakdown of families within the AA shows 32% low-income, 23% moderate-income, 22% middle-income, 23% upper-income.

The AA is growing and has had recent influxes of Hispanics from Central and South America. The area is also diversified as to housing. There are many single and two family homes as well as mixed use housing, i.e., stores on the street level with multi-family units located on the upper floors. Businesses are mixed with the predominate businesses being service oriented. There are also many light manufacturing concerns, trucking companies, chemical companies, and transportation. Also, there are a large number of restaurants in the area, primarily catering to the Portuguese community.

According to the community contact conducted during the examination, the identified primary credit need was small business lending. However, there is strong competition in the area for this type of lending.

The contact indicated that many of the banks do not offer bilingual services to assist the residents, and businesses. This is an identified need that all banks in the AA need to consider. Crown provides bilingual employees to help assist its customers with their banking needs. Additionally, bank statements and brochures are printed in English and Portuguese.

According to the New Jersey Department of Labor, overall economic conditions are good. This area led the overall Northern New Jersey Regional labor area in employment gains. The largest gains were in the services and trade sectors. However, manufacturing, had a slight decline. The overall employment rate in December 2000 was 3.8% which mirrors the overall state unemployment rate of 3.8%. The outlook for the first half of 2001 is favorable as a wide range of developments is expected to sustain the current job growth. Downtown Newark, NJ is attracting small and medium sized businesses. Additionally, a large hotel/conference center is under construction on the fringe of both the Newark and Elizabeth portions of the AA. This project is expected to provide job opportunities for the local residents. Residential development has been ongoing in the Ironbound Section as many of the old factories are being razed and being replaced with one to four family homes.

### **Central Assessment Area**

The Central AA was delineated in the third quarter of 2000. This AA has a deposit taking ATM located at the administrative corporate headquarters. A full service branch is expected to open in late first quarter or early second quarter 2001. The AA includes Brick Township and the adjacent areas of Lakewood, Point Pleasant Beach and Point Pleasant Boro. The AA is comprised of 27 census tracts. One (4%) is low income, 5 (18%) are moderate income and the remaining 25 (78%) are middle income. The total population is approximately 113,000 persons.

Due the large number of retirement communities in the area, 20% of the population are individuals age 65 or over. The 1990 MFI is \$46,615 and the 2000 HUD updated MFI is \$63,100. Nineteen percent of the families in the AA are low-income, 21% moderate-income, 28% middle-income, 32% upper-income.

According to the State of New Jersey Department of Labor, construction jobs have increased in the AA due to the new professional minor league baseball sports stadium established in Lakewood. It is also anticipated that the stadium will create new jobs. Additionally, new employment opportunities have been created in the public and service-producing sectors. Most of the latter increases were in the retail, transportation, communications, and public utilities areas. There has also been an increase in retail stores and shopping centers. Residential construction is expected to proceed throughout the area as the population growth is expected to continue.

As of October 2000, the area's seasonally adjusted unemployment rate was 3.4% and well below the overall state rate of 3.8%.

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

The evaluation period covers the period from the bank's inception, April 1998, to December 31, 2000. Our review covered all commercial loans, Home Mortgage Disclosure Act ("HMDA") reportable loans, home equity loans and home equity lines of credit which, were not reported under HMDA, that were originated during this period. HMDA loans were primarily for home purchase.

These loans were selected as they represent the bank's primary lending products, and represent approximately 90% of the loans originated during the review period. Loans to individuals were not reviewed as they represent only a small portion of the bank's lending activity. We placed more weight on commercial loans when determining our conclusions. The bank primarily originated commercial loans during the evaluation period. Additionally, the bank's primary focus is commercial lending.

An analysis of lending activity within the Central AA would not be meaningful nor reflective of the bank's overall lending activities in this AA. Crown originated two loans, one commercial and one home equity loan, in the Central AA during the evaluation period. These loans are included in our analysis of the bank's lending in the AA. However, they are not included in the geographic, and borrower distribution analysis.

### **Loan to Deposit Ratio**

The loan-to-deposit ratio meets the standards for satisfactory performance. A customized peer group that included new banks chartered in the State of New Jersey, since 1995, was created. This peer group was used to compare Crown's loan-to-deposit ratio. A comparison with this peer group is considered more meaningful as it compares Crown with similarly situated banks, several of which are located in its AA.

In the eleven quarters since the bank opened, Crown's average loan to deposit ratio was 64.8% slightly exceeding the custom peer average of 60.6%.

### **Lending in the Assessment Area**

Crown meets the standards for satisfactory performance for lending within the combined AA. A majority of all loans originated were within the AA. Our review included 452 loan originations. There were 292 (65%) originated in the combined AA.

## Geographic Distribution of Loans

Crown's geographic distribution of loans exceeds the standards for satisfactory performance.

The bank's performance in the MSA within the Northern AA is not inconsistent with its overall performance.

A geographic distribution analysis of the Southern AA was not conducted since there are no low- and moderate-income census tracts. An analysis of this AA is not meaningful.

<b>Geographic Distribution of HMDA Loans - Combined AA</b>					
<b>Tract Income Level</b>	<b># Loans</b>	<b>%</b>	<b>\$ Amt (000)</b>	<b>%</b>	<b>% Owner Occupied Housing</b>
<b>Low</b>	6	18%	\$967	18%	2%
<b>Moderate</b>	8	24%	\$1,473	27%	22%
<b>Middle</b>	12	35%	\$2,092	38%	60%
<b>Upper</b>	8	23%	\$931	17%	16%
<b>NA</b>	-	-	-	-	-
<b>TOTALS</b>	<b>34</b>	<b>100%</b>	<b>\$5,463</b>	<b>100%</b>	<b>100%</b>

Sources: 1990 US census data and internal bank records

## HMDA Loans

In the combined AA, Crown's distribution of HMDA loans is excellent. HMDA distribution in low and moderate-income census tracts exceeds the level of owner occupied housing in those census tracts. As reflected, in the table above, 2% of owner occupied housing units are in low-income census tracts, and 22% of owner occupied housing units are in moderate-income census tracts.

In the Northern AA, the distribution of HMDA loans is excellent. The level of HMDA loans exceeds or equals the level of owner occupied housing units in the low and moderate-income census tracts. In the low-income tracts, Crown originated 6 loans or 35%, which significantly exceeds the 6% level of owner occupied housing. In the moderate-income census tracts, 8 loans were originated or 47%, which equals the level of owner occupied housing in those tracts. Eighteen percent of lending was made in middle-income census tracts. No loans were originated in the upper-income census tracts. Thirty-three percent of owner-occupied housing units are located in middle-income census tracts and 14% are in the upper-income census tracts.



## Home Equity Loans

In the combined AA, Crown's distribution of home equity loans is adequate. The bank originated forty-five home equity loans totaling \$2.6 million. One (2%) was originated in low-income census tracts, compared to 6% of the population in those tracts. Eleven (24%) were originated in moderate-income census tracts, compared to 33% of the population in those census tracts. Twenty-six loans (58%) were originated in middle-income census tracts, compared to 48% of the population in those census tracts. Seven loans (16%) were originated in upper-income census tracts compared to 13% of the population in those census tracts.

In the Northern AA, the bank's distribution of home equity loans is good. Thirteen home equity loans were originated. One loan, 8% was made in the low-income census tracts, which is near to the population, 11%, residing in those tracts. Twelve loans, 92%, were made in moderate-income census tracts, which significantly exceeds the population, 59%, living in those tracts. No loans were made in middle and upper-income census tracts.

## Commercial Loans

In the combined AA, the distribution of the commercial loans originated is excellent. The Table that follows reflects that the percentage of loans made in low and moderate-income census tracts significantly exceeds the portion of businesses in those census tracts.

<b>Geographic Distribution of Commercial Loans - Combined AA</b>					
<b>Tract Income Level</b>	<b># Loans</b>	<b>%</b>	<b>\$ Amt (000)</b>	<b>%</b>	<b>% of Businesses in Tract</b>
<b>Low</b>	35	17%	\$8,234	20%	7%
<b>Moderate</b>	76	36%	\$16,678	40%	26%
<b>Middle</b>	90	41%	\$15,189	37%	49%
<b>Upper</b>	12	6%	\$1,446	3%	18%
<b>TOTALS</b>	<b>213</b>	<b>100%</b>	<b>\$41,547</b>	<b>100%</b>	<b>100%</b>

Sources: Internal bank records and Dun & Bradstreet

In the Northern AA, the level of commercial lending is also excellent. Crown originated thirty-five loans, or 29%, in low-income tracts, which significantly exceeds the percentage (16%) of businesses in those tracts. Additionally, seventy-six loans, or 62%, were in moderate-income census tracts compared to 53% of the businesses located in those tracts.

In the Southern AA, an analysis of commercial lending was not conducted since there are no low or moderate income tracts in the AA. An analysis of these loans is not meaningful.

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

Crown's record of lending to borrowers of different income levels and to businesses of different sizes meets the standards for satisfactory performance. .

The bank's performance in the MSAs within the Northern and Southern assessment areas are not inconsistent with its overall performance.

### **HMDA Lending**

HMDA loans reflect an adequate distribution in the combined AA and in the Northern and Southern AA when considering the affordability of homeownership for a low-income person in the assessment areas. HMDA loans were primarily for home purchase.

In the combined AA, Twenty-percent of the loans were originated to moderate-income borrowers compared to 21% of moderate-income families in the AA. No loans were made to low-income borrowers. Twenty-three percent of families are low-income. Twenty-one percent of the lending was made to middle-income borrowers, and 52 % to upper-income borrowers. Twenty-four percent of the families are middle income, and 32% are upper-income.

It is difficult for a low-income borrower to purchase a home based on the cost of housing, in the combined AA. The median housing value is 141,000. A low-income person earns less than \$30,000. In addition, rental housing comprises 34% of the total housing units, which further limits homeownership. Additionally, 10% of the households are below the poverty level.

In the Northern AA, 40% of the lending was made to moderate-income borrowers, which significantly exceeds the 23% of families in the AA that are moderate-income. No loans were made to low-income borrowers. Thirty-two per cent of the families are low-income. Eighteen percent of the lending was made to middle-income borrowers, and 26% to upper-income borrowers. Twenty-two percent of the families are middle-income, and 23% are upper-income

As indicated above, the HMDA loans were primarily home purchase loans. It is difficult for a low-income person to purchase a home when considering the cost of housing in the Northern AA. The median housing value is \$137,000. A low- income person earns less than \$23,328. In addition, rental housing comprises 60% of the total housing units, which further limits homeownership. Additionally, 14% of all households are below the poverty.

Additionally, the urban areas of Newark and Elizabeth, in the Northern AA maintain mix use buildings in the business districts. These buildings house businesses at the street level, and residential rental units on the upper floors. Crown currently underwrites this type of lending. The several mixed-use loans originated are reported as business loans.

In the Southern AA, 9% of the loans were originated to moderate- income borrowers compared to 17% of the families that are moderate-income. No loans were made to low- income borrowers. Twelve percent of the families are low-income. Two percent of the loans were made to middle-income borrowers and 6% to upper-income borrowers. Twenty three percent of the families are middle-income, and 48% are upper-income.

The barriers to lending to low-income borrowers are similar to those discussed above. Lending to low-income borrowers is difficult when considering the cost of housing in the Southern AA. The median housing value in the AA is \$148,000. A low-income person earns less than \$24,750. In addition, rental housing comprises 23% of the total housing units, which further limits homeownership. Additionally, 6% of all households are below the poverty level.

### **Home Equity Loans**

Home Equity loans reflect an adequate distribution in the combined AA, the Northern, and Southern AA when considering that the affordability of homeownership limits the opportunities for home equity loans to low-income borrowers in the assessment areas.

In the combined AA, Crown originated forty-five home equity loans totaling \$2.6 million. Two loans (5%) were to low income families, eleven (24%) were to moderate-income families. The level of lending to moderate-income families exceeds the 21% of moderate-income families. The level of lending to low income families is below the 23% of low-income families. The barriers discussed under HMDA lending in the combined AA limits the opportunities for home equity loans to low-income families. Four loans (9 %) were made to middle-income borrowers, and 28 (62%) were made to upper income borrowers. Twenty-four percent of the families are middle-income, and 32% are upper income.

In the Northern AA, thirteen home equity loans were originated. Three loans, 23% were to moderate-income families compared to 23% of moderate-income families. Two loans, 15%, were to low-income families compared to 32% of low-income families. The barriers discussed under HMDA lending in the Northern AA limits the opportunities for home equity loans to low-income families. Eight loans were made to upper-income borrowers. No loans were made to middle-income borrowers. Twenty-two percent of the families are middle-income, and 23% are upper-income

In the Southern AA, 32 home equity loans were originated. Eight loans or 25% were made to moderate-income borrowers compared to 17% of the families that are moderate income. No loans were originated to low- income borrowers. Twelve percent of the families are low-income. The barriers discussed for HMDA lending to low-income borrowers discussed under the Southern AA also impacts home equity lending to low-income borrowers. Four loans (13%) were made to middle-income borrowers, and 20 loans (62%) were made to upper-income borrowers. Twenty-three percent of the families are middle-income and 48% are upper-income.

### **Commercial Loans**

In the combined AA, the Northern, and Southern AA, Crown's lending to businesses of different sizes is adequate. Our review of all of the commercial loan files indicated that 62% of the loans are to small businesses, representing 39% of the total dollar amount of loans originated. This is reasonable when considering that the bank is relatively new, three years in existence. Also, offices of much larger multinational and regional institutions dominate the markets in which branches are located. A small business is defined as having gross annual revenues of \$1 million or less. Dun and Bradstreet 2000 business demographic information indicates that 83% of business reporting income data within the AA are small businesses.

<b>Distribution of Commercial Loans by Business Size-Combined AA</b>					
<b>Total \$ Amt Commercial Loans in AA (000)</b>	<b># Loans</b>	<b># Business \$1MM or less Revenues</b>	<b>% of #</b>	<b>\$ Amt (000) to Business \$1MM or less Revenues</b>	<b>% of \$ Amt</b>
\$40,047	212	131	62%	\$15,999	40%

Source: Internal bank records  
Does not include one commercial loan originated in the Central AA.

In the Northern AA, 58% of the number of loans were made to small businesses. Dun and Bradstreet data indicates that 79% of business reporting income in the Northern AA are considered small businesses. Competition is strong in this AA. However, Crown has gained a good market penetration when considering the limited time that they have had a presence in this area, particularly in the Portuguese community.

In the Southern AA, 42% of the number of loans are to small businesses compared to 86% of the businesses in the Southern AA that are small businesses. Many of the businesses in the Southern AA are seasonal. There is strong competition for these business loans from larger multinational and regional institutions.

<b>Distribution of Commercial Loans by Business Size by Assessment Area</b>								
<b>AA</b>	<b># Loans</b>	<b>% of #</b>	<b>\$AMT (000)</b>	<b>% of \$Amt</b>	<b># More \$1MM</b>	<b>\$AMT (000)</b>	<b>Less \$1MM</b>	<b>\$AMT (000)</b>
<b>Southern</b>	89	42%	\$13,127	33%	33	\$7,460	56	\$5,667
<b>Northern</b>	123	58%	\$26,920	67%	48	\$16,589	75	\$10,331
<b>Totals</b>	<b>212</b>	<b>100</b>	<b>\$40,047</b>	<b>100</b>	<b>81</b>	<b>\$25,549</b>	<b>131</b>	<b>\$15,998</b>

Source: Internal bank records  
Does not include one commercial loan originated in the Central AA.

### **Response to Complaints**

Crown has not received any CRA related consumer complaints with respect to the bank's

lending performance in any of its assessment areas.

### **Fair Lending**

An analysis of community and consumer complaint information was performed according to the Office of the Comptroller of the Currency's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be completed in connection with the CRA evaluation this year. This is the first CRA evaluation of this bank since its inception in April 1998. During this time frame only one compliance examination was conducted at this bank.