



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

September 04, 2012

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

Monroe Savings Bank, SLA  
Charter Number 704752

114 S. Main Street  
Williamstown, NJ 08094-1499

Office of the Comptroller of the Currency

1150 Northbrook Drive, Suite 303  
Trevose, PA 19053

**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, 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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory**

The major factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, assessment area (AA), credit needs, and relevant competitive factors;
- A majority of loans originated are within the bank's AA;
- The distribution of home mortgage loans reflects reasonable dispersion among borrowers of different income levels;
- The distribution of home mortgage loans reflects reasonable dispersion among geographies of different income levels within the AA;
- Monroe Savings Bank, SLA ("MSB") did not receive any complaints about its performance in helping to meet credit needs.

**SCOPE OF EXAMINATION**

CRA activities at MSB were completed using full-scope review procedures for its AA. Our review covered the bank's performance from January 1, 2009 through December 31, 2011. Residential mortgage loans were determined to be the bank's primary loan product and were reviewed as part of this examination.

In order to evaluate MSB's record of originating residential mortgage loans, we analyzed loan data that MSB collected and reported in accordance with the Home Mortgage Disclosure Act (HMDA) requirements. Also, in order to ensure the reliability of HMDA loan data, we performed a data integrity examination during the second quarter of 2012. In performing the data integrity examination, we evaluated processes employed by MSB to ensure the accuracy of collected HMDA data and tested a sample of MSB's reported HMDA loans. Specifically, we tested the accuracy of MSB's HMDA loan data by comparing it against MSB's loan file documentation. The data integrity examination revealed that MSB's publicly available HMDA loan data could be relied upon for the purposes of this CRA evaluation.

**DESCRIPTION OF INSTITUTION**

MSB is a small, traditional thrift, founded in 1870, that serves the southern portion of Gloucester County, in which it is located, and the southern portion of adjacent Camden County in the State of New Jersey. MSB's operates as a traditional thrift, primarily originating loans secured by one-to-four family dwellings and deriving funding through local retail deposits. MSB's website states their primary mission, "...is to provide housing related and retail oriented financing to our customer base." As of June 30, 2012, MSB maintained total assets of approximately \$93.3 million. Their predominant loan product is residential mortgage loans secured by one- to four-family dwellings.

Other loan types offered include: home equity lines of credit, manufactured home financing, home construction/permanent, commercial real estate, and consumer loans. Deposit products include: checking, savings, money market, IRA and Certificates of Deposit.

As of June 30, 2012, the total loan portfolio equaled \$58.4 million with net loans of \$57.8 million. Table 1 indicates the dollar amount, percentage to total loans, and percentage to total assets of each loan category.

<b>Table 1.</b>			
<b>Monroe Savings Bank,SLA - Investment in Loans*</b>			
<b>Loan Category</b>	<b>Amount (\$000's)</b>	<b>Percent of Net Loans</b>	<b>Percent of Total Assets</b>
Residential Mtg.	\$41,788	72.29%	45.5%
Nonresidential Mtg.	\$9,705	16.79%	10.4%
Commercial Non-Mtg.	\$82	0.14%	0.11%
Consumer	\$6,229	10.78	6.67
<b>Total</b>	<b>\$57,804</b>	<b>100.0%</b>	<b>62.7%</b>

\* 06-30-2012 Uniform Bank Performance Report (000 omitted)

Since the previous CRA evaluation, MSB's total assets increased from \$79.4 million (as reported on December 31, 2006) to \$93.3 million (as reported on June 30, 2012), an increase of approximately 17.6% percent. As of June 30, 2012, MSB had \$70.9 million in total deposits, and net Tier 1 Capital of \$10.2 million. Net loans are reported to be \$57.8 million and represent 62.7% of average assets. The bank's loan portfolio consists of residential real estate loans (72%), non-residential mortgage loans (17%), consumer loans (11%), and non-real estate commercial loans (0.14%).

The main office is located at 114 South Main St., in Williamstown, Gloucester County, New Jersey. This office offers drive-through services as well as an ATM. The bank's executive offices, operations and bookkeeping are also located in this facility. The bank is open from 9:00A.M. daily to 4:00P.M. with extended Friday evening hours to 8:00P.M. for both the lobby and drive-in.

The second branch is located approximately 2.5 miles from the main office at 1712 S. Black Horse Pike (Rt. 322), Williamstown, Gloucester County, New Jersey. This is a free standing building and offers drive-through services as well as an ATM. The bank is open from 9:00A.M. daily to 4:00P.M. with extended Thursday evening hours to 7:00P.M. for both the lobby and drive-in. In addition to the extended Thursday evening hours, the branch also has Saturday morning hours for both the lobby and drive-in from

10:00A.M. to 1:00P.M. Due to its proximity to the main office, the Saturday morning hours service depositors from the main branch.

The third branch is located in Monroe Plaza, a strip shopping center located at 108 South Black Horse Pike, Williamstown, Gloucester County, New Jersey. The facility is approximately one-half mile from the main office. The branch is a store-front structure, which prohibits the ability to offer drive-in and ATM services. The bank is open from 10:00A.M. daily to 6:00P.M. with extended Thursday and Friday evening hours to 8:00P.M. In addition to the extended Thursday and Friday evening hours, the branch also has Saturday morning hours from 10:00A.M. to 1:00P.M.

MSB offers a variety of standard banking deposit products to meet consumer and commercial banking needs. MSB also offers internet and phone banking access. Details are available on the bank's website. <http://monroesavings.com/index.htm>

Low- and moderate-income individuals can take advantage of MSB's New Jersey Consumer Checking Account as well as a Senior Citizen Checking Accounts for individuals 55 years of age and older. The New Jersey Consumer Checking Account cost \$3.00 per month, allows a minimum balance of \$1.00, and offers eight free checks per month. Additional checks cost 50 cents apiece. The Senior Citizen Account offers free checks with no monthly service fee or ATM charge. Traditional IRA, Roth IRA and Educational IRA products are available.

Based upon 2010 Peer Demographic Data, MSB was ranked 11th out of 25 institutions in their AA having 3.19% of the total branches, and a 1.42% market share of total deposits. The top five banks in the AA account for 55% of the total branches in the AA, and own a 64.3% market share of the AA's total deposits. TD Bank, NA is ranked first with 15 offices and 34.21% of the deposits. Other financial institutions include PNC with 12 offices and 10.17% of the deposits, Wells Fargo Bank with 10 offices and 10.73%, The Bank with 8 offices and 4.37% of the deposits, and Bank of America with 7 offices and 4.83% of the deposits.

There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its assessment area. At the prior CRA examination dated September 11, 2007, MSB was rated "**Satisfactory.**"

## DESCRIPTION OF ASSESSMENT AREA(S)

Demographic Information for Full Scope Area: Monroe AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	81	0.00	11.11	71.60	17.28	0.00
Population by Geography	356,277	0.00	7.97	73.05	18.98	0.00
Owner-Occupied Housing by Geography	97,503	0.00	5.17	74.13	20.70	0.00
Business by Geography	19,552	0.00	5.51	68.58	25.91	0.00
Farms by Geography	521	0.00	4.41	82.34	13.24	0.00
Family Distribution by Income Level	93,756	16.69	17.72	25.36	40.23	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	32,266	0.00	13.39	77.03	9.58	0.00
Median Family Income		\$62,032	Median Housing Value			\$122,359
HUD Adjusted Median Family Income for 2010		\$83,500	Unemployment Rate			
Households Below Poverty Level		6%	(2012 Bureau of Labor Statistics)			9.1%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000 US Census and 2010 HUD updated MFI

MSB’s Assessment Area (AA) is located in the Camden, NJ MD Metropolitan Statistical Area (MSA) 15804. The AA is comprised of eighty-one contiguous census tracts (CT) in southern Gloucester County and adjacent southern Camden County. MSB has three branches, all of which are located in Gloucester County, but are on the border of Camden County. The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The total population in the AA is 356,277 as of the 2000 U.S. Census. According to the United States Bureau of Labor Statistics, the July 2012 unemployment rate for Camden and Gloucester County, NJ was 11.3% and 10.8% respectively. This is higher than the State of New Jersey unemployment rate of 9.8% for the same period. At the prior examination in September 2007 the unemployment rate of Camden and Gloucester County was 4.8% and 4.2% respectively, and more in line with the State of New Jersey unemployment rate of 4.2% for that time.

Major private sector employers in the Camden County portion of the AA include Cooper Health Systems, Virtua Health Systems, Kennedy Health, Bancroft Neuro Health, TD Bank, NA, Campbell Soup, Lourdes Health, Towers-Perrin and the Courier-Post. Major private sector employers in the Gloucester County portion of the AA include Underwood Memorial Hospital, Railworks Track Systems, Inc., Rowan University, Wal-Mart, MTS Services, Inc. and US Foodservices, Inc. Collectively, the municipal, county and state workers and local boards of education also provide significant job opportunities within the AA.

The median cost of housing in the AA is \$122,359. The Updated Median Family Income for 2011 is \$83,500. The percentage of households below the poverty level is 6%. The AA's population is comprised of 32,266 families with the following family income distribution: 16.69% are low-income, 17.72% are moderate-income, 25.36% are middle-income, and 40.23% are upper-income.

In 2010, 324 lenders originated Home Mortgage Disclosure Act (HMDA) loans in the AA, according to the HMDA Peer Mortgage Data. Competition in the AA was strong with Bank of America, Wells Fargo Bank, TD Bank, Wells Fargo Funding, and JP Morgan-Chase ranking as the top five lenders with a combined market share of 40.8%. MSB was ranked 90th with a market share of 0.10%.

The examiner conducted two community contacts, one in each county, to identify the credit needs within the AA. Gloucester County is an Entitlement Urban County, and operates under a formalized five year plan (2010-2014) which details how Gloucester County will use federal and non-federal resources to meet community needs. These needs, in part, consist of establishing practical communities which provide low- and moderate-income households with decent housing, a suitable living environment, and expanded economic opportunities. The county recognizes the cost of housing as a primary cause of poverty and has set goals and objectives to increase the supply of affordable housing. Camden County operates under a similar program relying on federal HUD funds administered through the Freeholders. Both counties encourage private financing of affordable housing, lending to small businesses in order to expand economic opportunities, and financial support of revitalization projects.

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

### **Loan-to-Deposit Ratio**

MSB's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance. The bank's average loan-to-deposit ratio for the prior twenty quarters is 97%. This ratio exceeds past performance when it was 92.9% at the prior examination. This percentage of loans to deposits is the result of the bank's commitment to invest deposits into loans within its AA and surrounding community.

**Lending in Assessment Area**

MSB’s lending activity within their AA is satisfactory. A majority of the home mortgage loans originated during the evaluation period were originated within the AA. MSB meets the standard for satisfactory performance for lending within the AA. An analysis of the HMDA data disclosed that 63% of these loans were originated in the AA.

**Lending to Borrowers of Different Incomes:**

MSB’s lending to borrowers of different incomes meets the standard for satisfactory performance. The distribution of home mortgage loans within the bank’s AA reflects reasonable penetration among low- and moderate-income borrowers.

The percentage of Home Purchase loans made to low- and moderate-income borrowers exceeded the percentages of low- and moderate-income families within the bank’s AA.

No Home Improvement loans were made to low- or moderate income borrowers. Home Improvement loans accounted for less than 5% of the total home mortgage loans made by MSB during the evaluation period, thus severely limiting the opportunities to originate these types of loans to low- and moderate-income borrowers.

The percentage of Home Refinance loans made to low-income borrowers was less than the percentage of low-income families within the AA, however the percentage of Home Refinance loans made to moderate-income borrowers exceeded the percentage of moderate-income families within the AA.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	16.69	26.09	17.72	26.09	25.36	34.78	40.23	13.04
Home Improvement	16.69	0.00	17.72	0.00	25.36	100.00	40.23	0.00
Home Mortgage Refinance	16.60	10.53	17.72	31.58	25.36	36.84	40.23	21.05

*Source: 2009-2011 HMDA LAR.*

**Geographic Distribution of Loans**

The number of low- and moderate-income geographies in the AA is not sufficient to provide a meaningful analysis of the geographic distribution of the institution's loans in the AA, and little weight was given to this portion of the lending test. There are no low-income geographies in the AA, and only 11% of the census tracts are moderate-income geographies. This fact combined with the strong market share of the out-of-state large

banks severely limits MSB's opportunities to originate residential mortgage loans in the limited number of moderate-income tracts. Nevertheless, it was determined that MSB's geographic distribution of loans meets the standard for satisfactory performance. Our review did not detect any conspicuous or unexplained gaps in the bank's lending patterns.

**Geographic Distribution of Residential Real Estate Loans**

The distribution of home purchase loans to moderate-income geographies almost meets the percentage of moderate-income families. MSB did not originate any home improvement and home refinance loans to moderate-income geographies, thus the distribution is significantly lower than the percentage of moderate-income families within the AA, and reflects poor dispersion. However, this is mitigated by the small number of moderate-income census tracts within the AA, and the overwhelmingly strong market share owned by the large banks.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	5.17	4.35	74.13	96.65	20.70	0.00
Home Improvement	0.00	0.00	5.17	0.00	74.13	100	20.70	0.00
Home Mortgage Refinance	0.0	0.00	5.17	0.00	74.13	94.74	20.70	5.26

Source: 2009-2011 HMDA LAR.

**Responses to Complaints**

MSB did not receive any complaints about its performance in helping to meet credit needs in the assessment area during this evaluation period.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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